



Recent Developments and Future Direction

A. Recent Major Developments

Recent major developments are considered those that occurred or have been announced in the Cambodian market since the first publication of the ASEAN+3 Bond Market Guide for selected economies in April 2012.

1. Introduction of Corporate Bond Regulatory Framework

The SECC introduced a framework for the issuance of nongovernment debt securities in August 2017. The framework consists of regulations for the public offering of debt securities and accreditation of CRAs and bondholders representatives, as well as the corresponding listing and market operation rules and disclosure requirements of the CSX. More details of the new framework can be found in the individual sections of the Cambodian Bond Market Guide.

2. Establishment of a Professional Investor Concept

In August 2016, the SECC issued the Prakas on Qualified Investors in the Securities Sector, thereby introducing a professional investor concept to the market and defining the categories of Institutional Investor and High Net-Worth Investor. Specific institutions are defined in the *Prakas* as Institutional Investors (e.g., NBC), while other entities are accorded this status based on their function (e.g., banks), or by having obtained a specific license to participate in the securities market. In turn, High Net-Worth Investors need to fulfill certain qualifying criteria to be registered as such.

The obligation to register and maintain status as a Qualified Investor rests with securities firms, who must confirm an investor's eligibility based on supporting documentation. Securities firms also must provide a list of Qualified Investors to the SECC on a periodic basis.

3. Introduction of Negotiable Certificates of Deposit

In 2013, the NBC introduced NCDs to the marketplace after several years of deliberation and testing.

The NBC issues NCDs directly to banks and other financial institutions, and trades NCDs bilaterally with the constituent participants of the national clearing system. The NBC initiative to issue NCDs was aimed at creating an interbank market and providing an instrument for constituents to be able to manage liquidity and minimum reserve requirements (further details are available in Chapter III.E).

Banks participating in the NBC clearing system can now also trade NCDs with each other (see Chapter IV for more details).

B. Future Direction

While the bond market in Cambodia is at a nascent stage of development, clear plans toward the issuance of government securities and the establishment of a corporate bond market exist.

In line with the focus of the policy bodies and regulatory authorities on developing the bond market, much change is expected in the 12–18 months following the publication of the Cambodia Bond Market Guide. The MEF has updated the FSDS with planned or envisaged developments for 2016–2025 (see also Chapter I.B). These developments and the implementation of individual polices, directives, and practices are expected to comprehensively address the existing challenges in the bond market in Cambodia (see also Chapter IX).

1. Preparation of the Supporting Regulations and Accreditation of Market Participants for the Corporate Bond Market

Following the introduction of the initial set of *Prakas* for the corporate bond market in August 2017, the SECC is now preparing the supporting regulations, including the form and format of the disclosure document and the application form for issuers wishing to offer a corporate bond to the public. In addition, the SECC is also preparing the stated accreditation for CRAs and bondholders representatives.

The relevant CSX operating rules—such as those for debt securities listing, market operation, clearing and settlement, and depository functions—are expected to be available by early 2018.

2. Introduction of Custodian Concept

In conjunction with the introduction of the corporate bond regulatory framework, the SECC is putting the finishing touches on the introduction of a custodian concept in the Cambodian bond market. At present, investor assets are held at the CSX Depository through CSX members, all of which are brokers, executing investor trade orders. The introduction of a third-party custodian function is expected to attract domestic and foreign institutional investors, which have specific requirements for the segregation and protection of their assets under prudential regulations.

At the time of the compilation of the Bond Market Guide, the draft *Prakas* on Accreditation of Custodians was in the public consultation stage.

3. Utilization of the Qualified Investors Concept

The SECC introduced the Qualified Investor concept to the market in August 2016. It defines a class of professional investors and ringfences them from ordinary or general investors for whom the SECC will pursue maximum protection within its bond market framework. The Qualified Investor concept gives rise to the expectation that the SECC may introduce a market segment, aimed solely at professional investors, that will include provisions for the use of private placement as an issuance method.

At the same time, the ability to utilize an existing professional investor concept in the context of the corporate bond framework allows the SECC to position Cambodia as a potential market for the issuance of bonds and notes under the ASEAN+3 Multi-Currency Bond Issuance Framework.

4. Regulations on the Issuance of Government Securities

The Law on Government Securities, 2007 will provide the foundation for the issuance of government securities, which is envisaged to commence in 2019. To make full use of the provisions of the law, an *Anukret* would have to be promulgated by the MEF before any actual bond issuance to set the stage for the introduction of a government bond market, its features, and expected participants.

A corresponding *Anukret* is presently in the drafting stage, indicating that the GDNT's plans for the development of the sovereign debt market are on track.