

# AMBIF Elements in Cambodia

This chapter describes the key features of the ASEAN+3 Multi-Currency Bond Issuance Framework (AMBIF), also known as the AMBIF Elements, and puts into perspective the equivalent or prospective features of the domestic corporate bond market in Cambodia.

Please note that the descriptions in these Implementation Guidelines are temporary, as it is expected that further regulations may be issued after a few pilot issues. The Implementation Guidelines will conform to the existing domestic regulations, as all bonds will be issued based on domestic regulations.

## A. Summary of AMBIF Elements

AMBIF issuances in Cambodia will be considered Debt Securities Offerings to Qualified Investors, making use of the professional investor concept introduced in 2016, and the AMBIF Single Submission Form (SSF). The Securities and Exchange Commission of Cambodia (SECC) considers the SSF to be the key application and disclosure document for Debt Securities Offerings to Qualified Investors and may request to augment the SSF information, if so deemed necessary.<sup>1</sup>

Debt Securities Offerings to Qualified Investors are described pursuant to the Prakas on Debt Securities Offering to Qualified Investors, promulgated by the SECC in May 2020, but they are not the same as the issuance method described as private placement in law and regulations.<sup>2</sup> Private placement remains a separate issuance method for no more than 30 investors; while only requiring a notification to the SECC, this issuance method does not carry prescriptions of disclosure of any kind or the need for terms and conditions and, hence, does not fulfill the expectations of an AMBIF market.

Table 1 identifies the features and practices of the domestic corporate bond market in Cambodia that directly correspond or are equivalent to the AMBIF Elements.

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<sup>1</sup> The language follows the understanding of the Sub-Forum 1 of ABMF (SF1) team that the SECC has, in principle, no objections to accepting the SSF as the key application and disclosure document for Debt Securities Offerings to Qualified Investors. The SECC Legal Department may review the SSF from time to time for any necessary inclusions.

<sup>2</sup> The text of the Prakas, like other relevant Prakas, will eventually be available in English and Khmer language from the website of the SECC at <http://www.secc.gov.kh/english/m23.php?pn=3>.

Table 1: AMBIF Elements and Equivalent Features in Cambodia

AMBIF Element	Description	Equivalent Feature
<b>Domestic Settlement</b>	Securities are settled at a national CSD in each ASEAN+3 market.	Settlement occurs at CSX as the operator of clearing and settlement facilities approved by the SECC.
<b>Harmonized Documents for Submission (Single Submission Form)</b>	There is a common approach to submitting information as an input to regulatory process(es) where approval or consent is required; appropriate disclosure information, based on an ADRB recommendation, needs to be included.	The SECC considers the SSF to be the key disclosure document for Debt Securities Offerings to Qualified Investors.
<b>Registration or Profile Listing in ASEAN+3 (Place of Continuous Disclosure)</b>	Information on bonds, notes, and issuer needs to be disclosed continuously in the relevant ASEAN+3 market. A registration or listing authority function is required to ensure continuous and quality disclosure.	Listing on CSX is mandatory and subject to the CSX Debt Securities Listing Rules.
<b>Currency</b>	Bonds or notes are denominated in one of the currencies normally used for issuances in the domestic bond market of an ASEAN+3 member.	Cambodian riel, possibly US dollar <sup>a</sup>
<b>Scope of Issuers</b>	Resident of an ASEAN+3 member	Presently, limited to resident issuers
<b>Scope of Investors</b>	Professional investors defined in accordance with the applicable laws, regulations, or market practice in each market in ASEAN+3	Qualified Investors, as prescribed in SECC regulations, including foreign investors

ADRB = AMBIF Documentation Recommendation Board; AMBIF = ASEAN+3 Multi-Currency Bond Issuance Framework; ASEAN+3 = Association of Southeast Asian Nations plus the People's Republic of China, Japan, and the Republic of Korea; CSD = central securities depository; CSX = Cambodia Securities Exchange; FCY = foreign currency; SECC = Securities and Exchange Commission of Cambodia; US = United States.

<sup>a</sup> For issuances denominated in US dollars, an inquiry to the SECC may be necessary.

Source: ABMF SF1.

## B. Description of AMBIF Elements and Equivalent Features in Cambodia

The market features in Cambodia that are comparable to the AMBIF Elements listed in Table 1 are explained in this section in greater detail.

### 1. Domestic Settlement

#### ASEAN+3 Multi-Currency Bond Issuance Framework

AMBIF is aimed at supporting the domestic bond markets of ASEAN+3 member economies. To be recognized as a domestic bond, an AMBIF bond or note needs to be settled at the designated central securities depository (CSD). Hence, domestic settlement is a key feature of an AMBIF bond.

#### Equivalent Features in Cambodia

With the Cambodian capital market at a nascent stage, there is no CSD yet. At present, publicly offered securities are to be listed on the Cambodia Securities Exchange (CSX), and subsequent trades in such listed securities are then cleared and settled at CSX, as the operator of clearing and settlement facilities approved by the SECC. In this capacity, CSX settles the securities side of trades, while the cash side is settled through cash settlement agents who are participants of the clearing and settlement facility operated by CSX.

CSX currently also holds the approval, as the operator of a securities depository, to perform the safekeeping function for listed securities, including corporate debt securities. Please also see Chapter II.J for a detailed description of asset safekeeping in Cambodia.

For the purpose of AMBIF, the current process fulfills the requirement of domestic settlement.

### 2. Harmonized Documents for Submission (Single Submission Form)

#### ASEAN+3 Multi-Currency Bond Issuance Framework

Based on the review of actual offering circulars, information memoranda, and program information formats in ASEAN+3, it was recognized that most information was similar or comparable. Hence, a Single Submission Form (SSF)—a single format in English that can be applied to all of the relevant regulatory processes for bond or note issuance in each participating ASEAN+3 market—was proposed. The information contained in the SSF has been normalized based on the prevailing regulations in each participating market, and therefore can be accepted by all relevant regulatory authorities and market institutions for their respective approvals or consent in anticipation of an AMBIF bond or note issuance.

#### Equivalent Features in Cambodia

The SECC considers the SSF as the key disclosure document for Debt Securities Offerings to Qualified Investors. The inclusion of specific content required by the SECC may be necessary in the future and would become part of the standard SSF template.

Under the current regulatory framework, the SECC does not define a specific format for the application and disclosure document(s) to be submitted and, consequently, the

SECC could consider any form and format on its merits, provided that the disclosure information requirements imposed by the SECC, specifically those prescribed for Debt Securities Offerings to Qualified Investors, are met. In any case, the SECC may request additional information to be submitted in the process of reviewing an issuance application.

At this point, the SSF needs to be translated into Khmer at the final stage, though both the English and Khmer versions will be treated equally by the SECC and an English-only SSF can be used at the working stage. If both English and Khmer versions of the SSF are used, the issuer must ensure that the information contained in both versions is equivalent.<sup>3</sup>

During the listing application process, CSX accepts the SSF as the key disclosure document when registered by the SECC. The SSF will need to be in Khmer, following the present requirement set by the SECC. At the time of listing eligibility review, CSX will accept a draft SSF in English as a working document.

To allow the SSF to act as both issuance and listing application, as well as key disclosure document, changes to the existing SECC regulations and CSX Listing Rules would have to be made. For the time being, an application form separate from the SSF is required for both the issuance and listing application process (see also the detailed description of the application and approval process in Chapter III).

### **3. Registration or Profile Listing in ASEAN+3 (Place of Continuous Disclosure)**

#### **ASEAN+3 Multi-Currency Bond Issuance Framework**

Information on the issuer and the bond or note needs to be disclosed continuously in ASEAN+3 markets. A registration or listing authority function to ensure continuous disclosure is required. This will also ensure the quality of information disclosure and help create a transparent, well-organized market for AMBIF issuances that is differentiated from ordinary private placements or exempt offers for which information is often neither available nor guaranteed. Owing to this important feature, an AMBIF secondary market is expected to emerge as the number of issuances increases.

A profile listing is a listing without trading. The objective of a profile listing is to make an issuer and a bond or note visible, and to provide more information to investors via a recognized listing place, particularly those investors with more restrictive mandates such as mutual and pension funds. A profile listing at a designated listing place can ensure the flow of continuous disclosure information and possibly even reference pricing in some markets.

#### **Equivalent Features in Cambodia**

Debt Securities Offerings to Qualified Investors need to be listed on CSX, subject to the fulfillment of prevailing eligibility criteria and listing requirements. The listing is subject to the Debt Securities Listing Rules and CSX approval.

Article 3 of the CSX Market Operation Rules states that securities listed on CSX have to be traded on CSX (i.e., not traded elsewhere). Investors may choose not to trade their debt securities (e.g., in the case of a buy-and-hold strategy), but should investors decide to sell, such trades must be done on CSX.

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<sup>3</sup> In the case of a dispute, the court will decide whether the Khmer and/or English version will be used as a basis for passing judgment; it is likely to be the Khmer version, since otherwise a translation would not be required.

The listing on CSX will ensure transparency of the initial disclosure information and continuous disclosure information, in line with the continuous disclosure requirements set by the SECC and CSX. In any case, the supervision and enforcement of continuous disclosure obligations by the issuers of bonds or notes in Cambodia, including those for Debt Securities Offerings to Qualified Investors, remain with the SECC.

CSX accepts the submission of continuous disclosure information in both Khmer and English.

Given the early stage of bond market development in Cambodia, the listing on CSX fulfills the intention of the Registration or Profile Listing feature under AMBIF.

#### **4. Currency**

##### **ASEAN+3 Multi-Currency Bond Issuance Framework**

In the context of AMBIF, the denomination of a bond or note is expected to be the currency normally issued in the domestic bond markets of ASEAN+3 (i.e., the local currency of that particular market). This does not exclude the possibility of issuing in other currencies if market practice regularly supports these other currencies and if cash-clearing capabilities exist. At present, the United States (US) dollar (ISO code: USD), Japanese yen (ISO code: JPY), and offshore Chinese renminbi (ISO code: CNH) are the other currencies most commonly in use in ASEAN+3 markets.

##### **Equivalent Features in Cambodia**

At the time of compilation of these Implementation Guidelines, Debt Securities Offerings to Qualified Investors could be issued in Cambodian riels or US dollars.

#### **5. Scope of Issuers**

##### **ASEAN+3 Multi-Currency Bond Issuance Framework**

As AMBIF aims to support the development of domestic bond and note markets in the region and promote the intra-regional recycling of funds, an issuer must be a resident of ASEAN+3.

##### **Equivalent Features in Cambodia**

The regulatory framework for the corporate bond market in Cambodia does make mention of resident issuers in some provisions. At the same time, nonresident issuers are not specifically excluded from the market, and their participation would be subject to approval by the SECC.

Resident issuers include private and listed corporate entities, as well as state-owned enterprises. Banks and financial institutions licensed and supervised by the National Bank of Cambodia (NBC) are able to issue and list debt securities, as stipulated in the Prakas on Conditions for Banking and Financial Institutions for Application to be Listed on the Cambodia Securities Exchange, issued by the NBC on 27 September 2017.

#### **6. Scope of Investors**

##### **ASEAN+3 Multi-Currency Bond Issuance Framework**

Professional investors are defined in accordance with regulations and/or practice in each market in ASEAN+3. Some jurisdictions may have a clear definition of



- ix. other legal entities that have obtained an approval from the Director General of the SECC.

High Net-Worth Investors include:

- i. legal entities fulfilling one of the following criteria:
  - a. total shareholders' equity of at least KHR2 billion as per the latest financial statement,
  - b. annual revenue of at least KHR500 million in the last 2 years, or
  - c. at least KHR200 million of investments in the securities sector in Cambodia; and
- ii. any individual who aims to register as a Qualified Investor and, together with a spouse (if any), fulfills the following criteria:
  - a. total net assets of at least KHR1 billion,
  - b. annual income of at least KHR80 million, or
  - c. investment participation in the securities sector in Cambodia of at least KHR100 million.

Institutional Investors will need to submit official documents and other necessary information stating their eligibility to the securities firms before they can be registered as such. High Net-Worth Investors are required to complete a form set by the securities firm and approved by the Director General of the SECC, and attach bank statements, investment reports, or similar documents confirming their compliance with the qualifying criteria mentioned above.

The securities firms are required to verify the information provided by the intended investors who request to be Qualified Investors and submit a list of such Qualified Investors to the SECC on a periodic basis after having ascertained that the qualifications are still being met.