

LAW ON THE ISSUANCE AND TRADING OF NON-GOVERNMENT SECURITIES (the “Securities Law”), 071019

The Law on the Issuance and Trading of Non-Government Securities was adopted by the National Assembly on September 12, 2007, approved by the Senate on October 4, 2007, and promulgated by Royal Decree No. NS/RKM/1007/028, dated October 19, 2007 (the “Securities Law”).

Non-Government Securities are defined as securities issued by public limited companies or other legal entities permitted to publicly issue and trade securities in the Kingdom of Cambodia in compliance with the law, including:

- equity securities, including shares;
- debt securities, including bonds or debentures;
- interests in a Managed Investment Scheme;
- derivative instruments in relation to the abovementioned securities; and
- other financial instruments which are determined securities.

The objective of this law is to manage the securities market, clearance and settlement facility operations, a securities depository and other operators in the securities market who deal with or provide financial services, including public limited companies or legal entities that are permitted to issue securities. This stated scope of this law is that it is applicable to all non-government securities transactions in Cambodia.

In this Special Edition of our Weekly Law Update we address the following key aspects of the Securities Law:

- (i) Securities and Exchange Commission of Cambodia;
- (ii) The Issuance of Securities and the Securities Market; and
- (iii) Securities Firms.

The Securities and Exchange Commission of Cambodia

The Securities Law establishes a Securities and Exchange Commission of Cambodia (the “SECC”). The SECC shall be composed of a chairman, being the Minister of Economy and Finance (the “Chairman”), and eight other members, who shall be appointed by way of a sub-decree at the request of the Chairman for a term of five years, which term is renewable. The organization and functioning of the SECC shall be regulated by a sub-decree to be passed. The roles and responsibilities of the SECC are as follows:

- to manage and control the securities market, including state securities market;
- to set policy regarding the securities market;
- to set the requirements for approval and authorization as a securities market operator, clearance and settlement facility operator, and securities depository;
- to set the requirements for the licensing of securities firms and securities representatives;
- to promote and ensure compliance with the provisions of the Securities Law; and
- to control and settle any complaints against licensed legal entities' decisions which affect the interests of participants or investors

All the daily and administrative activities and operations of the SECC, including the power to issue or terminate licenses, shall be the responsibility of a General Director who shall be appointed by a sub-decree at the request of the Chairman.

Securities Issue and Securities Market

1-Securities Issuance and Trading

Securities cannot be publicly issued and traded unless they are authorized by the General Director of the SECC after the payment of the required fees. Application for the issuance and trading of securities shall be determined by the General Director of the SECC no later than three months after filing date.

In addition, securities cannot be publicly offered, unless:

- (i) the offered securities are issued by a public limited company or a permitted legal entity; and
- (ii) all the terms and conditions of an offer and its disclosure document are approved by the General Director of the SECC.

Any change in a disclosure document must be filed and approved by the general director of the SECC ("Continuous Disclosure Document"). The filed disclosure document and Continuous Disclosure Document may be suspended by the General Director of the SECC for a period of not longer than one month to protect the public interest, if the information provided is not accurate or does not comply with legal requirements. If the information and/or requirements are not rectified or completed then the disclosure document and Continuous Disclosure Document may be cancelled by the General Director of the SECC.

2-Securities Market

Securities market transactions, clearance and settlement facilities, and securities deposit services must be authorized by the General Director of the SECC following the approval of a proposal at the plenary

meeting of the SECC, although such approval is not required for the National Bank of Cambodia. Securities market transactions may not be authorized unless clearance and settlement facilities are adequately established. If an authorized person breaches any requirements of such authorization, it may be suspended or withdrawn with the approval of the plenary meeting of the SECC, however, rectification or additional requirements must be applied before such a penalty may be imposed.

3-Securities Firm

Securities businesses, or traders of securities in the form of securities firms or securities representatives, must be licensed by the General Director of the SECC in compliance with the requirements fixed by the SECC. Certain securities dealers will be exempt from such licensing requirements in relation to the trading of certain exempt securities transaction, which shall be specified by a separate sub-decree. A license must not be granted in the absence of a written justification and the applicant's explanation.

A license may be restricted, suspended, or withdrawn in the event of a license holders breach of the requirements of the license or other applicable rules however, these measures cannot be decided without prior written notice specifying reasons and the license holder's response.

Public limited companies and other legal entities permitted to issue non-government securities shall comply with the laws in force and other rules on the governance fixed by the SECC. The requirements for holding voting shares in public limited companies and other legal entities permitted to issue non-government securities shall be fixed by the SECC.