



BANKING AND FINANCE NEWSLETTER



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ACTIVITIES/EVENTS

Meeting Discussion with Moody on the Cooperation of Sustainable Finance



Representatives from the National Bank of Cambodia (NBC), the Association of Banks in Cambodia (ABC), and US-based Moody's Corporation on May 28th 2021, discussed future collaboration and partnership on sustainable finances in Cambodia.

Moody's Corporation is an American financial services company that acts as the holding company for Moody's Investors Service and Moody's Analytics.

Moody's Investors Service provides investors with credit ratings, risk analysis, and research for stocks, bonds, and government entities.

The meeting led by Mr. Heng Bomakara, Deputy Director-General of Banking Supervision at the National Bank of Cambodia (NBC), joined with Mr. Heng Koy, General Manager of the Association of Banks in Cambodia, Mr. James Flitton, Moody's Relationship Management Team for Southeast Asia and the senior management team of the three institutions as well as the relevant stakeholders, who are involved on sustainable finance.

The meeting aimed at exploring opportunities on how Moody and ABC can collaborate on sustainable finance, and what the ABC can do more in sustainable finance. The discussion was also touched upon the upcoming Moody's workshop/seminar on Environmental, Social, and Corporate Governance (ESG) /Sustainable Finance.

Mr. Heng Koy, General Manager of the Association of Banks in Cambodia, gave a brief presentation on the overview on how the association of banks is working towards the Cambodian sustainable finance initiative, and the establishment and execution of the proper Environmental and Social Risk Management. He also presented the roadmap on sustainable finance of the association of Banks, which is focused on regional & international Cooperation, capability building, public awareness & social Activates, and the development of voluntary reporting templates and KPIs.

Mr. Heng Bomakara, Deputy Director General of Banking Supervision, at the National Bank of Cambodia (NBC), said that sustainable practices have been increased in the financial sector on the national and international level.

"Sustainable finance has not been focused on only in Cambodia, but also in the G20 as well as IMF. Today is the first step that Cambodia involve and participate in sustainability as ABC has developed the sustainable committee for quite some time, but for this meeting, we will learn more how to make the sustainability more successful from Moody." Bomakara added.

Mr. James Flitton, appreciated the comprehensive presentation of ABC's. He said it seems the association of banks and member banks are very active in terms of anything to do with sustainable finance. It cannot begin with only the individual FIs, but everyone needs to be involved in the process in order to succeed. Again, sustainable finance has been a hot topic for the moment. It is some things that present obviously the challenges also opportunities.



ACTIVITIES/EVENTS

Meeting Discussion with Moody...

Heng Koy, GM of ABC said that it is an opportunity for the ABC and Member Banks. He said the next road map is on capacity building and also on a number of tools to monitor the principles and guidelines that we develop for ESG.

“The initiative of the association is new and as Moody highlights, Moody has full resources and tools which have been developed, we will explore further on this. We will have a further discussion on that. We are also interested in webinars,” Mr Koy added.

At the end of the remark, Mr Bomakara said that everyone has to understand why sustainable finance is important for them. It is not only for the banking sector but for the economy as a whole. Even the people outside the banking sector need to understand the sustainability of the industry. While Mr. James appreciated the ABC and NBC on the fruitful discussion and looks forward to further collaboration with ABC and other stakeholders.

ABC, IBF exploring partnership with Huawei in offering financial technology courses for the Cambodian banking sector



The Association of Banks in Cambodia (ABC), the Institute of Banking and Finance (IBF) have met with and explore the collaboration with Huawei Technologies (Cambodia) Co., Ltd in offering courses on the cyber security for cloud storages and other course-related financial technology to support the banking and financial industry.

IBF also explored the opportunity with Huawei in offering the short courses within one or two days and other certification program with one month to seven months duration with the help of the experts from Huawei. The intention was made during the meeting on June 10, 2021 between the Association of Banks in Cambodia, led by Mr. Heng Koy, General Manager, Mr Chea Kagnarith, General Manager of IBF, and Mr. Kuang Changke (KOB), Senior Account Director of Huawei Technologies (Cambodia) Co., Ltd as well as the senior management team of ABC, IBF and Huawei.

ABC, IBF and Huawei were also briefed on all the IBF's course syllabuses and current updated information of IBF and also Huawei's certification programs which were presented by IBF's GM and Huawei representative. During the meeting, ABC together with IBF and Huawei has proposed the tri-parties Memorandum of Understanding (MoU) to work on the collaboration on the financial and technology education.



ACTIVITIES/EVENTS

TSC and ABC look for collaboration on Financial Technology and National Payment Gateway



On June 10, 2021, Mr. Heng Koy, General Manager of The Association of Banks in Cambodia (ABC) on behalf of Dr. In Channy, Chairman of the Association of Banks, and ABC's Senior Management Team met and received the certificate of appreciation from H.E. Dr. Nguonly Taing, Director of Techo Startup Center.

The certificate of appreciation was handed over on the occasion that ABC has partnered and contributed as a sponsor and supporter to the Reverse Innovation program, which ended in May. The senior executives of ABC and TSC also discussed further on the collaboration of the ABC and TSC about Electronic Know-Your Customer (E-KYC) and other FinTech Agenda.

Mr. Heng Koy congratulated the TSC for conducting a successful Reverse Innovation (RI) program though there were some challenges. He said that it was a new program in Cambodia. Therefore, ABC is trying to promote and encourage its members to support the program.

At the occasion, he added that The Association of Banks in Cambodia will continue to work and support TSC to find digital solutions in the private sector especially in the financial institutions and also support the winners of the RI to meet with stakeholders in the banking sector in order to put their solutions into implementation.

Mr. Koy also discussed with TSC's director Nguonly the Electronic-Know Your Customer (E-KYC) and FinTech collaboration.

H.E. Dr. Nguonly Taing, Director of Techo Startup Center, thanked the ABC for the support and the contribution to the RI program and other involvement. He added that three groups were selected to win the award in the RI programs. Those winners are working on E-KYC.

He added that the government will prepare the infrastructure for E-KYC, and a necessary regulatory framework. Dr. Nguonly Taing suggested that there should be a private company to do seed funding to winners to build their business. The fund should be around \$100,000 or could be individual investors.





ACTIVITIES/EVENTS

Three Financial Associations jointly conduct the 1st Workshop on Bancassurance Function in Cambodia



The Association of Banks in Cambodia, Cambodia Microfinance Association and Insurance Association of Cambodia on June 3, 2021 conducted the first virtual seminar on Bancassurance Function in Cambodia after the NBC's Prakas on Conditions for Bancassurance Business of Banks and Financial Institutions was issued on March 30, 2021.

The 1st workshop was supported by the Insurance Regulator of Cambodia of the Non-Banking Financial Services Authority,

and the National Bank of Cambodia, which had more than 250 attendees from public and private companies, insurance companies, banking and financial institutions and relevant financial services.

Dr. In Channy, Chairman of the Association of Banks in Cambodia gave his welcoming remarks that it is the first ever workshop, which jointly organized by three financial associations, sitting on the purpose of promoting the bancassurance functions widely to build trust among the public and raising awareness on the insurance market by providing the public the knowledge of the necessity of the insurance sector as well as the insurance market perspective and products, which links between the banking sector and insurance sector.

Dr. Channy added: " this workshop is very important and also aligned with the Prakas of the National Bank of Cambodia and forth regulatory framework for Bancassurance business of banks and financial institutions aiming at enhancing financial inclusion by increasing accessibility of insurance services to the public, and strengthening consumer protection."

Mr. Huy Vatharo, Chair of the Insurance Association of Cambodia, said that the insurance service is an instrument to manage risk and provide financial safety and stability to the individual and businessperson in the process of economic development.

He added that the insurance sector and banking and finance are the pillars, which have close relationships in the financial sector. Insurance services are the safety net for protecting the financial stability of the people as well as business entities, supporting the trade, boosting the investment, and access to finance from banking and finance. It also contributes to increase the possibilities for the provision of financing to other businesses.

Mr Vatharo noted that, "The delivery of the insurance services and products to the people will mainly contribute to the use of insurance services, which provides resiliency so that insurance operators are always seeking the means to create a distributed network of the insurance products. It is to make sure that they can deliver insurance products with effectiveness and efficiency to the people with reasonable prices."





ACTIVITIES/DONATIONS

ABC and CMA join TYDA to prevent the spread of COVID-19 in the Kingdom



The Association of Banks in Cambodia (ABC) and Cambodia Microfinance Association (CMA) and its members donated KHR 40 million (\$10,000) and other food supplies to Samdech Techo Voluntary Youth Doctor Association (TYDA) to help the country in its fight against COVID-19 as cases continue to climb.

ABC and CMA also gave five tons of milled rice, 2,000 packages of canned fish, 2,200 packages of soybean

sauce, and 2,200 packages of fish sauce. H.E. Penh Thearom, Member of the Board of Directors of TYDA received the donations at the TYDA Headquarter.

ABC's GM Heng Koy on behalf of Dr. In Channy, Chairman of ABC said it was acting according to its guiding principles and wanted to offer relief to citizens who have been heavily affected by COVID-19, including those currently confined to their homes.

Mr. Heng Koy, also expressed his deep gratitude to the Royal Government, especially the Samdech Techo Voluntary Youth Doctor Association (TYDA), for always paying attention and taking timely action to address impacts caused by the spread of COVID-19 in the Kingdom of Cambodia.

He said that the Association of Banks, Cambodia Microfinance Association together with its members, continues to support and donate resources, funds, and materials to the Royal Government of the Kingdom of Cambodia in the fight against the spread of COVID-19, and to participate in the prevention and the eradication of COVID-19 in the community transmission as well as in the Kingdom to lead the Cambodian socio-economy to get back to normal in the near future.

It should be noted that this is the second time that members of the Association of Banks in Cambodia and Cambodia Microfinance Association have donated. Since the beginning of 2021, the Banking Association and its members have joined the Cambodian government in donating food and financial resources to join the government in fighting the COVID-19 pandemic, which has been spreading across the country.

"We would like to thank all the members who made contributions and we will continue working on this to support the government's initiative to combat COVID-19," he said.

H.E Penh Thearom, Member of the Board of Directors of TYDA, thanked the Association of Banks in Cambodia and the Cambodia Microfinance Association (CMA) for joining the Royal Government in the fight against COVID-19. He said that all donations from charity will be sent to the hospitals, distributed to patients and sent to other target areas throughout the country.

H.E Thearum added: "On behalf of Samdech Techo Voluntary Youth Doctor Association (TYDA), we would like to thank both financial associations [the Association of Banks in Cambodia and the Cambodian Microfinance Association] for joining TYDA for sharing the sympathy to the people and all the team of TYDA. We also wish the mission of both associations success and growth for the benefit of society as a whole."



HIGHLIGHT REGULATORY UPDATE OF BANKING AND FINANCE IN JUNE

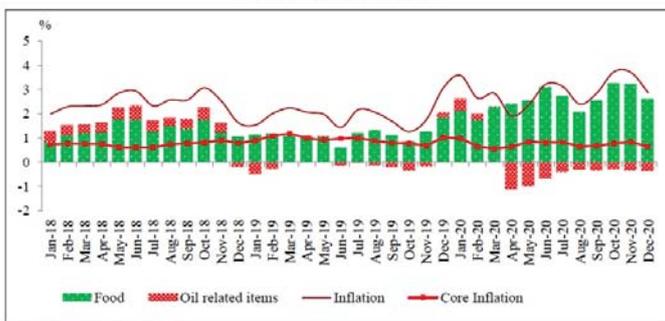
NBC's Financial Stability Review 2020



The implementation of micro-prudential regulations in the past decades coupled with the intervention measures by the NBC have built up the resilience of the banking system. During the last two decades, micro-prudential regulations, such as raising the minimum registered capital and liquidity coverage ratio and managing the systemic risks, have been continuously strengthened, which has greatly improved the capital position and liquidity risk management. The robustness of the banking system allowed the NBC to ease financial conditions amid the pandemic.

As a result, banks and financial institutions continue to provide credits to the economy. In addition, since April 2020, banks and financial institutions have been allowed to conduct loan restructuring in prioritized sectors. This timely intervention has helped lessen the burden of debtors facing a major revenue decline caused by the pandemic. In these uncertain times, the NBC will continue to support the government's economic recovery plans, and the withdrawal of policy supports will be gradual and carefully planned. The NBC will continue to collaborate with the relevant authorities and stakeholders to ensure financial, economic, and social stability. Furthermore, the withdrawal of policy supports will be done gradually, cautiously, and in line with the evolution of the pandemic and attendant recoveries. The NBC will be proactive and stands ready to introduce additional measures based on the circumstances to ensure a balance between growth and stability

Figure 22. Contribution to Headline Inflation
in percent, Jan 2018–Dec 2020



In 2020, inflation remained relatively subdued at 2.9 percent, while Khmer riel (KHR) slightly depreciated against the US dollar (USD). The higher food price, especially at the beginning of the COVID-19 pandemic, contributed to increasing the inflation rate. However, this was offset by the decline in the price of oil-related items. As a result, although the inflation rate increased from 1.9 percent in 2019 to 2.9 percent in 2020, this rate was low and manageable. At the same time, the exchange rate of the KHR against the USD slightly

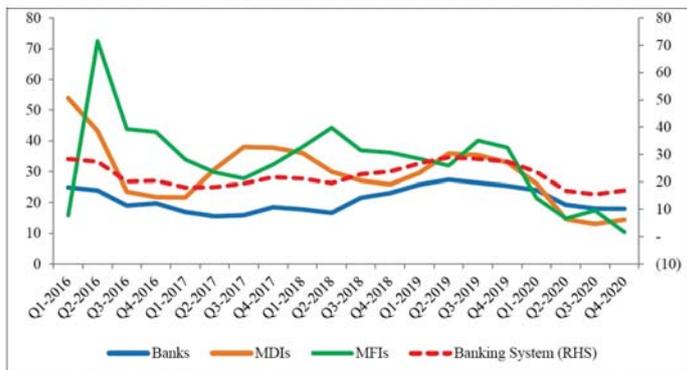
depreciated because of the fall in domestic economic activities, which resulted in low demand for local currency coupled with the reduced inflows of foreign currencies. Meanwhile, the international reserves have accumulated USD 21.3 billion, which is equivalent to 11 months of prospective imports of goods and services. This has strengthened the exchange rate stability and the public's confidence in the Khmer riel and Cambodia's economy.





HIGHLIGHT REGULATORY UPDATE OF BANKING AND FINANCE IN JUNE

Figure 33. Banking System Credit Growth in percent, y-o-y, Q1 2016-Q4 2020



Source: National Bank of Cambodia

Cambodia’s banking system was resilient with strong capital and liquidity buffers for both banks and microfinance institutions, despite the unprecedented shock. The capital and liquidity positions of the banking system remained adequate, as reflected by higher capital adequacy ratios (CAR) and liquidity coverage ratios (LCR) than the regulatory requirement. Banks’, MDIs’, and MFIs’ CARs equaled 23.7 percent, 19.8 percent, and 38.9 percent, respectively, which were higher than the capital requirement of 15 percent.

The LCRs of banks and MDIs equaled 162.5 percent and 240.4 percent, respectively, which were also higher than the liquidity benchmark of 100 percent. In addition, the profitability of the banking system remained sustainable with a slight decline in the return on asset (ROA) and return on equity (ROE) for banks from 1.9 percent and 9.8 percent in 2019 to 1.7 percent and 8.7 percent in 2020, respectively. Similarly, the MDIs recorded the same ROA of 2.9 percent, although their ROE decreased from 17.7 percent to 14.8 percent. For MFIs, the ROE and ROA decreased from 2.2 percent and 6.3 percent to 1.9 percent and 4.5 percent, respectively.



As an open economy that relies heavily on external sectors, Cambodia experienced a negative growth rate of -3.1 percent in 2020 for the first time since 1994. The most affected sectors include tourism and exports of garments and footwear. Tourism was hit hard by the pandemic, with the decline of international tourist arrivals by -80.2 percent and the number of domestic tourists also slightly declined. Meanwhile, although exports of garments and footwear decreased by -9.7 percent and -11.6 percent, respectively, exports of electrical parts, bicycles, rice and rubber increased significantly, which reflects the country’s economic diversification.

The total foreign direct investment (FDI) slightly decreased by -1 percent, but FDI to the financial and banking sector recorded a positive growth of 12.8 percent due to re-invested earnings and brought-in capital for new banks. Remittances significantly declined by -17 percent because of weak economic activities and lockdowns in several migrant hosting countries. Moreover, though the construction and real estate sector slowed down, the agriculture sector still recorded a positive growth owing to the increased labor availability that was laid off by the exposed sectors, even if the sector was partly affected by the extreme weather conditions.

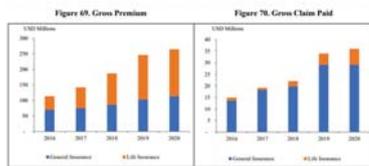


HIGHLIGHT OF BANKING AND FINANCE NEWS



NBC: Recovery Hinges on Global Trade Trends

With the prevailing Covid-19 situation and prolonged international trade tensions, Cambodia’s growth outlook remains uncertain. As a small country that relies on external sectors, the Kingdom’s economic growth in 2021 depends on the recovery of the rest of the world, the evolution of the pandemic situation and global trade patterns, which are largely influenced by Sino-US trade disputes, the National Bank of Cambodia (NBC) said in its latest Financial Stability Review 2020 (FSR 2020). However, it said, the ongoing tensions may encourage international firms to diversify their production across countries, and the ASEAN region, which includes Cambodia, could emerge as a potential destination for those diverted investments. [\(Read More...\)](#)



Insurance Penetration Less than 1 percent in Kingdom

The insurance sector in Cambodia proved resilient in 2020 despite the pandemic, with total gross premiums nationwide increasing by 7.8 percent to \$264.9 million. However, there remains ample room for growth. According to figures released in the National Bank of Cambodia’s Financial Stability Review, general insurance sales grew by 10.5 percent in 2020, with the biggest increases seen in property insurance, which represented 6.4 percent of total growth, medical insurance (2.2 percent) and miscellaneous insurance (1.9 percent) leading the way. Property and medical insurance represented the largest percentage of premiums, at 35.4 percent, followed by general insurance, which accounted for 18.4 percent of total premiums. General insurance companies saw an increase of 0.2 percent in the amount of claims paid in 2020, which rose from \$29.1 million in 2019 to \$29.2 million in 2020. [\(Read More...\)](#)



World Bank okays \$200M for Kingdom’s Covid Fight

The World Bank on June 24 approved a \$200 million International Development Association (IDA) credit for the Cambodia Relief, Recovery and Resilience Development Policy Financing Project (DPF), to provide a shot in the arm for the Kingdom’s Covid-19 fight and drive towards economic recovery.

“The project will help Cambodia deal with the Covid-19 crisis by providing timely and targeted relief to affected people, facilitating robust recovery through structural reforms and building resilience against future economic shocks,” the Washington-based multilateral lender said. [\(Read More...\)](#)





RHB Reflex Offers Seamless Online Banking

RHB Bank (Cambodia) Plc today introduced the RHB Reflex - an online service that combines cash management and payment solutions as an integrated online business solution that allows customers to access the service 24/7 anywhere via internet banking and mobile banking app. RHB Reflex is in line with the bank's digital agenda in responding to the growing needs of our SMEs, commercial and corporate customers by providing a seamless and easy to use banking experience via a secure online platform. (Read More...)



Affordable Finance Set for Women

USAID-funded, Pact Cambodia-implemented Women Entrepreneurs Act (WE Act), Wing Bank (Cambodia) Plc and Boost Capital (Cambodia) Co Ltd will team up to provide affordable financial services and products to underserved young women entrepreneurs (YWE) in the Kingdom and increase access to finance.

A memorandum of understanding (MoU) was signed to this effect on June 15 - and witnessed by US ambassador to Cambodia W Patrick Murphy - aiming at providing better access to finance to young women entrepreneurs with micro- and small-scale businesses that often do not meet eligibility criteria set by formal financial service providers and have been adversely impacted by the Covid-19 pandemic. (Read More...)





NEXT COMING EVENTS:

សមាគមធនាគារកម្ពុជា
THE ASSOCIATION OF BANKS IN CAMBODIA

SUSTAINABLE FINANCE FORUM 2021

GREEN FINANCE

COMING SOON

Honorable Speaker

TOC
MONGOLIAN SUSTAINABLE FINANCE ASSOCIATION

Date: 22nd July 2021
Time: 3:00 P.M - 5:00 P.M
Via: ZOOM Meeting

សមាគមធនាគារកម្ពុជា
THE ASSOCIATION OF BANKS IN CAMBODIA

CEO Forum 2021

2nd CEO FORUM

COMING SOON

GOV'T FINANCING PROGRAMS FOR ECONOMIC RECOVERY

Date: 27th July 2021 / Time: 3:30 P.M - 5:00 P.M

Co-organizers

Honorable Speaker

សមាគមសហព័ន្ធហិរញ្ញវត្ថុ និងបច្ចេកវិទ្យាសេដ្ឋកិច្ចកម្ពុជា
CAMBODIAN ASSOCIATION OF FINANCE & TECHNOLOGY





សហគមន៍ធនាគារកម្ពុជា

THE ASSOCIATION OF BANKS IN CAMBODIA

EDITORIAL TEAMS

CHAIRMAN OF THE ASSOCIATION OF BANKS IN CAMBODIA

Dr. In Channy

GENERAL MANAGER

Mr. Heng Koy

HEAD OF REGIONAL RELATIONSHIPS

Ms. Chan Sochinda

HEAD OF RESEARCH

Mr. Thomas Schings

DEPUTY HEAD OF FINANCIAL INCLUSION AND PUBLIC RELATION

Mr. Sok Chan

EVENTS MANAGER

Mr. Cheng Kimchheang

Vattanac Capital Tower, Level 6, Suite 0601,
Monivong Blvd, Sangkat Wat Phnom,
Khan Daun Penh, Phnom Penh, Cambodia
TEL: +855-23 230 611

MAIL: secretariat@abc.org.kh

WEBSITE: www.abc.org.kh

FACEBOOK: [TheAssociationOfBanksInCambodia](https://www.facebook.com/TheAssociationOfBanksInCambodia)



THE ASSOCIATION OF BANKS IN CAMBODIA

The Association of Banks in Cambodia was formed in 1994 and is recognized by the Royal Government as the official organization to represent the country's private banking sector. Our purpose is to promote constructive dialogue amongst member banks, and to serve as an industry voice to the public and the Government.

Our membership consists of local and foreign owned banks and branches. Membership in the Association is required under Chapter XXII of the Law on Banking and Financial Institutions, which states that all banks operating in Cambodia must belong "to a single professional association, whose Articles of Association shall have been endorsed by the supervisory authority."

The Association meets at least once a month and more often if required by urgent matters. The Association also has regular working committees that focus on specific issues. Since 1998, the Association has been an active member of the ASEAN Bankers Association and participates in all of its meetings and functions.

ABC COMMITTEES AND WORKING GROUP

1. Annual Events Committee
2. Compliance Committee
3. Constitutional Committee
4. Education Committee
5. Financial Inclusion
6. Payments Committee
 - a. FinTech Working Group
 - b. QR Taskforce
7. PSWG-E
8. Risk Committee
9. Sustainable Finance Committee

ABC'S MEMBERS

COMMERCIAL BANKS: 56 Banks
 SPECIALIZED BANKS: 11 Banks
 REPRESENTATIVE OFFICE BANKS: 6 Banks
 THE ASSOCIATIONS: 3

