

Bond and Note Transactions and Trading Market Infrastructure

A. Overview

At present, the Cambodian bond market is in a state of preparation. The GDNT of the MEF is looking into issuing government bonds in the near future and has begun the necessary organizational and legislative preparations toward that goal.

With the CSX operating since 2012 and the NBC trading NCDs with its bank constituents in an interbank money market since 2013, some of a typical market's securities trading infrastructure already exists and could be utilized for the trading of bonds once their issuance commences.

As such, information on existing infrastructure and practices is provided as a matter of reference only. The Cambodia Bond Market Guide will be updated with information specific to debt securities and other subjects once the corporate bond market has been established by the SECC and the proposed *Anukret* on government securities issuance has been published by the MEF.

B. Permitted Securities Market(s)

According to the Law on the Issuance and Trading of Non-Government Securities, 2007, the trading of securities in Cambodia may only be carried out in an SECC-permitted securities market with a securities market operator. While the Law on the Issuance and Trading of Non-Government Securities, 2007 contains in-principle provisions for an over-the-counter (OTC) market, the one permitted market for securities trading at present is the CSX.

Each permitted securities market will also have to appoint a securities clearing and settlement operator and a securities depository operator licensed by the SECC. The CSX holds all these licenses for the exchange market.

1. Trading on the Cambodia Securities Exchange

The CSX was incorporated in 2010, received its licence to operate in 2011, and began trading operations in April 2012. The CSX is a joint venture between the Government of Cambodia (represented by the MEF) and Korea Exchange, with capital holdings of 55% and 45%, respectively. The CSX holds licenses for the operation of a securities market as well as clearing and settlement and depository functions.

The CSX has 10 member firms and 5 participants.²⁷ Members consist of securities underwriters (6), securities dealers (1), and securities brokers (3). (See also Chapter II.J for further details.) The term participant is used for cash settlement agents, securities registrars, and transfer agents.

²⁷ Please refer to the CSX website at <http://www.csx.com.kh/en/member/members.jsp?MNCD=5010>

The SECC last issued *Prakas* representing amendments to the Operating Rules for the CSX in November 2014 and the CSX Listing Rules in September 2015. The Operating Rules include the Clearing and Settlement Rules and the Securities Depository Operating Rules, and have been amended a few times. The rules are all available in English as PDF files from the CSX website.²⁸ As a result of the introduction of the regulatory framework for corporate bonds by the SECC in August 2017, the CSX will revise its rules accordingly. The new versions of these rules were expected to be published by early 2018.

Since its inception, the CSX has been looking to define operational procedures and processes for both equities and debt securities. Its trading infrastructure and related systems have been adopted from a platform provided by Korea Exchange, which caters to both equity and debt securities trading and clearing in the Republic of Korea. Korea Exchange is one of the few exchanges in ASEAN+3 with significant bond trading volume.

At the end of June 2017, the CSX was trading the stock of five listed companies. These listed companies are shown below in the sequence of their listing on the CSX:

- i. Phnom Penh Water Supply Authority under the symbol PWSA,
- ii. Grand Twins International (Cambodia) Plc. under the symbol GTI,
- iii. Phnom Penh Autonomous Port under the symbol PPAP,
- iv. Phnom Penh SEZ Plc. under the symbol PPSP, and
- v. Sihanoukville Autonomous Port under the symbol PAS.

Following the publication of the regulatory framework for the corporate bond market in August 2017 (see also Chapter II.E), the issuance and subsequent listing and trading of debt securities on the CSX is envisaged to commence after the corresponding changes to CSX rules, which the SECC will then promulgate in the form of appendixes to the relevant *Prakas*.

Trading on the CSX occurs Mondays through Fridays, excluding nontrading holidays, from the opening session, during which orders may be received, at 8 a.m., until the closing session starting at 11 a.m. (Table 4.1).

Table 4.1: Cambodia Securities Exchange—Trading Hours

Session	Start Time	End Time
Opening Session	8 a.m.	9 a.m.
Continuous Trading Session	9 a.m.	11 a.m.
Closing Session	11 a.m.	11:30 a.m.

Source: Cambodia Securities Exchange. <http://csx.com.kh/operation/market/listPosts.do?MNCD=3020>

2. Plans for Negotiated Segment on the Cambodia Securities Exchange

In addition to its traditional exchange trading, the CSX has been preparing the functionality for a negotiated segment, known as the Negotiated Trading Method, on its market. This segment will allow CSX members to negotiate directly with other members on the price of listed securities. This practice is similar to the actions in an OTC market and may be applied to trades in debt securities in future. The proposed segment would be subject to approval from the SECC.

²⁸ See <http://csx.com.kh/laws/rules/listPosts.do?MNCD=2050>

In order to facilitate the interaction in the negotiated segment on the CSX, the exchange is looking at creating a separate web-based bond platform that would allow Qualified Investors, including banks and other financial institutions and institutional investors, to participate, seek, and negotiate with counterparties by themselves, provided that the resulting trades are executed by any securities firm who is a CSX member.

C. Trade Reporting

The mandatory reporting of debt securities transactions is not yet applicable in Cambodia.

Trades executed on the CSX are captured in the CSX trading system and are reported on its trading platform by default. Executed trades are also reported on the CSX website for the general reference of the public.

D. Market Monitoring

The CSX carries out market monitoring of the trading of securities on its market. The CSX refers any detected suspicious breaches of rules to the SECC for investigation, enforcement, and/or prosecution.

E. Information on Securities

1. Cambodia Securities Exchange

The CSX provides comprehensive information on the securities traded on its markets—both on the Main Board and the Growth Board—to the public via the CSX website. In addition to securities transactions data, including trading volume and pricing, the CSX also provides comprehensive information on the listed companies, including their periodic reports and disclosure information. The CSX website also carries material for investor education, in the form of downloadable leaflets on individual products, and the relevant guidelines issued by the SECC, as well as news on the listed companies and their securities and market-relevant publications (Figure 4.1).

Figure 4.1: Information on the Cambodia Securities Exchange Website

The screenshot displays the Cambodia Securities Exchange (CSX) website. At the top, the market status is "Closed, Mon 11 Sep 2017, 03:49:07 PM". The CSX Index is 337.28, down 0.5 (0.15%) from the previous day. The last price for PAS is 5,040. A notice from July 14, 2017, regarding a "CAPITAL MARKET" seminar is visible. The navigation menu includes "About CSX", "Laws & Regulations", "CSX Operations", "Products & Services", "Listed Companies", "Market Data", "Education", and "News & Publication". The "News & Publication" section is active, showing a list of news items with columns for "No.", "Title", "Source", and "Date".

No.	Title	Source	Date
26	Press Release On Signing of the Memorandum of Understanding (MOU)	CSX	26/02/2016
25	PPWSA's 1st Quarterly Financial Information in 2014	PPWSA	08/07/2014
24	Initial Listing Date of Grand Twins International (Cambodia) Plc	CSX	07/06/2014
23	Meeting Minute of the Second General Shareholder Meeting of PPWSA	PPWSA	06/05/2014
22	Cambodia, US brokers sign off on agreement	The Phnom Penh ...	24/04/2014
21	PPWSA's Second General Meeting of Shareholders	PPWSA	08/04/2014
20	PPWSA's Financial Statements in 2013	PPWSA	08/04/2014
19	Changing Deputy Directors of Phnom Penh Water Supply Authority in charge of employee re...	SECC	06/07/2012
18	Changing the Director General of PPWSA	SECC Website	29/06/2012
17	List of Successful and Unsuccessful Investors PPWSA Book Building	SECC	06/04/2012

Source: Cambodia Securities Exchange. <http://csx.com.kh/news/news/listPosts.do?MNCD=8010>

2. National Bank of Cambodia

The NBC publishes information on the concept of and procedures for NCDs on its website, including arguments for investment in NCDs, their potential risks, and their usability in the interbank money market.²⁹

²⁹ See http://www.nbc.org.kh/english/monetary_policy/ncds_overview.php