
Capital Markets

New Law on Government Securities 2020

On 26 December 2020, the Law on Government Securities was promulgated via Royal Kram No. NS.RK.0220.040 ("**New Law**"). The New Law abrogated the Law on Government Securities promulgated through Royal Kram No. NS.RK.0107.001 dated 10 January 2007.

The New Law aims to provide a general framework to: (i) manage the issuance and trading of government securities; (ii) provide a transparent, accountable, effective, and efficient management of government securities; and (iii) ensure sustainable management of public debt. The New Law covers the issuance, trading and management of government securities both within and outside of Cambodia.

This Update provides an overview of the key features of the New Law.

Definition

Government securities refer to bills, bonds, and other instruments acknowledging indebtedness on behalf of the government under the law, including:

- (i) Treasury Bills with maturity of less than one year;
- (ii) Treasury Bonds with maturity of one year or more; and
- (iii) Other government securities.

Government securities do not include securities issued by public enterprises or any other government borrowings that are outside the scope of this New Law.

Issuance and Offer

The New Law stipulates that subject to limitations under the financial law and the authority of the Prime Minister, only the Minister of Economy and Finance ("**Minister**") may issue government securities pursuant to the Law on Public Financial System or relevant laws and regulations. The Minister may refund, buyback, and redeem any government securities at or before the maturity date of the government securities. Where there is demand of fund, the government may issue new government securities only if the spending target is clearly defined.

All operations in relation to the issuance and management of government securities shall be determined by a Minister's Prakas.

All technical works and operations related to government securities may be implemented by the National Bank of Cambodia ("**NBC**") and/or a permitted securities market.

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Government securities may be issued in local or foreign currency, within or outside Cambodia, and shall be under the government's full responsibility. Government securities may be issued in the form of a certificate or in electronic form, which must be legible and can be shown/presented.

Primary Market

Direct participants, by themselves or on behalf of their representatives, in primary market can be banking and financial institutions which have obtained a licence from NBC, securities firms licensed by the Securities and Exchange Commission of Cambodia (“**SECC**”), or other entities determined by a Minister's Prakas. Government securities shall be on public offer in the primary market through bidding or other methods determined by a Minister's Prakas.

The Minister shall issue relevant Prakas(s) on the following matters:

- (i) Method and mechanism of issuance and offer of government securities;
- (ii) Form and operation in relation to the management of government securities to be issued;
- (iii) Direct participants and other eligible participants in the primary market;
- (iv) Record of subscribers;
- (v) Deposits of government securities at any depository, and listing of government securities for trading in permitted securities market; and
- (vi) Payment of principal and coupon rate of government securities and other material elements.

The right to file a complaint for compensation regarding the principal and coupon of government securities must be exercised within five years from maturity date. This statutory limitation may be delayed or suspended in accordance with the Civil Code of Cambodia and other regulations in force. Public assets and revenue of the State shall be immune from confiscation and other restrictions.

All trading of government securities are subject to the general tax regime that is in force at the relevant time. They are also entitled to incentives and exemptions pursuant to the laws and regulations in force.

Secondary Market

The trading, transfer or collateralisation of government securities by NBC or participants in inter-bank market or permitted securities market or other eligible participants, either for themselves or on behalf of other persons, as well as the relevant mechanisms shall be determined by a Minister's Prakas.

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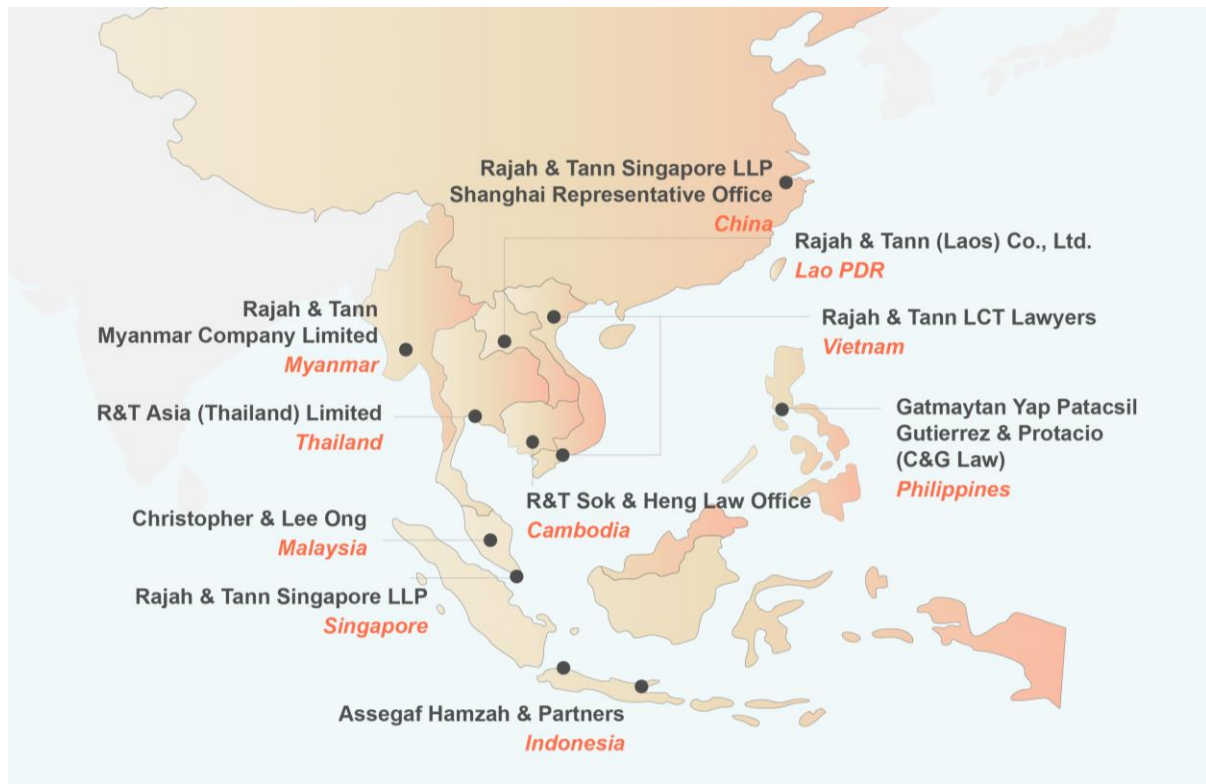
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