



**Securities and Exchange
Commission of Cambodia**



(Unofficial Translation)

**KINGDOM OF CAMBODIA
NATIONAL RELIGION KING**

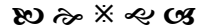
PRAKAS

on

ACCREDITATION OF CREDIT RATING AGENCY

2017

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Minister of Economy and Finance
and the Chairman of the Securities and Exchange Commission of Cambodia

- Having seen the Constitution of the Kingdom of Cambodia;
- Having seen the Preah Reach Kret No. NS/RKT/0913/903 on 24 September 2013 on the Appointment of the Royal Government of the Kingdom of Cambodia;
- Having seen Preah Reach Kret No. NS/RKT/1213/1393 on 21 December 2013 on the amendment and adding the composition of the government of the Kingdom of Cambodia;
- Having seen Preah Reach Kret No. NS/RKT/0416/1393 on 04 December 2016 on the amendment and adding the composition of the government of the Kingdom of Cambodia;
- Having seen the Preah Reach Kram No. 02/NS/94 on 20 July 1994 promulgating the Law on the Organizing and Functioning of the Council of Ministers;
- Having seen the Preah Reach Kram No. NS/RKM/0196/18 on 24 January 1996 promulgating the Law on the Establishment of the Ministry of Economy and Finance;
- Having seen the Preah Reach Kram No. NS/RKM/1007/028 on 19 October 2007 promulgating the Law on the Issuance and Trading of Non-Government Securities;
- Having seen the Anukret No. 97/ANKR/BK on 23 July 2008 on the Conduct and Organization of the Securities and Exchange Commission of Cambodia;
- Having seen the Anukret No. 54/ANKR/BK on 08 April 2009 on the Implementation of the Law on the Issuance and Trading of Non-Government Securities;
- Having seen Prakas No. 009/17 SECC on 17 August 2017 on the Public Offering of Debt Securities;
- Having seen the approval by the Securities and Exchange Commission of Cambodia in plenary meeting on 01 August 2017

CHAPTER I GENERAL PROVISIONS

Article 1- Purpose

The purpose of this Prakas is to prescribe the requirements and procedures for accreditation of the person who intends to provide credit rating service in securities sector in the Kingdom of Cambodia, and the obligations of a credit rating agency, pursuant to the Law on The Issuance and Trading of Non-Government Securities and Anukret on the Implementation of the Law on the Issuance and Trading of Non-Government Securities and other relevant regulations.

Article 2- Definitions

Unless the context requires otherwise, the technical terms used in this Prakas have the meaning defined in this Article and the Glossary annexed to the Law on the Issuance and Trading of Non-government Securities and that of the Anukret on Implementation of Law on the Issuance and Trading of Non-government Securities.

1. Rating Committee refers to the committee created by the credit rating agency to assign a rating to a credit rated entity or debt securities issued.
2. Rating refers to the level of the credit rating which is expressed in the form of standard symbols, statistical category or in any other standardized manner assigned by the credit rating agency.
3. Credit Rated Entity refers to an entity that uses the service of the credit rating agency.
4. Credit Rating Agency (CRA) refers to an entity that is accredited by the SECC to provide credit rating service to credit rated entity or debt securities issued.
5. International Credit Rating Agency refers to the international credit rating agency whose name is on the list of the international credit rating agency prepared by the SECC.
6. Anukret refers to the Sub-degree on the Implementation of the Law on the Issuance and Trading of Non-Government Securities.

CHAPTER II REQUIREMENTS AND PROCEDURES FOR ACCREDITATION

Article 3.-Applicant for Accreditation

Any persons who intend to provide credit rating service in securities sector in the Kingdom of Cambodia shall apply for and obtain the accreditation from the SECC.

The SECC will issue and publish a list of some international credit rating agencies that are qualified to provide credit rating service in securities sector in the Kingdom of Cambodia.

Article 4 - Requirements

An applicant for accreditation from the SECC to be a credit rating agency shall satisfy the following requirements:

- 1- Registered with the Ministry of Commerce in the Kingdom of Cambodia
- 2- Having minimum capital of 2.000.000.000 (2 billion) Riels
- 3- Having directors and senior officers that fulfill the requirements as prescribe in article 6 of this Prakas.
- 4- Having human resources as follows:
 - a. The analyst(s) who have good character, sufficient capacity and experiences as prescribed in article 5 of this Prakas to rate and monitor changes of a rating of a credit rated entity and/or debt securities;
 - b. Sufficient number of the analysts to ensure the effectiveness and efficiency of operation;
 - c. Policy and procedure which ensure that the analyst(s) receive sufficient training in order to undertake the work independently, objectively and credibly;
 - d. Clear mechanism and procedure related to the recruitment, promotion, remuneration, and incentive for the analysts and rating staffs.
- 5- Having sufficient technologies as follows to provide efficient and reliable credit rating service:
 - a. Sufficient infrastructure and information technology system to provide reliable credit rating;
 - b. Data base and Firewall;
 - c. Sufficient back-up systems and recovery systems.
- 6- Having business plan for 1 (one) year;
- 7- Having professional insurance;
- 8- Having code of conduct;
- 9- Having a clear mechanism and procedure to avoid conflict of interest;
- 10- Having a clear method and procedure to provide a reliable credit rating service;
- 11- Having mechanism and procedure in undertaking the credit rating independently and expressing impartial opinions.

Article 5- The Requirements for Analyst

The analyst of the applicant shall satisfy the following requirements:

- 1- Having at least a bachelor degree in finance, management, economic or accounting field or other professional qualification such as Certified Public Accountant (CPA) or Chartered Financial Analyst (CFA) or other types of equivalent qualification;
- 2- Having at least 2 (two) year experience related to credit rating in financial or non-financial sector;
- 3- Having never been sanctioned definitively of felony or misdemeanor such as theft, fraud,

- breach of trust, deceit;
- 4- Having never received sanction from the Director General of the SECC.

Article 6- The Requirements for Directors and Senior Officers

Directors and senior officers of the applicant shall demonstrate the following characteristics:

- 1- Having integrity, capacity and talent;
- 2- Demonstrating leadership abilities;
- 3- Having never been declared bankruptcy within or outside the Kingdom of Cambodia;
- 4- Having never been sanctioned definitively of any felony or misdemeanor in the latest 5 (five) years;
- 5- Having never been suspended its duties or punished by competent authorities in the latest 5 (five) years;
- 6- Having at least 1 (one) director or senior officer who has knowledge and experience in financial sector for at least 3 (three) years.

Article 7- Application for Accreditation

An applicant shall submit an application in the form determined by the SECC and attach with the following documents:

1-For CRA Applicant

- a. A certified copy of company registration certificate;
- b. A certified copy of tax registration;
- c. A certified copy of patent tax (current year);
- d. A certified copy of article of association;
- e. A letter from commercial bank certifying capital of the CRA applicant;
- f. A list of the applicant's directors, senior officers and analysts;
- g. Organizational chart;
- h. A business plan for 1 (one) year;
- i. Rating methodology;
- j. Mechanism and procedure of recruitment, promotion, remuneration and incentive for analysts and staffs;
- k. Principle and procedure of entering into agreement with client;
- l. Policy and procedure of customer acceptance;
- m. Code of conduct as stipulated in Article 16 of this Prakas;
- n. Professional insurance contract;
- o. Other documents required by the Director General of the SECC.

2-For Directors, Senior officers and Analysts

- a. A certified copy of degree or other certificates for analysts;
- b. Curriculum vitae indicated working experience;
- c. Criminal record issued by competent authorities;
- d. A copy of identity card or passport;
- e. An employment agreement or certificate of employment;
- f. The declaration letter on the compliance all requirements as prescribed in Article 6 of this parkas;
- g. Other documents required by the Director General of the SECC.

Article 8- Rejection of the Application

The Director General of the SECC may reject the application base on any of the following grounds:

- 1- The applicant fails to comply with the requirements as prescribed in this Prakas, or any guidelines under this Prakas;
- 2- Information or documents that submitted by the applicant to the SECC is false or misleading;
- 3- The applicant is in the course of being wound up or otherwise dissolved;
- 4- The execution against the applicant in respect of a judgment debt has been returned unsatisfied in whole or in part;
- 5- The applicant, any of its directors, or any of its relevant senior officers:
 - a. Has conducted the business with fraud, in deceitful way or in improper way;
 - b. Has contravened any law and regulation which are to be enacted for protecting the public against financial loss due to dishonesty, incompetence or malpractice by persons concerned in the provision of financial services or the management of the companies;
 - c. Has engaged in or has been associated with any other business practices or otherwise conducted himself in such a way as to cast doubt on his competence and soundness of judgment;
 - d. May not be able to act in the best interest of their clients having regard to their reputation, character, financial integrity and reliability;
 - e. May not be able to efficiently, loyally and fairly conduct their business in accordance with all the requirements of the accreditation.
- 6- The applicant, or any of its controlling shareholders has been a subject to bankruptcy decision pronounced by the court whether within or outside Cambodia, within the latest five (05) years as of the date of submitting the application;
- 7- There are any other circumstances which are likely to:
 - a. Lead to the improper conduct of business by the Applicant, or any of its directors, or any of its relevant senior officers, or any of its controlling shareholders;

- b. Reflect discredit on the manner of conducting the business of the applicant.
- 8- The applicant engages or has engaged in money-laundering or the grant of accreditation to the applicant may negatively affect the public interest.

The Director General of the SECC shall not reject an application for accreditation without providing the reasons in writing.

Article 9- Notification of Accreditation to Applicant

The Director General of the SECC shall notify CRA applicant whether it has been accredited or has not been accredited within 45 (forty five) working days after receiving the complete documents.

Article 10- Validity of Accreditation

The accreditation has no expiry date.

CHAPTER III

OPERATIONAL REQUIREMENTS FOR ACCREDITED CRA

Article 11- Rating Restriction

A CRA is not allowed to conduct a rating on a credit rated entity in the following cases:

- 1- CRA Is a shareholder who own 5 (five) percent or more in the credit rated entity;
- 2- CRA has material financial relation with the credit rated entity, other than payment for the rating fee;
- 3- The credit rated entity or its directors or senior officers or shareholders who own share from 5 (five) percent, are related entities of CRA;
- 4- Directors, senior officers, or analysts of the CRA are family member of directors, senior officers or internal auditors of credit rated entity;
- 5- CRA is an associate of credit rated entity;
- 6- Other relations, as determined by the Director General of the SECC, that may cause the conflict of interest with the credit rated entity.

Article 12- Rating Methodology and Process

A CRA shall:

- 1- Have rating methodologies and processes that are robust, systematic and apply them consistently;

- 2- Establish, maintain and implement written policies, controls and procedures that ensure high quality and integrity of its rating process;
- 3- Establish rating committee comprising of members who are adequately qualified and knowledgeable to perform credit ratings;
- 4- Structure its rating teams and process to promote continuity and consistency in the rating process.

Article 13- Rating Committee

A CRA shall have rating committee to ensure that the rating process is independent, objective, and reliable. Rating shall be done by the rating committee.

Rating committee shall comply with requirements as follow:

- 1- Having at least 3 (three) members including 1 (one) director as the head of committee and 2 (two) analysts;
- 2- The members of the rating committee shall be knowledgeable and experienced in related sector to each credit rating;
- 3- In case the voting count is the same, the voting of the head of committee is superior.

Article 14- Independence, Objectivity and Conflict of Interest

A CRA shall ensure that:

1- Its directors and senior officers shall perform its duties free of undue intervention or influence from its shareholders to maintain independence, objectivity and avoid conflict of interest;

2- Having written policies, controls and procedures to maintain its independence, objectivity and avoid conflict of interest;

3- Its analysts or rating committee members shall not be involved in the rating and the monitoring process or decide on ratings of a credit rated entity, where the analysts or rating committee members have conflict of interest.

Article 15- Independence of Rating Decisions

A CRA shall has its structure and design of the rating process to ensure that rating decisions are not influenced by rating fees, any other revenues or business potential from the credit rated entity.

Article 16- Code of Conduct

A CRA shall have the code of conduct for its staffs, which has minimum contents as following:

- 1- Written policy, controls and procedures in credit rating process;
- 2- Independency, objectivity and management of conflict of interest;
- 3- Rules for controlling its affairs with adequate risk management and internal control system;
- 4- Policy and good corporate governance;
- 5- Rule on confidentiality;
- 6- Rules, procedures and written policy in providing timely information and transparency;
- 7- Policy and procedure of customer acceptance;

CHAPTER IV OBLIGATION OF ACCREDITED CRA

Article 17-Compliance of Code of Conduct and Relevant Regulations

A CRA shall:

- 1- Effectively comply with requirements as stipulated in Article 4 of this Prakas;
- 2- Have mechanism and penalty measure in case there is violation of the code of conduct;
- 3- Report immediately to the SECC in case there is violation of the codes of conduct, penalty measure applied or in case of having suspicions on violation of rules or other related existing laws and regulations.

Article 18- Human Resource and Training

A CRA shall:

- 1- Maintain at least 2 (two) analysts;
- 2- Ensure that all staffs and analysts participated in the rating and monitoring process are and remain qualified through adequate training;

Article 19- Update

A CRA shall regularly monitor and update its rating methodologies, criteria, process and other provision framework.

Article 20- Transparency and Disclosure

A CRA shall:

- 1- Disclose in detail about the rating process to the public;
- 2- Disclose to the public its rating methodologies, criteria, rating process, update on rating methodologies, and rating result on its website and/or other media accredited by the SECC.

Article 21- Reporting Obligation

A CRA shall have the obligations to report to the SECC of the following information:

- 1- Fee structure, including the minimum and maximum rating fees charged for rating on debt securities and/or the credit rated entity;
- 2- In case there is a change or modification related to any situation of requirements as prescribe in this Prakas including the situation as follow:
 - Any change of its directors, senior officers and/or analysts;
 - Any change of its shareholder structure;
 - Any change of its address;
- 3- Other information required by the Director General of the SECC.

Article 22- Confidentiality of Information

A CRA shall maintain confidentiality of the information obtained from its clients in accordance with relevant information confidentiality provisions, code of conduct and the confidentiality agreements entered into with its clients except the information that is required by the SECC to disclose.

A CRA shall establish, maintain and implement written policies, controls and procedures to prevent misuse of non-public information and ensure that these procedures are implemented.

Article 23- Annual report

Within 90 (ninety) days after the end of financial year or any time which allowed by the Director General of the SECC, A CRA shall submit to the SECC an annual report and audited financial statement.

Article 24- Credit Rating Report

A CRA shall prepare a credit rating report which contains all pertinent information with sufficient analytical depth. A credit rating report shall have at least:

- 1- Information on the credit rated entity;

- 2- Information on the issued debt securities;
- 3- Critical rating factors considered, both quantitative and qualitative;
- 4- Disclosure of any benchmarks used;
- 5- Any sensitivity analyses performed and their results of the analysis;
- 6- Default study;
- 7- Comparative analyses with the industries or with other companies;
- 8- Disclosure of any credit enhancements;
- 9- Disclosure of key covenants that enhance or deteriorate the rating.

Article 25- Monitoring of the Rated Debt Securities

A CRA shall:

- 1- Have written policies, controls and procedures to ensure that all rated debt securities are diligently and vigilantly monitored on an on-going basis;
- 2- Conduct rating reviews of outstanding debt securities and provide opinions and reports on a timely and consistent basis;
- 3- Implement rating outlook/rating watch into their ratings monitoring framework and apply that framework;
- 4- Monitor and update every issued rating until it is requested to withdraw by credit rated entity or the debt securities issued retires.

CHAPTER V FEES AND CHARGES

ARTICLE 26. Application Fee

A CRA shall pay for the application fee for accreditation and document processing of 2, 000,000 (two million) Riels in cash on the date of application.

The payment for the application fee and document processing are not refundable even if the accreditation is rejected.

ARTICLE 27. Annual Accreditation Fee

A CRA shall pay the annual accreditation fee to the SECC of 2,000,000 (two million) Riels in cash from the date of accreditation. For the first year, annual accreditation fee shall be paid on the accredited date. For the following years, annual accreditation fee shall be paid no later than 30 (thirty) days before the accredited day of the following year.

CHAPTER VI
SUSPENSION AND CANCELATION OF ACCREDITATION

Article 28- Suspension

The Director General of the SECC may suspend the accreditation of CRA in the following cases:

- 1- Does not comply with the obligations as prescribed in the Chapter 4 of this Prakas;
- 2- Fails to pay for the annual accreditation fee;
- 3- The SECC detects that information in application form and attached documents are untruthful;
- 4- Have less than 2 (two) analysts for the consecutive 3 (three) months;
- 5- The license issued by relevant authorities have been suspended;
- 6- In case of the CRA is under the felony or misdemeanor investigation.

Article 29- Cancellation of Accreditation

The Director General of the SECC may cancel the accreditation of CRA in the following cases:

- 1- upon the expiry of the suspension duration as prescribed in Article 28 of this Prakas, if the CRA still fails to handle the faults which lead to the suspension;
- 2- Company registration certificate or license issued by relevant authorities have been cancelled;
- 3- The CRA has made falsified rating information or contravenes other law and regulations;
- 4- The CRA contravenes the obligations prescribed in Chapter IV of this Prakas.

Article 30- Impermissible Business Activities during Suspension or Cancellation of Accreditation

A CRA that request to cease or whose accreditation has been canceled as prescribed in Article 29 of this Prakas shall continue serving as a CRA for the credit rated entity until a new CRA is appointed.

In case that the SECC suspends or cancels the accreditation, the CRA shall not enter into agreement with any new issuer. The CRA whose business has been suspended may resume the business after receiving a written notice from the Director General of the SECC.

CHAPTER VII
PENALTIES

ARTICLE 31. Administrative Sanctions

The CRA who contravene any provisions of this Prakas shall receive the following administrative sanctions:

- 1- A warning;
- 2- A correction order;
- 3- Suspension or cancelation of accreditation.

ARTICLE 32-Transactional Fine

Not including other sanctions defined in the Law and regulations in the securities sector and existing laws and regulation of the Kingdom of Cambodia, a CRA who violate this Prakas shall be fined by the SECC in cash ranging from 20,000,000 (twenty million) to 50,000,000 (fifty million) Riels.

For any delay of accreditation fee payment as prescribed in article 27 of this Prakas, the credit rating agency shall be fined in cash of 200,000 (two hundred thousand) Riels per day.

CHAPTER VIII
TRANSITIONAL PROVISION

Article 33 – Exemption Conditions

Within 02 (two) years after the effectiveness of this Prakas, the Director General of the SECC can propose to review and approve from the SECC to exempt some requirements of accreditation in this Prakas as necessary with a reasonable explanation.

CHAPTER IX
FINAL PROVISIONS

Article 34 – Adoption of Guidelines

The SECC may adopt guidelines to facilitate the understanding and compliance with the requirements of this Prakas to related parties, securities market participants, and the public.

Article 35 – Abrogation

All provisions contrary to this Prakas are hereby abrogated.

Article 36– Application

The Director General, the Deputy-Directors general of the SECC, Securities Issuance Supervision Department, Legal Affair Department, other departments, other units of the SECC and related parties shall effectively implement this Prakas from the signing date.

Phnom Penh, August 17, 2017

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