

**PRAKAS**  
**ON**  
**THE IMPLEMENTATION OF THE REPO MASTER AGREEMENT**  
**FOR SECURED INTERBANK TRANSACTIONS IN MONEY MARKET**

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**Article 1**

The objective of this Prakas is to have the Repo Master Agreement as attached to provide market participants with a secured contractual framework aimed at promoting collateralized interbank lending transactions.

In this Prakas, the word “Repos” referred to the word “Pension” as stated in article 26 of the Law on the Organization and Functioning of the National Bank of Cambodia.

When signing on a Repo Master Agreement, both parties agree to rule all the repo transactions transacted among themselves by the principles set forth under this contractual general agreement, except if otherwise and explicitly stated by both parties to such agreement. In addition, each repo transaction transacted among the parties will have to be confirmed by appropriate means and in writing.

The Repo Master Agreement shall allow for increased flexibility in the management of residual credit risk by netting, where appropriate, the residual risk position at a broader level including all the repo transactions ruled by the Master contract.

**Article 2**

Under normal circumstances, the Repo Master Agreement shall be essentially viewed as a means to manage counterparty risk exposures by foreseeing a threshold that, if reached or overstepped, would lead the party at risk to require additional collateral either in the form of a securities margin call or through cash margin calls. Where appropriate, and provided that the parties do agree on the modalities, the reduction of the counterparty risk exposure could also be obtained by a combination of both, additional eligible securities supplemented by cash margin calls.

In the absence of event of default, all obligations related to each of the repo transactions ruled by a Repo Master Agreement will have to be fulfilled by parties in accordance with the specific terms of the reciprocal confirmations issued by the two transacting parties.

As such, any individual repo transactions shall be viewed as a combination of two transactions transacted in one. On one hand, the “cash” lending party is performing a loan to the “cash” borrowing counterpart. On the other hand, the “cash” borrowing party is selling, in full property (unrestricted ownership), securities to the “cash” lending bank, with a commitment to repurchase, at an agreed price that is explicitly foreseen in the contract, the same position in scurrilities at maturity. Each leg of a repo transaction shall be viewed as the collateral provided to the other contracting party.

### **Article 3**

The parties to a Repo Master Agreement shall agree upon the securities that will be eligible for transacting repos among themselves. Such eligible securities, depending on market developments, might be subject to a list agreed upon by the parties that shall be considered as a covenant to the Master Agreement.

Such securities which shall fulfill the requirements and comply with the restrictions and prohibitions set forth in the Master Agreement can be subject to price risk, notably due to changes of interest rates in the market. Therefore, the parties shall agree upon a periodicity for the performance of the mark-to-market of the collateral and the price sources to be used for such marks. In addition, the counterparty risk position shall be agreed upon and the corresponding securities and /or cash margin calls confirmed.

The residual risk position being unsecured, market participants are required to establish appropriate policies and procedures as well as adequate processes to monitor and manage their reciprocal risk positions and their confirmation processes.

### **Article 4**

Market participants are required to establish adequate internal control procedures and processes aimed at preventing from failing in the timely execution of their obligations in the course of their transactions. However, should on party fail to settle or to deliver due to operational issues, it shall immediately inform its counterparty of such operational failure and bear the financial consequences arising from its failure to settle or to deliver in a timely manner according to the contractual terms and conditions.

In case of an event of default foreseen by the Repo Master Agreement, the counterparty should notify the defaulting party of the early termination of all transactions ruled by the Agreement and determine the residual claim based on the netting of the mark-to-market of all the reciprocal obligations involved by all the transactions alive at default. Such residual claim shall be produced to the receiver or the liquidator and to the court, depending on the circumstances of such default. Should the residual claim be in favor of the defaulting party as an ultimate residual payment that will substitute for all the netted underlying reciprocal obligations, due to early termination involved by default.

### **Article 5**

In order to ensure opposability of the netting and substitution mechanism involved by the Repo Master Agreement, market participants shall exclusively use the Agreement attached to this Prakas for their transactions.

### **Article 6**

For the implementation of its monetary policy, the National Bank of Cambodia will required that market participants sign on a Repo Master Agreement with the Central Bank prior to transacting such open market or discount transactions.

## **Article 7**

Prior to signing on Repo Master Agreements, market participants shall ensure that they established adequate policies, procedures and internal control processes to mark-to-market, monitor and manage their counterparty risk exposures on the global level involved by such master agreements with their market counterparts.

The National Bank of Cambodia will also issue regulatory guidelines on the accounting entries and the reporting requirements involved by repo transactions and subsequently update its regulatory reporting formats.

Additional guidelines will also be issued by the National Bank of Cambodia for the calculation of risk-weighted positions involved by secured and residual risk positions involved by repo transactions.

## **Article 8**

The Direction General, the Secretariat General, the Inspection General, the Cashier General, all Departments of the National Bank of Cambodia, and all Bank and Financial Institutions under the supervisory authority of the National Bank of Cambodia shall strictly implement this Prakas.

## **Article 9**

Other previous provisions contrary to this Prakas are hereby repealed.

## **Article 10**

This Prakas shall have effect from the signing date.

Phnom Penh, 19 October 2009

**The Governor**

Signed and Sealed: **Chea Chanto**