



NATIONAL BANK OF CAMBODIA

Number... B7-10-001

**CIRCULAR
ON
INVESTMENT GRADE**

To strictly implement the Law on Banking and Financial Institutions promulgated by the Royal Kram NS/RKM/1199/13 of November 18, 1999 and the Prakas B7-08-193 Pro Kor adopted on September 19, 2008 on the New Capital Requirement and Criteria for Licensing Approval of Banks in commensurate with the development of banking and financial system, the National Bank of Cambodia advises on the investment grade of the influential shareholders which are the banking and financial institutions and on the relevant obligations of the banking institutions which obtained operating license in the Kingdom of Cambodia as the following:

1. Influential shareholders shall obtain investment grade from at least one of the three international rating agencies namely Moody's Asia Pacific, Standard & Poor's Corporation, and Fitch). This rating refers to long-term rating in each of the category below:

Moody's Asia Pacific	Standard & Poor's Corporation	Fitch	Grade
Long Term Rating	Long Term Rating	Long Term Rating	
Aaa	AAA	AAA	Prime
Aa1	AA+	AA+	High Grade
Aa2	AA	AA	
Aa3	AA-	AA-	
A1	A+	A+	Upper Medium Grade
A2	A	A	
A3	A-	A-	
Baa1	BBB+	BBB+	Lower Medium Grade
Baa2	BBB	BBB	
Baa3	BBB-	BBB-	

2. Commercial banks which have at least one influential shareholder as a banking or financial institution with a rating "investment grade" extended by an international rating agency, shall have minimum capital requirement equal to at least KHR 50,000,000,000 (fifty billion). Commercial banks without investment grade rating of influential shareholders shall have a minimum

UPDATE: 15 JUNE 2010

capital requirement of at least KHR 150,000,000,000 (one hundred fifty billion). Commercial banks that want to establish subsidiary shall have a minimum capital requirement of at least KHR 150,000,000,000 (one hundred fifty billion) regardless rating investment grade rating of influential shareholders.

3. Specialized banks which have at least one influential shareholder as a banking or financial institution with a rating "investment grade" extended by an international rating agency, shall have minimum capital requirement equal to at least KHR 10,000,000,000 (ten billion). Specialized banks without investment grade rating of influential shareholders shall have a minimum capital requirement of at least KHR 30,000,000,000 (thirty billion). Specialized banks that want to establish subsidiary shall have a minimum capital requirement of at least KHR 30,000,000,000 (thirty billion) regardless rating investment grade of influential shareholders.
4. All banking institutions shall provide their influential shareholder's confirmation of rating issued by one of the three international rating agencies to the National Bank of Cambodia timely and regularly at the beginning of each semester. In addition, all banking institutions shall immediately report to the National Bank of Cambodia if the international rating agency downgrades the influential shareholder's rating to any sub-investment grade.
5. Influential shareholder should issue its guarantee letter to increase paid-up capital when its rating is downgraded to any sub-investment grade or when the National Bank of Cambodia requires such capital increase based on its supervisory assessment on the domestic entity's condition or risk profile. Such guarantee letter shall define its irrevocable commitment vis-à-vis the National Bank of Cambodia to provide the additional capital within 5 (five) working days and to finalize the capital increase formalities within 30 (thirty) days starting from the transfer of the required amount. The guarantee letter for increasing paid-up capital shall be supported by a decision made by the board of the influential shareholder or parent company and notification to the home supervisory authority.
6. The commitments to provide confirmation of rating, to report timely and regularly to the National Bank of Cambodia, and to issue guarantee letter for increasing paid-up capital as clearly defined in point 4 and point 5 above shall support by a decision made by the board and acknowledge by the influential shareholder. The documents to be filed with the National Bank of Cambodia shall consist of:
 - Authenticated copies of the board resolution concerning the commitments to provide confirmation of rating, to report timely and regularly to the National Bank of Cambodia, and to issue guarantee letter for increasing paid-up capital.
 - Notification letter to the home supervisory authority of the National Bank of Cambodia's requirements on the commitments to provide confirmation

- of rating, to report timely and regularly to the National Bank of Cambodia, and to issue guarantee letter for increasing paid-up capital.
- And the guarantee letter of the influential shareholders to increase paid-up capital.
7. In case where domestic banking institutions would seek the support from the foreign banking and financial institutions such domestic banking institutions shall provide documents to the National Bank of Cambodia no later than September 30, 2010 of the following:
- Memorandum of understanding or irrevocable letter of interest from the potential influence shareholders specifying the shares that is looked for and the strategic objective of the investment which evidence long term commitment and interest in performing banking in the Kingdom of Cambodia.
 - Authenticated copies of the board resolution of the potential influential shareholder and the notification letter to the home supervisory authority on the foreign banking institution's intention to invest in Cambodia.
 - Declaration of the foreign banking institution on its responsibilities as an influential shareholder under the Laws and Regulations of the Kingdom of Cambodia and explicitly commit to comply with them.

This circular is effective as of the date of signing.

Phnom Penh, *July 07,* 2010

CC:

- All members of the board of directors
- Council of Ministers for info
- Administration Department of the CM
- For publication in the National Gazette