

ASSOCIATION FOR FINANCIAL PROFESSIONALS

# ASIA-PACIFIC TREASURY MANAGEMENT HANDBOOK
## COUNTRY PROFILE

# CAMBODIA

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## COUNTRY PROFILE

# CAMBODIA

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# CAMBODIA

## BANKING OVERVIEW

### Central bank

- The National Bank of Cambodia (NBC) (www.nbc.org.kh).

### Bank supervision

- The National Bank of Cambodia.

### Banking structure

- As of October 2019, 44 commercial banks, 14 specialised banks, including one state-owned bank (The Rural Development Bank), 74 microfinance institutions, seven microfinance deposit-taking institutions, 273 rural credit institutions and nine representative offices of banks operated in Cambodia.
- In December 2016, the NBC issued the Prakas (Directive) on Provision of Credit in National Currency of Banking and Financial Institutions requiring all financial institutions to have at least 10% of their loan portfolio in domestic currency, the Cambodia riel (KHR), by the end of 2019.

### Bank accounts

| RESIDENT BANK ACCOUNTS | INSIDE CAMBODIA | OUTSIDE CAMBODIA |
|---|---|---|
| **DOMESTIC CURRENCY (KHR)** | Permitted without restriction, convertible. | Permitted although subject to the restrictions of that particular currency, non-convertible. |
| **FOREIGN CURRENCY** | Permitted without restriction, convertible. | Permitted without restriction, convertible. |

| NON-RESIDENT BANK ACCOUNTS | INSIDE CAMBODIA | OUTSIDE CAMBODIA |
|---|---|---|
| **DOMESTIC CURRENCY (KHR)** | Permitted without restriction, convertible. | Permitted although subject to the restrictions of that particular currency, non-convertible. |
| **FOREIGN CURRENCY** | Permitted without restriction, convertible. | Not applicable. |

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## Payment & collection instruments

| PAYMENT TYPE | CHEQUES | CREDIT TRANSFERS | DIRECT DEBIT |
|---|---|---|---|
| **DOMESTIC CASHLESS PAYMENTS 2018 (MILLION)** | 38,249 (+2.0% yoy) (KHR cheques).<br><br>1,238,232 (+ 11.8 yoy) (USD cheques). | – | – |
| **DOMESTIC CASHLESS PAYMENTS 2018 (KHR BILLION AND USD MILLION)** | KHR 9,424.1 billion (+ 42.6% yoy).<br><br>USD 41,462.7 million (+ 54.6% yoy). | – | – |
| **CHARACTERISTICS** | Commercial payments. Cheques are primarily used by corporations.<br><br>Cheques can be denominated in KHR or USD. | Credit transfers can denominated in KHR or USD and can be paper-based or automated.<br><br>Near real-time KHR-denominated credit transfers are available through the FAST Payment Service.<br><br>Cross-border credit transfers can be made via SWIFT and settled through correspondent banks abroad. | Low-value recurring payments, e.g. utility bills.<br><br>Direct debits are usually available on an intra-bank basis. |
| **CLEARING METHOD** | National Clearing System for both KHR- and USD-denominated cheques. | National Clearing System. | National Clearing System. |
| **DURATION OF CLEARING CYCLE** | T+1 for both KHR and USD-denominated cheques. | Inter-bank credit transfers settled on a next-day basis.<br><br>FAST payments settled on a near real-time basis. | Next-day basis up to two business days. |

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## Payment & collection instruments (continued)

| PAYMENT TYPE | PAYMENT CARDS | ATM/POS | DIGITAL PAYMENTS |
|---|---|---|---|
| **DOMESTIC CASHLESS PAYMENTS 2018 (MILLION)** | – | – | – |
| **DOMESTIC CASHLESS PAYMENTS 2018 (KHR BILLION AND USD MILLION)** | – | – | – |
| **CHARACTERISTICS** | Visa, MasterCard and Union Pay-branded cards are available. | 1,490 ATMs.<br><br>13,128 POS terminals (2017). | Mobile wallet payment apps such as Pi Pay, Ly Hour Pay Pro and Pay&Go available.<br><br>QR codes a payment option. The EMV standard QR code adopted. |
| **CLEARING METHOD** | Cambodian Shared Switch. | Cambodian Shared Switch, Easy Cash network. | |
| **DURATION OF CLEARING CYCLE** | Next-day basis. | Next-day basis. | |

Source: National Bank of Cambodia, Work Bank.

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## Payment/clearing systems

| CLEARING SYSTEM | CLEARING TYPE | TRANSACTIONS PROCESSED | VALUE DATING RULES | CUT-OFF |
|---|---|---|---|---|
| **NATIONAL CLEARING SYSTEM** | Deferred multilateral net settlement system. | USD and KHR-denominated interbank transfers and USD and KHR-denominated cheques. | Next-day basis. | NA. |
| **FAST** | Interbank electronic transfer system. | Low-value KHR-denominated credit transfers. Up to KHR 40 million. | Near real-time. | NA. |
| **CAMBODIAN SHARED SWITCH** | Interbank electronic credit and debit transfer system. | ATM and EFTPOS payments. | Next-day basis. | 23:59. |

Source: National Bank of Cambodia.

## TAXATION: IN FIGURES

| | | |
|---|---|---|
| **STANDARD CORPORATE INCOME TAX RATE** | | 20% |
| **WITHHOLDING TAX ON PAYMENTS TO NON-RESIDENTS – SUBJECT TO TAX TREATIES** | **INTEREST** | 15% |
| | **DIVIDENDS** | 14% |
| | **ROYALTIES** | 14% |
| | **TECHNICAL SERVICE FEES** | 14% |
| **VAT STANDARD RATE** | | 10% |
| **CAPITAL GAINS TAX** | | None. |
| **EMPLOYER'S PAYROLL AND SOCIAL SECURITY TAXES** | | No payroll tax. Employers are required to make monthly both occupational risk and heath care benefit (HCB) contributions at a rate of 0.8% and 2.6%, capped at USD 2.4 and USD 7.8 per employee, respectively. |

Source: Deloitte Highlights 2019

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## TAXATION: IN DETAIL

- The standard corporate income tax rate is 20%. The tax on income rate ranges from 0% to 30%, based on the taxpayer's activity.
- Resident companies are taxed on their worldwide income. Non-resident companies are taxed only on their Cambodian-sourced income.
- Withholding tax is applicable to certain payments made to non-residents. Such payments broadly include dividends, interest, royalties, technical assistance fees, management fees, branch profits and rental payments.
- Cambodia has exchange of information relationships with two jurisdictions (China and Singapore) through two double tax treaties.
- Cambodia has transfer pricing rules requiring transactions between related parties to be conducted within arm's-length terms.
- There are no formal thin capitalisation rules in Cambodia.
- There are no CFC rules in Cambodia.

## CORPORATE INCENTIVES

- Incentives for qualified investment projects (QIPs) mainly consist of an exemption from minimum tax; either a profit tax holiday or special depreciation at a 40% rate in the first-year asset is placed in service; and exemptions from import duty.
- A VAT exemption on the importation of raw materials is available for 100% export-oriented enterprises.

### Liquidity management

| INSTRUMENTS | AVAILABILITY | COMMENTS |
|---|---|---|
| **DOMESTIC CASH CONCENTRATION** | Yes. | Allowed between resident and non-resident companies in domestic and foreign currency-denominated accounts. |
| **DOMESTIC NOTIONAL POOLING** | No. | |
| **CROSS-BORDER CASH CONCENTRATION** | No. | |
| **CROSS-BORDER NOTIONAL POOLING** | No. | |

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## FOREIGN EXCHANGE MARKET

The official currency of Cambodia is the Cambodian riel (Khmer riel) (KHR), which is managed by the NBC. The de jure exchange arrangement is a managed float arrangement. Cambodia is a heavily dollarised country where over 80% of deposits and credits in the financial system are made in USD.

### Exchange tax

There is no tax on foreign exchange transactions.

### Exchange subsidy

There is no exchange subsidy.

### Forward foreign exchange market

There are no restrictions on forward foreign exchange markets.

### Capital flows

Capital repatriation (including repatriation of reinvested profits) is freely allowed in any currency.

Individuals that either import or export sums in excess of USD 10,000 in cash must notify the customs authorities. Funds transfers in excess of USD 10,000 must be declared to the NBC before the transfer.

### Loans, interest and repayment

Cambodia imposes no restrictions on the provision or repayment of loans provided they are made through authorised banks.

### Royalties and other fees

There is no limit on repatriating royalties or fees.

### Profit remittance

Profits can be remitted in any currency without restriction.

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## SHORT-TERM INVESTMENT ALTERNATIVES

### Bank deposits

Local and foreign currency time deposits are available.

### Interest payable on bank account surpluses

Local and foreign currency interest-bearing current, or checking, accounts are available to both resident and non-resident entities.

### Commercial paper/CDs

A securities market is still in the early stages of development in Cambodia.

Certificate of deposits are not issued by commercial banks.

Companies do not issue commercial paper.

### Government paper

There is no government debt market in Cambodia. A securities market is still in the early stages of development in the country.

The National Bank of Cambodia (NBC) issues Negotiable Certificates of Deposits (NCDs) to banks in the interbank money market.

- NCDs are issued to provide financial institutions with means to manage excess liquidity.
- They can be traded in the interbank market or used as collateral for the credit facility provided to banks by the NBC.
- The minimum investment is KHR 200 million or USD 50,000.
- The maturity of the KHR-denominated NCD ranges from two weeks to one year. The maturity of the USD-denominated NCD ranges from two weeks to six months.

### Money market funds

There are no money market funds available in Cambodia. A securities market is still in the early stages of development in the country.

### Other

- NA

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## LONG-TERM FUNDING

### Bank lines of credit/loans

Long-term loans, generally denominated in KHR or USD, are available to domestic and foreign-owned companies. Thai baht (THB)-denominated loans are also available.

### Leasing

Lease finance is available in Cambodia.

### Bonds

A securities market is still in the early stages of development in Cambodia.

### Private placement

A securities market is still in the early stages of development in Cambodia.

### Asset securitisation/structured finance

A market for structured financial transactions has yet to emerge in Cambodia.

### Government investment incentive schemes/special programmes or structures

Limited or non-recourse financing for projects is not common in Cambodia.

Investment incentives for Qualified Investment Projects (QIPs) generally include profit tax exemption or use of special depreciation, and exemptions from import duty.

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# GENERAL INFORMATION

## Currency + Swift code

- Cambodian riel (KHR)

## Business/banking hours

- Business hours: 08:00–12:00 and 14:00–17:00 (Mon–Fri/Sat)
- Banking hours: 08:00–16:00 (Mon–Fri)

## Bank holidays

- 2020 — January 1, 7, February 10*, March 9, April 14, 15, 16, May 1, 7*, 13, 14, 15, 20, June 1, 18, September 24, October 15, 23, 29, November 9, December 10
- 2021 — January 1, 7, March 8*, April 14, 15, 16, May 3, 13, 14, 15, 20, 26*, June 1, 18, September 24, October 15, 25, 29, November 9, December 10

## Time zone GMT (hours)

- +7

* The date show may vary by plus or minus one day. These dates are derived by converting from a non-Gregorian calendar (e.g. Muslim or Hindu) to the Gregorian calendar. Some of these dates cannot be determined in advance with absolute accuracy, even by the governing authorities. In the case of Muslim dates in particular, the feast days are determined by the sighting of a new/full moon.

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kyriba®

## About Kyriba

Kyriba empowers forward-thinking treasury and finance teams to optimize key capabilities for cash and risk management, payments and working capital strategies. Kyriba delivers a highly secure, 100% SaaS platform, superior bank connectivity and a seamlessly integrated solution set designed for tackling many of today's most complex financial challenges. Thousands of companies worldwide rely on Kyriba to streamline key processes, enhance fraud protection and compliance, and accelerate growth opportunities through improved decision support. IDC, a global technology analyst firm, has recognized Kyriba as the leader for worldwide SaaS and cloud enabled risk management applications. For more information, visit www.kyriba.com.