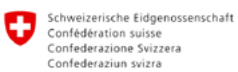




Promoting Financial Consumer Protection in Cambodia

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ACRONYMS

ABC:	Association of Banks in Cambodia
ATM:	Automated Teller Machine
CMA:	Cambodia Microfinance Association
CP:	Consumer Protection
CPA:	Consumer Protection Agency
CBC:	Credit Bureau of Cambodia
CRSP:	Credit Reporting Service Provider
CGAP:	Consultative Group to Assist the Poor
FCP:	Financial Consumer Protection
FCPF:	Financial Consumer Protection Framework
FSDS:	Financial Sector Development Strategy
FSP:	Financial Service Provider
FI:	Financial Institution
GDP:	Gross Domestic Product
IFC:	International Finance Corporation
IFSP:	Informal Financial Service Provider
KYC:	Know Your Client
MDI:	Microfinance Deposit Taking Institution
MFI:	Microfinance Institution
MEF:	Ministry of Economy and Finance
MoC:	Ministry of Commerce
NBC:	National Bank of Cambodia
NGO:	Non-government Organization
OECD:	Organisation for Economic Co-operation and Development
PIN:	Personal Identification Number
POS:	Point of Sales
RGC:	Royal Government of Cambodia
SECC:	Security and Exchange Commission of Cambodia
WB:	World Bank

Introduction



The International Finance Corporation (IFC), a member of the World Bank Group, has undertaken a broad initiative over the past four years to assist the National Bank of Cambodia (NBC) and other stakeholders in the development and launch of a national credit bureau in Cambodia.

The project is a rare case of making a private credit bureau successfully operational in a relatively short period of time in a developing economy. The credit bureau operator, Credit Bureau of Cambodia (CBC), launched its consumer credit reporting services in March 2012 and has had great success in building membership and its credit information database. CBC has the ability to apply analytical software to its database, extract significant amounts of information, and provide graphical trend analysis that can enable more efficient credit markets and credit allocation.

In March 2013, CBC, NBC and other stakeholders requested IFC continue its support for the credit reporting system by addressing financial consumer protection (FCP) issues in the financial sector.

IFC's FCP initiative aims to work with NBC to identify specific consumer protection measures that could form a coordinated consumer protection framework for financial institutions (FIs). The methodology of the project included the following:

1. Review financial consumer protection issues through stakeholder meetings and literature reviews.
2. Undertake an assessment of existing provisions and practices on financial consumer protection: identify gaps, and propose solutions.
3. Report on observations and findings and promote discussions on the need for and challenges of establishing good FCP framework.
4. Propose specific strategies and actions to address gaps in policy and regulatory frameworks.
5. Complete a final report incorporating relevant comments and feedback from the meetings and other input providers.
6. Disseminate main findings and recommendations of the study through a conference organized by IFC and NBC to promote higher FCP norms and standards and reforms.
7. Support NBC and/or CBC with implementation of main recommendations as required.

IFC held discussions with the NBC and selected stakeholders to obtain views on the state of the financial sector, current consumer support initiatives, and issues affecting financial consumers. The discussions were also a platform for IFC to explain its FCP initiative (refer to Annex 1 for the list of institutions that were visited and/or attended the workshops).

This report is not written as an academic study nor is it meant to be an extensive inventory of FCP gaps based on the highly detailed "check list" methodology contained in the World Bank Good Practices On Financial Consumer Protection*. Instead, the author references the Cambodian context to the more generic principles set out by the G-20 High-Level Principles On Financial Consumer Protection (2011).

*http://siteresources.worldbank.org/EXTFINANCIALSECTOR/Resources/Good_Practices_for_Financial_CP.pdf

The objectives of this initial report are to introduce and explain the current concepts of FCP and to apply these concepts to the financial sector environment in Cambodia with a particular focus on the banking sector. This report provides a scan of the market place which serves as a basis for developing a common understanding as to the need to strengthen the FCPF.

The report is divided into the following sections:

- The Executive Summary highlights key observations and recommendations.
- Part 1 provides a description of financial consumer protection, its objectives and the long-term outcomes.
- Part 2 reviews international experience in the promotion of improved financial consumer protection.
- Part 3 provides an overview of the Cambodian financial sector, its development and observations regarding the present state of financial consumer protection.
- Part 4 examines the RGC's Financial Sector Development Strategy (FSDS) 2011-2020 with respect to plans to strengthening financial consumer protection and the steps needed to move forward.
- Part 5 lists all recommendations.
- Annexes supplement the report with detailed data and information.

Executive Summary



Cambodia's financial sector has grown substantially since the global financial crisis of 2007. As financial markets develop and grow, key issues arise in relation to the existence of fair, open, efficient and healthy markets for consumers. Experience in developed markets shows that even the most financially literate consumer may fall victim to inappropriate market conduct by financial service providers (FSPs) such as the mis-selling of complex products or selective disclosure. The financial crisis demonstrated that there is a strong link between protecting consumers from abusive market conduct practices and the safety and soundness of the financial system. The international movement towards strengthening financial consumer protection has accelerated as world economies seek to reduce systemic risk to both consumers and economies.

As a general recommendation, Cambodia must put in place more consistent practices and standards for market conduct by its FSPs in order to protect its consumers and strengthen the stability of the financial sector. Cambodia needs a more cohesive and coordinated regulatory approach to financial consumer protection in the financial sectors. Current provisions and the level of oversight need to be expanded in order to keep pace with the growth of the financial sector.

This report provides the reader with a general understanding of the Cambodian financial sector's regulatory structure at large, however it is principally focused on FCP matters within the banking sector which includes microfinance institutions.

The following is a summary of the key observations and main recommendations based on G-20 high level principles.

LEGAL, REGULATORY AND INSTITUTIONAL FRAMEWORK

General Observations

The financial sector is structured along sectoral lines with regulators assigned accountability for specific types of financial service providers (FSPs). The sectorial regulators include the Securities and Exchange Commission of Cambodia (SECC), the Insurance Division of the Financial Industry Department - a division of the Ministry of Economy and Finance (MEF), the Pawn Brokers Division of the Ministry of Economy and Finance (MEF), and NBC for banking institutions. Regulators have varying degrees of responsibility for the licensing process as well as for prudential and market conduct supervision and enforcement.

A review of the legislation establishing the regulators showed a lack of consistency with the supporting legislation with respect to necessary regulatory powers, such as a specific authority for dealing with consumer complaints. NBC does become involved in consumer complaints and resolution, but it does not have a dedicated work unit that is accountable for the monitoring and supervising market conduct.

The financial sector legislation and the related Prakas are, for the most part, principles based and cover many areas of consumer protection. However, there are both gaps and conflicts in their coverage and instruction, and consequently FSPs are at their own discretion in interpreting and applying the principles. With respect to banking, the NBC has recently brought in a few Prakas that provide more effective rules for FSPs to follow.

NBC should continue issue detailed guidelines/prakas that will better define how it expects FSPs to implement the principles. For example, there are various provisions in legislation/Prakas setting out principles of disclosure but they leave the consumers vulnerable to selective disclosure and advertising by financial institutions. In a very competitive market, selective disclosure can be used as a key method for enticing consumers in “the front door”. It creates an “unlevel playing field” among competitors, some of whom may wish to provide full disclosure on their products while others prefer to be more selective, thereby making their product seem more attractive/cheaper to consumers.

Recommendations

1. With multiple regulators operating in the financial sector, there is a clear need for information sharing in order to ensure regulators are informed on any and all developments that may impact their activities. It is understood that such an arrangement currently exists between NBC and the MEF; this arrangement should be expanded to include the SECC.
2. Effective disclosure is a fundamental component of consumer protection; regulators should focus on improving disclosure on key products (e.g. lending products) that pose the greatest costs/risks to consumers. Prakas should be developed that set out detailed requirements, including proper disclosure in advertising, full disclosure of product costs, potential risks/liabilities, and improve the quality of disclosure (e.g. use of plain language with examples). In the absence of laws or regulations, regulators should issue directives or guidelines that clearly set out best practices and/or regulator expectations.
3. NBC’s involvement in consumer complaints and resolution would be well served by the creation of a dedicated work unit responsible for monitoring and supervising market conduct. This unit will, over time, develop the market conduct expertise and the regulatory tools necessary to provide effective oversight. The new unit must be endowed with a clear mandate and delegation of authorities. In addition, alongside NBC’s current on-site prudential inspection practices, there should be a more thorough and regular review of market conduct practices. NBC examiners will need to develop competencies through effective training in order to conduct reviews and examinations at a satisfactory standard.

FAIR TREATMENT OF CUSTOMERS

General Observations

The lack of dedicated monitoring of market conduct in the financial sector impedes the ability to determine fairness and transparency in the market and gauge whether consumer confidence is increasing. Without strong consumer confidence, growth may be curtailed as consumers resort to traditional, personal means of saving (e.g., storing cash at home) and using local, informal financial service providers (IFSPs).

There is no public reporting on consumer complaints and not all FSPs track and analyze complaints with the objective of improving conduct. Also, it does not appear to be a general practice for FSP management to provide summary briefings on consumer complaint activity to their boards of directors.

A potential issue has been raised with respect to certain FSP lending collection practices that are alleged to be abusive. There are currently no rules to protect consumers from such aggressive collection activities. There appears to be no sector standards, nor written disclosures of FSP collection processes covering the following: late payment notification; consumers ability/right to correct delinquencies before foreclosure or seizure of assets; notification of provider intention to seize security; establishment of

permissible contact hours for collection officers, as well as collection whom the officer may contact and what the officer can disclose to third parties (e.g., employers, village leaders, members in group lending, etc.).

Recommendations

4. NBC and other regulators should work with industry associations to develop and publish binding standards and codes of conduct regarding fair treatment of consumers. The CMA and the ABC's codes of conduct should be further expanded and revised to contain specific rather than general principles. These associations should also report annually on consumer complaints and levels of member compliance.
5. Should a voluntary approach not be successful, regulatory solutions should be developed that are enforceable through financial penalties.
6. NBC must establish an effective means for collecting intelligence on actual FSP market conduct. A key source of intelligence for any regulator is collection and analysis of data on consumer inquiries and complaints. There are three options for collecting such intelligence:
 - NBC can issue a Prakas requiring all FSPs to establish a formal capacity to receive complaints, record data on complaints using standard reporting templates, and file data with NBC on a monthly basis. There should be a requirement for the larger FSPs to provide consumer call centers to better monitor their retail operations.
 - NBC can set up a call center for consumers to call for general information and for registering complaints. Sufficient complaint and inquiry data can then be collected for the regulator to analyse, identify trends, and investigate. Data and trend analysis should be shared with the industry and publicized on an annual basis.
 - NBC can adopt both aforementioned options with a requirement for FSP reporting and providing consumer access to a regulator's call center.
7. Develop a Prakas that requires due diligence by FSPs in assessing whether their products or services are appropriate to the individual consumer, given the consumer's actual needs and ability to pay. This will require the FSP to first understand the consumer's financial health before committing them to a costly and/or long-term purchase. (This due diligence is essentially applying the 'Know Your Client' (KYC) concept already required of certain FSPs with respect to Cambodia's anti-money laundering/terrorism financing legislation.

DISCLOSURE

General Observations

In a number of laws and prakas, there are general statements as to the need for FSPs to provide proper disclosure. However, there are no actual stated standards, nor is there any consistent monitoring as to quality and level of disclosure throughout the market place.

A further complication in ensuring effective disclosure is the low level of financial literacy. Many financially unsophisticated/illiterate consumers will not understand their full obligations or the consequences they face for failing to meet these obligations, particularly if the FSP's products and services have detailed terms and conditions and use complex legal terminology in their contracts. These consumers will likely not comprehend the FSP's contractual right to take unilateral actions, including foreclosure on security, charging of fees, recovery of costs and downgrading the consumer's credit rating.

As the market place develops, the lack of effective disclosure will no doubt lead to an increase in disputes and levels of consumer dissatisfaction. Without a fair and inexpensive means for resolution, consumer confidence in the sector is likely to suffer.

Recommendations

8. Refer to Recommendation 2 on improved disclosure.
9. Regulators must incorporate practices on monitoring and verification of disclosure into their risk-based supervision models.

This must include quality reviews of disclosure documents and financial institution policies and methods. It should also include on-site sampling and verification of consumer files to confirm that disclosure has been provided to the consumer.

9. It is understood that NBC does conduct such activities through its on-site supervisory team. However, based on a small sampling of disclosure documents reviewed for this research, it is clear that the review process could be further strengthened by greater attention to detail.
10. Regulators must have an oversight program to periodically monitor the market for false or misleading advertising and marketing material from FSPs. This would require closer scrutiny of FSP advertising material, brochures, and general media monitoring as well as consumer complaints.

FINANCIAL EDUCATION

General Observations

There are two key components for improving the consumer's ability to make informed decisions regarding financial products and services:

Short-term

A fair and balanced market must provide opportunities for consumers to obtain unbiased information and to educate themselves on the various financial products and services. Easy access to quality information in plain language enables consumers to compare and make informed decisions on a specific product or service. This also contributes to a competitive environment by providing consumers with full knowledge of pricing, product characteristics, and the key contract conditions, such as the right to terminate the contract and any penalties involved. Financial education can be delivered via the internet (websites), or other multimedia tools (e.g., publications, videos, radio/tv broadcasts), as well as through public workshops and training targeted at various audiences (e.g., village leaders, NGOs, community groups, schools, etc.).

Long-term

The general population must have the capacity to manage its financial needs and obligations. A national financial literacy program would contribute to raising the overall capability of citizens to understand:

- Their responsibility to budget and plan their own financial futures;
- The various financial products and services and how to use them to support their needs over their lifetimes (e.g., proper use of debt, insurance, investment products, etc.);
- Costs and risks associated with products and services; and
- Consumer rights and the obligations of financial institutions.

An example of the importance of consumer education can be demonstrated by the recent introduction of the credit reporting bureau and the impact it is having on credit granting and in tracking consumer credit behavior. The launch of the bureau necessitated that consumers be made aware of the impact the bureau has by archiving individual financial histories (more specifically, individual payment records from the past ten years) on their ability to secure lines of credit. At the same time, consumers must be educated on how they can improve their ratings (e.g., prompt payment of their credit obligations, proper amounts

of debt to carry), and on the “productive” use of credit. In addition, they must understand the risks of over-indebtedness especially when combined with rising interest rates or unexpected negative personal/natural circumstances.

It is clear that some FSPs already recognize the value of education and financial literacy. Some FSPs have been proactive and developed or adopted programs that address the aforementioned issues and have made these available in various parts of the country. The CMA, for example, states on their website that they have discussed the matter with government officials in charge of the school curriculum, and have conducted two relevant workshops: a microfinance workshop on Financial Education and Client Protection in 2013, and a 2012 workshop for Training of Trainers on Financial Literacy for Microfinance Institutions.

Recommendations

11. NBC should work in collaboration with industry associations to develop and distribute basic educational material on the most used products and services. The material should be succinct, in plain language, and include a description of key characteristics of the products and services, as well as a guide on key questions to ask a financial service provider when considering a purchase.
12. In consultation with stakeholders, NBC should provide leadership in developing a financial literacy strategy which is in line with the RGC’s Financial Sector Development Strategy 2011-2020. Such a strategy will incorporate a broad network of stakeholders and other government agencies in order to combine respective expertise and augment strategy implementation.
13. Industry associations and the credit bureau should undertake periodic consumer awareness campaigns advising consumers of the proper use of credit and affordability of debt (e.g. standard percentage of disposable income).

RESPONSIBLE BUSINESS CONDUCT

General Observations

The essential component of a fair and honest market place is that FSPs have, as an objective, to work in the best interest of their customers in assessing the suitability of the financial product or service being requested.

In conducting research for this report, it was observed that only a few banks and MFIs had pamphlets clearly disclosing products, service fees, and related interest rates on public display. The advertising of loan products, either through multimedia in the public sphere or in the bank/institution must properly and clearly disclose interest rates, payment amounts, and all fees.

With respect to employee compensation policies, certain FSPs explained that there are bonuses paid to credit officers. The bonuses are directly linked to the amount of credit granted or in meeting established loan quotas; a bonus may also be paid to credit officers for keeping the rate of loan delinquencies below set percentages. These policies have the potential to negatively influence officer conduct. For example, in order to meet lending quotas, a credit officer may apply greater discretion in granting marginal or higher risk loans beyond the FSP’s established credit granting policies. For credit officers to get their loan delinquency rate under the ‘bonus’ limit, they may be inspired to undertake more aggressive and inappropriate collection practices.

A bonus-based compensation system can be a catalyst for abusive behavior. It therefore requires active monitoring and auditing by FSP management to identify and curtail abuse. Some institutions claim they have supervisors consistently reviewing credit files, however it was not clear what happens when abuse is identified and how a consumer is compensated if affected by abusive action.

Both the banking and MFI industry associations have been proactive in developing voluntary codes of conduct for members that provide consumers with standards for market conduct. Such codes however, tend to be weak in their level of detail, effective monitoring, public reporting and enforcement. There are certain MFIs in Cambodia that are participating in the “Smart Campaign” certification process which also sets out a list of consumer protection principles and provides an assessment process on the performance of the MFI in meeting those principles; certainly a positive step in for consumers.

The issue of selective advertising is a concern for both consumers and for FSPs. In interviews with stakeholders, it was alleged that certain providers advertise lower loan interest rates than their competitors but do not disclose the fact there is a large administration fee added on.

This fee could, in effect, make the total cost of the loan equal to or more expensive than that of the competition. Such behavior puts pressure on responsible providers to similarly manipulate their advertising/fee structures in order to appear competitive. Clearer standards and/or rules of the game would help create a more level and transparent playing field that would further benefit consumers in their FSP business choices.

Recommendations

14. NBC should review the adequacy of FSP governance with respect to the quality of management’s internal compliance monitoring regarding its compliance with laws, codes of conduct, corporate policies and operational practices designed to protect the consumer. Regular trainings of FSP staff should be a prerequisite to good market conduct in order to address the challenge of high turnover levels in FSP staff and the continued evolution of new products and services.
15. Refer to Recommendation 2 on improved disclosure, and Recommendations 9 and 10 on improved monitoring and oversight.

PROTECTION OF CONSUMER DATA AND PRIVACY

General Observations

In reviewing the various pieces of legislation and Prakas, it appears that NBC has been proactive in establishing sufficient requirements regarding the protection of consumer information including the information being reported to and held by the credit services bureau.

With the newly established requirements, NBC will need to verify the effectiveness of the legislation, and confirm that FSPs have proper policies and procedures in place, and that staff training is regularly conducted.

There is concern as to the level of consumer awareness with respect to the obligations of FSPs and consumer rights.

Recommendations

16. NBC should require FSPs to track and investigate consumer privacy complaints and submit reports on a monthly basis to NBC on all privacy complaints filed with the FSPs. This will enable NBC to identify any systemic issues or legislative gaps as quickly as possible.
17. Industry associations and the credit bureau should undertake periodic consumer awareness campaigns advising consumers of their rights to protection of their information. At the same time, they should also inform consumers as to their responsibility in protecting their information (e.g., pin numbers) in order to avoid identity theft and fraud.

COMPLAINTS HANDLING AND REDRESS

General Observations

Discussions with selected banks and MFIs testified to a wide variance in terms of how consumer complaints are handled. No institution offered an independent resolution process, nor was there any instance of public disclosure of the complaint process – either in public areas or in offices/branches.

A fair and affordable dispute resolution process is a key element in balancing an institution's power with that of the consumer. It was observed in a small sampling of documents that some institutions threaten the consumer with legal and other unspecified costs should their complaint be deemed unfounded by a court. This seems highly inappropriate, especially given the lack of clear disclosure information by the institution that can often generate misunderstandings and disputes.

Recommendations

18. FSPs should have policies and mechanisms for complaint handling and redress. They should be clearly written and available to every consumer interested in a product or service and posted in every branch and website. For larger FSPs, customer access to a free complaint/information call center should be provided with the phone number widely publicized.
19. Recourse to an independent and fair redress process (outside of the courts) should also be available to address complaints that are not efficiently resolved via the institution's own internal dispute resolution mechanisms. When a complaint is filed with the FSP, the FSP should also inform the consumer of the contact information of the regulator (NBC).

From a regulators' point of view, complaints are a window on the behavior of a financial institution (refer to Recommendations 6 and 16). By tracking and trending the types of complaints, both the provider and regulator will be able to identify weaknesses in staff training, market conduct policies and practices, or problems in structure of the products or services. Aggregate information with respect to complaints and resolutions should be made public. A dedicated FCP unit within NBC should centralize data on FSPs' efforts to mediate and resolve significant complaints.

COMPETITION

General Observations

Competitive markets should be promoted in order to provide consumers with greater choice amongst FSPs and create competitive pressure to offer innovative products, fair pricing and maintain high service standards.

It would appear that the Cambodian financial sector offers a wide choice in terms of FSPs but there is not a great variety of differentiated products and services.

There is concern that with the number of MFIs and banks (as well as the number of unregulated IFSPs and NGOs), the level of competition for customers will escalate to such a degree that lending standards will be lowered and lead to the possibility of consumer over-indebtedness. Reports by the Consultative Group to Assist the Poor (CGAP) have highlighted evidence of consumer over-indebtedness, but point out that this issue has yet to appear by way of increasing delinquency rates in loans, which are considered to be low at this point in time.

It is expected that the introduction of the credit bureau has enabled FSPs to identify consumers with multiple loans or heavy debt levels. The concern for NBC is whether FSPs, despite the information coming from the credit bureau, will still pursue higher risk lending opportunities with these consumers. Competitive

pressures can push FSPs to alter their lending policies towards accepting higher risk clients and to delve deeper into a “sub-prime” lending market in order to maintain or expand their loan portfolio. This is the type of competitive pressure that lowered credit standards in the United States’ mortgage market and led to the catastrophic financial crisis in 2007.

Recommendations

20. Given the data collected and available from the CBC, NBC should conduct or sponsor a thorough study on the level and sources of indebtedness in order to clearly determine its potential to destabilize Cambodia’s institutions and/or the economy. (This recommendation is in line with the Government’s Strategic Plan 2011-2020).

SUMMARY

The Royal Government of Cambodia has focused on creating legal, regulatory and institutional foundations for regulatory oversight and supervision of the financial sector. With the legislative foundation and regulatory bodies in place, sector regulators are now developing operational processes and risk-based supervisory frameworks that focus on safety, stability and soundness in the financial sector. This focus will require regulators to take a perspective beyond prudential issues and incorporate oversight and supervision of market conduct by FSPs. As in other countries, irresponsible market conduct has occurred in examples of reckless lending, abusive and coercive selling of products, errors in product design, errors in computer calculations, incomplete and wrongful disclosure, etc. These can cause significant financial risk and losses to consumers and contribute to the demise of a financial institution.

With respect to the banking sector, NBC must continue to strengthen and develop its risk-based supervisory framework for market conduct). It should continue to work with industry associations in establishing and implementing financial consumer protection measures. NBC should formalize its financial consumer protection framework that incorporates key standards and activities that will mitigate risks to financial consumers. With such a framework clearly defined, the industry stands to benefit from a level playing field where standards and rules apply to all providers. The market place players will know clearly what is expected of them as the market grows and introduces new products and services. Consumers will be assured that they are protected and that they have access to quality disclosure and an ability to access a fair dispute resolution process.

PRIORITIES:

At some point in time Cambodia may wish to undertake the detailed World Bank FCP assessment based on international best practices. However, as a starting point for strengthening the FCP framework in the banking sector, NBC should focus on the following key short-term priorities:

- Strengthen the role of NBC in financial consumer protection by establishing a work unit that is responsible for market conduct oversight and supervision activities for the banking sector.
- Require FSPs to report to NBC on consumer complaints and notify NBC when systemic consumer protection issues arise.
- Ensure FSPs have formal and effective mechanisms for complaint handling and redress. The NBC work unit would provide mediation of unresolved complaints.
- Expand the principles of disclosure and transparency in existing NBC Prakas by setting out more specific disclosure requirements with a focus on promoting transparent lending practices; truthful advertising and promotional material; effective complaint procedures; and full disclosure of fees, interest calculations, collection practices.

These selected short-term priorities are part of the key observations and recommendations that follow in this report. They are in general alignment with G-20 Principles (refer to page 29 for more on G-20 Principles).

PART 1

Financial Consumer Protection Explained



This part of the report provides a description of financial consumer protection and the issues it attempts to address, as well as enumerating the key objectives and expected long-term outcomes.

In order to build confidence and encourage fair competition within a developing financial sector, the main stakeholders should endeavour to create a fair and honest market place that respects the following fundamental consumer needs:

- **Transparency:** providing easy access to full, plain, adequate and comparable information about the prices, fees, terms and conditions, etc.;
- **Choice:** providing consumers with options in terms of service providers, in the types of products and services offered, and low cost basic products and services to meet the needs of the poor;
- **Redress:** providing inexpensive, independent and timely mechanisms to address complaints and resolve disputes;
- **Privacy:** ensuring control over access to and use of personal information;
- **Trust:** ensuring standards in market conduct that promote fair, honest, non-coercive and reasonable business practices with respect to the selling and advertising of products and services appropriate to the consumers' financial needs;
- **Knowledge and Education:** ensuring the consumer has easy access to quality information on products and services offered and the capability to understand. Consumers must be provided the opportunity to make an informed decision as to whether the product or services are appropriate and affordable. It is not effective to simply consider measures of improving financial consumer protection (e.g., disclosure) without also looking for ways to strengthen the level of consumer awareness and understanding as well as improving financial literacy and capability is a long-term effort.

1.0. WHAT IS FINANCIAL CONSUMER PROTECTION?

The simplest definition of financial consumer protection (FCP) is any activity, action or set of rules that seeks to mitigate risk(s) and harm to the consumer relating to the use of any financial product or service or to the relationship with a FSP.

1.1. WHAT IS A FINANCIAL CONSUMER PROTECTION FRAMEWORK?

A financial consumer protection framework (FCPF) is an orderly construct of a variety of activities, actions, or rules designed, coordinated and implemented to mitigate risks and harm to the consumer. The framework includes setting expectations for all stakeholders by way of codes of conduct, laws, regulations, guidelines and directives with appropriate levels of oversight and enforcement.

In reviewing the present state of consumer protection in the financial sector, one must consider the overall state of development of the sector and the country. A developing sector cannot afford an overly elaborate and detailed financial consumer protection framework that is costly, unenforceable, or unduly burdensome. There must be a regulatory balance.

1.2. WHY ARE CONSUMER PROTECTION MEASURES NEEDED?

Some may believe that financial consumers can be left alone to deal with FSPs whereby the only consumer protection measure necessary is for consumers to apply the principle of “buyer beware”. In this case, it is completely left up to consumers to protect their interests; if they have a misunderstanding with a FSP, then the consumer can try to persuade the provider to change their position, or if unsuccessful, the consumer can go to court. In a free and non-regulated marketplace where there are no standards or rules, it is unlikely that the interests of the consumer will be voluntarily respected, nor will such an environment promote confidence in the integrity of the financial sector.

The following are a sample of consumer issues when the market place operates just on the “buyer beware” principle:

- When disputes arise, how many consumers can afford to seek legal help and/or take a FSP to court?
- How will consumers be able to make informed decisions if the disclosure of product information is left to the prerogative of the marketing/sales department within the FSP?
- In an industry primarily focused on making money, what will be the incentive to temper abusive sales and non-competitive behavior?

The “buyer beware” principle is an important component in a consumer protection framework. It represents the need for the consumer to exercise caution and due diligence. However, it must work in conjunction with other components of the FCPF to mitigate risks and the potential for harm done to consumers. Other essential components of a FCP framework include:

- Legislative measures establishing the principles of market behavior;
- Detailed market conduct regulations;
- Development and promotion by the industry of standards and codes of conduct and ethics;
- Development and promotion of educational material and learning opportunities;
- Development and promotion of financial literacy programs;
- Creation of an organization accountable for regulatory monitoring, research, oversight, supervision and enforcement;
- Creation of a means for fair resolution of consumer disputes and provision of redress for harm done;
- Promotion of a competitive sector that will provide choice and quality information that allows the consumer to find the best product/services for his needs.

Within the financial market place there are a range of risks that a financial consumer protection framework would try to mitigate. Refer to Annex 6 which provides examples of the types of risks/harm that consumers may face in any financial sector and options for mitigating the risk. (It is not be an exhaustive list but it highlights the key risks that should be mitigated by an effective FCP framework.)

1.3. KEY OBJECTIVES OF IMPLEMENTING A FINANCIAL CONSUMER PROTECTION FRAMEWORK

To mitigate consumer risks and harm

- Ensure consumers have access to the right information at the right time and have the capability and opportunity to make the right decisions.
- Promote and establish standards of market conduct among FSPs that creates a leveled playing field for all FSPs where the rules and expectations are clear and stated in terms of fair, honest and ethical treatment of consumers.

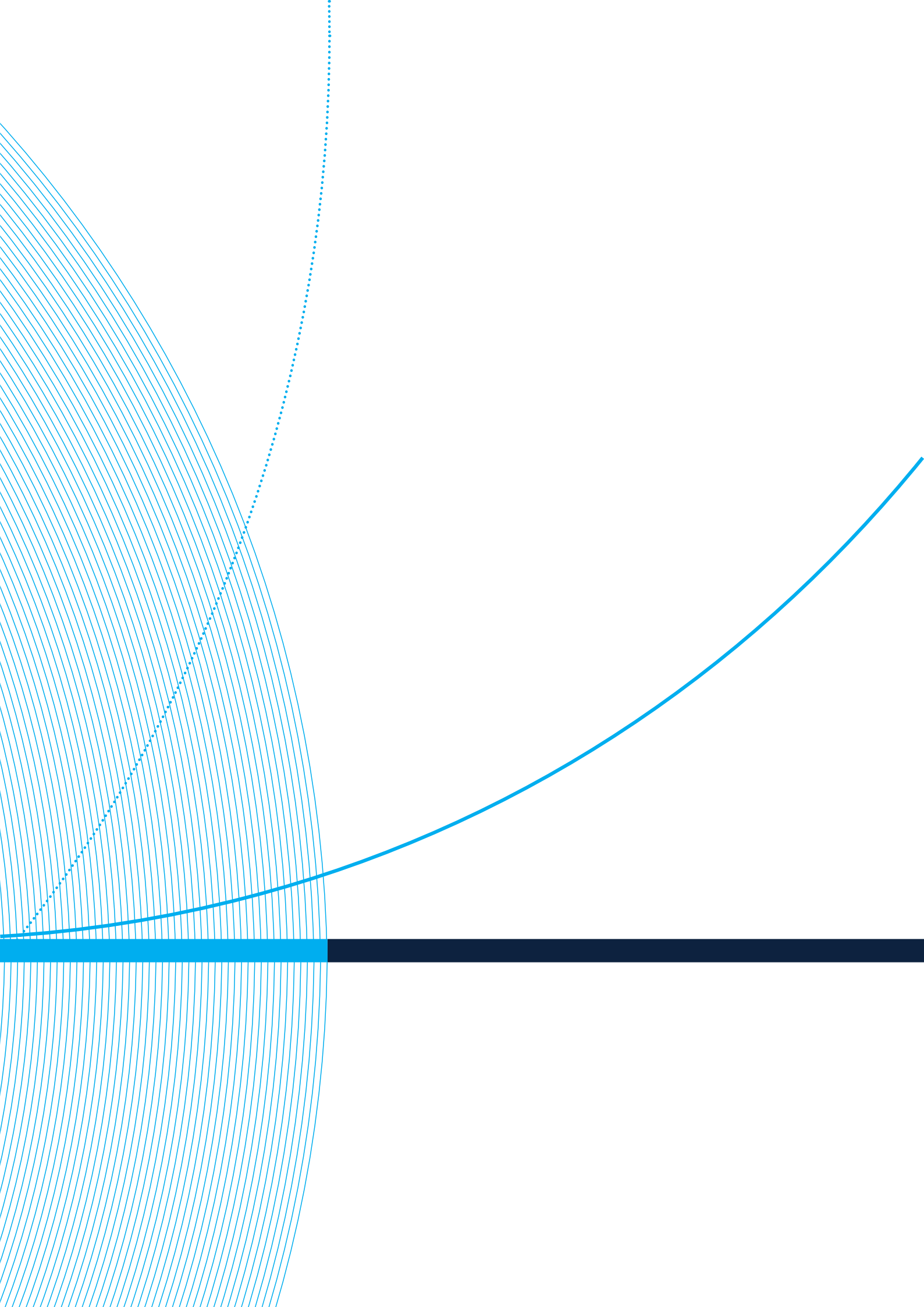
To promote financial sector stability

- Build confidence and credibility in the financial sector to encourage consumers and investors to fully participate in the market and enable sector growth.
- Establish effective monitoring, research, oversight and supervision of market conduct of FSPs and market risks.
- Maintain and consistent enforcement of consumer protection standards.

1.4. EXPECTED LONG TERM OUTCOMES OF A BALANCED FINANCIAL CONSUMER PROTECTION FRAMEWORK

The value of a FCPF is measured by the productive outcomes that result from its development and implementation. Expected outcomes include:

- Fair treatment of consumers, including effective resolution of complaints. Consumers must be aware of and have easy access to a trustworthy dispute resolution process based on fairness and transparency.
- Easy access to quality and complete information, including full disclosure of all matters/risks that may affect a consumer's decision to purchase a financial product/service. Consumers will have legal rights to disclosure rather than rely on institutional discretion.
- Ethical and honest market conduct by FSPs. With a focus on consumer protection and market abuse, industry associations will take the lead in establishing codes of conduct and fair business practices in order to promote sector integrity.
- Improved access to a credible dispute resolution process. This will prompt an increase in proper due diligence and risk management by FSPs in the design and sale of financial products and services in order to reduce the potential for disputes.
- Compliance by FSPs with industry standards, laws and regulations. By establishing rules that apply to all FSPs and a consistent level of monitoring and enforcement, a level playing field will be established that will encourage compliance amongst all providers.
- Confidence in the integrity of the financial market encourages greater participation and growth. Independent and competent oversight of the financial sector will increase consumer and investor trust, which will enhance the potential for sector growth especially in the areas of consumer deposits and investment growth. Increased deposits and investments would allow the sector to expand and become less reliant on foreign exchange, creating a more stable source of funds.
- Consumer ability to manage basic finance and to assess basic financial products and services. Through the participation of sector stakeholders, regulators, schools and other partners, a national effort to improve financial knowledge and skills will result in citizens empowered to make better and informed financial choices. This may help reduce the potential for financial mismanagement and opportunities for fraud.



PART 2

International Experience: Promotion of Improved Financial Consumer Protection



2.0. HISTORICAL PERSPECTIVE:

Over the past 40 years, financial sectors (particularly in G-7 countries), have seen tremendous growth in terms of the types of financial institutions, products and services provided to businesses and consumers. This has been driven by factors including:

- Liberalization of government constraints on FSPs with the objective of promoting economic growth and increased competition;
- Population growth;
- Development and adaptation of technology in product development and service delivery;
- Growth in the capacity to electronically capture immense sources of diverse consumer data (e.g. credit bureaus);
- Adoption of more accurate credit risk models enabling change and expansion in reliable credit granting policies and a shift from requiring full collateral for the value of loans to accepting proof of revenue, satisfactory credit history, and credit scores as a basis for lending;
- With increased competition and demands for profit, a cultural change in FSPs occurred whereby institutions adopted higher tolerance of risk in credit granting resulting in the pursuit of sub-prime markets and expansion of the unsecured credit card market;
- Development and expansion of “retail” consumer investment services and products enabling consumer access to equities markets and complex investment vehicles, and consequently moving consumers away from basic “no risk” savings accounts to riskier investment products.

With this expansion of financial services, greater risks were created for consumers as they did not have the understanding or the ability to access unbiased information in order to educate themselves on these new products and services. Consumers lacked the skills to plan and manage their financial affairs within the new and riskier financial sector. Citizens were expected to become more accountable for their financial affairs as governments reduced access to social welfare programs. Furthermore, the more relaxed regulatory environment during 1980 - 2000, saw increased incidents of significant abuse and errors by certain FSPs that created substantial harm to consumers. Incidents or trends such as:

- Predatory lending;
- Abuse and gouging in financial contracts through undisclosed fees, commissions and penalties;
- Undisclosed conflicts of interest;
- Sales errors caused by poor advice provided by untrained and unqualified staff;
- Abuse in defaults or late payments and in collection practices;

- Misleading advertisement and selective product disclosure information;
- Market discrimination;
- Unreasonable, false or inappropriate assumptions used to calculate proposed rates of returns on savings, investments, pension plans, insurance policies, etc.;
- Financial fraud.

The financial market place was creating substantial risks and increased harm for consumers. It was no longer sufficient to place the responsibility on consumers to apply the “buyer beware” principle, given the level of sophistication, persuasiveness, coercion and unethical market conduct displayed by a range of financial institutions.

A further concern was that regulatory oversight of market conduct tended to be passive and complaint-based rather than the proactive monitoring for potential risks and fraudulent schemes. However, as a result of numerous scandals and significant consumer financial losses particularly in the United States (US) and the United Kingdom (UK), governments began to pass more detailed financial consumer protection legislation in the late 1990’s and early 2000s. They extended regulatory oversight with consumer protection divisions expanded or established in the US Federal Reserve and other US agencies, and enhanced the UK’s Financial Services Authority responsible for consumer protection along with a financial sector ombudsman to deal with consumer disputes.

In 2001, Canada followed suit, adding a dedicated financial consumer protection regulator and extensive consumer protection legislation that included provision for an independent (non-government) ombudsman. In the securities and investment sector, there was also more attention being paid by securities regulators to the matter of investor education and the need for increased disclosure practices on investment products and monitoring of sales practices.

Despite overall improved consumer protection measures by late 2007, the consumer mortgage lending market in the US collapsed. It collapsed when concerns were raised in the securities markets regarding the quality of securitized mortgage investment products. Certain institutional investors began to question the asset quality of US securitized mortgage products (asset backed securities) issued by banks and other mortgage lending institutions. These concerns quickly created substantial doubt in the investment market place as to the quality of underlying US mortgages in the securitized products.

This lack of confidence in these products quickly triggered the worst financial collapse since the “Great Depression” of the 1930’s.

The sudden and significant lack of confidence in the financial sector created a freeze in the investment and credit markets which ignited a storm of defaults and insolvencies for months until clarity as to the risks in these mortgage based investment products was publicly disclosed. By then, the catastrophic damage to the US market place and throughout the world was irreversible. Even today the litigation and criminal investigations are continuing.

The fact that the mis-selling/selective disclosure involving a simple lending consumer product in one country, that being US residential mortgage loans, caused such wide-spread consequences on the world’s economy served as an alarm as to the levels of irresponsible market conduct that had set in within FSPs.

Another example of a high profile financial crisis involving microfinance occurred in the Indian State of Andhra Pradesh in October 2010 when there was a significant and high profile government intervention with respect to perceived poor industry practices by microfinance institutions involving a lack of responsible lending practices, lack of proper disclosure and the adoption of abusive collection practices. This high profile intervention resulted in adverse consumer reaction and weakened consumer confidence to the point of threatening the financial stability and viability of MFIs in India.

2.1. IN CRISIS - GOVERNMENTS COME TOGETHER - G-20 HIGH-LEVEL PRINCIPLES

As a result of the financial crisis and the international demands for increased standards of regulatory oversight in both prudential activities and market conduct, there has been a significant growth in the level of activities by countries reviewing their financial sectors and measuring their financial sector and measuring the need for any reforms that would improve the financial strength, stability and confidence in their financial sector.

In 2008, the G20 Finance Ministers and Central Bank Governors called on the OECD, the Financial Stability Board (FSB), and other relevant international organizations to develop common principles of consumer protection frameworks in the field of financial services. On behalf of the G-20, in early 2011 the OECD issued a document entitled “G20 High-Level Principles On Financial Consumer Protection” with a preamble stating:

“Consumer confidence and trust in a well- functioning market for financial services promotes financial stability, growth, efficiency and innovation over the long term. Traditional regulatory and supervisory frameworks adopted by oversight bodies contribute to the protection of consumers – which is often and increasingly recognized as a major objective of these bodies together with financial stability. However, and while it already exists in several jurisdictions, additional and/or strengthened dedicated and proportionate policy action to enhance financial consumer protection is also considered necessary to address recent and more structural developments.

This renewed policy and regulatory focus on financial consumer protection results inter alia from the increased transfer of opportunities and risks to individuals and households in various segments of financial services, as well as the increased complexity of financial products and rapid technological change, all coming at a time when basic access to financial products and the level of financial literacy remain low in a number of jurisdictions. Rapid financial market development and innovation, unregulated or inadequately regulated and/or supervised financial services providers, and misaligned incentives for financial services providers can increase the risk that consumers face fraud, abuse and misconduct. In particular, low- income and less experienced consumers often face particular challenges in the market place.

In light of these issues, financial consumer protection should be reinforced and integrated with other financial inclusion and financial education policies. This contributes to strengthening financial stability. It is essential to protect consumers’ rights while also recognizing the fact that these rights do come with consumer responsibilities. This calls for legal recognition of financial consumer protection, oversight bodies with necessary authority and resources to carry out their mission, fair treatment, proper disclosure, improved financial education, responsible business conduct by financial services providers and authorised agents, objective and adequate advice, protection of assets and data including from fraud and abuse, competitive frameworks, adequate complaints handling and redress mechanisms and policies which address, when relevant, sectoral and international specificities, technological developments and special needs of vulnerable groups. This approach complements and builds upon financial regulation and supervision and financial governance.”

The following is a summary of the ten Financial Consumer Protection Principles extracted from the OECD document:

1. Legal, Regulatory and Supervisory Framework

Financial consumer protection should be an integral part of the legal, regulatory and supervisory framework, and should reflect the diversity of national circumstances and global market and regulatory developments within the financial sector. Regulation should reflect and be proportionate to the types, and varieties of the products and consumers, their rights and responsibilities and be responsive to new products, designs, technologies and delivery mechanisms. Strong and effective legal and judicial or supervisory mechanisms should exist to protect consumers from and sanction against financial frauds, abuses and errors.

2. Role of Oversight Bodies

There should be oversight bodies (dedicated or otherwise) explicitly responsible for financial consumer protection, with the necessary authority to fulfil their mandates. They require clear and objectively defined responsibilities and appropriate governance; operational independence; accountability for their activities; adequate powers; resources and capabilities; defined and transparent enforcement framework and clear and consistent regulatory processes.

3. Equitable and Fair Treatment of Consumers

All financial consumers should be treated equitably, honestly and fairly at all stages of their relationship with financial service providers. Treating consumers fairly should be an integral part of the good governance and corporate culture of all financial services providers and authorised agents. Special attention should be dedicated to the needs of vulnerable groups.

4. Disclosure and Transparency

Financial services providers should provide consumers with key information on fundamental benefits, risks, and terms of the product for the consumer benefits, risks and terms of the product. They should also provide information on conflicts of interest associated with the authorised agent through which the product is sold.

All financial promotional material should be accurate, honest, understandable and not misleading. The provision of advice should be as objective as possible and should in general be based on the consumer's profile considering the complexity of the product, the risks associated with it as well as the customer's financial objectives, knowledge, capabilities and experience. Consumers should be made aware of the importance of providing financial services providers with relevant, accurate and available information.

5. Financial Education and Awareness

Financial education and awareness should be promoted by all relevant stakeholders and clear information on consumer protection, rights and responsibilities should be easily accessible by consumers. The provision of broad based financial education and information to deepen consumer financial knowledge and capability should be promoted, especially for vulnerable groups.

6. Responsible Business Conduct of Financial Services Providers

Financial services providers should have as an objective, to work in the best interest of their customers and be responsible for upholding financial consumer protection. Staff should be properly trained and qualified. The remuneration structure for staff of both financial services providers and authorised agents should be designed to encourage responsible business conduct, fair treatment of consumers and to avoid conflicts of interest.

7. Protection of Consumer Assets against Fraud and Misuse

Relevant information, control and protection mechanisms should appropriately and with a high degree of certainty protect consumers' deposits, savings, and other similar financial assets, including against fraud, misappropriation or other misuses.

8. Protection of Consumer Data and Privacy

Consumers' financial and personal information should be protected through appropriate control and protection mechanisms.

9. Complaints Handling and Redress

Jurisdictions should ensure that consumers have access to adequate complaints handling and redress mechanisms that are accessible, affordable, independent, fair, accountable, timely and efficient. Recourse to an independent redress process should be available to address complaints that are not efficiently resolved via the financial services providers' internal dispute resolution mechanisms.

10. Competition

Consumers should be able to search, compare and, where appropriate, switch between products and providers easily and at reasonable and disclosed costs.

These principles established the key components of a financial consumer protection framework. Further detailed analysis was undertaken by The World Bank who subsequently issued its Good Practices for Financial Consumer Protection in 2012.

2.2. COMPARATIVE PROGRESS THROUGHOUT ASIA

In 2013, the World Bank undertook a global survey on Consumer Protection and Financial Literacy with participation from 114 countries. The survey included questions on legal framework, institutional arrangement, disclosure practices, dispute resolution mechanisms and financial literacy. Selected information focusing on the state of consumer protection involving economies throughout Asia has been sourced from the survey and reproduced here. (Annex 2 provides a detailed comparative matrix of each economy's response regarding the development of their own FCPF. Data related to institutional arrangements, is compiled from a desk review of reports on the jurisdictions. All the other matrices in Annex 2 are produced from the data of the WB's main report).

The review focused on responses from ten Asian economies (China, Indonesia, Japan, Korea Rep, Malaysia, Mongolia, Nepal, Philippines, Taiwan China and Thailand). The survey included questions involving six key areas pertinent to the design of a financial consumer protection framework:

- Legal framework
- Institutional Arrangements
- Disclosure Requirements
- Business Practices
- Dispute Resolution Practices
- Financial Education

2.2.1. Key Observations:

The following provides highlights of key observations with respect to the comparisons of responses in each area of focus. (Refer to Annex 2 for the complete results to all survey questions).

Legal framework

- All ten economies have a general consumer protection law without explicit reference to financial services.
- All ten economies had general consumer protection regulations that also covered activities in the financial sector.
- Two economies (Japan and Taiwan China) also have a separate financial consumer protection law (Korea is currently developing one as well).

Institutional Arrangements

- None of the economies has FCP supervision responsibilities under a single agency dedicated to broad financial market conduct supervision and another agency responsible for prudential supervision (i.e., no "twin peaks" model).
- Five economies have FCP supervision responsibilities under a single agency (four agencies, one central bank) responsible for all aspects of supervision (e.g., prudential, market conduct and financial consumer protection) of all financial service providers operating within the jurisdiction.
- Five economies have FCP supervision responsibilities fall under multiple agencies that hold sectorial responsibility (banking, insurance, securities, etc.) for all aspects of supervision (e.g., prudential, market conduct and financial consumer protection).

- Six economies have a designated work unit within the agency responsible for FCP.
- Eight economies have the agency operate a hotline/call center to receive complaints.
- In nine economies, the regulator will respond to complaints.
- Seven economies require financial institutions to report on complaints.
- In nine economies, the agency can take some form of action regarding enforcement of consumer protection measures.

Disclosure Requirements

- Nine economies require disclosure in plain language.
- Nine economies prescribe standardized disclosure format.
- Six economies have a requirement for recourse rights and processes.
- All ten economies require disclosure of the annual percentage rate for credit products using a standard formula.
- Nine economies require disclosure of calculation methods used for credit products.
- All ten economies require disclosure of the annual percentage yield and interest rate for deposit products.
- Five economies require disclosure of calculations of compounding interest on deposit accounts.
- Eight economies require periodic issuing of a statement of transactions for credit products.
- All ten economies require notification of changes in terms/conditions of agreements.

Business Practices

- Eight economies have laws on deceptive advertising.
- Seven economies have laws on unfair or high pressure selling practices.
- Eight economies have laws restricting tied selling/bundling.
- Eight economies have laws restricting abusive collection practices.
- All ten economies have laws restricting unauthorised use of client information.
- Nine economies have laws that define responsible lending practises.
- Eight economies have laws restricting excessive borrowing by individuals.
- Four have laws requiring lenders to assess the borrower's ability to repay the loan.

Dispute Resolution

- Nine economies require financial institutions to implement procedures and processes for resolving customer complaints.
- Eight economies require financial institutions to set standards for timeliness for responding to complaints.
- Six economies have a financial ombudsman for financial institution customers when their complaint is not resolved.
- Four economies allow for binding decisions by the ombudsman service.

Financial Education

- Eight economies mandate an agency to implement and/or oversee any aspect of financial education/literacy.
- Eight economies have developed and are monitoring the implementation of a financial literacy/education strategy.

Summary

Financial consumer protection frameworks have been developed in all ten Asian countries participating in the survey. This testifies to the value of financial consumer protection as an integral part of developing a modern financial sector.

* Refer to Annex 2 for a comparison of the responses from each of the ten Asian economies.

PART 3

Overview of the Cambodian Financial Sector and the Present State of Financial Consumer Protection



3.0 THE PLAYERS

The financial sector consists of three subsectors: banking, insurance and securities. The insurance and the securities sectors are in the initial stages of development and are yet to be significant contributors to the Cambodian economy. Therefore this section of the report will focus largely on the development of the banking sector over the past five years.

Table 1 below lists the types of businesses involved in the financial sector, with estimates as to the number of licensed/registered operators

Table 1: Players in the Financial Sector

TYPE OF PLAYERS	ESTIMATED NUMBER OF PLAYERS	REGULATORS
BANKING		
Commercial Banks	35	National Bank of Cambodia (NBC)
Specialized Banks	9	NBC
Leasing	6	NBC
Licensed Microfinance Institutions	32	NBC
• Lending	7	NBC
• Lending and Deposits		
Registered Microfinance Institutions (Lending)	35	NBC
Credit Cooperatives	2	NBC
Foreign Exchange Dealers/Money Changers	1,676	NBC
Third Party Processors	4	NBC
Credit Bureau	1	NBC
SECURITIES		
Stock Exchange	1	The Securities and Exchange Commission of Cambodia (SECC)
Securities Brokerage Firms	3	(SECC)
Securities Agents	7	(SECC)
Investment Managers/Dealers	1	(SECC)
PENSIONS		
Private Pension Funds	Unknown	N/A

TYPE OF PLAYERS	ESTIMATED NUMBER OF PLAYERS	REGULATORS
INSURANCE		
Insurance Companies (Underwriters)	10	The Insurance Division of the General Department of Financial Industry, being a division of the Ministry of Economy and Finance (MEF)
Insurance Brokers	N/A	The Insurance Division of the General Department of Financial Industry, being a division of MEF
Insurance Agents	5 financial institutions act as agent for insurance and micro-insurance company	The Insurance Division of the General Department of Financial Industry, being a division of MEF
Insurance Loss Adjusters	N/A	The Insurance Division of the General Department of Financial Industry, being a division of MEF
Micro-Insurers	2	The Insurance Division of the General Department of Financial Industry, being a division of MEF
Re-Insurers	1	The Insurance Division of the General Department of Financial Industry, being a division of MEF
OTHER REGULATED ACTIVITIES		
Licensed Pawn Brokers	220	MEF
Mobile Banking	1	NBC
Remittance Services	2	NBC
Precious Metals Dealers	N/A	Ministry of Commerce
Gold Bullion Dealers	N/A	NBC
IN ADDITION THERE ARE INFORMAL (UNREGULATED) SERVICE PROVIDERS		
Informal (Unregulated) Service Providers <ul style="list-style-type: none"> • Individual Private Lenders • Private Money Transfer Agents • Private Mobile Banking Agents • Non-registered Pawnbrokers • NGOs that provide loans • Charities that provide loans 	Unknown	N/A

(Source: latest available public information)

3.1. DEVELOPMENT OF THE BANKING SECTOR

The banking sector has seen rapid growth in lending, deposits, and number of customers served. As more of the adult population becomes bank customers, it is essential that a viable consumer protection framework is in place to act as a safeguard against any systemic market conduct issues that could have much broader and more severe impact on consumers and the economy.

The following tables provide a breakdown of customer growth, lending, and deposit taking by banks and MFIs (including MDIs) over the past five years. Based on 2013 data, MFIs have four times the number of borrowers than banks, while banks have twice as many depositors.

Table 2: Growth in Microfinance Institutions

MICROFINANCE	2009	2010	2011	2012	2013
Total # of Borrowers	871,401	992,452	1,151,339	1,316,265	1,565,526
Total amount of loans outstanding*	300	4,257	644	892	1,325
Average loan amount per borrower**	343	429	560	678	846
Total # of Depositors	126,099	190,023	280,538	753,113	899,829
Total amount of Deposits*	10	41	115	280	445
Average amount per depositor**	77	215	408	371	494

Data from Cambodia Microfinance Association annual reports and NBC reports
* Amounts in millions of US\$.
** Amounts in US\$

Over the past five years, microfinance institutions have seen remarkable customer growth:

- Total number of Borrowers up 79.7%
- Total amount of loans outstanding up 342.7%
- Average loan amount per borrower up 146.4%
- Total number of Depositors up 613.6%
- Total amount of Deposits up 4,487.4%
- Average amount of deposits per depositor up 542.9%

Table 3: Bank Growth:

BANK	2009	2010	2011	2012	2013
Total # of Borrowers	263,000	286,000	295,000	354,000	385,000
Total amount of loans outstanding*	2,511	3,241	4,326	5,846	7,352
Average loan amount per borrower**	9,547	11,331	14,664	16,514	19,096
Total # of Depositors	928,000	1,067,000	1,266,000	1,489,000	1,765,000
Total amount of Deposits*	3,320	4,313	5,193	6,736	7,560
Average amount per depositor**	3,577	4,042	4,101	45,23	4,283

Source: National Bank of Cambodia 2013 Annual Report
*Amounts are in millions of US\$
**Amounts in US\$
Note: Averages are more likely to be distorted for banks than for the MFIs given the large amount of lending and deposits held by larger corporate clients.

Banks have also seen remarkable growth over the past five years:

- Total # of Borrowers up 46.4%
- Total amount of loans outstanding (millions of US\$) up 192.8%
- Average loan amount per borrower up 100%
- Total # of Depositors up 90.2%
- Total amount of Deposits (millions of \$) up 127.7%
- Average amount of deposits per depositor up 19.7%

A comparison between banks and MFIs/MDIs, shows the growth in customer lending base increased by 79.7% for MFIs and 46.4% for banks. The deposit customer base increased by 613.6% for MDIs and by 90.2% for banks.

Further development and growth is demonstrated by expansion of points of services including ATMs, POS and branches, which grew by 107% for MFIs, MDIs and registered MFIs and expanded by 48% for banks. This indicates a higher degree of services penetration by FSPs into the lives of Cambodians.

Electronic banking services are playing a more important role in customer service, as seen by the expanding of the ATM and POS networks. Although there is no hard data on usage of mobile banking services, it is clearly expanding as a means of providing basic banking services to remote communities.

Table 4: Expansion of Points of Services and Bank Cards

MFIS / MDIS	2009	2010	2011	2012	2013
Branches MDI	-	-	1274	1424	1279
Branches MFI	1,315	1,320	620	752	937
Branches (Registered MFI)	-	-	206	276	443
ATMs MDI	-	-	0	31	73
Total Points of Service	1,315	1,320	2,100	2,483	2,732
BANKS					
ATM	406	501	588	681	766
POS	3,305	3,529	3,794	4,236	4,838
Branches	380	396	421	448	487
Total Points of Service	4,091	4,426	4,803	5,365	6,091
Debit Cards	453,471	592,317	761,976	957,556	1,010,858
Credit Cards	10,576	14,003	21,353	18,198	24,412

The numbers indicate substantial growth and integration of banking services into the daily lives of Cambodians. As expected, there has also been growing importance of the financial sector in terms of the Cambodian economy.

Table 5: Assets as a Percentage of GDP

(BILLIONS US\$)	2009	2010	2011	2012	2013
GDP	10.40	11.20	12.80	14.10	15.30
Bank assets	5.14	6.39	7.90	10.90	12.57
MFI/MDI assets	0.38	0.51	0.75	1.07	1.58
Total Assets	5.52	6.90	8.65	11.97	14.15
Percentage of assets to GDP	53%	62%	68%	84%	92%

The growing importance of the banking sector to the economy is illustrated in the table above.

Total banking assets have grown 156% over the past five years, while GDP has increase by 47%. The ratio of assets to GDP now stands at 92% of GDP, a growth of 74% over five years. This clearly indicates the significance of the banking sector to the economy and reinforces the need for appropriate and effective oversight and supervision with respect to prudential and market conduct activities.

3.2. REGULATORY OVERSIGHT

Cambodia has made steady progress developing the financial sector by focusing on the establishment of regulatory oversight/supervisory bodies and laws necessary for each of the subsectors to grow and to develop.

Each of Cambodia’s financial subsectors (banking, insurance, and securities) has their own legislation and regulatory framework. For the banking and securities subsectors, the laws had established a separate stand-alone regulatory body, the National Bank of Cambodia (NBC) and the Securities and Exchange Commission of Cambodia (SECC), while the laws covering insurance and pawn brokers have assigned responsibility for regulating to a government department, the Ministry of Economy and Finance (MEF), (refer to Table 6 for detailed breakdown of institutional oversight). These bodies have broad and diversified mandates.

The following table notes the primary piece of legislation that has established the overall mandate of each of these bodies along with provisions of the law that focuses part of their broad mandate on aspects of financial consumer protection.

Table 6: Legislated Mandates

LEGISLATION	SUMMARY OF PROVISIONS ESTABLISHING MANDATES
Nationa Bank of Cambodia	
Law On Banking And Financial Institutions 18 November 1999	<p>CHAPTER XII: Supervisory Authority and Regulatory Power</p> <p>Article 40: The Central Bank supervises the banking system and its related activities such as the money market, the interbank settlement system, and financial intermediation. To this end the Central Bank shall:</p> <ul style="list-style-type: none"> 3. be empowered to issue regulations for the implementation of this law which authorize the Central Bank to determine, in particular the <ul style="list-style-type: none"> h. conditions applicable to the banking and financial operations that may be carried out in their relations with customers, i. practice of door-to-door selling of banking or financial services

LEGISLATION	SUMMARY OF PROVISIONS ESTABLISHING MANDATES
Nationa Bank of Cambodia	
	<p>CHAPTER XXI: Customer Protection</p> <p>Article 70: The supervisory authority shall define, after having consulted the profession, a corpus of rules of good conduct aimed at ensuring customer protection, in particular concerning:</p> <ol style="list-style-type: none"> 1. transparency, openness and the level of charges and remuneration for banking or financial operations, 2. the opening and termination of credit lines, 3. and the renegotiation of loans.
<p>Law on the Organization and Conduct of the National Bank of Cambodia 26 January 1996</p>	<p>Article 7: The Central Bank shall have the following functions and duties:</p> <ol style="list-style-type: none"> 4. To license, delicense, regulate and supervise banks and financial institutions and other relevant establishments such as auditors and liquidators; <p>Article 33: The Central bank shall be exclusively responsible for the licensing, delicensing and supervision of banks and financial institutions subject to the banking law and the supervision of other institutions as stated in Article 7 of this law. To that end, the Central Bank shall be empowered:</p> <ol style="list-style-type: none"> 1. to issue such decisions, regulations, and other directives and to take such other actions as it shall deem necessary in order to execute its powers and responsibilities under Title II of this law, through proper licensing and delicensing thereof and supervisory standards and enforcement procedures; 2. to appoint at its discretion, its officers or any other qualified person to regularly inspect any bank or financial institution and to examine its books, records, documents and accounts; 3. to require an officer, or employee of a bank or financial institution to furnish to the Central Bank such information as requested for the purpose of supervision and regulation; 4. to take remedial actions or sanction according to the existing laws if there has been an infraction by a bank or financial institution of its officers or employees with respect to: <ul style="list-style-type: none"> • the violation of a provision of the existing laws or regulations of the Central Bank; • the breach of a fiduciary duty; or • failure to follow monetary policy measures or prudential regulations. <p>Article 70: Any person who manages a bank or financial institution, or engages in operations of banking nature including credit operations, brokering or dealing in foreign exchange, or the receipt of moneys or effecting means of payment, share dealing, trading in gold, precious metals, precious stones, without being granted a required authorisation by the Central Bank therefor, shall cease operations upon an injunction of the National Bank of Cambodia.</p>
<p>NBC also has authority and other pieces of legislation regarding matters that affect consumers:</p> <p>Law On Negotiable Instruments And Payment Transactions 24 October 2005</p> <p>Law On Anti-Money Laundering And Combating The Financing Of Terrorism (24 June 2007)</p>	

Ministry of Economy and Finance	
Insurance Law of the Kingdom of Cambodia (Adopted By The National Assembly Of The Kingdom Of Cambodia On 20th June, 2000 At The 4th Session, 2nd Legislation)	Article 7: The Ministry of Economy and Finance is responsible for control and supervisions over insurance business in accordance with this law.
Royal Government 22 October, 2001 Sub-Decree On Insurance Approved By The Council Of Minister At The Plenary Meeting Held On September 21, 2001	Article 4: The Ministry of Economy and Finance shall be responsible for the controls and supervisions over the insurance business in accordance with the provisions of this sub-decree. Article 92: All insurance companies, agents, brokers and loss adjuster subject to the state control shall be under monitoring of the supervisory officer appointed by the Ministry of Economy and Finance. At any time, in addition to the reports examination, the supervisory officer may conduct a site inspection of operations of each insurance business.
Prakas On Licensing Of General And Life Insurance Companies	Provision 1: Insurance Company is a legal entity properly constituted under the laws of the Kingdom of Cambodia to assume the insurance risks under insurance contracts as defined in Chapter I of the Law on Insurance and must obtain a license from the Ministry of Economy and Finance before commencing business.
Number: 009 MEF Circular On Issuance Of Temporary License For Microinsurance	MEF is given the mandate for Licensing of Microinsurers
Securities and Exchange Commission of Cambodia	
Law On The Issuance And Trading Of Non-Government Securities 4, October, 2007	Article 5 Mandate of the Securities and Exchange Commission of Cambodia (hereafter referred to as SECC shall be established under this law... Article 7 Functions of the Securities and Exchange Commission of Cambodia SECC shall have the following functions: <ol style="list-style-type: none"> 1. to regulate and supervise securities markets, both government and nongovernment, in the Kingdom of Cambodia; 2. to enforce policy with respect to securities market; 3. to formulate conditions for granting approvals to the operators of a securities market, clearance and settlement facility, and securities depository; 4. to formulate conditions for granting license to securities companies and securities company representatives; 5. to promote and encourage compliance with the requirements of this law; 6. to play a role as an institution to examine and solves complaints against licensed legal entities' decision affecting the benefits of participants or investors; 7. to consult with any qualified person to develop policies for the purpose of developing a securities market in the Kingdom of Cambodia; 8. to fulfill other duties prescribed by sub-decree. Article 23 Requirement to be approved as the operator of a securities market, clearance and settlement facility or securities depository. A person must not operate a securities market (including a securities exchange), a clearance and settlement facility or a securities depository unless the person has been approved by the director general of SECC to operate the market, facility or depository in accordance with this law or any other effective laws. Article 31 Licensing a securities firm and representative of a securities firm No person, except an exempt securities dealer or in respect of an exempt securities transaction as prescribed by sub-decree, shall conduct a securities business or hold himself out as conducting a securities business in the form of a securities firm unless the person has been licensed by the director general of SECC.

Each law establishing the roles of regulatory bodies also specifies the different regulatory powers that they can exercise as shown in the table below.

Table 7: Specified Regulatory Responsibilities

SPECIFIED REGULATORY RESPONSIBILITIES	NBC	MEF	SECC
To issue Prakas	✓	✓	✓
To scrutinise/vet applications for licenses and to issue licenses	✓	✓	✓
To revoke licenses	✓	✓	✓
To inspect and investigate	✓	✓	✓
To supervise and oversee regulated activities	✓	✓	✓
To apply enforcement measures to regulated entities including penalties and fines	✓	✓	✓
To require additional reporting	✓	✓	✓
To deal with and mediate consumer disputes	x	✓*	✓
To deal with insolvent operators	✓	✓	✓

(*) No: 009 MEF Circular with respect to micro-insurance

It appears that regulators have the basic legislative mandates necessary to carry out their responsibilities over their respective jurisdictions. Questions remain, however, as to whether these mandates are sufficiently clear as to the extent of regulatory authority, and whether there are sufficient resources for regulators to carry-out their responsibilities.

In reviewing the legislated composition of the three regulators, it would appear that only NBC is able to carry out its mandate, regulatory responsibilities, and daily operations with full independence. This absence of political influence and elimination of potential conflicts of interest is a key criterion for a sound and trustworthy financial regulator.

3.3. THE PRESENT STATE OF CONSUMER PROTECTION MEASURES

There is significant awareness by the government as to the need for consumer protection as evidenced by the current legislative and regulatory frameworks. However, the frameworks which deal primarily with disclosure are largely principle-based and not comprehensive. With respect to consumer education, there is little consumer-friendly information in the market on consumer rights and FSP obligations. This lack of knowledge and awareness of rights and responsibilities, both by the consumer and the regulatory staff, hinders the establishment of an effective FCPF.

Research has been compiled regarding the inventory of the actual laws, Prakas and circulars issued by the government and the regulatory bodies that contribute to the existing FCPF in Cambodia. A summary of the key FCP provisions is provided in the attached annexes: Annex 3 (Banking), Annex 4 (Insurance) and Annex 5 (Securities).

The most important and fundamental consumer protection measure that all three regulatory bodies can exercise is the effective screening and licensing of “fit and proper” FSPs. Each regulatory body has a thorough checklist of legislated requirements that must be addressed before approving a license. Proper due diligence by the regulator at this initial stage protects sector integrity, promotes consumer confidence in the providers, and compels investor interest – especially when there is no evidence of political intervention or conflicts of interest in the licensing process.

There is a substantial difference between the financial regulatory bodies in terms of the level of detail in the rules applied to their institutions. The SECC, through a Prakas, sets out a 40 page code of practice that is more thorough in its expectations in particular those areas enhancing consumer protection. Insurance legislation incorporates specific consumer provisions, and although it is not comprehensive, it does deal with issues such as processing of claims, time limits, policy cancellations, consumer obligations, etc.

A further difference is that the insurance and securities subsectors provide for formal mediation to assist in the resolution of consumer disputes; the NBC may provide this service but it does not seem to be publicly known nor advertised.

All three subsectors would benefit from unilateral adoption of consumer protection standards, particularly in the areas of disclosure, dispute resolution, and monitoring of market conduct. Currently, there appears to be no reporting done by institutions and operators to regulators regarding consumer complaints.

3.4. CONSUMER RISKS IN THE CAMBODIANS FINANCIAL SECTOR

Based on meetings with selected MFIs, banks, government officials, and a thorough literature review, the following table lists key risks evident in the financial sector.

Table 8: Key Consumer Risks

LEGISLATION	SUMMARY OF PROVISIONS ESTABLISHING MANDATES
POTENTIAL CONSUMER RISKS IN THE FINANCIAL MARKET PLACE	OECD PRINCIPLES APPLIED
<p>Lack of access to basic educational material and learning opportunities:</p> <p>There is a lack of unbiased product information and educational material. Such material can improve the level of understanding about loans options and other products and services and guide consumers in making an informed choice</p>	<p>Financial education and awareness should be promoted by all relevant stakeholders with quality information available on products and services, consumer, rights and responsibilities. The information should be easily accessible by consumers.</p> <p>The provision of broad based financial education and information to deepen consumer financial knowledge and capability should be promoted, especially for vulnerable groups.</p>
<p>Low level of Literacy – consumer capacity to understand:</p> <ul style="list-style-type: none"> • Inability to read disclosure documents, contracts, collateral agreements, etc. • Inability to comprehend characteristics of financial products (interest and fee calculations, consumer/FI obligations, etc.) • May lead to FSPs/staff taking advantage of vulnerable consumers. <p>COMMENT: There are several good initiatives in financial literacy and educational programs scattered throughout the various FSPs and other stakeholders (e.g. a few MFIs are developing programs with Good Return and World Education Australia, Ltd.). There is perhaps a lack of funding and a mechanism for coordinating efforts, sharing quality material, lessons learned and best practices. There is the possibility to leverage the existing work and provide greater access to the programs.</p>	<p>Financial education, awareness and literacy should be promoted by all relevant stakeholders and clear information on consumer protection, rights and responsibilities should be easily accessible by consumers.</p> <p>The provision of broad based financial education and information to deepen consumer financial knowledge and capability should be promoted, especially for vulnerable groups.</p>

LEGISLATION	SUMMARY OF PROVISIONS ESTABLISHING MANDATES
POTENTIAL CONSUMER RISKS IN THE FINANCIAL MARKET PLACE	OECD PRINCIPLES APPLIED
<p>Over-indebtedness:</p> <ul style="list-style-type: none"> • Multiple loans • Informal lending/Predatory lending • Lack of disclosure by the consumer as to his true financial affairs (income, debt, other liabilities) • Aggressive/competitive market conditions (quotas on loan staff, bonus incentives, market saturation) 	<p>Responsible Business Conduct of Financial Services Providers should have as an objective, to work in the best interest of their customers and be responsible for upholding financial consumer protection.</p> <p>Disclosure and Transparency Consumers should be made aware of the importance of providing financial services providers with relevant, accurate and available information.</p>
<p>Lending to underage youth: Lending for financing cell phones, motor bikes, etc.</p>	<p>Responsible Business Conduct of Financial Services Providers should have as an objective, to work in the best interest of their customers and be responsible for upholding financial consumer protection.</p>
<p>Informal Banking Informal banking is a term used to describe individuals or organizations that provide basic financial services outside the scope of normal regulated financial services. Services normally include short term lending, money transfers, deposit taking and investment services. It is believed that in some countries the portion of business carried on by informal banking has reached a level that creates concerns regarding its potential to affect the country's economy. Furthermore, given its informality and lack of oversight, it likely attracts money laundering. Offering consumer protection to consumers who choose to use these services is difficult as the businesses and their practices are often unknown. The primary tool for helping consumers avoid the risks of informal banking is primarily through education and awareness.</p>	<p>Financial education and awareness should be promoted by all relevant stakeholders and clear information on consumer protection, rights and responsibilities should be easily accessible by consumers.</p> <p>Legal and Regulatory Framework Strong and effective legal, judicial and supervisory mechanisms should exist to protect consumers from and sanction against financial frauds, abuses and errors.</p>
<p>Conflict of interest The methods of pay for FSPs sales staff can (bonus, commissions for performance) create negative impact on consumers by providing incentives to aggressively sell despite issues of suitability and affordability of the product to the customer.</p>	<p>Responsible Business Conduct Financial services providers should have as an objective, to work in the best interest of their customers and be responsible for upholding financial consumer protection. Staff should be properly trained and qualified. The remuneration structure for staff of both financial services providers and authorised agents should be designed to encourage responsible business conduct, fair treatment of consumers and to avoid conflicts of interest.</p>
<p>Unlevelled playing field: This issue of an unlevelled playing field for FSPs may develop as the sector is starting to blur the lines between the business of banks and MFIs MDIs, NGOs and pawn brokers yet the rules are different, if any. There are no minimum sector wide standards of behavior that would create the level field for truth in lending and in sales practices. Without standards in KYC assessments and disclosure in advertising, then the use of selective advertising may cause a "race to the bottom" in terms of ethical behavior.</p> <p>Misleading advertising or presentation of interest rates: There is no standard formula (APR) for an annual percentage rate for interest for consumers to make a valid comparison on total costs of a loan.</p> <p>There is also a concern that a lender can advertise lower loan rates than the competition but the lender applies substantial and unadvertised fees or other unavoidable costs which could make the loan much more expensive in total than what is advertised.</p>	<p>Legal, Regulatory and Supervisory Framework Strong and effective legal, judicial and supervisory mechanisms should exist to protect consumers from and sanction against financial frauds, abuses and errors.</p> <p>Disclosure and Transparency Financial services providers should provide consumers with key information that informs the consumer of the fundamental benefits, risks and terms of the product.</p> <p>All financial promotional material should be accurate, honest, understandable and not misleading.</p> <p>Responsible Business Conduct of Financial Services Providers Providers should have as an objective, to work in the best interest of their customers and be responsible for upholding financial consumer protection.</p>

LEGISLATION	SUMMARY OF PROVISIONS ESTABLISHING MANDATES
POTENTIAL CONSUMER RISKS IN THE FINANCIAL MARKET PLACE	OECD PRINCIPLES APPLIED
<p>Unlevelled playing field: This issue of an unlevelled playing field for FSPs may develop as the sector is starting to blur the lines between the business of banks and MFIs MDIs, NGOs and pawn brokers yet the rules are different, if any. There are no minimum sector wide standards of behavior that would create the level field for truth in lending and in sales practices. Without standards in KYC assessments and disclosure in advertising, then the use of selective advertising may cause a “race to the bottom” in terms of ethical behavior.</p> <p>Misleading advertising or presentation of interest rates: There is no standard formula (APR) for an annual percentage rate for interest for consumers to make a valid comparison on total costs of a loan.</p> <p>There is also a concern that a lender can advertise lower loan rates than the competition but the lender applies substantial and unadvertised fees or other unavoidable costs which could make the loan much more expensive in total than what is advertised.</p> <p>The same issue applies with respect advertising savings interest rates; the advertised rates may be the same but based on a much different calculation, one method using an effective rate of interest based on compounding of interest rate versus a straight rate. The difference in calculations can impact the amount the consumer will actually receive. For example for savings, the interest calculation may be:</p> <ul style="list-style-type: none"> • compounding and paid daily or monthly or yearly, • based on the account’s closing balance at the end of the period, or • based on the account’s lowest balance amount during the period; or • based on the average balance amount held during the period, etc. <p>The disclosure of the calculation for interest, fees, commissions any product is an essential disclosure factor.</p>	<p>N/A</p>
<p>Lack of standard disclosure: There is an absence of standards and rules that would set out detailed description of what full disclosure means. Disclosure should be in plain language with simple examples of costs, penalties, interest calculations, etc. Disclosures should clearly explain any risks to the consumer such as the consumers’ liability if there is fraudulent use of debit cards, credit cards due to skimming; the risk associated with any arbitrary changes in the contract such as increasing of costs/interest rates, etc.</p>	<p>Disclosure and Transparency Financial services providers should provide consumers with key information that informs the consumer of the fundamental benefits, risks and terms of the product.</p>
<p>Lack of consumer dispute mechanisms (internal & external): There are no standards for FSPs to have formal internal complaint procedures and to ensure consumer awareness of the process.</p> <p>A suggestion box in a branch does not equate to a valid complaint process.</p> <p>In banking there is no external dispute resolution process. (In the Securities subsector there is mediation offered by the regulator).</p>	<p>Complaints Handling and Redress Jurisdictions should ensure that consumers have access to adequate complaints handling and redress mechanisms that are accessible, affordable, independent, fair, accountable, timely and efficient. Recourse to an independent redress process should be available to address complaints that are not efficiently resolved via the financial services providers’ internal dispute resolution mechanisms.</p>

LEGISLATION	SUMMARY OF PROVISIONS ESTABLISHING MANDATES
POTENTIAL CONSUMER RISKS IN THE FINANCIAL MARKET PLACE	OECD PRINCIPLES APPLIED
<p>Lack of monitoring data and reporting: There appears to be no recording and reporting of consumer complaints by FSPs to the regulator which is an essential monitoring tool regarding problems of market conduct.</p>	<p>Legal, Regulatory and Supervisory Framework Strong and effective legal and judicial or supervisory mechanisms should exist to protect consumers from and sanction against financial frauds, abuses and errors.</p>
<p>Risk to deposits: There is no guarantee of the safety of consumer deposits and in the case of insolvency of a FI, depositors rank below government debts and secured creditors in terms of creditor payouts.</p> <p>It is important to the economy to encourage savings to be deposited within the financial system in order to decrease reliance on foreign money for lending and lessen risk to foreign exchange fluctuations.</p> <p>There is no consumer awareness programs informing consumers about potential risks associated with the unregulated informal service providers.</p>	<p>Legal, Regulatory and Supervisory Framework Strong and effective legal and judicial or supervisory mechanisms should exist to protect consumers from and sanction against financial frauds, abuses and errors</p> <p>Protection of Consumer Assets against Fraud and Misuse Relevant information, control and protection mechanisms should appropriately and with a high degree of certainty protect consumers' deposits, savings, and other similar financial assets, including against fraud, misappropriation or other misuses.</p>
<p>Potential for predatory lending: Illiterate consumers may be sold loans by lenders that know there is high likelihood of default thus enabling the lender to take possession of valuable collateral (e.g. jewelry, agriculture inventory, and livestock) which has much greater value than the amount of the loan.</p>	<p>Responsible Business Conduct of Financial Services Providers should have as an objective, to work in the best interest of their customers and be responsible for upholding financial consumer protection.</p> <p>Financial education and awareness should be promoted by all relevant stakeholders and clear information on consumer protection, rights and responsibilities should be easily accessible by consumers.</p>
<p>Potential abuse/fraud with private money transfers:</p> <ul style="list-style-type: none"> • High fees charged in isolated regions • "Lost" transactions 	<p>Legal, Regulatory and Supervisory Framework Strong and effective legal and judicial or supervisory mechanisms should exist to protect consumers from and sanction against financial frauds, abuses and errors.</p> <p>Responsible Business Conduct of Financial Services Providers should have as an objective, to work in the best interest of their customers and be responsible for upholding financial consumer protection.</p> <p>Protection of Consumer Assets against Fraud and Misuse Relevant information, control and protection mechanisms should appropriately and with a high degree of certainty protect consumers' deposits, savings, and other similar financial assets, including against fraud, misappropriation or other misuses.</p>
<p>Potential abuse by private mobile banking agents:</p> <ul style="list-style-type: none"> • High fees charged in isolated regions • "Lost" transactions 	<p>Legal, Regulatory and Supervisory Framework Strong and effective legal and judicial or supervisory mechanisms should exist to protect consumers from and sanction against financial frauds, abuses and errors.</p> <p>Responsible Business Conduct of Financial Services Providers should have as an objective, to work in the best interest of their customers and be responsible for upholding financial consumer protection.</p> <p>Protection of Consumer Assets against Fraud and Misuse Relevant information, control and protection mechanisms should appropriately and with a high degree of certainty protect consumers' deposits, savings, and other similar financial assets, including against fraud, misappropriation or other misuses.</p>

LEGISLATION	SUMMARY OF PROVISIONS ESTABLISHING MANDATES
POTENTIAL CONSUMER RISKS IN THE FINANCIAL MARKET PLACE	OECD PRINCIPLES APPLIED
Potential lack of proper training and monitoring of staff by management of FIs: Monitoring for evidence of kickbacks, unauthorized and inappropriate lending practices, and coercive practices.	<p>Responsible Business Conduct of Financial Services Providers should have as an objective, to work in the best interest of their customers and be responsible for upholding financial consumer protection.</p> <p>Equitable and Fair Treatment of Consumers Treating consumers fairly should be an integral part of the good governance and corporate culture of all financial services providers and authorized agents.</p>

3.5. SAMPLING OF INDUSTRY PRACTICES

A review was performed from a consumer protection perspective on a few samples of loan documents that were provided by FSPs. The following table documents the key observations regarding the loan documentation:

Table 9: Examination of Documentation

EXAMINATION OF SAMPLE LOAN DOCUMENTATIONS
<p>LOAN DISPUTES</p> <p>The loan contract clauses provided a strong deterrent for a consumer to complain about a loan as the documents in essence threatens significant costs if the consumer's complaint is not found to be valid.</p> <p><i>Example 1</i> The non-prevailing party shall pay all costs and expenses arising from any dispute under this agreement incurred by the prevailing party in resolving such dispute.</p> <p><i>Example 2</i> 'Party A' and 'Party B' promise to strictly obey every article of this agreement. In the case of contradictory or violation of any condition in this agreement, disobedient party shall undertake to be held response before the law. The entire dispute resolution fee will be charged by the disobedient party.</p> <p>COMMENTS</p> <p>Is a consumer going to challenge a bank or an MFI who have lawyers to prepare their case; and then the consumer faces the risk of paying substantial costs if they lose?</p> <p>This is a very significant deterrent for consumers to complain and it clearly sets a tone regarding the potential risk for any consumer that may want to pursue their complaint. The clause protects the FSP from complaints despite the fact their agreement is vague and lacks effective disclosure; a fact which should actually generate disputes but consumers won't complain given the risks of having to pay substantial costs to the FSP.</p>
<p>UNFAIR FEES</p> <p>There are administration fees in the loan contract based on a "percentage" of the loan as opposed to a set fee. The practice seems to be excessive and should be a fixed amount based on actual costs of administering a loan. The costs of administering a loan cannot be significantly different based simply on the amount of the loan.</p> <p><i>Example 1</i> Party B agrees to pay the loan service fee 0,50% (Zero Comma Fifty Percent) of the loan amount granted in the Article 1 to Party A when the Party B pays and receives the loan amount or gets the loan amount as monthly installment at the first time.</p> <p>Other types of non-discretionary fees that should be clearly disclosed include:</p> <p><i>Example 2</i> Understood the guideline, terms and conditions of loan registration, we (I) agree to pay fee charge for Credit Bureau of Cambodia check, in amount:.....to XXXXX Ltd to collect the information relevant in this application form.</p> <p>It is not clear whether this is the direct costs of the credit check or if there is also a markup applied by the financial institution.</p> <p>COMMENTS</p> <p>One MFI explained that the use of a percentage rate as an administration fee allows for income generated from the fee on larger loans is used to cross subsidize the administrative costs on providing the smaller loans. All fee amounts or percentages should be clearly advertised whenever the interest rate is stated or advertised in order to show the full potential cost of the loan.</p>

INTEREST DISCLOSURE

On one loan contract, there was no disclosure as to the interest rate.

There is no disclosure as to the interest rate calculation in any contracts.

COMMENTS

There must be a standard comparative formula for interest rates that allows the consumer to make an informed choice based on fundamental criteria of loan costs.

LACK OF CLARITY

There is a lack of clarity in many of the loan clauses which can only lead to disputes, for example:

Example 1

In case Party B implements the obligations under this contract not in conformity with the Articles 2, 5, 10, or 11, the Party B shall be responsible for paying 1% per month late payment charge...

Example 2

In case the Party B fails to make the loan payment on the due date as defined in the table of loan reimbursement, the Party B shall be responsible for paying 1% per month late payment charge.

COMMENTS

If Party B (consumer) corrects the delinquency problem quickly (e.g. pays up within days on a late payment) is he still faced with a full 1% monthly late penalty charge? It is not clear as to whether the fee is a continuous charge every month even if the late payment was paid in full during the first month?

Disclosure of this fee should provide examples of how it will be applied

COLLECTING ON LOAN COLLATERAL

The following clause allows for substantial abuse given the lack of detailed disclosure to the consumer of how the financial institution will act in the event of a loan default.

Example 1

If Party B fails to make the loan payment in accordance with the terms or Articles as stipulated in this contract, Party B shall hereby give the right to Party A to sell the collateral described in the Article 11 in order to pay Party A all costs including principal, interest, and penalty (if applicable) and other expenses incurred by Party A in resolving any dispute under this contract or in relation to the implementation of the obligation under this contract. In case the money from selling the collateral is not enough for the loan amount payment, Party A shall reverse the right to demand that Party B pays the remaining loan amount. Party A may use the right demand payment by the guarantor simultaneously or separately.

COMMENTS

- It seems that the lender can take the security/collateral even if the payment is late one day. This would encourage predatory lending. If this is not the case, then there should be clear disclosure of the collection/foreclosure process.
- There is nothing in the contract that requires the lender to provide the customer with an advanced notice before taking the security/collateral. Such a notice should provide the customer with a time limit for correcting the problem. If notice is required by other legislation, then there should be clear disclosure in the loan agreement.
- The above noted clause allows the lender to apply a penalty but does not refer to what is the basis for charging such a penalty.
- It does not state that if the sale of the security/collateral exceeds the value of the loan that the surplus is returned to the borrower and if so when. It does state that if the sale value is less than the loan, the borrower is still liable.
- The clause also allows the lender to charge expenses but does not disclose the types or limits to the types of expenses it will charge. Lenders can inflate the surcharges to an amount equal any surplus funds from the sale of the security/collateral and the payment of the loan.

Example 2

'Party B' shall be invited to make repayment if 'Party B' is default for 15 days or does not find a good solution to pay. Amount of default is subject to penalty which is doubled the interest on default amount starting on the first date of default and calculated daily until payment resumes. This penalty amount shall be added on the actual amount of repayment schedule in annex.

EXAMINATION OF SAMPLE LOAN DOCUMENTATIONS

In the case of default on repayment over one month (1 month) period, 'Party B' shall agree to transfer all of collateral for mortgage only to 'Party A' so that they can sell on auction to get cash and repay all amount of outstanding loan balance including principle, interest and other penalty amount. After fully repay all the loan amount to 'Party A', the rest of money shall be transferred back to 'Party B'. In the case that 'Party B' not yet fully repays, they must be responsible for repaying the outstanding loan balance until completing the payment.

COMMENTS

- The first paragraph states: "This penalty amount shall be added on the actual amount of repayment schedule in annex". Does this mean that there will also be interest charged on the interest penalty amount?
- There is no provision of notice to the customer when the lender is about to seize the collateral assets which could give the customer time to correct the problem. (Only one month delinquency does not seem like a reasonable time before seizing someone's home property or business assets.) If notice is required by other legislation, then there should be clear disclosure in the loan agreement.

OPEN - ENDED CLAUSES

The clause for the guarantor to sign is open-ended as to the types of penalties and expenses that will be applied.

I voluntarily agree to be the guarantor for the loan that Party B borrows from Party A described above and hereby represents and warrants that I shall be responsible for paying the loan including principal, interest, and other penalty as well as other expense incurred by Party A in resolving any dispute under the contract or in relation to the implementation of Party A or/ and the guarantor's obligations.

COMMENTS

This open-ended clause is like signing a blank check.

RELEASE OF CONSUMER INFORMATION

The following agreement that is signed with the loan agreement seems to allow for disclosure of a customer's personal information to a broad range of people that do not need to know such personal details for the purpose of administering the loan.

Data privacy agreement

When loan is assessed and you have overdue on your loan. In addition to sharing default information with the CBC, we may share the following information with group leader, group member, co-borrower, guarantor, local authority, and other related microfinance institution (if necessary): Client name; Client national identity number; financial products used by Client; overdue interest and principle, loan amount, loan term, and client credit repayment history. Institutions in the National Microfinance Network use this information to avoid lending to clients who have not paid other loans

When you have a group loan. An individual Client's group members will have access to Personal Information about the Client, including loan size, loan repayment history from the CBC and account balances. Other individual Client information will not be shared with the group, including: national identification number, savings balance (if applicable), and information about the client's family.

COMMENTS

The wording in the second clause is much too broad in terms of the right to share information with other group members. The clause should first confirm the individual's right to full privacy protection in accordance with the law and then specify the limited number of exceptions, (where permitted by law), needed for the purpose of assessing and managing that loan in a group context.

UNILATERAL CHANGES TO A CONTRACT

This clause allows for unilateral changes to the agreement without advanced written notice being provided to the consumer.

You acknowledge that we may amend this Agreement from time to time to take into consideration changes in legislation or other issues that may arise. We will post the revised Agreement on our website and make it available at our branches or we may also send it to you by mail.

If you receive a notice like one described above, and you continue to use a XXX product or service, this means that you agree to and accept the new terms and conditions of the Agreement. If you do not agree with any of the changes made or with the new terms of the Agreement, you must immediately stop using the services and notify us that you are terminating your service with us.

COMMENTS

There are no industry standards for the time frame for providing notice before a change occurs. Advanced notice would allow the consumer to find alternatives if he disagrees with the changes to the contract.

RESTRICTIVE CLAUSES

The following clause limits the customer from obtaining any other credit from other institutions even if it is cheaper or the customer can afford to obtain another loan.

'Party B' shall not obtain the loan from other institutions during loan period with 'Party A'. 'Party B' can do so only when it has received the agreement from 'Party A'.

COMMENTS

This clause promotes anti-competitive behavior. If a financial institution wants to protect their loan from early payout, then they should ensure that the early termination penalty will reasonably cover their costs.

The literature review, though limited, illustrates a real concern for the current lack of quality disclosure and market conduct and demonstrates the requirement for closer and more effective scrutiny of disclosure methods.

The issue of over-indebtedness has been reviewed by several researchers that provided qualitative evidence of an existing problem in Cambodia. If true, one quantitative indicator would be an increase in the reported level of delinquent loans. However, the reported delinquency rates to the NBC are quite low. This raises several possible explanations:

1. The problem is not widespread and that is why the delinquency rate is low.
2. People have high debt loads but they can manage by re-allocating household spending to make payments. If this is indeed the case, it should be noted that a substantial rise in interest rates, crop failure, or other significant financial or natural events may result in a significant number of defaults.
3. There is an over-indebtedness problem and the delinquency data is unreliable because of:
 - i. Under-reporting or inaccurate reporting by FSPs
 - ii. Credit Officers are churning problem loans to avoid being tagged with delinquency status and/or to meet their performance bonus targets for delinquency rates.
4. There is a problem, but due to the high level of liquidity and competition in the system, marginal lenders are able and willing to continue lending despite high indebtedness ratios.
5. Consumers are able to access additional loans from “informal” lenders in order to pay off loans or are using the new loan proceeds to continue to make the loan payments, thus avoiding default. This juggling of loans and payments may be done to forestall default in desperate hope of finding a way to pay off the loans perhaps by finding better employment, obtaining better crop yields and prices, selling of an asset, etc.
6. The rapid expansion of the number of MFIs and banks may be forcing interest rates down, but it may also be forcing informal lenders to extend lending to marginal/over-indebted “subprime” consumers. These consumers may be seeking marginal lenders because they are no longer able to borrow from mainstream lenders or do not want their existing lenders or the credit bureau to know about the loan(s).

The issue of consumer debt is a global concern and is a source of instability in the economy as was seen in the financial crisis of 2007. Both from a consumer protection perspective and a stability perspective, further analysis must be done or sponsored by NBC.

PART 4

The Government's Financial Sector Development Strategy 2011 to 2020



Cambodia's "Financial Sector Development Strategy 2011–2020" was adopted by the Council of Ministers in the Plenary Session on 25 November 2011. The focus now is on proper implementation. Please see Annex 7 for extracts from the report identifying current consumer protection issues, and Annex 8 for extracts regarding future actions that the Government envisions it will take in order to resolve the issues raised.

4.0 THE GOVERNMENT'S STRATEGY FOR THE FUTURE OF THE FINANCIAL SECTOR

The Government's vision, as stated on page XIII of the Strategy, is "to develop a sound financial sector that can contribute to poverty reduction by supporting economic growth and increasing poor people's access to finance". Key consumer protection initiatives include:

- Improvement of regulatory and supervisory oversight in all subsectors including pawn brokers
- Introduction and implementation of guidelines for financial consumer protection based on experience and best practices
- Development of a deposit guarantee system
- The study of the establishment of an investor protection fund
- Design and implementation of programs on financial education and literacy in rural areas for MFI staff and the general public
- Promotion of investor education and awareness
- Completion of a study of consumer debt (over indebtedness)
- To address informal lending at high rates in remote areas
- Establishment/ Improvement of consumer dispute resolution
- Improvement of disclosure on the costs of products
- Improvement of the professional ethics of institution staff
- Exploration of ways to promote savings
- Improvement of regulatory oversight of the property market and draft legal framework for the property subsector
- Improvement of competency and skills of financial sector and regulatory staff
- Review financial sector legislation and the institutional framework to deal with overlap, conflicts, loopholes, and gaps
- Review financial sector legislation and the institutional framework to clarify role, responsibilities, accountabilities, and ensure collaboration among regulators.

These initiatives correspond to the types of key risks identified in Part 3 of this report. Furthermore, many of the above have been integrated with the recommendations set out in Part 5.

4.1. MOVING THE STRATEGY FORWARD

The basis of the Government survey was to map the current landscape with respect to financial consumer protection by:

- Presenting a description of the broad application of financial consumer protection
- Reviewing the current regulatory landscape
- Taking inventory of current consumer protection measures
- Reviewing key risks Cambodians face in their daily use of financial products and services.

The survey provides a compressive “to do” list which if implemented, will provide for a safe, sound and stable sector. The design and implementation of a financial consumer protection framework incorporating the Government’s priorities must take into consideration the following activities in consultation with key stakeholders:

- Establishing general principles of market conduct
- Defining expectations as to roles and responsibilities of government, regulators, FSPs and consumers
- Reviewing current Prakas and laws in order to establish best practices in consumer protection (moving from principles-based to rules-based)
- Reviewing FSP reporting requirements for monitoring market conduct
- Identifying appropriate methods and tools for effective oversight and supervision of market conduct
- Monitoring quality of sector self-monitoring initiatives
- Coordinating financial literacy programs and sharing of best practices
- Reviewing competencies and training of FSP staff responsible for sales and customer service
- Reviewing due diligence by FSPs in designing new products and services;
- Appraising the “Treating the Customer Fairly” concept by measuring the following aspects of customer service:
 - Are there publicized service standards and performance reports from financial institutions?
 - Are there discriminatory practices?
 - Is there sufficient and proper access to products and services for all consumers?
 - Are financial contracts unfair/abusive? Do they provide fairness in dealing with consumers that may have difficulties in meeting contract conditions? (Problems that may result in foreclosures, repossessions of vehicles and other assets, lower credit ratings, future denial of credit, discontinuance of insurance policies, adjudication of insurance claims, etc.).
 - Are consumers provided with the right to rescind a decision within a reasonable time when sold a product or service?
 - Do institutions proactively provide consumers with information that is accurate, unbiased and understandable?
 - Do FSPs promote a “KYC” sales culture to ensure the sale of a product or service is appropriate for the customer and audit performance?
- Researching customer experience and satisfaction with the financial sector
- Assessing customer risks associated with the introduction of technology for delivering financial products and services. Can such risks be mitigated? Who should bear the brunt of the risk/liability and why?

As Cambodia builds its financial consumer protection framework, it cannot afford to create inefficient structures that may be sound in policy but impractical in practice. There must be FCP expertise within a dedicated unit of NBC able to coordinate, develop, and operationalize each new component of the FCPF. The unit would also spearhead consultations with stakeholders as NBC seeks to develop legislative, regulatory, supervisory and consumer protection measures in the most effective manner. With a dedicated expert unit, NBC will help the Government attain its objectives for the financial sector in a more effective and timely manner.

PART 5

Recommendations



Compared to other economies in the region, Cambodia appears less developed in matters of financial consumer protection and regulatory oversight and supervision. In order to accelerate financial sector reform and development, the following recommendations are submitted for consideration. All recommendations are in line with the intended actions stated in the Government's Strategic plan 2011-2020.

As a starting point for strengthening the FCP framework in the banking sector, NBC should focus on the following key short-term priorities. Successful completion of these will secure a foundation for full implementation of this report's recommendations.

- Strengthen the role of NBC in financial consumer protection by establishing a work unit with expertise in carrying out market conduct oversight and supervision activities focused on the banking sector.
- Require FSPs to report to NBC on consumer complaints and notify NBC when systemic consumer protection issues arise.
- Ensure FSPs have formal and effective mechanisms in place for complaint handling and redress. The NBC work unit would mediate unresolved complaints.
- Expand the principles of disclosure and transparency in existing NBC Prakas by setting out more specific disclosure requirements with a focus on promoting; transparent lending practices; truthful advertising and promotional material; effective complaint procedures; full disclosure of fees, interest calculations, collection practices.

Table 10: Recommendations

NBC has taken into consideration the size of the FSP when applying its oversight requirements (e.g., financial reporting). Such a strategy could also be applied to these recommendations to assure a proper level of oversight for protecting all customers.

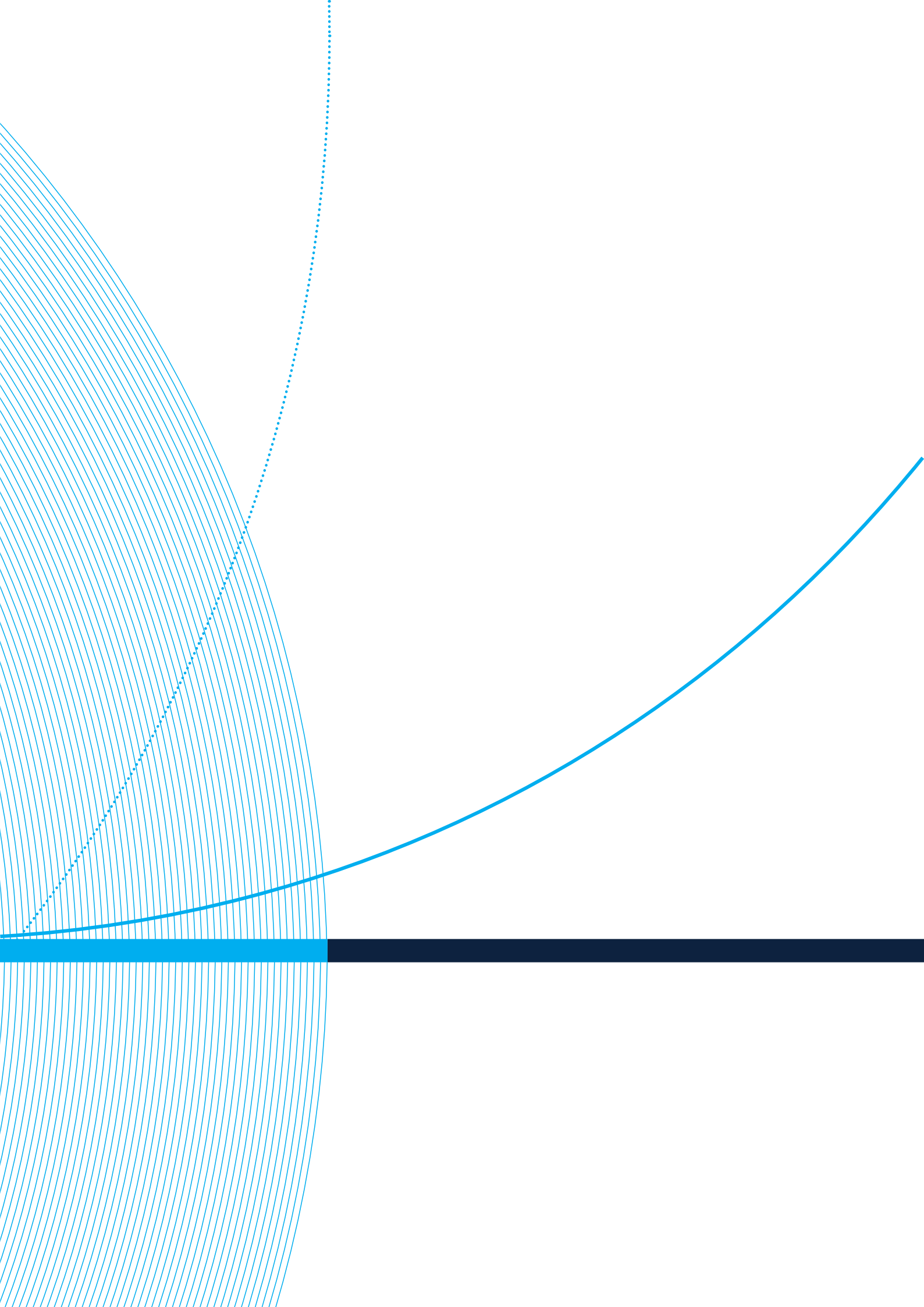
Consideration should also be given to available resources and expertise as well as the comparative level of consumer risk.

RECOMMENDATIONS	WHO	PRIORITY H-high M-medium L- Low	TIME FRAME Short term = To 12 months Medium term = 12 months to 3 years Long term = Over 3 years
INSTITUTIONAL ARRANGEMENTS			
1. With multiple regulators operating in the financial sector NBC should expand its existing MOU with MEF to include the SECC that provides arrangements that will allow each regulator to share information and coordinate financial consumer education.	NBC - Lead + SECC MEF MOC	M	Medium term
2. Strengthen the role of NBC in financial consumer protection by establishing a work unit that develops expertise in market conduct oversight and supervision. The work unit must be provided with a clear mandate, delegation of authorities and resources.	NBC	H	Short term
3. NBC should require reporting on complaints based on a classification template as well as notification when a consumer protection issues arises.	NBC - Lead ABC CMA FSPs	H	Short term
4. Regulators must strengthen monitoring and examination activities that include: <ul style="list-style-type: none"> reviewing the quality of disclosure documents and methods, training of staff carrying out on-site sampling and verification of consumer files to confirm that disclosure had been provided to the consumer. reviewing contracts for abusive provisions analyzing/investigating complaints monitoring the market place for false and misleading advertising and marketing material from financial institutions. 	NBC SECC MEF	H	Medium term
5. Necessary on-site inspection practices for market conduct can be integrated with the prudential inspections but the prudential examiners will need to be provided with further training.	NBC SECC MEF	H	Medium term
6. Regulators should develop a 3 to 5 year strategic plan setting out their planned regulatory priorities and activities.	NBC SECC MEF	H	Medium term
7. In the absence of regulations, regulators should issue guidelines that clearly set out best practices and/ or the regulators' expectations regarding consumer protection matters.	NBC SECC MEF	H	Medium term
LEGAL AND REGULATORY FRAMEWORK			
8. Provide clear legislative authority to financial regulators to issue binding directives to a FSP in order to correct non-compliance issues or to correct errors or problems with consumer products quickly (e.g. errors in calculation methods, errors in charging of fees/penalties, etc.).	RGC – Lead NBC SECC MEF	H	Medium term
9. Expand the principles of disclosure in existing Prakas by setting out more specific disclosure requirements with a priority on: <ul style="list-style-type: none"> Lending products Advertising and promotional material Complaint procedures Fees Interest calculations Collection practices Over time further disclosure Prakas can be developed for other financial products and services as needed.	NBC	H	Short term

RECOMMENDATIONS	WHO	PRIORITY H-high M-medium L- Low	TIME FRAME Short term = To 12 months Medium term = 12 months to 3 years Long term = Over 3 years
10. Introduce legislation or a Prakas that requires due diligence by FSPs in assuring that the product or service being sold to the consumer is appropriate given the actual needs of the consumer and is affordable both in the present and in the near future. This will require the institution to understand the financial conditions of their client before committing them to a costly and/or long-term purchase (Know your client, KYC). Provide a redress mechanism for the consumer if the FSP cannot demonstrate it carried out its KYC program properly.	RGC – Lead NBC SECC MEF	H	Medium term
EQUITABLE AND FAIR TREATMENT OF CONSUMERS			
11. As an initial step, NBC and other regulators should work with the industry associations in developing industry standards of performance and codes of conduct regarding the fair treatment of consumers that are binding on their members. The CMA and the ABC have developed codes of conduct which should be expanded and provide specific standards, not just general principles. In turn the associations should report annual on consumer complaints and the level of compliance by its members.	CMA ABC NBC	M	Medium term
12. There must be an effective way for NBC to collect intelligence on actual market conduct by FSPs. A key source of intelligence for any regulator is through the collection and analysis of data on consumer inquiries and complaints. There are three options for collecting such data: <ul style="list-style-type: none"> NBC can issue a Prakas that requires all FSPs to establish a formal capacity to receive complaints, record data complaints using standard reporting templates and to file the data with NBC on a monthly basis. There should be a requirement for the larger FSPs to provide consumer call centers to better monitor their retail operations; or NBC can set up a call-center for consumers to call for general information and for registering complaints. Sufficient complaint and inquiry data can then be collected for the regulator to analyse, identify trends and investigate. Data and trend analysis should be shared with the industry and publicised on an annual basis. Implement both options with the requirement for FSP reporting and with provided consumer access to the regulator’s call center. 	NBC ABC CMA	H	Short term
DISCLOSURE AND TRANSPARENCY			
13. Refer to Recommendation # 9 (improved disclosure).	NBC	H	Short term
14. Regulators should work with the industry to ensure the use of plain language in contracts and disclosure material.	NBC CMA ABC	M	Medium term
FINANCIAL EDUCATION AND AWARENESS			
15. NBC, should in conjunction with the industry associations, develop and distribute widely educational material/guides on the “most common” products and services. The material should be succinct, in plain language and consists of a description of the key characteristics and costs of the products and services. The guide should provide key questions to ask of a financial institution when considering the loan or other purchase.	NBC – Lead CMA ABC	M	Medium term

RECOMMENDATIONS	WHO	PRIORITY H-high M-medium L- Low	TIME FRAME Short term = To 12 months Medium term = 12 months to 3 years Long term = Over 3 years
<p>16. The industry, NBC and the Credit Bureau of Cambodia should have regular public awareness campaigns regarding;</p> <ul style="list-style-type: none"> • The need for consumers to act responsibly in order to keep a good credit records • Explain how to improve and/or correct one's credit record • Proper use of credit • How long records are kept • Consumer privacy rights • Consumer debt levels that are considered to be reasonable and are affordable, (e.g. standard percentage of disposable income for total debt loads) 	NBC – Lead CBC CMA ABC	M	Short term
17. Regulators should increase public awareness and information regarding the rights of consumers and the obligations of the FSPs.	NBC MEC SECC	M	Medium term
18. The Government should in consultation with stakeholders, provide the leadership in developing a national financial education and literacy strategy. Such a strategy will incorporate a broad network of stakeholders and other government departments in order to draw on their respective expertise and abilities to implement the strategy.	RGC – Lead NBC MEF SECC CMA ABC others	M	Long term
RESPONSIBLE BUSINESS CONDUCT			
19. The NBC should review the adequacy of FSP governance with respect to internal audit and compliance monitoring for market conduct, effective policies and enforcement mechanism of FSPs related to ensuring compliance with the law, codes of conduct, corporate policies and practices that are designed to protect the consumer.	NBC	H	Medium term
20. Refer to Recommendations 11(Industry Codes of conduct), 12 (FSP reporting of complaints), 14 (promote plain language contracts), 15 (educational material), 16 (public awareness on credit).	NBC CMA ABC CBC	M	Medium term
PROTECTION OF CONSUMER ASSETS AGAINST FRAUD AND MISUSE			
21. As consumer deposits increase, the Government should move forward with a form of deposit insurance to solidify confidence in its FSPs or raise the priority of deposit claims provided in insolvency laws.	RGC – Lead NBC CMA ABC	M	Long term
22. The industry and the NBC should increase awareness and education regarding financial fraud, identity theft, security of PINs on bank cards, etc.	CMA ABC NBC	M	Medium term
PROTECTION OF CONSUMER DATA AND PRIVACY			
23. NBC should require tracking and investigating of privacy complaints by FSPs and require monthly self-reporting to the regulator.	NBC	H	Short term
24. The industry associations and the credit bureau should undertake periodic consumer awareness campaigns advising consumer of their rights to having their information protect and at the same time caution consumers about the need that they themselves protect their information (e.g. card pin numbers) to avoid identity theft and fraud.	NBC – Lead CBC CMA ABC	M	Medium term

RECOMMENDATIONS	WHO	PRIORITY H-high M-medium L- Low	TIME FRAME Short term = To 12 months Medium term = 12 months to 3 years Long term = Over 3 years
COMPLAINTS HANDLING AND REDRESS			
25. FSPs should have in place formal mechanisms for complaint handling and redress. The procedures should be written and provided to every consumer that purchases a product or service. It should also be posted in every branch.	NBC - Lead CMA ABC FSPS	H	Short term
26. New FCP work unit in NBC - Refer to recommendations #2	NBC	H	Short term
27. FSP Complaint reporting – refer to Recommendation #3	NBC - Lead CMA ABC FSPS	H	Short term
28. Industry codes of conduct should set time standards for responding to complaints and correcting errors.	CMA ABC NBC CBC	H	Short term
29. There is concern that severe competition among lenders is creating, in part, the problem of over indebtedness. Given the data being produced and available from the CBC, NBC should undertake or sponsor a thorough study on the level of indebtedness in order to clearly determine if it is or has the potential to be a systemic problem.	NBC – Lead CBC CMA ABC	M	Medium term
OTHER RECOMMENDATIONS IN LINE WITH THE GOVERNMENT'S STRATEGY 2011-2020			
30. Expanding financial Inclusion (rural and poor): <ul style="list-style-type: none"> Continue to promote expansion of services to the “unbanked” FSPs to develop low cost basic services Consider promotion of community based credit unions in order to reinvest profits in the communities they serve rather than being drawn out of the community/country. Support the expansion of mobile/internet banking through proper oversight 	NBC – Lead CMA ABC FSP	M	Medium term
31. Undertake a consumer survey on financial consumers in order to develop a profile as to use of banking services, knowledge levels, satisfaction levels, gaps in meeting banking needs.	NBC	M	Medium term
32. Develop strong regulations on pawnbrokers and informal lenders (e.g. make it illegal to operate a lending services without a license from NBC, must self-reporting on business, must ensue consumer disclosure).	MEF NBC	M	Long term



Annexes



ANNEX 1

List of Participant for the Workshop on FCP Framework			
1	Hoy Sophea	General Manager	Cambodia Microfinance Association
2	Ear Techkung	Program Manager	Cambodia Microfinance Association
3	Ouch Soth	Risk Manager	Cambodian Commercial Bank
4	Sao Sothevin	Senior Officer	Cambodian Commercial Bank
5	Nguon Vanthy	Head of Managing Director Secretary	Seilanithih MFI
6	Kuy Panha	Official	Securities and Exchange of Commission of Cambodia
7	Kascap Kasadira	Project Officer	Oikocredit
8	Heng kim	Head of Marketing Department	Kredit MFI
9	Suon Sopea	Chief Executive Officer	Chamroeun MFI
10	Ros Khemara	Advisor	Asia Foundation
11	So Polon	Director	Securities and Exchange of Commission of Cambodia
12	Chrek Sothea	Chief Operation Officer	Credit Bureau of Cambodia
13	Heng Sakadah	Brand Manager	First Finance
14	Ninel Ulloa	Program Officer	Agence Française de Développement
15	Manon Plouchart	Project Officer	Agence Française de Développement
16	Ney Sakal	Head of Microfinance and SMEs Division	Ministry of Economy and Finance
17	Tung Tithanon	Head of Division	Ministry of Economy and Finance
18	Rath Sovannorak	Deputy Director General	National Bank of Cambodia
19	Ban Lim	Deputy Director	National Bank of Cambodia
20	Som Kossom	Head of Division	National Bank of Cambodia
21	Tal Thea	Devision Chief	National Bank of Cambodia
22	Pou Chhiang Hong	Devision Chief	National Bank of Cambodia
23	Nou Sotiara	Vice President & Deputy Head of Credit Division	ACLEDA Bank
24	Yu Lei	Personal Banking Department Manager	Bank of China

LIST OF PARTICIPANT FOR THE WORKSHOP ON FCP FRAMEWORK

25	Ly Pheasy	Personal Banking Department Officer	Bank of China
26	Oung Kimhouy	Loan & marketing officer	Cambodia Asia Bank Co.,LTD.
27	Preap Kimchhun	Credit Manager	Cambodia Asia Bank Co.,LTD.
28	Sam Mengky	-	Cambodian Public Bank (Campu Bank)
29	Heng Sunlong	-	Cambodian Public Bank (Campu Bank)
30	In Vansophea	AVP of Compliance	CIMB
31	Ros Sokha	Senior Manager Cards and eBanking	Foreign Trade Bank of Cambodia
32	Leang Khim	Risk Management Officer	Foreign Trade Bank of Cambodia
33	Rath Sophoan	Deputy Chief Executive Officer	Hong Leong Bank (Cambodia) Plc
34	Han Peng Kwang	General Manager	Phillip Bank Plc
35	Niu Jian Jun	General Manager	Industrial and Commercial Bank of China Limited
36	Meng Veasna	Head of Corporate Risk Management	MARUHAN Japan Bank Plc
37	Guanghai Chim	Head, Consumer Financial Services	Maybank (Cambodia) Plc.
38	Thong Sophea	Senior Compliances	SHINHAN KHMER BANK
39	Tom Piseth	Head of Banking Operations	Vattanac Bank
40	Christophe Forsinetti	Executive Director	GL Finance PLC
41	Rom Ratha	Deputy Head of Credit	AMRET MFI
42	Soeum Kiry	Senior Officer & Social and Environment	-
43	Bun Mony	Chief Executive Officer	Sathapana Limited
44	Heng Chanemony	Head of Marketing	
45	Hout Ieng Tong	Chief Executive Officer	HKL MFI
46	Pa Ponnakrithy	Deputy Chief Executive Officer	MAXIMA Mikroheranhvatho Plc.
47	Sim Senacheert	Chief Executive Officer	PRASAC MFI
48	Kuch Kunthen	Deputy Chief Executive Officer	SEILANITHIH
49	Faisal Ahmed	Resident Representative	International Monetary Fund
50	Kok Kao	Country Manager	Oikocredit
51	Marilou Juanito	Regional SPM Coordinator	Oikocredit
52	Sou Socheat	Director General	Securities and Exchange of Commission of Cambodia
53	Diep Seiha	Rector	Build Bright University
54	Chan Sok Khieng	Rector	Norton Univeristy
55	By Virak	Social Performance & Integration Officer	VisonFund Cambodia
56	Um Piseth	Credit Manager	Prime MFI
57	Meas Chantha	HR & Admin Supervisor	Prime MFI

List of Participant for the Workshop on FCP Framework

58	Yim Sokhen	Deputy Chief Executive Officer	BAYON Microfinance
59	Kaing Aunnarith	Operation Program Manager	BAYON Microfinance
60	Mao Polo	Deputy Chief Executive Officer	Ly Hour Micro Finance Institution Plc.
61	Oeur Sothearoath	Head of Business Development	Credit Bureau of Cambodia

List of Participant for Roundtable Discussion on the FCP Report

1	Rom Ratha	Deputy Head of Credit	AMRET Microfinance Limited
2	Soeum Kiry	Senior Officer & Social and Environment	AMRET Microfinance Limited
3	Hout Ieng Tong	Chief Executive Officer	HKL MFI
4	Vann Bonida	Active Chief Executive Officer	-
5	Sim Senacheert	Chief Executive Officer	PRASAC MFI
6	Sok Voeun	Chief Executive Officer	Thaneakea Phum (Cambodia), Ltd.
7	Ban Phalleng	Social Performance Management Unit Manager	-
8	Nou Sotiara	Vice President & Deputy Head of Credit Division	ACLEDA Bank
9	Grant Knuckey	Chief Executive Officer	ANZ Royal Bank (Cambodia) Ltd.
10	Guanghai Chim	Head, Consumer Financial Services	Maybank (Cambodia) Plc.
11	Ly Cheappiseth	Manager Market Research	-
12	Rath Sovannorak	Deputy Director General	National Bank of Cambodia
13	Ban Lin	Deputy Director	National Bank of Cambodia
14	Som Kossom	Head of Division	National Bank of Cambodia
15	Oeur Sothearoath	Head of Business Development	Credit Bureau of Cambodia
16	Eric Duflos	Regional Representative for East Asia and the Pacific	CGAP
17	Tung Tithanon	-	Ministry of Economy and Finance
18	Chrek Sothea	-	Credit Bureau of Cambodia
19	Kem Sambath	General Manager	The Association of Banks in Cambodia

ANNEX 2

INTERNATIONAL COMPARISON OF FINANCIAL CONSUMER FRAMEWORKS WITHIN ASIA

Notes:

1. In these tables CP as used here refers to Consumer Protection, FI to Financial Institutions and FCP to Financial Consumer Protection. For all the following Tables 1 and 3 -18, the data was extracted taken from the World Bank's Global Survey On Consumer Protection And Financial Literacy (CPFL) 2013**
2. To compile the data in Table 2, a desk review was completed for this report.
3. The following provides a comparison of 10 Asian economies that have pursued the development of a financial consumer protection agenda. The responses in the WB survey are from various authorities from each jurisdiction; they have not been verified.

Table 1

INDICATORS COUNTRIES	General CP law without explicit reference to financial services	CP law with explicit reference to financial products and services	Separate FCP law	CP regulations within the framework of financial sector legislation	Other FCP law or regulation	No FCP law or regulation	Applicable laws
China	Y	N	N	Y	N	N	Law of the People's Republic of China on the Protection of Consumers' Rights and Interests (1994)
Indonesia	Y	N	N	Y	Y	N	Consumer Protection Act (1999)
Japan	Y	N	Y	Y	N	N	Act No. 21 (2008) concerning Sharia Banking
Korea Rep	Y	N	N	Y	N	N	Act No. 6 (2009) concerning Bank Indonesia;
Malaysia	Y	N		Y	N	N	Money Lending Business Act 2010
Mongolia	Y	N	N	Y	N	N	Act on Sales of Financial Products (2000) Banking Act (1981); Money Lending Business Act (1983) Financial Instruments and Exchange Act. etc.
Nepal	Y	N	N	Y	N	N	Financial Services Act (2013)
Philippines	Y	N	N	Y	N	N	Law on Protection of Consumer's Rights (2003)
Taiwan, China	Y	Y	N	Y	N	N	
Thailand	Y	N	Y	Y	N	N	Consumer Protection Act (1997)

** Link to WB summary report: <http://responsiblefinance.worldbank.org/~media/giawb/fl/documents/publications/global-consumer-protection-and-financial-literacy-results-brief.pdf> and the link to WB survey results by country: <http://responsiblefinance.worldbank.org/surveys/providers-of-financial-services>

Table 2

Economies	Multiple financial sector regulators each with FCP functions	Consolidated Financial Regulator	Central Bank has the sole responsibility for FCP for banking	Within the Central Bank there is there a separate unit responsible for FCP	There is also a “general” consumer protection department/agency
China	Y	N	N	Y	YES - The State Administration for Industry & Commerce under which there is a Consumer Protection Bureau
Indonesia	N	Y Centralized under the Financial Services Authority that includes a separate FCP unit	N	N	YES - Consumer Education and Protection Body
Japan	N	Y Centralized under Financial Services Agency (Has FCP functions but no separate FCP unit)	N	N	YES - Consumer Affairs Agency
Korea Rep	N	Y Currently centralized under the Financial Services Commission that includes a separate FCP unit, however the government has decided to create a stand-alone FCP agency that covers all financials sectors (twin peaks)	N	N	YES - Korea Consumer Agency
Malaysia	N	Y Centralized under the Central Bank	Y FCP for all financial sectors	Y Consumer And Market Conduct Department	YES - The Ministry of Domestic Trade and Consumer Affairs appoints the Controller of Consumer Affairs (excludes securities sector) Tribunal for Consumer Claims National Consumer Advisory Council
Mongolia	Y	N	Y	N	YES - Agency For Fair Competition And Consumer Rights
Nepal	Y	N	N	N	YES - The Consumer Protection Act and Regulation have created many enforcement agencies to protect the rights and interests of consumers in different ways. Here is the short description of these enforcement agencies however the Ministry of Supply is the chief enforcement agency for consumer protection laws under which there is a Consumer Protection Council has legal duty to implement consumer education and awareness programmes

Economies	Multiple financial sector regulators each with FCP functions	Consolidated Financial Regulator	Central Bank has the sole responsibility for FCP for banking	Within the Central Bank there is there a separate unit responsible for FCP	There is also a “general” consumer protection department/agency
Philippines	Y	N	Y	Y - Financial Consumer Affairs Group - Consumer Education Committee	Y - Bureau Of Trade Regulation And Consumer Protection
Taiwan, China	N	Y Under One Regulator: Financial Supervisory Commission (FSC)(Has FCP functions but no separate FCP unit)	N Central Bank Has No Role In FCP	N	Y - Consumer Protection Committee Has Authority Over The Financial Supervisory Commission For Approving Regulations Operations Are Under The Department Of Consumer Protection (DCP). Must Coordinate With The FSC
Thailand	Y	N	Y	Y Financial Consumer Protection Center	Y - Consumer Protection Board

Table 3

INDICATORS COUNTRIES	Financial institutions are required to report statistics on the number of complaints to the agency	Financial institutions are required to report rates and fees for financial services which are posted on the agency website	To ensure compliance, agency operates a hotline/ call center to receive complaints
China	Y	N	Y
Indonesia	Y	Y	Y
Japan	Y	N	Y
Korea Rep	Y	Y	Y
Malaysia	Y	Y	Y
Mongolia	N	N	N
Nepal	N	N	Y
Philippines	N	N	Y
Taiwan, China	Y	Y	Y
Thailand	Y	Y	Y

Table 4

INDICATORS COUNTRIES	Responsible agency ensures compliance by monitoring the market including advertisements and websites	Mystery/ incognito shopping	Interviews, focus groups and research with consumers are carried out to ensure compliance	On-site inspection and investigation of FIs to ensure compliance	Off-site inspection and investigation of FIs to ensure compliance	Agency Action in relation to complaints: register/ record complaints
China	N	N	Y	Y	Y	Y
Indonesia	N	N	N	Y	Y	Y
Japan	Y	Y	Y	Y	Y	Y
Korea Rep	Y	Y	Y	Y	Y	Y
Malaysia	Y	Y	Y	Y	Y	Y
Mongolia	N	N	N	N	N	N
Nepal	N	N	N	N	N	Y
Philippines	N	N	N	N	N	Y
Taiwan, China	Y	Y	Y	Y	Y	Y
Thailand	Y	N	N	Y	Y	Y

Table 5

INDICATORS COUNTRIES	Agency Action in relation to complaints: responds to complaints	Agency Action in relation to complaints: analyze/ publish complaints statistics	Agency Action in relation to complaints: assist directly in resolution of complaints	Agency Action in relation to complaints: assist indirectly in resolution of complaints	Agency Action in relation to complaints: make binding decisions for any of the parties involved	Agency enforces consumer protection laws by issuing warnings to FIs
China	Y	Y	Y	Y	N	Y
Indonesia	Y	Y	Y	Y	N	Y
Japan	Y	Y	Y	Y	Y	Y
Korea Rep	Y	Y	Y	N	N	Y
Malaysia	Y	Y	Y	Y	N	Y
Mongolia	N	N	N	N	N	N
Nepal	N	Y	Y	Y	Y	Y
Philippines	Y	N	Y	Y	N	N
Taiwan, China	Y	Y	Y	Y	Y	Y
Thailand	Y	Y	N	Y	N	Y

Table 6

INDICATORS COUNTRIES	Agency enforces consumer protection laws by requiring providers to refund excess charges	Agency enforces consumer protection laws by requiring providers to withdraw misleading advertisements	Agency enforces consumer protection laws by imposing fines and penalties	Agency enforces consumer protection laws by issuing public notices of violations	Agency enforces consumer protection laws by withdrawing offending provider's license to operate
China	Y	Y	N	Y	N
Indonesia	Y	N	N	Y	N
Japan	Y	Y	Y	Y	Y
Korea Rep	Y	Y	Y	Y	Y
Malaysia	Y	Y	Y	N	Y
Mongolia	N	N	N	N	N
Nepal	Y	Y	Y	Y	N
Philippines	N	N	N	N	Y
Taiwan, China	Y	Y	Y	Y	Y
Thailand	N	Y	Y	N	N

Table 7

INDICATORS COUNTRIES	Law specifies disclosure requirements in plain language	Law specifies disclosure requirements in local language	Law specifies requirement for prescribed standardized disclosure format	Law specifies requirement for recourse rights and processes	Law specifies disclosure requirement of annual percentage yield and interest rate for deposit products	Law specifies disclosure requirement of compounding method for deposit products
China	Y	Y	Y	Y	Y	Y
Indonesia	Y	Y	Y	-	Y	-
Japan	Y	Y	Y	Y	Y	Y
Korea Rep	Y	-	Y	-	Y	-
Malaysia	Y	Y	Y	Y	Y	-
Mongolia	-	-	-	Y	Y	Y
Nepal	Y	Y	Y	-	Y	-
Philippines	Y	-	Y	-	Y	Y
Taiwan, China	Y	Y	Y	Y	Y	-
Thailand	Y	Y	Y	Y	Y	Y

Table 8

INDICATORS COUNTRIES	Law specifies disclosure requirement of minimum balance requirements for deposit products	Law specifies disclosure requirement of fees and penalties for deposit products	Law specifies disclosure requirement of early withdrawal penalties for deposit products	Law specifies disclosure requirement of annual percentage rate using standard formula for credit products	Law specifies disclosure requirement of fees for credit products	Law specifies disclosure requirement of computation methods for credit products
China	Y	Y	Y	Y	Y	Y
Indonesia	-	Y	-	Y	Y	Y
Japan	-	Y	Y	Y	Y	Y
Korea Rep	-	Y	Y	Y	Y	-
Malaysia	Y	Y	-	Y	Y	Y
Mongolia	Y	Y	Y	Y	Y	Y
Nepal	-	Y	-	Y	Y	Y
Philippines	Y	Y	-	Y	Y	Y
Taiwan, China	Y	Y	Y	Y	Y	Y
Thailand	Y	Y	Y	Y	Y	Y

Table 9

INDICATORS COUNTRIES	Law specifies disclosure requirement of required insurance for credit products	Banks provide account statements to customers free of charge upon customer request	Non-bank regulated FIs provide account statements to customers free of charge upon customer request	Unregulated FIs provide account statements to customers free of charge upon customer request	Law requires providing information about procedures to dispute the accuracy of recorded transactions within a stipulated period	Law requires detailed transactional information for the reporting period
China	Y	Y	Y	Y	Y	Y
Indonesia	-	-	-	-	-	Y
Japan	Y	Y	Y	-	Y	Y
Korea Rep	-	-	Y	-	-	-
Malaysia	Y	Y	Y	-	Y	Y
Mongolia	-	Y	-	-	-	Y
Nepal	Y	Y	Y	-	-	-
Philippines	Y	Y	Y	-	-	-
Taiwan, China	-	Y	Y	-	-	Y
Thailand	Y	Y	Y	-	-	Y

Table 10

INDICATORS COUNTRIES	Law requires stating the calculation of annual percentage yield using a standard formula for a deposit product in a periodic account statement	Law requires stating the amount of interest earned on a deposit product in a periodic account statement	Law requires stating the fees imposed on a deposit product in a periodic account statement	Law requires stating the account balance of a deposit product in a periodic account statement	Law requires stating all transactions concerning the account for a specified period for a credit product in a periodic account statement	Law requires stating annual percentage rates for credit products in a periodic account statement
China	Y	Y	Y	Y	Y	Y
Indonesia	-	-	-	-	-	-
Japan	Y	Y	Y	Y	Y	Y
Korea Rep	-	-	-	-	-	-
Malaysia	-	-	-	-	Y	-
Mongolia	Y	Y	Y	Y	Y	Y
Nepal	-	-	-	-	-	-
Philippines	-	-	-	-	Y	Y
Taiwan, China	-	-	-	-	Y	Y
Thailand	-	Y	Y	Y	Y	-

Table 11

INDICATORS COUNTRIES	Law requires stating the interest charged for a specified period for credit products in a periodic account statement	Law requires stating the fees charged for a specified period for credit products in a periodic account statement	Law requires stating minimum amount due for credit products in a periodic account statement	Law requires stating the date due for credit products in a periodic account statement	Law requires stating the outstanding balance for credit products in a periodic account statement	Financial Institutions are required to notify customers in writing of changes in terms/conditions of their agreements
China	Y	Y	Y	Y	Y	Y
Indonesia	Y	Y	Y	Y	Y	Y
Japan	Y	Y	Y	Y	Y	Y
Korea Rep	-	-	-	-	-	Y
Malaysia	Y	Y	Y	Y	Y	Y
Mongolia	Y	Y	Y	Y	Y	Y
Nepal	-	-	-	-	-	Y
Philippines	Y	Y	Y	Y	Y	Y
Taiwan, China	Y	Y	Y	Y	Y	Y
Thailand	Y	Y	-	-	Y	Y

Table 12

INDICATORS COUNTRIES	Law restricts deceptive advertising	Law restricts unfair or high-pressure selling practices	Law restricts bundling and tying	Law restricts prepayment fees	Law restricts abusive collection practices	Law restricts unauthorized use of client data or breach of client confidentiality
China	Y	Y	Y	Y	Y	Y
Indonesia	-	-	Y	-	Y	Y
Japan	Y	Y	Y	Y	Y	Y
Korea Rep	Y	Y	Y	-	Y	Y
Malaysia	Y	Y	Y	Y	Y	Y
Mongolia	Y	Y	Y	-	-	Y
Nepal	Y	-	-	-	-	Y
Philippines	-	-	-	-	Y	Y
Taiwan, China	Y	Y	Y	Y	Y	Y
Thailand	Y	Y	Y	Y	Y	Y

Table 13

INDICATORS COUNTRIES	Law defines elements of responsible lending practices	Laws have explicit limits that restricts excessive borrowing by individuals	Laws require lending institution to assess borrower ability to repay the loan, but no specific limits are set
China	Y	Y	N
Indonesia	Y	Y	N
Japan	Y	Y	Y
Korea Rep	Y	Y	N
Malaysia	Y	N	Y
Mongolia	Y	Y	N
Nepal	-	Y	Y
Philippines	Y	N	Y
Taiwan, China	Y	Y	N
Thailand	Y	Y	N

Table 14

INDICATORS COUNTRIES	Law requires FIs to implement procedures and processes for resolving customer complaints	Law requires FIs to set standards on timeliness of response for complaints resolution	Law requires FIs to set standards on accessibility for filing complaints	Financial ombudsman exists for FI customers when their complaint is not resolved to their satisfaction	Financial ombudsman exists and is industry based	Financial ombudsman exists and is an independent statutory body
China	Y	Y	Y	Y	Y	N
Indonesia	Y	Y	Y	Y	N	N
Japan	Y	Y	Y	Y	Y	N
Korea Rep	Y	Y	Y	Y	N	N
Malaysia	Y	Y	Y	Y	Y	N
Mongolia	Y	N	Y	N	N	N
Nepal	N	N	Y	N	N	N
Philippines	Y	Y	N	N	N	N
Taiwan, China	Y	Y	Y	Y	N	Y
Thailand	Y	Y	Y	N	N	N

Table 15

INDICATORS COUNTRIES	Financial ombudsman exists within the supervisory agency	General ombudsman exists for FI customers when their complaint is not resolved to their satisfaction	Mediation service exists for FI customers when their complaint is not resolved to their satisfaction	FI customers have to resolve dispute in court when their complaint is not resolved to their satisfaction	Ombudsman registers/ records complaints	Ombudsman responds to complaints
China	Y	Y	Y	N	Y	Y
Indonesia	Y	Y	Y	N	Y	Y
Japan	Y	Y	Y	N	Y	Y
Korea Rep	Y	N	Y	N	Y	Y
Malaysia	Y	N	Y	N	Y	Y
Mongolia	N	Y	N	Y	Y	Y
Nepal	N	Y	N	N	Y	Y
Philippines	N	N	Y	N	N	N
Taiwan, China	N	N	N	N	Y	Y
Thailand	N	N	N	Y	N	N

Table 16

INDICATORS COUNTRIES	Ombudsman analyzes/ publishes statistics	Ombudsman assists directly in resolution	Ombudsman assists indirectly in resolution	Ombudsman makes binding decisions	Financial ombudsman is funded from a budget allocated by the central government	Financial ombudsman is funded from an annual budget allocated by a government authority
China	Y	Y	Y	N	N	Y
Indonesia	Y	Y	Y	N	Y	Y
Japan	Y	Y	Y	Y	Y	Y
Korea Rep	Y	Y	N	N	N	N
Malaysia	Y	Y	Y	Y	N	N
Mongolia	N	Y	N	Y	N	N
Nepal	Y	Y	Y	Y	N	N
Philippines	N	Y	N	N	N	Y
Taiwan, China	Y	Y	N	N	N	Y
Thailand	N	N	N	N	N	N

Table 17

INDICATORS COUNTRIES	Financial ombudsman is funded by a financial industry association	Financial ombudsman is funded by members
China	Y	Y
Indonesia	N	Y
Japan	Y	Y
Korea Rep	N	Y
Malaysia	N	Y
Mongolia	N	N
Nepal	N	N
Philippines	N	N
Taiwan, China	N	Y
Thailand	N	N

Table 18

INDICATORS COUNTRIES	Agency has the responsibility to implement and/or oversee any aspect of financial education/literacy	Agency conducts a survey of financial capability/literacy and publish regular reports	Agency develops and monitor implementation of a strategy	Agency provides training on financial literacy topics	Agency issues guidelines to the providers of financial services on financial education/literacy	Agency develops training materials on financial topics
China	Y	N	Y	Y	Y	Y
Indonesia	Y	Y	Y	Y	Y	Y
Japan	Y	Y	Y	Y	Y	Y
Korea Rep	Y	Y	Y	Y	Y	Y
Malaysia	Y	Y	Y	Y	Y	Y
Mongolia	N	N	N	N	N	Y
Nepal	N	N	N	N	N	N
Philippines	Y	N	Y	Y	N	N
Taiwan, China	Y	Y	Y	Y	Y	Y
Thailand	Y	Y	Y	Y	N	N

ANNEX 3

INVENTORY OF CONSUMER PROTECTION MEASURES FOR BANKING SECTOR

*(Excerpts provided from legislative text or summarized by the Author)

BANKING LEGISLATIVE/REGULATORY PROVISION	SUMMARY OF CONSUMER PROTECTION MEASURES
<p>1. LAW ON BANKING AND FINANCIAL INSTITUTIONS, 18 November 1999</p>	<p>The law establishing general standards for obtaining a license to become a financial institution. An effective standard for licensing strengthens the safety and soundness of the financial sector.</p> <p>With respect to consumer issues the NBC is empowered to regulate:</p> <ul style="list-style-type: none"> • practice of door-to-door selling of banking or financial services, • the rules governing the operation of a deposit guarantee system, <p>The Act prohibits disclosure of confidential information. It sets out priorities of claims in case of an insolvency or liquidation; customer deposits ranks 5th out of 7 types of claims.</p> <p>NBC obtains a broad mandate under this law for consumer protection by way of CHAPTER XXI: Customer Protection Article 70. The supervisory authority shall define, after having consulted the profession, a corpus of rules of good conduct aimed at ensuring customer protection, in particular concerning:</p> <ol style="list-style-type: none"> 1. transparency, openness and the level of charges and remuneration for banking or financial operations, 2. the opening and termination of credit lines, 3. and the renegotiation of loans. <p>Article 71. Credit balances of customer accounts or of accounts with other banks or financial institutions which have been dormant for 10 consecutive years, shall be transferred to the National Bank of Cambodia, which shall be accountable thereafter for administering such deposits.</p>
<p>2. Prakas No. B7-013-122 Pror Kor, dated 30 May 2013, on the transparency of fees charged for Banks and Financial Institutions,</p>	<p>Not Translated Yet</p>
<p>3. Prakas No B.7.011.243 on Transparency in Credit Granting Services of Bank and Financial Institutions (2011-12-27)</p>	<p>Article 1</p> <p>The purpose of this Prakas is to promote credit facilities of banks and financial institutions with transparent, fair, reasonable, and responsible manner.</p> <ul style="list-style-type: none"> • Advertising and promotional literature is fair clear and not misleading and that customers are given clear information about product and services • Customers are given clear information about products and services before during or after receiving credit facilities, including processing procedures, terms and conditions, interest rates and charges that apply to that facility as stated in the appendix of the Prakas. • Customers should be informed in advance about changes to interest rates, charges or terms and conditions. • Customer information shall be treated as private and confidential, and banks and financial institutions shall provide secure and reliable core banking and payment systems. Confidentiality of customer information is not applicable for the credit bureau. • Annexes include a form for disclosure of charges and a form for disclosures of information regarding loans.

BANKING LEGISLATIVE/REGULATORY PROVISION	SUMMARY OF CONSUMER PROTECTION MEASURES
4. Prakas No B.7.011.242 on Licensing of Financial Lease Companies (2011-12-27)	<p>The purpose of this Prakas is to set up, promote and develop financial lease industry in the country, as well as to strengthen the supervision over and administration of financial lease companies by providing a guidance for the licensing and regulation of companies engaged in financial lease.</p> <p>Provides a vetting process by NBC for licensing of credible and financially sound institutions thereby promoting the integrity within the sector.</p>
5. Prakas No B.7.011.241 on Financial Lease Business (2012-12-27)	<p>The purpose of this Prakas is to set up, promote and develop financial leasing industry and it serves as guidance for financial leasing business operators in Cambodia.</p> <p>Financial institutions must obtain prior approval from the National Bank of Cambodia and must be able to demonstrate its capacity to carry out this activity in accordance with article 4 of this Prakas which sets out standards that must be met before being licensed by NBC.</p>
6. Prakas No B7.011.145 on Credit Reporting (2011-05-24)	<p>The purpose of this Prakas is to enable an adequate framework for the establishment of a credit reporting system in Cambodia with the aim of strengthening reliable, competitive responsible and effective lending.</p> <p>Sets out requirements for process for correcting information, security of information and retention limits. In addition....</p> <p>Article 12: Consumer Rights CRS and relevant parties shall ensure:</p> <ul style="list-style-type: none"> a) Individual's rights regarding their data will be respected; b) The CRSPs shall establish a dedicated unit with clear rules and procedures to handle claims and requests from individuals regarding their data; c) No data related to consumer's political tendency, beliefs, color, race, and personal private information will be collected and stored in the CRS; d) Data will be collected for the permissible purposes provided under the article 8. Data collected or used for different purposes than the ones stated under the article 8 will need unambiguous consumer's consent.
7. Prakas No B7.011.082 on Implementation of Risk-based and Forward-looking Supervision (2011-02-23)	<p>Requirement for the National Bank of Cambodia to implement risk-based and forward-looking supervisory monitoring aimed at anticipating potential adverse developments and at addressing them in a timely manner by issuing adequate injunctions to implement corrective actions required, in a responsive and effective manner.</p> <p>Improves the safety and soundness of financial institutions</p>
8. Sub-Decree No 290 on Organization and Functioning of Credit-Insurance Funds (2011-12-27)	<p>This sub-decree aims to determine the framework for providing insurance on loans provided by commercial banks and microfinance institutions to agricultural rice enterprises and farmer communities in order to perform commercial activities in respect to the government's policy of improving rice production and exportation. The Ministry of Economy and Finance is the competent authority for the management of credit insurance funds.</p>

BANKING LEGISLATIVE/REGULATORY PROVISION	SUMMARY OF CONSUMER PROTECTION MEASURES
<p>9. Draft Prakas on credit reporting (See also Prakas No B7.06.073)</p>	<p>Article 1: Purpose</p> <p>The purpose of this Prakas is to enable an adequate framework for the establishment of a credit reporting system in Cambodia with the aim of strengthening reliable, competitive and responsible lending</p> <p>CHAPTER 7: CONSUMER RIGHTS</p> <p>Article 21: Notification of Consumer Rights</p> <ol style="list-style-type: none"> 1. By way of a consent clause, data providers shall notify the consumer on any loan application, renewal or extension of the relevant credit information being submitted to the CRS. The consent clause shall include the followings: <ol style="list-style-type: none"> a) Name of the data provider; b) Purpose of collection the credit information; c) Name and address of the CRSP; d) Means to access the credit information in case there is a need to correct or modify the credit information. e) Covered entities and non-covered entities, when become data providers, shall include notification of consumer rights in the loan application form and establish a standard consent form as provided in annex II and III, respectively. 2. When an adverse action against a consumer has taken place, as a result of a CRS enquiry, the data provider shall notify the consumer accordingly within 5 business days. <p>Article 22: Confidentiality</p> <ol style="list-style-type: none"> 1. The credit information is confidential and shall only be used for the permissible purposes set forth in the article 8. Confidentiality shall be strictly implemented and data providers or authorized users shall not sell or otherwise provide such credit information to any third party. 2. Only authorized employees of the users, the NBC, and the CRSPs can access the information and always for the strict performance of their duties. The CRSPs shall take all necessary measures to ensure that CRS's directors and employees regularly maintain the confidentiality of credit information. The CRSPs shall take all reasonable measures to prevent unauthorized access to credit information, and shall establish and enforce security policies and procedures to govern the access to the credit information. 3. The NBC shall have free access to the CRS to obtain credit information for its oversight functions of covered entities, as well as other information pertaining to the non-covered entities to monitor the overall financial stability. 4. The NBC shall have access to the CRS in order to fulfill its oversight functions to maintain the efficient, transparent, fair and legal operations of the CRS. 5. Directors and employees of CRSPs, authorized users and employees of data providers shall sign confidentiality agreements prior to gaining access to credit information or the CRS.

BANKING LEGISLATIVE/REGULATORY PROVISION	SUMMARY OF CONSUMER PROTECTION MEASURES
	<p>Article 23: Right to Information</p> <ol style="list-style-type: none"> 1. Consumers shall be entitled to request disclosure of any data pertaining to him/her once a year, per copy. <ol style="list-style-type: none"> a) The report shall be provided to the consumers within ten (10) business days from the receipt of the request to the primary address held in file at the CRS. The consumer can request an immediate report at assigned rate of the CRSPs. b) The consumers shall sufficiently identify themselves prior to gaining access to their credit information. c) The CRSPs shall provide the consumer a copy of all their credit information once per year, including the name and list of the data providers that have accessed their credit information within the last six (6) months. 2. The consumers shall be entitled to request for correction of any incorrect or incomplete credit information at any time. <ol style="list-style-type: none"> a) When a request for correction of incorrect or incomplete credit information is received, the CRSPs shall inform relevant data provider and send all relevant information to that data provider in order to investigate and correct the credit information within ten (10) business days. b) The CRSPs shall inform the consumer at the primary address held in the file at the CRS no later than ten (10) business days after receiving the response from the relevant data provider of the result of the complaint. 3. A detailed consumer rights procedure shall be made available at all data provider's premises and their respective websites or at the CRSPs premises and website.
<p>10. Prakas No B9.09.230 on Money Changer License or Authorization (2009-10-19)</p>	<p>The objective of this Prakas is to license and manage money changer operations carrying out in the Kingdom of Cambodia.</p> <p>Money changer operations include:</p> <ul style="list-style-type: none"> - Buying and selling banknotes. - Buying traveller checks <p>Public disclosure required:</p> <p>The holder of license or authorization:</p> <ol style="list-style-type: none"> a. Shall display operational trade name b. Shall display the license at all time in the approved premise which is easily noticeable c. Shall display to the public the quotation list of the daily exchange rate between Riels and Dollars and between Dollars and other currencies.
<p>11. Prakas No B7.08.212 on Fit and Proper Regulatory Requirements for Applying Entities and Licensed Banks and Financial Institutions (2008-11-25)</p>	<p>This Prakas establishes minimum requirements that persons holding key positions in licensed banks and financial institutions or in legal entities applying for such a license must be assessed for the purposes of being deemed "fit and proper" for the exercise of such responsibilities.</p> <p>The objectives of this regulation are:</p> <ol style="list-style-type: none"> (i) To safeguard the interests of depositors and stakeholders by ensuring that banks and financial institutions are soundly and prudently managed and directed; (ii) To set out a minimum framework which can be used by banks and financial institutions themselves when determining whether a person approached about taking a key position is fit and proper; (iii) To address the risk of serious mismanagement or a financial institution and to prevent from potential threats to the overall banking system and to the depositors' interests' protection.

BANKING LEGISLATIVE/REGULATORY PROVISION	SUMMARY OF CONSUMER PROTECTION MEASURES
12. Prakas No B7.08.211 Governance of Banking (2008-11-25)	<p>The purpose of this Prakas is to strengthen the management and governance of banks and financial institutions, hereafter called "Institutions" by organizing different levels of management such as an independent and active board, an Executive board, and specialized committees with the qualifications, capacity and integrity for effectively managing the institutions.</p> <p>Improves the safety and soundness of financial institutions by improving management practices and defining expectations of the board and management of financial institutions.</p>
13. Prakas No B7.08.089 on Anti Money Laundering and Combating the Financing of Terrorism (2008-05-30)	<p>Set out requirements for monitoring activities and reporting of suspicious transaction by the financial institutions regarding anti-money laundering and financing of terrorism. It affects customers as it sets standards for opening new accounts and money transfers and sets requirement for customer identification. It also provides for disclosure of customer information.</p>
14. Prakas No B7.07.163 on Licensing of Microfinance Deposit Taking Institutions (2007-12-13)	<p>Provides a vetting process by NBC for licensing of credible and financially sound deposit taking institutions thereby promoting the integrity within the sector.</p>
15. Prakas No B7.06.073 on The Utilization and Protection of Credit Information (2006-05-10)	<p>Article 1</p> <p>The purpose of this Prakas is to promote the sound credit activities and risk management of all entities participating in the financial system by authorizing the establishment of the Centralized Credit Information Collection Agency that collects and shares the Negative Credit Information relating to bank Borrowers amongst Member Banks and by protecting the secrecy of Borrower Information from the misuse and abuse of the credit information.</p> <p>CHAPTER 4: PROTECTION OF BORROWERS' CREDIT INFORMATION</p> <p>Article 11</p> <p>The Agency shall publicly disclose the matters regarding the type of credit information to be collected, disseminated, managed and utilized, the purpose of credit information management, the recipient of credit information and the rights of borrowers with regard to this subject.</p> <p>Article 12</p> <p>In case each Member Bank intends to provide individual credit information on the items listed below to the Agency, it shall obtain consent in writing from the individual using the form in Annex 2 of this Prakas.</p> <ul style="list-style-type: none"> (a) Outstanding loans (b) Identity information such as Individual's name, address, and identification number. (c) Specifics listed in the Code of Conduct <p>Article 13</p> <p>Member Bank shall notify Borrower before reporting borrower's negative credit information to the Agency and keep a record of Notification to Borrower Form from Annex 4 of this Prakas.</p> <p>Article 14</p> <p>Individual credit information shall be provided and utilized exclusively for the purpose of assessing borrower's creditworthiness and judging whether to establish or maintain financial transaction with the borrower.</p> <p>Article 17</p> <p>1. In case the individual considers one's own credit information retained by the Agency to be different from the fact, he or she can make a correction request in writing to a Member Bank or to the Agency.</p>

BANKING LEGISLATIVE/REGULATORY PROVISION	SUMMARY OF CONSUMER PROTECTION MEASURES
16. Annex to Prakas No B7.06.073 Code of Conduct for Credit Information Sharing System Implementation dated June 16, 2006 (2006-06-16)	<p>Provides protection regarding the collection and use of personal consumer credit related information. The Code included requirements regarding</p> <ul style="list-style-type: none"> • Collection, Management and Utilization of Credit Information by the Agency • Collection, Management and Utilization of Credit Information by Members • Safeguard of Credit Information • Compliance and Penalty
17. Prakas No B7.05.054 on Loan Policies and Lending Authority (2005-03-10)	<p>Article 1 Every bank or financial institutions shall conform to sound and prudent credit policies, practices and procedures in the granting of credit which shall be duty approved and reviewed by management and/or board of directors.</p> <p>Article 2 Every bank or financial institution shall establish:</p> <ul style="list-style-type: none"> i. written policies and procedures setting out its loan policies, procedures and limits of lending authority of its officers and/ or credit committee and board of directors and that these be communicated to all personnel involved in the credit granted activities. ii. credit file on all its borrowers which shall contain adequate and timely information and reliable as per appendix. <p>Article 3 Loan policies, procedures and lending authority shall include the requirement for credit analysis, approval process, periodic credit review procedures documentation and other necessary information.</p>
18. Prakas B7-05-02 CIRCULAR on the Requirements For Bank And Financial Institutions To Have A System Of Checks And Balances	<p>To improve the management of a financial institution, this circular gives guidance on the need for bank and financial institutions to have a system of checks and balances in its accounting system so that the accuracy of accounting records can be enhanced and errors promptly highlighted and corrected. A system of checks and balances forms part of the overall internal control system of a bank and minimizes operational risks in banking operations.</p>
	<p>Supervisory information to be reported in financial statements :</p> <p>7.4 Management letter Comments by auditors, highlighting any weaknesses found in the course of audit, but not limited to the following areas:</p> <p>3) New products introduced</p> <p>GUIDELINES FOR BANKS AND FINANCIAL INSTITUTION ON ITEMS TO BE INCLUDED IN FINANCIAL REVIEW FOR PUBLICATION</p> <p>Banks should provide the following minimum information:</p> <p>1) Chairman's statement</p> <ul style="list-style-type: none"> • Inform on new products introduced <p>8) Business Operation Target</p> <ul style="list-style-type: none"> • Customer perspective

BANKING LEGISLATIVE/REGULATORY PROVISION	SUMMARY OF CONSUMER PROTECTION MEASURES
<p>20. Circular No B7.03.02 on Suspicious Transaction and Know your Customer Policies (2003-10-04)</p>	<p>2 – A General Identification requirements:</p> <p>Banks need to obtain all information necessary to establish the identity of each new customer and the purpose and intended nature of the business relationship. Whatever is customer acceptance policy, the minimum requirements for opening an account are the following:</p> <ul style="list-style-type: none"> • To get a copy of the ID card or passport • Proof of the address (recent electricity, water or phone bill for instance) • Proof of the income. <p>3- On-going monitoring of accounts and transactions:</p> <p>On-going monitoring is an essential aspect of effective KYC procedures. Banks can only effectively control and reduce their risks if they have an understanding of normal and reasonable account activity of their customers. If so, they have means of identifying transactions which fall outside the regular pattern of an account's activity. Banks should ensure that they have adequate management information systems to provide managers with timely information needed to identify, analyse and monitor high risks customers' accounts. Banks should develop a clear policy and internal guidelines, procedures and control and remain especially vigilant regarding business relationship with politically exposed persons. A regular review of the most important customers must be periodically done in order to identify new politically exposed persons.</p> <p>RISK MANAGEMENT</p> <p>All banks must have an ongoing employee-training program, so that bank staff is well trained in KYC procedures. New staff should be educated in the importance of KYC policies and the basic requirements at the bank. Front-office staff members who deal directly with the customers should be trained to verify the identity of new customers, to exercise due diligence in handling accounts of existing customers on on-going basis and to detect patterns of suspicious activity.</p>
<p>21. Prakas No B7.02.206 on Standardized Procedures for Identification of Money Laundering at Banking and Financial Institutions (2002-10-21)</p>	<p>Article 3 Financial institutions shall pay attention to customers' identification. Opening anonymous accounts shall be prohibited. Opening accounts for non-active companies shall be restricted and submitted to precise and permanent identification of shareholders. Unless customers have been known for years, financial institutions shall base identification of customers on official documents.</p> <p>Article 4 To ensure an effective system of internal controls, a financial institution shall establish a comprehensive policy and set of controls, including account opening, monitoring, and currency reporting procedures and the senior management must be kept informed.</p>
<p>22. Prakas No B7.02.49 on Registration and Licensing of Microfinance Institutions (2002-02-25)</p>	<p>Provides a vetting process by NBC for licensing of credible and financially sound institutions thereby and promoting the integrity within the sector.</p> <p>Article 2 Micro-finance is defined as follows: "The delivery of financial services such as loans and deposits, to the poor and low-income households, and to micro-enterprises "</p> <p>Article 3 Registration with the National Bank of Cambodia is compulsory for all nongovernment organizations (NGOs), associations and other entities engaged in micro-finance, if they meet one of the following conditions:</p> <p>a) For those engaged in credit:</p> <ul style="list-style-type: none"> • Their loan portfolio outstanding is equal to or greater than KHR 100 million

BANKING LEGISLATIVE/REGULATORY PROVISION	SUMMARY OF CONSUMER PROTECTION MEASURES
	<p>For those engaged in savings mobilization</p> <ul style="list-style-type: none"> The savings mobilized from the general public amount to KHR 1 million or more, OR The number of their depositors is 100 or more. <p>Article 8 Licensing is compulsory for all micro-finance institutions, if they meet one of the following conditions:</p> <p>a) For those engaged in credit:</p> <ul style="list-style-type: none"> Their loan portfolio outstanding is equal to or greater than KHR 1,000 million, OR They have 1,000 borrowers or more <p>b) For those engaged in savings mobilization:</p> <ul style="list-style-type: none"> The savings mobilized from the general public amount to KHR 100million or more, OR The number of their depositors is 1,000 or more.
<p>23. Prakas N° B-7-02-47 On Reporting Requirement For Registered NGOs And Licensed Microfinance Institutions</p>	<p>Reporting requirements: Registered micro-finance operators and licensed micro-finance institutions shall submit regular reports to the NBC with regard to their financial results, their loan portfolio, the deposits they mobilize and their network of branches and offices.</p>
<p>24. Prakas No B7.01.115 on the Calculation of Interest Rate on Micro-finance Loans (2001-08-14)</p>	<p>Article 1 Rural credit specialized banks, Micro Finance Institutions registered and licensed from the National Bank of Cambodia, Non-governmental organizations (NGOs), associations, under the law on Banking and Financial Institution shall calculate interest rate to comply with the provision of this Prakas with regard to their credit operations.</p> <p>Article 2 Interest charged on any loan granted by an entity mentioned in Article 1, must be calculated taking into account the repayments of principal already made on that loan. Consequently, interest charged on a loan for a given period (week, month, quarter, year as the case may be) shall be calculated on the loan outstanding balance at the end of that period.</p> <p>Article 3 Loan agreement between Micro Financial Institutions and customers shall have credit amortization table.</p>
<p>25. Prakas No B7.00.06 on Licensing of Micro-Financing Institutions (2000-01-11)</p>	<p>Provides a vetting process by NBC for licensing of credible and financially sound institutions thereby promoting the integrity within the sector.</p> <p>Places limitations on the activities of all MFIs, nongovernmental organizations, and associations, whether licensed or registered.</p>
<p>26. Prakas No B7.00.04 on Licensing of Banks (2000-01-10)</p>	<p>Provides a vetting process by NBC for licensing of credible and financially sound institutions thereby promoting the integrity within the sector.</p>
<p>27. PRAKAS No B9.99.100 Pro Kor On The Business Management of Precious Metals and Stones</p>	<p>Provides a vetting process by NBC for licensing of credible and financially sound institutions thereby promoting the integrity within the sector.</p> <p>7: A trader having a license from National Bank of Cambodia shall conduct his/her own business at the place or location having authorized by a concerned competent. This location shall have a mark and a display license from National Bank of Cambodia and quote precise prices of each jewelry item.</p>

BANKING LEGISLATIVE/REGULATORY PROVISION	SUMMARY OF CONSUMER PROTECTION MEASURES
28. Prakas No B9.98.386 on The Amendment to Prakas Regarding Fixing the Fees for Money Transfer	Not located
29. Prakas No B9.98.393 on the Management of Foreign Exchange Dealers (1998-08-05)	<p>Provides a vetting process by NBC for licensing of credible and financially sound institutions thereby promoting the integrity within the sector.</p> <p>Article 8: The authorized person shall not be allowed to accept deposits or makes loans or any other commercial banking related activities.</p> <p>Article 12: The license shall be revoked if the authorized person violates regulations and rules</p> <p>such as:</p> <ul style="list-style-type: none"> • Do not show the license and daily exchange rate quotation. <p>Article 14 The authorized persons who hide or convey inaccurate information regarding their operation shall be penalized according to Article 69 of the Law on the Organization and Conduct of the National Bank of Cambodia.</p>
30. Notice No 342 on The Implementation of Procedures, Cost and Fees in Banking Operations (1997-04-30)	Not located
31. Sub-Decree No 29 on The Supervision of Commercial Banks (1992-11-16)	Establishes the NBC as being responsible for supervising commercial banks and foreign branch banks and sets out basic requirements for operating a financial institution. Provides powers to the NBC to regulate the operations of the financial institutions including the ability to set guidelines for interest rates on public deposits and loans to the public and to set business hours.
32. Sub-Decree No 19 on The Organization and Functioning of the National Bank of Cambodia (1992-06-22)	<p>Set out the mandate and structure of the new NBC.</p> <p>Established the Financial Institutions Development Fund to strengthen and stabilize the financial system by being able to lend money to financial institutions against reasonable security, provide guarantees and provide financial assistance to the depositors and creditors of a financial institution facing a serious crisis.</p>
33. Decree No 89 on Law on The Supervision of the Financial Institutions (1992-08-27)	<p>Allows for the creation of financial institutions and sets conditions for licensing.</p> <p>Provides the NBC with power to issue regulations for the granting of credit.</p> <p>Provides for a financial penalties scheme for non-compliance.</p> <p>Establishes acts as financial crimes that include drawing bad checks and drawing checks for amounts greater than the balance of the account.</p>
34. Decree No 71 on Law on The Management of Foreign Exchange, Precious Metals, and Stones (1991-08-31)	Not located
35. Sub-Decree No 29 on The Implementation of the Law on the Management of Foreign Exchange, Precious Metals, and Stones (November 8, 1991)	Not located
36. Decision No 04 on the Interest on Loan and Deposit of the People's Collective Accounts (1987-11-30)	Not located

ANNEX 4

INVENTORY FOR CONSUMER PROTECTION MEASURES FOR INSURANCE SECTOR

*(Excerpts provided from legislative text or summarized by the Author)

INSURANCE - LEGISLATIVE/REGULATORY PROVISIONS	SUMMARY OF CONSUMER PROTECTION MEASURES
<p>INSURANCE LAW OF THE KINGDOM OF CAMBODIA (Adopted by the National Assembly of The Kingdom of Cambodia on 20th June, 2000 at the 4th Session , 2nd Legislation)</p>	<p>Article : 1 This law is enacted with the purpose of regulating insurance protecting the legitimate rights of the parties to insurance, strengthening supervision and control over the insurance business and contributing to the development of the insurance industry.</p> <p>Article : 10 In making insurance contracts, applicant and insures shall follow the principles of fairness, mutual benefit, unanimity through negotiation and may not harm the interests of the social public</p>
	<p>Legislation covers issues including:</p> <ul style="list-style-type: none"> • Rights to cancel • Changes to the contract (policies) • Duty to make payments/default • Conditions which make the contract null and void • Payment of claims/refunds • Conditions when life insurance is not payable • Insurance agents and brokers must have insurance to operate <p>Article : 12 The insurance company shall issue the insurance policy attached with the insurance certificates shall contain and specify important terms and conditions agreeable to both parties herein</p> <p>Article : 13 The Insurance certificate shall contain the following particulars:</p> <ol style="list-style-type: none"> 1. Name and address of the insured 2. Subject- matter insured 3. Conditions to be covered 4. Inception date and location address of risk to be covered 5. Insured value 6. Insurance premium and mode of payment 7. Methods and conditions in case of claims 8. Period of cover 9. Terms and conditions about nullification and loss of rights to the insurance policy and conditions which allow each party to terminate the insurance policy before the due date. <p>Article : 21 (disputes) If it is found that the risk is intentionally created by the insured, whether the claim already settled or not, in the case that the insurance company has found the fraudulent or risk creation which have proofs and evidences, the insurance company shall have the rights to refer to the court to void the liability or claiming back the settled amount.</p>

INSURANCE - LEGISLATIVE/REGULATORY PROVISIONS	SUMMARY OF CONSUMER PROTECTION MEASURES
<p>ROYAL GOVERNMENT 22 October, 2001 SUB-DECREE ON INSURANCE APPROVED BY THE COUNCIL OF MINISTER AT THE PLENARY MEETING HELD ON SEPTEMBER 21, 2001</p>	<p>Article 3: In carrying out the insurance business, the insurance company, agent and broker shall follow the principle of fair competition in accordance with the provisions of this sub-decree.</p> <p>Article 6: The insured has the following obligations:</p> <ol style="list-style-type: none"> 1. Paying the insurance premium in full amount to the insurance company as agreed; 2. Upon an occurrence of any claim, the insured shall immediately give notice to the insurance company; 3. Cooperating to provide the information and documents relating to the claim at the insurance company's requirements. <p>Article 7 The insurance company has obligations:</p> <ol style="list-style-type: none"> 1 to indemnify for any loss or damage upon the claim occurrence, which is accidentally caused by coincidence, natural disasters, and any reasons which are not willful act of the insured; 2 to timely pay the claim according to the degree of damage and the sum insured <p>Legislation also covers issues including:</p> <ul style="list-style-type: none"> • Cancellation rights • Conditions covered • Payment of premiums • Duties of the loss adjuster • Processing of accident claims • Requirement for liability insurance by public transport companies for the beneficial protection of rights and interests of passengers being transported by various transport means <p>Article 17: Procedure of claim settlement shall be firstly based on a compromise basis between the insurance company and the insured or suffered third party. If such negotiation fails, the case shall be forwarded to arbitrators for settlement. In the case that both parties are still different, the disagreed party may sue the competent court in the Kingdom of Cambodia.</p>
<p>No 653 - Inter-ministerial Prakas on Compulsory Motor Vehicle or Third Party Liability Insurance 16, October, 2002</p>	<p>Provisions for:</p> <ul style="list-style-type: none"> • Filing and processing claims • Time limits on insurance companies to settle claims • Duties of the police to document the accident • Requirement for public transport liability insurance • Duties of various ministries to enforce the insurance requirements for public transport and for the payment of claims
<p>Prakas On Licensing Of General And Life Insurance Companies, 17 January 2007</p>	<p>Sets out licensing application requirements and operating requirements. Provides a vetting process by MEF for licensing of credible and financially sound institutions thereby promoting the integrity within the sector.</p>
<p>MEF N°. 185 Prakas On Requirements for Corporate Governance, 20 March 2007</p>	<p>With respect to the management of the company there are provisions regarding standards that the MEF is to apply including:</p> <ul style="list-style-type: none"> • Fit and Proper Criteria • Composition of Board • Audit Committee

INSURANCE - LEGISLATIVE/REGULATORY PROVISIONS	SUMMARY OF CONSUMER PROTECTION MEASURES
<p>Prakas On Life Insurance Business, 12 August 2008</p>	<p>Provision 4: Approval of Products A life insurer must obtain approval on its insurance contract of a new insurance product from the MEF before selling the new product. Details of the approval criteria shall be determined by the MEF.</p> <p>Provision 5: Rights and obligations of insurance buyer An insurance buyer has the right to:</p> <ul style="list-style-type: none"> (1) Choose a life insurance provider (Life insurer, agent, and/or broker) operating in the Kingdom of Cambodia to purchase life insurance; (2) Ask the life insurance provider to explain insurance conditions and terms, and/or to provide insurance certificates or documents; and (3) Unilaterally cancel a life insurance contract and receive compensation for losses when the life insurance provider intentionally provides wrongful information to secure a life insurance contract. <p>An insurance buyer has the obligation to:</p> <ul style="list-style-type: none"> (1) Pay premium on time and substantially in the form agreed in the life insurance contract; (2) Provide a clear and sufficient statement of all the details associated with the relevant insurance contract according to the insurer's requirement. <p>Provision 7: Reporting to insured person A life insurer must report by sending a written document to its insured persons at least once a year about the items as listed below:</p> <ul style="list-style-type: none"> (1) Major items of the contract including name(s) of insured person, insurance subject person, beneficiary(ies), contracted insurance benefit, terms and conditions, accumulated assets which could be withdraw upon cancellation of the contract, as well as other relevant items, (2) Financial statement of the life insurer including balance sheet, profit loss, and solvency margin ratio as well as other financial ratios, (3) Contract information of the life insurer including the address including street name and street number, city, and telephone number which is dedicated to respond to inquiries by insured persons, as well as other relevant items. <p>Right of non-payment of insurance</p> <p>Provision 24: Transfer of insurance business No life insurer shall transfer its business, wholly or partly, to a person except with prior written approval of the MEF.</p> <p>A transfer must comply with the principle that it shall not adversely affect the interests of insured persons of insurer after the transfer agreement must be reviewed by a qualified actuary. Only if the actuary express the opinion that rights of the insured persons are not adversely affected, the transfer can be carried out.</p> <p>Provision 27: Procedure for transferring an insurance contract 3) Within 30 days commencing from receipt approval from the MEF, the life insurer has to publicize its business transfer and notify all the insured persons of the transfer in writing.</p> <p>Provision 33: Preferential status of insured persons upon liquidation Insured person of a life insurer have priority of claims over all unsecured creditors of the life insurer other than certain preferential debts specified in the applicable law and regulations.</p>

INSURANCE - LEGISLATIVE/REGULATORY PROVISIONS	SUMMARY OF CONSUMER PROTECTION MEASURES
	<p>Provision 36: Registration of employee of a life insurer An employee of a life insurer who sells life insurance contracts must have adequate knowledge about the risks as well as the benefit of the life insurance. MEF shall register all of such employee of a life insurer who may sell or solicit life insurance contract to a third person.</p> <p>Provision 37: Designation of educational organization MEF may designate (an) organization(s) that provide educational programs to sales professionals including agents, brokers and employee of a life insurer. Such designated organization(s) may conduct examinations to provide certification for qualified agents/brokers/employees.</p> <p>Provision 38: violations (3) Forcing to sign insurance contract under force or duress;</p>
<p>No: 009 MEF Circular on Issuance of Temporary License for Microinsurance</p>	<p>Provides a vetting process by MEF for licensing of credible and financially sound institutions thereby and promoting the integrity within the sector.</p> <p>2. Microinsurance Products</p> <p>Microinsurance products shall consist of Micro General Insurance and Micro Life Insurance. A Microinsurer shall get approval from Ministry of Economy and Finance before marketing the new microinsurance products.</p> <p>3. & 4 Conditions and procedures for obtaining a Temporary Licensing</p> <p>5. Fit and proper requirement of the management</p> <p>9. Time limits for payments of claims</p> <p>18. Alternate Dispute Resolution</p> <p>For any disputes arising in relation to conduct of microinsurance business, the disputing parties shall bring the case to Ministry of Economy and Finance for mediation before filing a lawsuit in a court, except criminal cases.</p>

ANNEX 5

INVENTORY OF CONSUMER PROTECTION MEASURES FOR SECURITIES SECTOR

*(Excerpts provided from legislative text or summarized by the Author)

SECURITIES LEGISLATIVE/REGULATORY PROVISIONS	SUMMARY OF CONSUMER PROTECTION MEASURES
<p>LAW ON THE ISSUANCE AND TRADING OF NON- GOVERNMENT SECURITIES 4, October, 2007</p>	<p>Article 2 – Purpose of this Law</p> <p>The purposes of the law:</p> <ol style="list-style-type: none"> 1. develop and maintain the confidence of public investors in the Kingdom of Cambodia by protecting their lawful rights and ensuring that the offer, issue, purchase and sale of securities are carried out in a fair and orderly manner; 2. promote the effective regulation, efficiency and orderly development of the securities market in Cambodia; 3. encourage the mobilization of variety of saving tools through buying of securities and other financial instruments; 4. encourage foreign investment and participation <p>Role of approving new issues of securities</p> <p>Approval and registration of securities’ disclosure documents by SECC</p> <p>Approval of operator of a securities market, clearance and settlement facility or securities depository.</p> <p>Provides a vetting process by SECC for licensing of credible and financially sound institutions thereby and promoting the integrity within the sector.</p> <p>Licensing a securities firm and representative of a securities firm</p> <p>PROHIBITED BEHAVIOUR IN RELATION TO SECURITIES</p> <p>Article 40 – Insider dealing</p> <p>Article 41 – False trading and market manipulation</p> <p>Article 42 – False or misleading statements</p> <p>CHAPTER 8: DISPUTE RESOLUTION AND SANCTIONS</p> <p>Article 43 – Mediation of dispute</p> <p>For any dispute arising in relation to the conduct of securities business the disputing parties may submit the case to SECC for mediation before filing a lawsuit to a court, except a criminal case.</p> <p>Article 44 – Procedure for mediation and dispute resolution....</p> <p>In case the mediation has failed, each party may refer an unsettled mediation record to a competent arbitral tribunal or appeal to a competent court. Valid period of the appeal to the arbitral tribunal or the court shall be of 90 (ninety) days, otherwise the rights to appeal will lose.</p> <p>Article 47 – Illegal issuing and offering securities</p>
<p>SECC. Prakas No 008.11 on Code of Conduct of Securities Firms and Securities Representatives Prakas</p>	<p>Article 1.- Purpose</p> <p>The purpose of this Prakas is to prescribe a code of conduct for securities firms, securities representatives, investment advisory firms and investment advisory representatives engaged in business activities in the Kingdom of Cambodia.</p>

SECURITIES LEGISLATIVE/REGULATORY PROVISIONS	SUMMARY OF CONSUMER PROTECTION MEASURES
	<p>Article 3.- General Principles of Business</p> <p>To promote maximum clients' interests and fair market trading, a licensed firm and licensed representative must:</p> <ol style="list-style-type: none"> 1. show integrity and carry on its business in a fair way. 2. conduct its business with due skill, care, and diligence. 3. take reasonable care to organize and control its affairs responsibly and effectively, with adequate risk management and supervisory systems. 4. secure enough human and material resources to carry on its securities business and have necessary business procedures in place. 5. ensure that it maintains adequate financial resources as required under the law and relevant regulations. 6. deal with clients' money and assets in good faith. 7. act in clients' best interests. 8. provide proper investment advice to clients and, for this purpose, shall make appropriate efforts to learn information about clients. 9. notify clients about information necessary for the clients to make reasonable decisions. 10. be careful not to create any conflict of interest with its clients. In case it is unavoidable, the firm shall notify its clients in advance or take proper measures to treatment of such clients' interest. 11. comply, and shall take reasonable steps to ensure that its representatives comply, with relevant laws and regulations, and other regulations issued by SECC. 12. ensure that it, and its licensed representatives, keeps information relating to clients confidential and does not disclose such information to any third party unless required to do so by a law, court order, regulatory agency or the SECC, or unless the client consents in writing. <p>The code addresses issues including:</p> <ul style="list-style-type: none"> • Client's account <ul style="list-style-type: none"> - Opening - Account agreement - Unauthorized use • Investment advice <ul style="list-style-type: none"> - A licensed firm or investment advisory representative must implement the know-your client principle - Conflicts of interest • Prohibition On Promotion Of Excessive Transactions • Process For The Execution Of Securities Transactions • Information To Clients <ul style="list-style-type: none"> - Notifications - Statements • Prohibition Of Unsound Business Practices • Commissions And Merit-Based Payment <ul style="list-style-type: none"> - A licensed firm must have in writing internal guidelines and procedures that are used to determine its commissions, fees and any other remuneration, and must comply with existing regulations... The internal guidelines and procedures must be advised to the SECC... • Advertisement And Disclosure To General Public • Limitations Regarding Producing Research Analysis Reports And Also Providing Trading Advices

SECURITIES LEGISLATIVE/REGULATORY PROVISIONS	SUMMARY OF CONSUMER PROTECTION MEASURES
	<ul style="list-style-type: none"> • Internal Control Standards for Firms <ul style="list-style-type: none"> - Preventative internal controls aim to prevent or maximum reduce the occurrence of fraud or error. - The licensed firm shall establish education programs to ensure that its representatives understand the purpose of the regulations governing prohibited practices and obligations, and shall carry out the necessary training programs regularly or as required. - The licensed firm shall check compliance on a regular basis in order to prevent significant legal violations in advance and to detect in advance any vulnerability in its operating system relating to internal control. - The licensed firm shall secure appropriate procedures in order to resolve any complaint from clients, and disputes between the clients and its employees. • Procedures for handling client funds and processing transactions <p>Article 52.- Limitation on Advice Securities Issued by a licensed firm</p> <p>A licensed firm must not advice its clients to buy securities which it has already issued or is expected to issue.</p> <p>Standardized disclosure forms include:</p> <ul style="list-style-type: none"> • Application Form For Opening Account • Application Form For Advice • Form Of Client Agreement

ANNEX 6

TYPES OF CONSUMER RISKS IN THE FINANCIAL MARKETPLACE

*(researched and compiled by the IFC's expert consultant)

EXAMPLES OF THE TYPES OF CONSUMER RISKS IN THE MARKETPLACE	EXAMPLES OF RISK MITIGATION THROUGH ADOPTION OF VARIOUS CONSUMER PROTECTION MEASURES
<p>Loss of deposits and investments due to insolvency of Financial Service Providers</p>	<ul style="list-style-type: none"> • Prudential supervision of Financial Service Providers • Proper governance by FSP management • Deposit insurance • Insurance policy protection fund • Investors protection fund • Depositors/policy holders/investors given priority in the insolvency process
<p>Financial losses caused by:</p> <ul style="list-style-type: none"> • Complex, vague or undisclosed terms of contracts, • Undocumented guarantees or promises made, (e.g. less return on investments than advised) • Undisclosed costs (fees, penalties, commissions, etc.), • Undisclosed methods of calculation of costs, fees, interest for both loans or deposits • Fraud/Theft by employees of the financial institution 	<p>Disclosure:</p> <ul style="list-style-type: none"> • Full and transparent disclosure in the market place regarding any matter that may affect a consumer's decision. • Disclosure should be in plain language disclosure with examples of calculations. • Disclosure should be provided pre-agreement. • There should be proof that disclosure occurred and agreed to. <p>Consumers should have the right to full written disclosure of:</p> <ul style="list-style-type: none"> • Product Risks <ul style="list-style-type: none"> - Risks to principle - Risks to profit • All terms and conditions • Consumer obligations • Collections process for debt recovery • Alterations/Changes to the product/service or the contract • Costs, fees, interest rates • Conflicts of interests including commissions paid • Qualifications of sales personnel • Assumptions/conditions on which the contract is based in whole or in part • Potential use of third parties/subcontractors • Guarantees/promises • Calculations and mathematical formulas used • Rights to terminate a contract early and conditions applied • Any penalties that could be applied • Time limits, deadlines • Consequences and liabilities should the consumer fail to meet his obligations • The dispute resolution process <p>With respect to employee fraud, Financial Service Providers puts in place:</p> <ul style="list-style-type: none"> • Proper vetting of new employees • Strong fraud monitoring and auditing • Staff rotation • Codes of Conduct • Standards of service • Complaint monitoring and formal process • Consumer awareness • Proper policies, procedures and training • Governance and Internal Compliance Monitoring
<p>Quality of service:</p> <ul style="list-style-type: none"> • High level of transactional errors in accounts • Lack of response to investigate and correct accounting errors in a timely manner • Delays in advancing loan proceeds • Denial of service • No formal complaint process 	<p>Financial Service Providers puts in place:</p> <ul style="list-style-type: none"> • Codes of Conduct • Standards of service • Complaint monitoring and formal process • Consumer awareness • Proper policies, procedures and training • Governance and Internal Compliance Monitoring <p>Regulatory Monitoring and Enforcement</p>

EXAMPLES OF THE TYPES OF CONSUMER RISKS IN THE MARKETPLACE	EXAMPLES OF RISK MITIGATION THROUGH ADOPTION OF VARIOUS CONSUMER PROTECTION MEASURES
<p>Consumers' lack of understanding as to:</p> <ul style="list-style-type: none"> the complexities of the product/service consumer obligations the consequences of not meeting his obligations, (foreclosure, forfeiting of security, etc.) 	<p>Assessments: Financial Institutions assess the customer's affairs/understanding as to the appropriateness of the product or service given the consumer's situation</p> <p>Industry initiative to simplify contracts and to train staff on customer relations, conflict resolution and effective communication skills</p> <p>Product education provided by the Financial Service Providers and regulator</p> <p>Financial literacy programs</p>
<p>Misleading Advertising/Sales</p> <ul style="list-style-type: none"> Exaggeration of the benefits of the product/service Inappropriate products for customer Exaggeration of performance Inaccurate product description or description of the consumers' obligations (right to revoke the contract) Inaccurate information on costs 	<p>Financial Service Providers puts in place:</p> <ul style="list-style-type: none"> Codes of Conduct Standards of service Complaint monitoring and formal process Consumer awareness Proper policies, procedures and training Governance and Internal Compliance Monitoring <p>Regulatory Monitoring and Enforcement</p>
<p>Coercive/pressured sales</p> <ul style="list-style-type: none"> Over-lending Predatory lending Kickbacks Tied selling of products Inappropriate product sales Incentive based compensation of sales staff 	<p>Financial Service Providers puts in place:</p> <ul style="list-style-type: none"> Codes of Conduct Standards of service Complaint monitoring and formal process Consumer awareness Proper policies, procedures and training Governance and Internal Compliance Monitoring <p>Regulatory Monitoring and Enforcement</p>
<p>Lack of competition/alternative services</p> <ul style="list-style-type: none"> abusive pricing excessive requirements (e.g. collateral for loans) kickbacks 	<p>Government should promote effective competition and choice</p> <p>Regulatory Monitoring and Enforcement</p>
<p>Lack of basic affordable services</p>	<p>Seek Industry solution on designing basic banking services for low costs</p>
<p>Discrimination in providing services by unfairly limiting access to banking services</p>	<p>Market conduct oversight by the industry and the regulator</p> <p>Regulatory Monitoring and Enforcement</p>
<p>Unauthorised use and/or release of personal information</p>	<p>Financial Service Providers puts in place:</p> <ul style="list-style-type: none"> Codes of Conduct Complaint monitoring and formal process Consumer awareness Proper policies, procedures and training Governance and Internal Compliance Monitoring <p>Regulatory Monitoring and Enforcement</p>
<p>Non-compliance by financial institutions with laws, terms of the contract, codes of conduct, etc.</p>	<p>Internal compliance monitoring by FSP</p> <p>Market conduct oversight by the industry and the regulator</p>

ANNEX 7

THE FINANCIAL SECTOR DEVELOPMENT STRATEGY 2011-2020

Current Issues Regarding Cambodia's Consumer Protection Framework

REFERENCE PAGE	Excerpts from The Financial Sector Development Strategy 2011-2020 Adopted by the Council of Ministers in the Plenary Session on 25 November 2011 Royal Government of Cambodia
QUOTES FROM THE REPORT	
XII	<p>Along with past achievements, the FSDS 2011-2020 is intended to address the following key challenges:</p> <ul style="list-style-type: none"> the need to harmonize relevant legal and regulatory frameworks so they keep pace with developments in the financial sector.
XII, XIII	<p>Additional challenges worth emphasizing include</p> <ul style="list-style-type: none"> keeping up with international standards of risk-based supervision as well as the pace of financial market development, and establishing a cooperative framework that covers all the concerned authorities; strengthening technical capacity in key new areas in order to keep up with the increasing interconnection of the banking, securities, and insurance sectors as well as new risks emerging that could threaten financial stability; developing risk awareness and the capacity to make good judgments of supervisory staff at all levels; achieving compliance with international standards in order to harmonize and integrate Cambodia's financial system with those of other countries in the Association of Southeast Asian Nations (ASEAN) region; effectively implementing new regulations intended to improve data quality, transparency, corporate governance, business ethics, market disclosures, and achieve fair competition across the financial sector;
XIII	The objective of the FSDS 2011-2020 is to develop a sound financial sector that can contribute to poverty reduction by supporting economic growth and increasing poor people's access to finance.
XIII	Given the interconnection between the securities market and the banking sector, to ensure effective supervision of both, an effective cooperative mechanism needs to be established among related financial sector authorities.
XIII	The problem of supervision agencies whose jurisdictions overlap in some areas also needs to be addressed.
XIV	<p>The vision for microfinance is to strengthen the sector so that it can provide the poor with affordable financial services, increased income, and reduce poverty. The goal over the coming decade is to further develop the sector so that it covers greater numbers of low-income people.</p> <p>For the insurance sector, the strategy is to implement the action plan specified in the first Blueprint 2001-2010, develop new products, and enhance regulations and supervisory capacity in line with the Insurance Core Principles of the International Association of Insurance Supervisors, of which Cambodia is a member.</p>
1.	Over the coming decade to 2020, diversification and modernization of the economy to support sustainable economic growth, improve people's living standards, and reduce poverty are priority goals of the Government of Cambodia.
3.- 4.	<p>The financial sector of Cambodia has developed quickly and is highly competitive. The value added by the sector increased an average of 22.1% per year from 2004 to 2008, reflecting the deepening and wider scope of financial intermediation. When preparing the Vision and Financial Sector Development Plan in 2000, the ratio of money supply to GDP was only equal to 12.5%. This ratio rose to 20.5% in 2006, when the Financial Sector Development Strategy 2006-2015 was updated, and it has further increased to 38.3%. The ongoing rise in deposits and use of credit demonstrates growing public confidence in the banking sector.</p> <p>The country's banks are all privately owned and most with majority foreign shareholders. Over the last decade, the banking sector has experienced high growth. NBC supervises the banking system of the country. Despite progress in the banking sector, the financial sector is still in the early stage of development as it lacks the infrastructure to engage in all financial operations. The challenges that need to be addressed in the FSDS 2011-2020 include the high dependence on the banking system for resource mobilization, the concentration of financial assets in a few large banks that could suffer from systemic risks, the high cost of bank intermediation, lack of long-term finance, lack of qualified human resources, lack of managerial and supervision capacity, lack of reliable credit information and related infrastructure, limited use of the national payment system, the need to strengthen supervision in the nonbank financial sector, lack of a coordinating mechanism and exchange of information between concerned regulatory bodies, and limited financial services in rural areas.</p>

REFERENCE PAGE	Excerpts from The Financial Sector Development Strategy 2011-2020 Adopted by the Council of Ministers in the Plenary Session on 25 November 2011 Royal Government of Cambodia
QUOTES FROM THE REPORT	
6	<p>The National Bank of Cambodia (NBC) is the supervisory authority for banking in Cambodia, and its principal mission is to formulate and implement monetary policy aimed at maintaining price stability and successful economic development. NBC's main functions are to:</p> <ul style="list-style-type: none"> (i) act as the monetary authority and implement monetary policy (NBC intervenes in the foreign exchange market when deemed necessary to keep a stable exchange rate and ensure price stability), (ii) act as the sole issuer of the national currency, (iii) act as the supervisory authority for the banking and financial system, and (iv) oversee the payment system.
7	<p>With NBC's support, a credit bureau was incorporated in 2011 under the joint ownership of the Association of Banks in Cambodia, the Cambodia Microfinance Association (CMA), and a private service provider. To facilitate access to credit for borrowers with a good credit history, the credit bureau will serve as a repository of credit histories for all participating financial institutions.</p> <p>With the growing number and size of activities generated by registered money changers, NBC issued a code of conduct to be followed by these entities. NBC has conducted a series of workshops to explain the purpose of the code and the roles and obligations of each money changer. Since then, 14 large money changers have been licensed and 25 others have notified NBC of their wish to become licensed.</p>
8	<p>Insufficient supervision. Despite progress in extending the range of on-site and off-site supervision, as well as coverage that includes all banks and microfinance institutions (MFIs), the current level of supervision is still rule-based and requirements under the Basel Core Principles are still to be fully met.</p> <p>Resource savings mobilization and allocation. Despite the rapid growth of the country's financial sector, the level of savings mobilized has remained relatively low compared with other ASEAN countries. The savings-investment gap in the country had risen from just -0.7% in 2006 to -7% by the end of 2010. Further, analysis by the World Bank suggests a high dependence on foreign savings, which cannot be assured in the current environment. Over the medium to long term, the country will need to raise its level of savings from domestic sources.</p>
8	<p>Limited range of financial products. The financial products available have continued to be limited to deposits and loans. While some nonbank financial institutions are starting to emerge with more products, money changers and pawn businesses still predominate at the low end of the financial sector.</p>
10	<p>Role of banking supervision. The role of banking supervision will be further strengthened through greater coordination among financial sector regulators. A joint task force with representatives from each regulatory agency needs to be established to lead the discussions and a joint memorandum of understanding needs to be prepared for signing by concerned financial sector regulators. Common supervision approaches, including a risk-based consolidated approach, will be introduced to help supervise banks and financial institutions that undertake several market functions. This also highlights the crucial role that banking supervision authorities and other regulators play in maintaining financial system stability and preventing potential crises.</p>
11	<p>When conditions are favorable, NBC should consider establishing a deposit guarantee institution that would</p> <ul style="list-style-type: none"> (i) administer a deposit guarantee system, (ii) set service fees, (iii) identify problem banks, (iv) pay money out to adversely affected depositors, and (v) act as the first line of defense for the banking system in containing a run on a bank or banks. <p>The purpose of this institution would be to provide some stabilizing influence over the market and to reassure small depositors, who currently predominate and are prone to panic and could precipitate a run on the system. A deposit guarantee scheme could also help attract more depositors, and especially rural people, by building greater confidence in the system. This should, however, be balanced against creating a moral hazard for banks, such as that of protecting weak banks. That said, barring concerns about contagion, a deposit guarantee safety net would allow NBC to shut down a delinquent bank.</p>
15	<p>Importance of the microfinance sector. The government has recognized the important role that microfinance plays in socioeconomic development, particularly in the area of poverty reduction. As of 2001, Cambodia was one of more than 30 countries that had developed a national microfinance strategy. Among these countries, the Cambodian microfinance sector has developed quickly and has been internationally recognized due to an enabling regulatory and supervisory framework that governs microfinance providers. Recently, the number of MFIs has grown and they have expanded their activities to include deposit-taking so they can better serve low-income people.</p>

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QUOTES FROM THE REPORT	
15	<p>Composition of the microfinance sector. The sector is composed of two important groups of institutions:</p> <p>(i) formal MFIs that are either licensed MFIs or registered MFIs and (ii) an estimated 60 NGO microfinance providers that are unregistered with NBC.</p>
16	<p>Client over indebtedness has become a problem in recent years due to competing MFIs offering loans, clients' low level of financial literacy, and the lack of a credit information sharing system to alert an MFI when a prospective borrower has other loans.</p> <p>Pawn businesses.</p> <p>Pawn businesses play an important role in meeting poor peoples' urgent need for cash. To legalize this subsector, the MEF issued Prakas No. 028 SHV. PrK, dated 12 January 2010, on Licensing of a Pawn Business and Buying and Selling of Pawned Pledges, and Transfer of Title. It has also enabled the government to issue licenses to 73 companies and pawn businesses so they could legitimately conduct business.</p>
16-17	<p>Strengthening the regulatory and supervisory framework and capacity. While the current framework for microfinance has strongly supported development of the sector, there is still a need to address gaps, including building the capacity of regulators and supervisors to oversee MFIs, including licensed and deposit-taking financial institutions. The government will further focus on the implementation of international standards for microfinance regulation, supervision, and the licensing criteria for deposit-taking MFIs, and requiring that MFIs meet the same reporting standards as banks. However, with regard to the latter, the cost and benefit for MFIs will have to be considered.</p> <p>Expanding services.</p> <p>To reach a larger segment of the population as well as to expand the scope of savings mobilization and the provision of credit, MFIs cannot rely solely on deposit and credit. With their national reach and expertise, MFIs have the capacity to reach the unbanked and underbanked with a broad range of financial services, in addition to deposit and credit.</p> <p>Improving outreach. There is a need to better understand how to extend access to financial services to people, especially poor people in hard-to-reach areas where opportunities may be scarce and who may have limited knowledge of how to access available financial services. Financial literacy should be a critical component of expansion into hard-to-reach areas.</p> <p>Microfinance services are used by the poor, including low-income earners, people with disabilities, and people living in remote areas. The international standard for measuring the ability to offer microfinance services is 20% of the average credit ratio to GDP. For Cambodia, this ratio is 54%, as the average loan is \$430 and GDP per capita is \$795. These data may suggest that either the poor make little use of microfinance services or that borrowers are overburdened by their debts.</p> <p>Because MFIs are not able to reach all rural and remote areas, borrowers must rely mainly on informal sources of finance at substantially higher interest rates, estimated to be as high as 10.0% per month compared with the 1.8%-3.0% per month rates charged by formal MFIs (depending upon the maturity and the risk in lending). There are a number of reasons cited for the low level of rural penetration by MFIs:</p> <ul style="list-style-type: none"> (i) remote locations are difficult to reach, (ii) hard-to-reach areas pose greater security problems for MFIs, (iii) roads are poor in some areas, (iv) economic activity is limited, (v) income-generating activities and vocational training are lacking, (vi) financial literacy and knowledge of how to start or manage a business is lacking, (vii) formal loans are unavailable, and (viii) credit risks are high. <p>These constraints all contribute to a low level of financial inclusion in hard-to-reach rural areas.</p> <p>Pawn businesses support the expansion of micro lending and face similar challenges as MFIs. Based on variability in size, and the small-scale transactions involved, this sub-sector has been challenging for regulators to supervise. As mentioned above, MEF has been drafting a Law on the Licensing of a Pawn Business and Buying and Selling of Pawned Pledges, and Transfer of Title, as well as other relevant provisions. MEF is also creating other supporting mechanisms to officially promote the development of this sub-sector and its effective management.</p>
18	<p>Increasing consumer protection. There is still a lack of MFI consumer protection, of guidelines for resolving disputes between clients and MFIs, and of basic norms for debt collection. In general, MFI borrowers and staff lack financial literacy. The establishment of a credit bureau to service the entire financial sector, including microfinance, has been achieved. On top of that, for consumer protection, improving transparency in revealing the true cost of financing and improving the professional ethics of MFI staff are critical.</p>

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18	<p>MFI supervision. To strengthen NBC's present supervision methodologies, NBC assesses MFI compliance with the requirements of the Basel Committee on Banking Supervision and the Core Principles for Effective Banking Supervision.</p> <p>These efforts are to be conducted on a continuous basis following best practices suited to the rapidly changing nature of Cambodian MFI operations. The objective is to be able to conduct on-site supervision for all MFIs once every 12 to 24 months.</p>
18-19	<p>Regulatory improvement to support product diversification. The government will further improve rules and regulations to support the expansion of MFI services and products, including giving permission to licensed deposit-taking MFIs to become members of NBC's clearinghouse and encouraging MFIs to create innovative new services. So far, MFIs in Cambodia primarily offer credit and, to some extent, savings. Other possible activities that MFIs could engage in include micro insurance; micro leasing; servicing of payments and remittances; and providing small- and medium-sized enterprises with financing, educational loans, and housing finance. Mobile banking service is another area for possible MFI expansion once necessary rules, regulations, and supervision are in place.</p> <p>Mobile banking would allow both internal and international transfers and could promote use of the riel.</p> <p>Access to credit information. With approval by NBC, Credit Bureau Cambodia has commenced operation. Access to the credit bureau by MFIs offers several advantages: easier access to credit for creditworthy borrowers, speeding up loan processing and approvals, facilitating the setting of interest rates according to risk levels, setting interest rates based on clients' past history of borrowing, and reducing the costs of borrowing by reducing losses that are due to fraudulent applications and high processing costs.</p> <p>Establishment of a mechanism for redressing the grievances of microfinance clients will provide a higher level of protection for clients. All relevant government agencies are collaborating with CMA to identify a strategy and agency to implement this mechanism.</p> <p>Market transparency and disclosures. To protect the interests of the people, the government will put in place the following measures:</p> <ul style="list-style-type: none"> • design and implement a program for promoting financial literacy for the clients of MFIs and the general public; • introduce and implement guidelines for consumer protection based on experience and best practices; and • conduct a study on over-indebtedness to determine the extent of borrowers with more than one loan.
20	<p>Promotion of savings mobilization. The government continues to promote using MFIs for mobilizing savings in rural areas to enable MFIs to finance their lending with the lower cost financing provided through savings.</p> <p>NBC is preparing a Prakas on credit cooperatives or financial communities. This would pool various initiatives aimed at licensed and registered MFIs. At the moment, some NGOs are acting as financial cooperatives and are mobilizing savings, but have not registered with NBC.</p>
20-21	<p>Provision of client training. Clients of MFIs need help to develop financial literacy, improve their production and understand their market. The government will develop a sound policy to motivate NGOs to offer reasonably-priced business development services, and MFIs to offer financial literacy training.</p>
23	<p>The government will further protect consumers by requiring lessors to disclose information on leasing to lessees. The disclosure shall comply with accepted accounting principles and financial reporting.</p>
27	<p>The development of the insurance sector could also contribute tremendously to Cambodia's social sector through employment creation, development of specialized skills, and specialized training, as well as providing a social safety net for people by offering health insurance and minimizing their spending on traffic accidents.</p>
39	<p>Investor education and protection. In the operation of a securities market, illegal activities could occur and this requires adequate protection for investors. At the same time, many investors are not aware of the sophistication required for the trading of financial instruments; they need to be properly educated about the processes of a securities market.</p>
40	<p>Investor protection and education. To avoid and minimize the incidence of market abuse, the SECC will further organize education for investors and open the way for investors to lodge their complaints to the SECC. Also, a mechanism and center for dispute resolution will be established for addressing disputes in the market.</p> <p>Promote education and awareness through the news media. With recognition of the key role of news media in the securities industry as a result of their reporting and analysis, the SECC will organize training for financial and other journalists and establish a liaison office for coordinating with journalists. This should enhance professional ethics in the journalism profession.</p>

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44	Monitoring compliance with laws and regulations. The government will strengthen statutory compliance by requiring all enterprises to register (with the possible exception of small enterprises) and to update their details annually. When the new registration system is combined with the existing one, it must be capable of transferring data from the current to the new system.
44	The economy is still mainly cash-based with limited checks in use and no negotiable instruments. The risks of holding and carrying cash are ever present. In recent years, however, noncash payment has picked up.
45	Mobile phone banking has extended funds transfer services to rural and remote areas where formal services are not available. NBC has also issued a Prakas on third-party processors that defines the duties and responsibilities of these service providers, their scope of operations, and their reporting requirements, including efforts to combat money laundering and the financing of terrorism.
46	NBC has created a credit bureau but allows the private sector to operate it. The credit bureau is owned 51% by the Cambodia Holding Co. and 49% by the equipment provider. The Cambodia Holding Co. is jointly owned by banking institutions and the Cambodia Microfinance Association. NBC issued a Prakas in 2011 to regulate the operation of the credit bureau.
47	The property market is an industry that contributes to the development of the national economy; however, Cambodia does not have an adequate legal framework to regulate the sector, and this, in turn, could lead to a number of challenges. These include <ul style="list-style-type: none"> (i) money laundering via real estate business activity; (ii) inaccurate property valuation that does not reflect market prices; (iii) loss of customer and investor confidence in the market; (iv) limited skills and experience on the part of the regulator, business professionals, and market participants at all levels of the sector; (v) inability to fully compete with foreign competitors; and (vi) lack of a professional institute to offer training to property valuers and service providers.
48-49	In the next stage of financial sector development, Cambodia must continue to provide ongoing support for capacity building. So far, great strides have been made in improving capacity in different areas such as regulation and supervision, the payment system, establishing a database, disseminating statistical data and information, the use of information technology, anti-money laundering and counter financing of terrorist activities
49	This means that policy makers and regulators need to have up-to-date knowledge and skills. Consequently, technical assistance must be available to support the following activities: <ul style="list-style-type: none"> • Lay down the legal and regulatory framework, raise supervisory capacity, and create the enabling environment for the introduction of new financial products and institutions. These include nonbank financial institutions that will engage in leasing, life insurance, microinsurance, m-banking, money market and capital market securities, a real-time gross settlement system for securities market transactions, trust and investment operations, and foreign exchange dealings when the riel comes into greater use.
49-50	There is a need for the government to develop capacity in all areas of the financial sector by undertaking the following tasks: <ul style="list-style-type: none"> • Assess training needs through a gap analysis for the entire financial sector, from entry level to advanced levels of expertise, and from functional areas to specialized areas, such as actuarial science. This should identify the type of expertise needed in line with this financial sector strategy and the pace of market development. • Outsource highly specialized training or provide in-house training programs, on-the-job training, and exchange programs with other overseas regulators. • Prioritize training needs, determine resource requirements, and coordinate efforts in building capacity to ensure optimal use of available resources. • Conduct an institutional cost and benefit analysis to ensure that training efforts will be sustainable. • Raise awareness in each organization of the importance of training and obtain feedback on training programs to guide future training efforts.

ANNEX 8

THE FINANCIAL SECTOR DEVELOPMENT STRATEGY 2011-2020

Government Strategies For Future Reforms

FUTURE REFORMS – excerpts from Financial Sector Development Strategy 2011-2020 Adopted by the Council of Ministers in the Plenary Session on 25 November 2011 Royal Government of Cambodia				
Development Policy Area	Short Term 2011-2014	Medium Term 2014-2017	Long Term 2017-2020	Agencies Concerned
BANKING SECTOR:				
P.53 Strengthening of the institutional framework	<ul style="list-style-type: none"> Pay attention to the following important areas: (iv) promote consumer protection for banking operations and other financial products and services. 			
MICROFINANCE:				
P.65 Permission for MFIs to expand direct access to savings	<p>Enhance savings mobilization by MDIs:</p> <ul style="list-style-type: none"> Review barriers to savings mobilization. Study how to accelerate the establishment of more MDIs consistent with supervisory capacity. 	<p>Present the means for promoting savings:</p> <ul style="list-style-type: none"> MDIs should be assisted to promote innovative schemes that will enhance savings generation from the general public. Study ways by which savings-led NGOs can be made strong, safe savings generators. 	<p>Extend support to MDIs and other savings organizations:</p> <ul style="list-style-type: none"> Continue assisting MDIs and savings-led NGOs. 	MEF, NBC, CMA Lead agency: NBC
P.66 Increase in financial Inclusion Deepening of financial services Expansion of access to financial products and services to individuals in hard-to-reach-areas particularly the poor and the most poor	<p>Consider ways to encourage people living in hard-to-reach areas to access bank services:</p> <ul style="list-style-type: none"> Study the needs for supply and demand of microfinance among the most poor and people in hard to-reach areas. Based on the above study, identify constraints to reaching these clients and provide recommendations to address these issues through both financial and nonfinancial services. Link the strategy to financial education and business development training strategies set forth in the strategy. 	<p>Develop programs or provide incentives that help the poor and individuals in hard to-reach areas access financial services:</p> <ul style="list-style-type: none"> Consider fiscal or regulatory incentives for MFIs to expand operations to the most poor and people in hard-to-reach areas. Design and implement programs that will promote access to a range of financial services (micro leasing, microcredit, and micro savings) by the most poor to enable them to improve their welfare. Encourage linkage of microfinance operations of MFIs to NGOs and local governments in a prudent manner. Replicate successful pilots in other hard-to-reach areas. 	<p>Expand financial services to the rural poor and individuals in hard-to-reach areas:</p> <ul style="list-style-type: none"> Track the progress of and scale up services to the poor, people in hard-to-reach areas, and individuals who were formerly excluded from microfinance services. 	NBC, CMA Lead agency: NBC

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Development Policy Area	Short Term 2011-2014	Medium Term 2014-2017	Long Term 2017-2020	Agencies Concerned
p.67 Strong Consumer Protection MFI consumer protection and financial literacy	<ul style="list-style-type: none"> Design a common framework to guide disclosures of loan terms and conditions and other relevant matters that will protect consumers. Design a program for promoting financial literacy not only for the present clients of MFIs, but also for the most poor in both urban and rural areas. Study the issue of over-indebtedness. Disseminate the results of the study to various stakeholders and map a strategy and a plan to further address the study's findings. 	<ul style="list-style-type: none"> Implement the guidelines for MFI consumer protection. Implement the program for promoting financial literacy. 	<ul style="list-style-type: none"> Improve the guidelines for consumer protection based on experience and best practices. Promote offering financial literacy to other sectors. 	MEF, NBC, CMA Lead agency: NBC
p.67 Reliable and accurate information	<ul style="list-style-type: none"> Establish a credit bureau. With the implementation of risk-based supervision, ensure that data accuracy becomes a key concern of the supervisory processes and that the reports accurately reflect the MFIs' operations and their risk profiles. 	<ul style="list-style-type: none"> Monitor or control the process of assessing customers' solvency and creditworthiness for decision-making purposes. Steadily promote the adoption of best accounting and financial disclosure practices with the aim of converging with the standards applicable to the banking sector. 	<ul style="list-style-type: none"> Assess the progress achieved and the gaps to be filled and, where applicable, define an appropriate action plan to enhance reliability and accuracy of information and data disclosed and of supervisory reports. 	MEF, NBC Lead agency: NBC
p.67 Redress of grievances	<ul style="list-style-type: none"> Establish a mechanism for redress of grievances for MFIs. Consider establishment of a consumer protection agency to receive, follow up, and act on complaints. 	<ul style="list-style-type: none"> Monitor effectiveness and make necessary improvements in the mechanism for addressing client grievances. 	<ul style="list-style-type: none"> Strengthen the mechanism for addressing client grievances. 	MEF, NBC, CMA Lead agency: MEF
PAWN BUSINESS:				
p.68 - 69 Licensing of a Pawn Business, Buying and Selling of Pawned Pledges, and Transfer Of Title	Bring pawn businesses into the formal sector: <ul style="list-style-type: none"> To be consistent with other laws and regulations, issue guidelines to implement the Prakas on Licensing of a Pawn Business, Buying and Selling of Pawned Pledges, and Transfer of Title. 	Strengthen the regulations and supervision of pawn businesses: <ul style="list-style-type: none"> Issue other regulations to implement the Law on Licensing of a Pawn Business, Buying and Selling of Pawned Pledges, and Transfer of Title. 	Introduce and implement an IT system for pawn business operation. <ul style="list-style-type: none"> Full implementation of the proposed IT system through a training program for the regulator, market operators, and concerned authorities. 	MEF

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	<ul style="list-style-type: none"> • Strengthen the enforcement of the Prakas on Licensing of a Pawn Business, Buying and Selling of Pawned Pledges, and Transfer of Title. • Strengthen the enforcement of the Prakas by taking into account market reactions and developments. • Establish interministerial working group to bring pawn businesses from the informal sector to the formal sector. • Adopt the law on licensing of a pawn business and the buying and selling of pawned pledges, and transfer of title. • Establish an association of pawn businesses. • Develop a 3-year capacity building plan for the regulator and market operators. 	<ul style="list-style-type: none"> • Increase public awareness by organizing workshops and training courses. • Introduce computer based operation for the pawn industry. • Strengthen and enforce the law and related regulations on licensing of a pawn business and buying and selling of pawned pledges, and transfer of title to ensure the effectiveness of operations 	<ul style="list-style-type: none"> • Improve the efficiency of market control over the pawn industry through the use of an IT network for monitoring market operations. • Increase pawn market transparency and the level of consumer protection by eliminating suspicious pawned items. 	
INSURANCE:				
p.72 Institutional framework	<ul style="list-style-type: none"> • Set up dispute resolution office. 			MEF
CAPITAL MARKETS:				
p. 83 Investor education and protection	<ul style="list-style-type: none"> • Prepare the plan to educate domestic investors, including necessary educational materials, identifying and assigning staff, and setting up feedback mechanisms. • Conduct investor education across the country. • Consider the establishment of an investor compensation fund. • Establish a customer dispute resolution center within the framework of SECC to address public complaints and related cases that may arise. 	<ul style="list-style-type: none"> • Continue investor education programs and refine them based on feedback and market developments. • If feasible, establish an investor compensation fund with the requisite regulations and operational guidelines. 	<ul style="list-style-type: none"> • Continue to enhance investor education programs. • Implement investor compensation fund. 	SECC

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Development Policy Area	Short Term 2011-2014	Medium Term 2014-2017	Long Term 2017-2020	Agencies Concerned
GOVERNANCE AND INFRASTRUCTURE LEGAL AND REGULATORY FRAMEWORK				
p.86-87 Comprehensive revision of the Law on the Organization and the Conduct of the National Bank of Cambodia (LBNC) and of the Law on Banking and Financial Institutions (LBFI)	<ul style="list-style-type: none"> • A parallel revision of the LNBC and the LBFI should be undertaken as soon as possible due to conflicts, loopholes, and need to improve the overall legal framework. • Such revision is required with the aim of clarifying and enhancing the institutional framework; clarifying the roles and responsibilities of the authorities in charge to support and promote effective cooperation as well as clear accountability principles; the joint efforts to maintain financial stability, liquidity condition support, consumer protection, immunity, etc. • Revise the laws to be submitted to the Council of Ministers and the National Assembly. 	<ul style="list-style-type: none"> • Submit the revised laws to the Council of Ministers and the National Assembly. • Arrange for effective implementation of the approved laws. 		NBC
p.89 Competition and consumer protection policies	<ul style="list-style-type: none"> • Adopt competition policy and draft competition law by taking into account the special needs of the financial sector. • Adopt the consumer protection policy and draft consumer protection law. 	<ul style="list-style-type: none"> • Submit competition law to the Council of Ministers and the National Assembly. • Submit consumer protection law to the Council of Ministers and the National Assembly. 	<ul style="list-style-type: none"> • Issue implementing regulations and set up a competition commission to enforce the law and regulations. • Issue implementing regulations and set up a consumer protection commission to enforce the law and regulations. 	MEF, MOC, MOJ LEAD AGENCY: MOC
PROPERTY VALUATION, ESTATE SERVICES, AND HOUSING DEVELOPMENT				
p.94 Development of the legal framework for property valuation, estate services, and housing development	<ul style="list-style-type: none"> • Develop legal and regulatory framework for property valuation, estate services, and housing development. • Develop appropriate standards for Cambodia, such as valuation standards, estate agency standards, code of professional ethics, rules for execution, and table of commission fees for valuers and estate agents. • Prepare the draft law on housing development and submit to the Council of Ministers and the National Assembly. • Draft the law on property valuation and estate services. 	<ul style="list-style-type: none"> • Adopt the law on housing development and the law on property valuation and estate services. • Develop accommodating regulations to implement the law on housing development and the law on property valuation and estate services. 	<ul style="list-style-type: none"> • Review and upgrade as necessary the legal and regulatory framework pertaining to property valuation and estate markets to meet international standards. • Strengthen law enforcement. 	MEF, MLMUPC

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Development Policy Area	Short Term 2011-2014	Medium Term 2014-2017	Long Term 2017-2020	Agencies Concerned
P.105	<p>Financial Sector Development Strategy 2011–2020</p> <p>With a rapidly growing commercial economy that requires a sound financial system to sustain growth, Cambodia is committed to the long-term development of the financial sector, channeling financial resources to productive investments, and managing the inherent risks to achieve sustainable economic growth over the long term and contribute to poverty reduction.</p> <p>Financial Sector Development Strategy 2011–2020 reflects Cambodia's achievements to date, provides an assessment of current challenges and constraints to financial sector development, the long-term goals, and a prioritized set of action plans for the next decade. Said strategy will enable Cambodia's financial sector to integrate into the regional financial system and support her long-term economic development agenda.</p>			

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