

**STATUS OF THE CONDITIONS FOR RELEASE OF THE FIRST FINANCIAL SECTOR
PROGRAM LOAN CLUSTER TRANCHES**

Subprogram	Tranche Conditions	Status
<p>Subprograms A. Subprogram 1 1. Banking subsector a. Strengthen bank supervision and prudential regulations</p> <p>b. Build capacity</p> <p>2. Insurance subsector Establish regulatory and supervisory framework for insurance development</p> <p>3. Money/interbank markets Create interbank market arrangements</p>	<p>NBC to reconcile old and new prudential regulations and issue clarifying guidance to commercial banks.</p> <p>NBC to fully staff the onsite inspection division of the Banking Supervision Department in a manner acceptable to ADB.</p> <p>NBC to adopt a formal procedure for soliciting comments from the private sector on proposals for or revisions to laws, regulations, procedures and policies affecting banking subsector.</p> <p>NBC to adopt surveillance and inspection procedures including standardization of reports submitted by commercial banks; unless specified otherwise in the NBC regulations, these procedures are also to be applied to licensed MFIs.</p> <p>NBC to adopt a prompt corrective action system for commercial banks, acceptable to ADB; a similar system is to be applied to licensed microfinance institutions with modified capital adequacy standards</p> <p>NBC to adopt an anti-money laundering regulation; unless otherwise specified in the NBC regulations, this regulation is also to be applied to licensed MFIs.</p> <p>NBC to establish a CBS as an NBC subsidiary with separate management and accounts.</p> <p>NBC to ensure that FTB management adopts a comprehensive staff training program, including accounting, risk management, asset and liability management, and a management information system.</p> <p>MEF to establish an insurance supervisory unit.</p> <p>MEF to ensure issuance of a subdecree to implement the Insurance Law.</p> <p>NBC to recognize bankers association as a self-regulatory organization.</p>	<p>Fully implemented in 2002 with periodic updates since</p> <p>Fully implemented in 2002 with ongoing training provided</p> <p>Implementation underway since 2002</p> <p>Fully implemented since 2002; separate prudential regulations were issued for MFIs</p> <p>The system was adopted in 2002; initial implementation required technical support</p> <p>Two key regulations were adopted in 2002: "Know Your Customer" and "Reporting Suspicious Transactions"</p> <p>CBS was established with a separate budget (sourced from trainees)</p> <p>Staff training program was adopted in 2002 followed by the privatization process, which was completed in 2005</p> <p>Insurance supervisory unit established within MEF in 2002</p> <p>Implementation of the subdecree commenced in 2002</p> <p>Bankers association has been operating independently since 2002</p>

Subprogram	Tranche Conditions	Status
<p>4. Accounting, auditing, and legal infrastructure</p> <p>B. Subprogram 2</p> <p>1. Banking subsector</p> <p>a. Develop banking subsector infrastructure and safety net</p> <p>b. Build capacity</p>	<p>Approved articles of association must include provisions for the establishment of interbank market arrangements, arrangements for sharing credit information among the members of the bankers association, and a banking institute for private bank staff</p>	<p>Articles of association have been adopted; work on establishing a CIS has commenced; and a banking institute has been established and is fully operational. ADB provided initial technical support but MPDF has since taken it over</p>
	<p>NBC and the bankers association to establish a working group to establish interbank market arrangements, arrangements for sharing credit information among the members of the bankers association, and a banking institute</p>	<p>An online CIS was launched in August 2006 and the banking institute was established in 2002</p>
	<p>MEF to submit to the National Assembly a draft law on corporate accounts, their audit, and the accounting profession</p>	<p>Accounting law enacted in 2002</p>
	<p>MEF to adopt IAS and ISA, to be applied upon adoption of the law on corporate accounts, their audit, and the accounting profession</p>	<p>15 accounting and 10 auditing standards (internationally based) adopted and implementation started</p>
	<p>MOC to submit to the National Assembly a draft law on commercial enterprises</p>	<p>Draft commercial enterprises law submitted to the National Assembly and adopted in May 2005</p>
	<p>NBC to adopt guidelines for credit information sharing arrangements among the members of the bankers association; NBC and the bankers association are to establish such arrangements</p>	<p>MOU to establish a CIS was signed by all commercial banks in 2004 and an online CIS launched in August 2006</p>
	<p>NBC to adopt a uniform chart of bank accounts and disclosure rules for commercial banks consistent with IAS</p>	<p>NBC <i>prakas</i> issued in December 2002 requiring all banks to adopt the uniform chart of accounts</p>
	<p>NBC to apply the uniform chart of bank accounts and disclosure rules for commercial banks, consistent with IAS, to the Rural Development Bank and other specialized banks</p>	<p>Uniform chart of accounts adopted by all banks in December 2004 with audited financial statements made publicly available since 2005</p>
	<p>MOC to submit to the National Assembly a draft secured transactions law</p>	<p>Draft secured transactions law submitted to the National Assembly in July 2005</p>
	<p>MOC to adopt a plan to establish a public registry for secured transactions acceptable to ADB</p>	<p>MOC adopted the plan in May 2005; design of an online registry commenced thereafter</p>
<p>NBC to ensure that CBS establishes a central banking course for NBC professional staff, including a mandatory training program for entry-level professional staff</p>	<p>CBS commenced preparation of the courses in October 2002 and launched the programs in July 2003</p>	

Subprogram	Tranche Conditions	Status
<p>2. Insurance subsector</p> <p>a. Establish framework for compulsory insurance</p> <p>b. Promote private sector development</p> <p>3. Interbank and Money Markets</p> <p>4. Accounting and auditing system and legal infrastructure</p>	<p>MEF, in consultation with related ministries, to adopt inter-ministerial regulations for development of compulsory insurance</p> <p>MEF to establish a joint venture between the state-owned insurance company and a private insurance company</p> <p>NBC to submit to the National Assembly a draft law on negotiable instruments and payment transactions</p> <p>A law on corporate accounts, their audit, and the accounting profession to be adopted</p> <p>MEF to adopt a subdecree to apply IAS and ISA to all companies (including insurance companies) incorporated in Cambodia, and to establish a national accounting council to set and interpret standards</p> <p>Law on commercial enterprises to be adopted</p> <p>MEF to establish an association of accountants and auditors including (i) adopting a code of ethics that complies with the requirements of the International Federation of Accountants, and (ii) establishing committees on education and ethics within the association</p>	<p>Three inter-ministerial <i>prakas</i> (on motor vehicle third-party insurance, construction workers, and passenger transport liability) adopted in 2002</p> <p>No private investor expressed interest; the Government agreed to restructure the state-owned insurance company</p> <p>Draft law was submitted to the National Assembly in January 2005</p> <p>The National Assembly passed the law in July 2002</p> <p>Subdecree for the establishment of the National Accounting Council was adopted in March 2003 and council members were appointed</p> <p>Law on commercial enterprises enacted in May 2005</p> <p>The subdecree to create KICPAA was adopted in March 2003. KICPAA was formally established with bylaws in February 2004</p>
<p>C. Subprogram 3</p> <p>1. Development of the banking subsector</p> <p>a. Develop banking subsector infrastructure</p> <p>b. Develop commercial law and build capacity</p>	<p>Adoption of a secured transactions law by the National Assembly</p> <p>MOC to establish a public registry for secured transactions</p> <p>NBC to form a unit and undertake the preparatory work needed to establish a FIU responsible for anti-money laundering and combating the financing of terrorism</p> <p>Adoption of a law for commercial arbitration by the National Assembly</p> <p>Submission of an insolvency law to the National Assembly</p> <p>MOC to ensure dissemination of commercial laws via the internet</p> <p>MOC to work with the relevant law</p>	<p>Secured transactions law was adopted in May 2007</p> <p>MOC officially launched the online filing registry in December 2007</p> <p>Pilot-FIU was established in June 2005 with six staff members under the Bank Supervision Department</p> <p>Adopted in March 2006</p> <p>Draft insolvency law submitted to the National Assembly in July 2007 and adopted in October 2007</p> <p>Website established and all commercial laws uploaded in December 2005</p> <p>Curriculum for commercial law program</p>

Subprogram	Tranche Conditions	Status
<p>2. Development of the insurance subsector a. Strengthen capacity of the regulator</p> <p>b. Promote private sector involvement in the insurance subsector</p> <p>3. Development of interbank and money markets Develop legal framework for money market development</p> <p>4. Development of Accounting and Auditing Practices Provide capacity support to develop professional members for KICPAA</p>	<p>institutes to develop commercial law curricula based on the new commercial laws for training judges, lawyers, and legal clerical staff</p> <p>MEF to review, update, and implement appropriate prudential regulations to enhance solvency, liquidity, and corporate governance requirements; and support technical assistance to the insurance regulator</p> <p>MEF to implement the key actions of the plan to restructure Caminco, as agreed with ADB, with a view to divest government shares at the earliest opportunity</p> <p>Adoption of a law on negotiable instruments and payment transactions by the National Assembly</p> <p>NBC to draft and adopt implementing regulations for the law on negotiable instruments and payment transactions</p> <p>MEF to ensure financial support for at least 70 scholarships per year for the development of professional members of KICPAA</p>	<p>adopted by the three selected legal faculties in May 2007</p> <p>Prudential regulations formally approved by the senior minister of MEF in March 2007</p> <p>Restructuring plan approved in August 2005 and implementation commenced in December 2005</p> <p>Arrangements to divest shares did not eventuate; internal restructuring continues with the intention to grow market share and profitability</p> <p>Law adopted by the National Assembly in September 2005</p> <p>Three implementing regulations adopted in December 2006</p> <p>MEF continues to annually sponsor 70 scholarships with awardees selected on a competitive basis</p>

ADB = Asian Development Bank, CBS = center for bank studies, CIS = credit information sharing system, FIU = financial intelligence unit, FTB = Foreign Trade Bank, GDP = gross domestic product, IAS = international accounting standards, ISA = international standards for auditing, KICPAA = Kampuchea Institute of Certified Public Accountants and Auditors, M2 = a broad money supply measure, MPDF= Mekong Project Development Facility, MEF = Ministry of Economy and Finance, MFI = microfinance institution, MOC = Ministry of Commerce, MOU = memorandum of understanding, NBC = National Bank of Cambodia, NPL = nonperforming loan, ROA = return on assets, TA = technical assistance.

Parkas- Khmer name for regulations or instructions issued by the NBC governor or a government minister.

Source: Asian Development Bank.