

National Bank of Cambodia (NCB)

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Brief presentation

The National Bank of Cambodia (NBC) was established in 1980. In January 1996, NBC became an autonomous central bank with a board of directors responsible for establishing operational policies and issuing decisions, regulations, circulars and other directives. NBC supervises the banking system and is the banker for the Government. NBC has 4 organizational areas, namely: (i) the General Cashier, (ii) the General Direction, (iii) the General Secretariat, and (iv) the General Inspection. Bank supervision is one of NBC's most important activities. Its Bank Supervision Department was reorganized in December 1999. It has 4 divisions now, for (i) off-site inspection of commercial banks, (ii) on-site inspection of commercial banks, (iii) administration, regulation, research and licensing of commercial banks, and (iv) supervision and licensing of specialized banks and MFIs.

Involvement in microfinance

The role of NBC in rural finance services includes: promoting rural finance; supporting soundness and sustainability of microfinance institutions; building the confidence of the public, protecting small depositors and promoting good governance.

In terms of supervision, the role of NBC includes conducting off-side and on-site inspection, monitoring the implementation by MFIs, promoting the establishment of credit policy and procedures, and culture by MFIs, and to make recommendations. The NBC has also been delegated the authority to regulate, supervise, license and revoke licenses of MFIs, to issue prudential regulations and to strengthen supervisory capacity.

Regulatory framework

NBC implements the new law on banking and financial institutions in November 1999, followed in 2000 by a decree ('Pracas') regulating the microfinance industry by licensing and registering major microfinance providers. NGO and microfinance projects were given the opportunity to transform into formal financial institutions (limited liability company or cooperative), or simply to be registered when they don't qualify for licensing criteria. Ten MFIs are now licensed by NBC: AMRET and HKL (in 2001), Seilanithih (n/a), TPC and CEB (in 2003), and AMK, CREDIT, Vision Fund, PRASAC, Tang Fang Microfinance (in 2004). Approximately 27 organisations are registered, 15 of them would qualify for a licence.

There are some rules and supervision guidelines to be followed.

- *Licensing requirements*
A microfinance institution is required to be incorporated as a limited liability company or as a cooperative. In addition, MFIs need to have at least KHR 250 million in capital. The license is valid for a period of 3 years and can be renewed. The submission fee is KHR 50,000 with the annual license fee being KHR 1 million.

- *Reporting requirements*
Registered MFIs need to submit quarterly reports. These reports include: statement of assets and liabilities; statement of profit and loss; breakdown of loans/deposits by category; breakdown of loans/deposits by currency; loan classification and delinquency ratio and network of branches and offices.
Licensed MFIs need to present monthly reports, and annual reports including audited financial statements, BOD annual report, statistics of staff and salaries; updated organisation chart. Suspicious transactions should also be reported.
- *Supervision*
Elements of supervision include: BOD and management oversight; availability of policies and procedures; internal controls and management information systems. The approach to supervision includes understanding and assessing risks of MFIs, planning and scheduling supervision activities, defining examination activities, perform onsite examination and reporting of findings.

Distinctive features

n/a

Sources

- *'Microfinance Regulations and Public Intervention in Microfinance'* presented by Phan Ho, Director, Bank Supervision Department, National Bank of Cambodia, during the BWTP Regional Microfinance Workshop, Phnom Penh, December 2004.
- ADB project documents