

ព្រះរាជាណាចក្រកម្ពុជា  
ជាតិ សាសនា ព្រះមហាក្សត្រ



គណៈកម្មការមូលបត្រកម្ពុជា  
SECURITIES AND EXCHANGE COMMISSION OF CAMBODIA

ប្រកាស

ស្តីពី

ការផ្តល់អាជ្ញាបណ្ណដល់ក្រុមហ៊ុនមូលបត្រ និង  
គ្រាតិករក្រុមហ៊ុនមូលបត្រ

PRAKAS

ON

LICENSING OF SECURITIES FIRMS AND SECURITIES REPRESENTATIVES

២០០៩



**ព្រះរាជាណាចក្រកម្ពុជា**  
**ជាតិ សាសនា ព្រះមហាក្សត្រ**  
**KINGDOM OF CAMBODIA**  
**Nation Religion King**

**គណៈកម្មការមូលបត្រកម្ពុជា**

**SECURITIES AND EXCHANGE COMMISSION OF CAMBODIA**

N° .....**០០៩**.....SECC/.....

**PRAKAS**  
**ON**  
**LICENSING OF SECURITIES FIRMS AND SECURITIES REPRESENTATIVES**

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Deputy Prime Minister  
 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/0908/1055 on 25 September 2008 on the Appointment of the Royal 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 Organization 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/0107/001 on 10 January 2007 promulgating the Law on Government Securities;
- 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 8 April 2008 on the Implementation of the Law on the Issuance and Trading of Non-Government Securities;
- Having seen the approval by the Exchange and Securities Commission of Cambodia in plenary meeting on 30 September 2009

HEREBY DECIDES

**CHAPTER 1**  
**GENERAL PROVISION**

**Article 1.-**

The purpose of this Prakas is to prescribe rules and regulations for granting or renewing a license to securities firms and securities representatives in accordance with the Law on the Issuance and Trading of Non-government Securities and the Sub-decree on the Implementation of the Law on the Issuance and Trading of Non-government Securities.

**Article 2.-**

Technical terms used in this Prakas are defined in this article and are available in the glossaries of the annexes of the Law on the Issuance and Trading of Non-Government Securities and the Sub-decree on the Implementation of the Law on the Issuance and Trading of Non-government Securities:

**“Commencement of Business”** refers to the commencement of the business of a securities firm, securities representative, investment advisory firm or investment advisory representative after obtaining a license, as from the date on which the firm begins hiring staff to fulfill tasks relating to the licensed business, or the securities representative or investment advisory representative begins the licensed business activity when obtaining the license.

**“Law”** refers to the law on the issuance and trading of non-government securities.

**“Senior Staff”** refers to the staff working for a company in the position from the directors of department to chief executive officer including the head of securities representatives, head of operations, compliance officer and internal auditor.

**“Specially-Related Person”** refers to any of the following person:

- 1- where the principal is an individual, the specially-related person may be:
  - a- the spouse;
  - b- the collateral line up to the forth level;
  - c- the direct line of ascendants or descendants up to the third level;
  - d- a relative by marriage up to the third level;
  - e- the direct line of ascendants or descendants of a person who enters in the principal’s family as an adopted child, and his/her spouse;
  - f- the natural mother of an illegitimate child who is the father or mother, grandfather or grandmother, child, grandchild or great grandchild of the principal;

g- the persons who maintain livelihood based on the money or other property of the principal and the persons sharing livelihood with the principal;

h- any company in which the principal invests 30% or more solely or jointly with the related persons under points (a) through (g) of sub-paragraph (1) above or exercises de facto influence on the major matters of management, such as appointing or dismissing of chief executive officer, of the company or the relevant company;

i- any company in which the principal invests 30% or more solely or jointly with the related persons under sub-paragraphs (a) through (h) or exercises de facto influence on the major matters of management, such as appointing or dismissing of chief executive officer, of the company or the relevant company.

2- where the principal is a company, the specially-related person may be:

a- chief executive officer or directors or partners;

b- affiliated companies or directors or partners thereof;

c- individuals who invest 30% or more in the principal solely or jointly with the related persons under sub-paragraph (1) above or exercise de facto influence on the major matters of management, such as appointing or dismissing of chief executive officer, of the principal;

d- any company in which the principal invests 30% or more solely or jointly with the related persons under points (a) through (c) of sub-paragraph (2) above or exercises de facto influence on the major matters of management, such as appointing or dismissing of chief executive officer, of the company or the relevant company.

**“Head of Operations”** refers to an individual who monitors account opening operations, the credit control and trading limits, settlement of trading, submits any report to operators and the Securities and Exchange Commission of Cambodia (hereinafter, the SECC), and supervises other operations in a back office.

**“Head of Securities Representatives”** refers to an individual who has an authority to guide and supervise all securities representatives in a securities firm.

**“Security Bond in Relation to a Securities Firm”** refers to a sum of money that is deposited by a securities firm, as security to be used in the event that the securities firm is not able to meet its financial obligations, including the ability to return to a client securities, funds, or other property that the client has entrusted to the custody of the securities firm.

**“Net Capital of a Securities Firm”** refers to the current assets of the company, including any shareholders’ funds of the company and fixed assets owned by the company, but do not include:

- a- Non-current assets and prepaid expenses of the company.
- b- Unsecured loans and advances made by the company and included under current assets. —
- c- Amounts due from a direct, partner or associate to the company and included under current assets.
- d- The excess of the book value of securities carried in the company's own account over market value.
- e- Deficits in client's accounts, less any provisions for bad or doubtful debts already made and computed and set out in a form satisfactory to the SECC.
- f- Other elements for calculating net capital of securities firm will be determined in other Prakas of the SECC.

**“Sub-decree”** refers to the sub-decree on the implementation of the law on the issuance and trading of non-government securities.

**“Composition”** refers to a formal agreement, involving a debtor and creditors, which each creditor will take less than the whole amount owed as full payment.

**“Public Investor”** refers to a member of the public in the Kingdom of Cambodia including a natural person or legal entity, who has the financial and legal capacity to invest in non-government securities issued ad made public offer in the Kingdom of Cambodia by a public limited company or permitted entity which is not its associate or subsidiary or related legal entity.

**“Security Instrument in Relation to a Securities Firm”** refers to government securities or/and bank notes of the National Bank of Cambodia that is deposited by a securities firm, as security to be used in the event that the securities firm is not able to meet its financial obligations, including the ability to return to a client securities, funds, or other property that the client has entrusted to the custody of the securities firm.

## **CHAPTER 2**

### **BUSINESS ACTIVITIES OF SECURITIES FIRMS AND SECURITIES REPRESENTATIVES**

#### **Article 3.-**

A securities firm may conduct the following securities businesses:

- Securities underwriting business;
- Securities dealing business;

- Securities brokerage business.

**Article 4.-**

A securities firm may conduct an investment advisory business and other securities-related businesses approved by the SECC. In regard to investment advisory business, the securities firm is not required to have a separate license as stipulated in Chapter 5 of this Prakas but the securities firm shall have licensed investment advisory representatives as prescribed in Article 41 of this Prakas.

**Article 5.-**

Securities underwriting business includes:

- 1- providing important advice on issues of securities such as pricing, issue amount and number of securities to be issued of the offering, distribution timeline and so on.
- 2- acquiring from an issuer all or a part of securities with a view to distributing or reselling.
- 3- acquiring the unsold portion of the securities in a public offering with a view to ensuring the success of the issuance.
- 4- making arrangements for a public offering on behalf an issuer or participating directly or indirectly in a public offering.

**Article 6.-**

Securities dealing business shall be the trading in securities for its own account and risk.

**Article 7.-**

Securities brokerage business shall be the buying or selling of securities on behalf of and by orders of its clients for a commission fee.

**Article 8.-**

Investment advisory business includes:

- 1- providing advice about investment in securities to public investors for a fee.
- 2- publishing investment analysis on securities investment to public investors.

**Article 9.-**

Any person who has obtained a securities firm license from the SECC to act as a securities underwriter, in accordance with the Law, Sub-decree and this Prakas, shall be permitted to undertake the businesses prescribed in Articles 5, 6, 7 and 8 of this Prakas.

**Article 10.-**

Any person who has obtained a securities firm license from the SECC to act as a securities dealer, in accordance with the Law, Sub-decree and this Prakas, shall be permitted to undertake only the businesses prescribed in Articles 6, 7 and 8 of this Prakas.

**Article 11.-**

Any person who has obtained a securities firm license from the SECC to act as a securities broker, in accordance with the Law, Sub-decree and this Prakas, shall be permitted to undertake only the businesses prescribed in Articles 7 and 8 of this Prakas.

**Article 12.-**

Any natural person who has obtained a license from the SECC to act as a securities representative, in accordance with the Law, Sub-decree and this Prakas, shall be permitted to undertake the following activities:

- 1- Opening and managing accounts for the clients of a securities firm;
- 2- Receiving and executing orders on behalf of the clients of a securities firm;
- 3- Performing any of the functions by the approval of the securities firm for which a license is required.

**CHAPTER 3**

**GRANTING A LICENSES TO SECURITIES FIRMS**

**Article 13.-**

A license of a securities firm shall expire 2 (two) years as from the date on which it is issued.

A license that has been renewed shall continue in force for a further period of 3 (three) years, commencing on the date upon which the existing license would have expired.

#### **Article 14.**

Any person intending to conduct a business as a securities firm shall file with the SECC an application for a license in respect of the determined forms.

In the case of application for the renewal of a license, the securities firm shall file with SECC an application in respect of the determined forms, not later than 60 (sixty) days before the expiry of the license. The submission of the application for renewal to the SECC after the expiration of existing license shall be considered as an application for a new license.

The Director General of the SECC shall arrange an on-site inspection to verify the application or application for renewal.

The Director General of the SECC shall notify the applicant in writing of the approval or rejection of the application for a license under Paragraph (1) of this article not more than 120 (one hundred and twenty) days as from the date on which the SECC receives the complete application.

The Director General of the SECC shall notify the applicant in writing of the approval or rejection of the application for the renewal of a license under Paragraph (2) of this article not more than 60 (sixty) days as from the date on which the SECC receives the complete application.

#### **Article 15.-**

Where an applicant or any specially-related person of the applicant is in any misdemeanor or criminal proceedings, and the Director General of the SECC has reason to believe that this proceeding may materially influence the review of an application, the Director General of the SECC may suspend such review until the fact becomes certain.

#### **Article 16.-**

As a matter of public interest, the Director General of the SECC has the right to take the following actions in connection with an applicant:

1- make a public notice of the purpose of the application and any other information relating to the applicant through a press release, the SECC's website and/or other means for the collection of comments.

2- request relevant authorities and interested parties to provide their comments on the application for a license.

3- notify in writing the applicant of any comments collected, which is judged to be adverse to such applicant, pursuant to sub-paragraphs (1) and (2) of this article, and give such



applicant an opportunity to explain the matters concerned within 30 (thirty) days as from the date of the notification to the applicant.

4- hold a public hearing when it is judged that any application may significantly influence the securities market.

**Article 17.-**

In order to obtain a license or renew a license for carrying out a business as a securities firm, an applicant shall fulfill the following requirements:

1- meet all requirements stipulated in Article 40 of the Sub-decree.

2- meet the following capital requirements and lodge at the National Bank of Cambodia a security bond and/or security instruments determined by the SECC, in respect of each type of securities businesses as follows:

a- to carry out a business as a securities underwriter, the applicant shall have minimum capital of 40,000,000,000 (forty billion) riels, in which net capital of at least 2,000,000,000 (two billion) riels, and lodge a security bond and/or security instruments in the sum of 4,000,000,000 (four billion) riels.

b- to carry out a business as a securities dealer, the applicant shall have minimum capital of 25,000,000,000 (twenty-five billion) riels, in which net capital of at least 1,250,000,000 (one thousand two hundred and fifty million) riels, and lodge a security bond and/or security instruments in the sum of 2,500,000,000 (two thousand and five hundred million) riels.

c- to carry out as a securities broker, the applicant shall have minimum capital of 6,000,000,000 (six billion) riels, in which net capital of at least 300,000,000 (three hundred million) riels, and lodge a security bond and/or security instruments in the sum of 1,000,000,000 (one billion) riels.

3- meet the following requirements for human resources:

a- have at least a chief executive officer and director or partner, who have fulfilled the requirements as stipulated in Article 18 of this Prakas.

b- have at least a head of securities representatives, who has fulfilled the requirements as stipulated in Article 19 of this Prakas.

c- have a head of operations, who has fulfilled the requirements as stipulated in Article 20 of this Prakas.

d- have compliance officers, who has fulfilled the requirements as stipulated in Article 21 of this Prakas.

e- have qualified staff, in respect of the scale of each type of businesses as stipulated in Article 25 of this Prakas.

f- have other senior staff and employees.

4- have physical facilities as prescribed in Article 27 of this Prakas.

5- prepare a business plan for a period of 3 (three) years as from the date on which the application is made.

6- comply with the following requirements for risk management and internal controls:

a- the results of a comprehensive evaluation shall be in the level of good or superb as set out in Appendix of this Prakas.

b- the evaluation score of each item in Appendix of this Prakas shall not exceed 2.4.

7- have an applicable and updated risk management plan in order to manage all risks that may occur.

8- have never been a controlling shareholder or specially-related person of any securities firm or financial institution that has been declared as bankrupt, whether within or outside the Kingdom of Cambodia, during the last 5 (five) years as from the date on which the application is made, except a person recognized by a court judgment as not being responsible for the bankruptcy.

9- have never been a controlling shareholder or specially-related person of any securities firm or financial institution whose license has been revoked, whether within or outside the Kingdom of Cambodia, during the last 5 (five) years as from the date on which the application is made, except a person recognized as not being responsible for the revocation.

10- have never been a person subject to procedures such as bankruptcy, liquidation, composition or other similar proceeding, whether within or outside the Kingdom of Cambodia, during the last 5 (five) years as from the date on which the application is made.

#### **Article 18.-**

A chief executive officer and director or partner, as stipulated in sub-paragraph (3) (a) of Article 17 of this Prakas, shall have any knowledge or experience relating to securities business or financial sector of at least 3 (three) years, and be qualified to be licensed to act as a securities representative.

**Article 19.-**

A head of securities representatives, as stipulated in sub-paragraph (3) (b) of Article 17 of this Prakas, shall have at least 3 (three) years of experience relating to businesses in financial sector to head the securities representatives of a securities firm. The head of securities representatives shall hold a license to act as a securities representative.

**Article 20.-**

A head of operations, as stipulated in sub-paragraph (3) (c) of Article 17 of this Prakas, shall possess at least one of the following experiences:

1- have been employed at a senior management position for at least 2 (two) years by a firm conducting a business in the securities or financial sector.

2- have been employed at a middle management position for at least 3 (three) years by a firm conducting a business in the securities or financial sector.

3- have been previously a participant of a securities exchange for at least 3 (three) years.

**Article 21.-**

A compliance officer, as stipulated in sub-paragraph (3) (d) of Article 17 of this Prakas, shall have at least a degree specialized in law or professional qualification related to law, and have working experience in the financial sector of at least 3 (three) years.

**Article 22.-**

The candidate for head of operations and compliance officer shall participate in a training program and/or pass an examination set by the SECC, and an examination result is valid for 2 (two) years as from the date of the announcement of examination result. Before the expiry of the validity of examination result, the head of operations and compliance officer shall participate in a training program or pass again an examination set by the SECC in order to maintain his/her qualification.

**Article 23.-**

A head of operations and compliance officer shall not be allowed to act as a securities representative in order to avoid conflicts of interest.

**Article 24.-**

A licensed securities firm shall obtain a prior approval from the Director General of the SECC before appointing or changing a chief executive officer, director or partner, head of securities representatives, head of operations, and compliance officer. If the position for chief executive officer, director or partner, head of securities representatives, head of operations, or compliance officer becomes vacant, the securities firm shall recruit a new candidate within 3 (three) months as from the date of the vacancy.

**Article 25.-**

Pursuant to sub-paragraph (3) (e) of Article 17 of this Prakas, the applicant shall have qualified staff who possess one of the following experiences:

1- a staff who has work experiences relating to the securities or financial sector for at least five (5) years.

2- a staff who has passed an examination to complete the professional course relating to securities or any training course set by the SECC.

3- a staff who can reasonably be considered to have experiences or qualifications equivalent to those mentioned in sub-paragraph (1) or (2) of Paragraph (1) of this article.

A securities firm shall consider the number of qualified staff pursuant to paragraph (1) of this article in proportion to the type and scale of the business to conduct in order to handle tasks relating to risk management, internal control, computerization management, audit, financial management, accounting, and other tasks.

**Article 26.-**

All senior staff and employees of a securities firm, as stipulated in sub-paragraph (3) (f) of Article 17 of this Prakas, shall fulfill the following conditions:

1- not be a minor or incapacitated person.

2- not be a person whom has been declared as bankrupt, whether within or outside the Kingdom of Cambodia, during the last 5 (five) years as the date on which the application is made.

3- be a person of good character in accordance with Article 42 of the Sub-decree.

4- not have been a senior staff or employee of a company, whether within or outside the Kingdom of Cambodia, whose license or authorization was revoked during the last 5 (five) years since the date on which the license or authorization of such company has been revoked except the person that was recognized not being responsible for such revocation.

5- not be a person whom has been dismissed from a securities firm, whether within or outside the Kingdom of Cambodia, during the last 5 (five) years as the date on which application is made.

6- not be a senior staff or employee whom has been suspended from their duty or punished by disciplinary action by any competent authority during the last 2 (two) years as from the date on which application is made.

**Article 27.-**

Pursuant to sub-paragraph (4) of Article 17 of this Prakas, an applicant shall have the following physical facilities:

1- shall prepare computer systems required for conducting the licensed business in a stable and secured manner, which are compatible with those of a securities market operator of which the applicant is a member or participant.

2- shall have a computer system for risk management and internal control.

3- shall secure a system having sufficient capacity to receive the expected number of future orders, and conduct the proper test thereof.

4- shall prepare security measures for blocking any unauthorized external access.

5- shall completely set up backup systems and proper systems for preventing exceeded capacity or system failure, and for responding to the problems that may occur.

A securities firm shall cooperate with the officials of the SECC who have an authority to fulfill the supervision on its major physical facilities.

**Article 28.**

The Director General of the SECC may refuse the application or the renewal application based on any of the following grounds:

1- the application was not made in accordance with Article 14 of this Prakas;

2- the applicant has failed to comply with the requirements prescribed in Article 17 of this Prakas.

3- the applicant has failed to comply with any other requirement or any guidelines, made in accordance with this Prakas, relating to the application.

4- any information or document that is furnished by the applicant to the SECC is false or misleading.

5- the applicant is in the course of being wound up or otherwise dissolved.

6- execution against the applicant in respect of a judgment debt has been returned unsatisfied in whole or in part.

7- the applicant or any of its directors or partners, chief executive officer, managers or controlling shareholder:

a- is not a person of good character as prescribed in Article 42 of the Sub-decree.

b- has contravened any law and regulations that protect the member of public against financial loss due to dishonesty, incompetence or malpractice by the persons involved in the provision of financial services or the management of companies;

c- has conducted or engaged in any other business in such a way as to cast doubt on its or his competence and soundness of judgment.

d- has conducted any business appearing deceitful or oppressive or otherwise improper.

e- has shown the fact that he/she may not be able to act in the best interest of its clients having regard to their reputation, character, financial integrity and reliability;

f- has shown the fact that he/she may not carry out the businesses under the license condition efficiently, honestly and fairly.

8- any of directors or partners, chief executive officer, managers or controlling shareholders of the applicant is an undischarged bankrupt, whether within or outside the Kingdom of Cambodia, during the last 5 (five) years as from the date on which the application is made;

9- the financial standing of the applicant or the manner in which the applicant's business is to be conducted is not sufficiently satisfying;

10- there are other circumstances which are likely to:

a- lead to the improper conduct of business by the applicant or by any of its directors or partners, chief executive officer, managers or controlling shareholder; or

b- discredit the manner of conducting the business of the applicant.

11- the applicant has or will be involved in money laundering and terror financing, or granting or renewing such license to the applicant will have an influence on the interests of the public.

#### **Article 29.-**

A licensed securities firm shall commence the licensed business within 6 (six) months as from the date of issuance of the license.

### **Article 30.-**

The Director General of the SECC may take the measures as stipulated in Article 34 of the Law against the holder of a securities firm license if the license holder:

1- is wound up or otherwise dissolved.

2- ceases or fails to run all or a part of the licensed businesses within a consecutive period of 6 (six) months.

3- ceases to be in compliance with any requirement as provided in Article 17 of this Prakas.

4- contravenes any condition or restriction in respect of its license or any direction issued to it by the Director General of the SECC under the Law, Sub-decree and this Prakas.

5- contravenes any of the rules of a securities market operator, clearance and settlement facility or securities depository.

6- contravenes Article 24 of this Prakas.

7- contravenes any other relevant laws and regulations.

Where the Director General of the SECC has taken the measures under paragraph (1) of this article, the securities firm shall immediately inform, by notice in writing, all of its representatives, investment advisory representatives and clients of such measures, unless otherwise determined differently by the Director General of the SECC.

The securities firm whose license is suspended or revoked shall be deemed not to be licensed as from the date on which the license is suspended or revoked.

## **CHAPTER 4**

### **GRANTING A LICENSE TO SECURITIES REPRESENTATIVES**

#### **Article 31.-**

A license of a securities representative shall expire 2 (two) years as from the date on which it is issued.

A license that has been renewed shall continue in force for a further period of 3 (three) years, commencing on the date upon which the existing license would have expired.

#### **Article 32.-**

All persons intending to act as a securities representative shall file with the SECC an application for a license in respect of the determined forms.

In the case of the application for the renewal of a license, the securities representative shall file with the SECC an application in respect of the determined forms not later than 30 (thirty) days before the expiry of the license. The submission of renewal application to the SECC after the expiration of existing license shall be considered as an application for a new license.

The Director General of the SECC shall notify the applicant in writing of the approval or rejection of the application for a license under Paragraph (1) of this article not more than 45 (forty five) days as from the date on which the SECC receives the complete application.

The Director General of the SECC shall notify the applicant in writing of the approval or rejection of the application for the renewal of a license under Paragraph (2) of this article not more than 30 (thirty) days as from the date on which the SECC receives the complete application.

### **Article 33.-**

In order to obtain a license or renew a license to act as a securities representative, an applicant shall fulfill the following requirements:

- 1- meet all requirements stipulated in Article 41 of the Sub-decree.
- 2- be legally competent and a resident of Cambodia.
- 3- satisfy any one of the following conditions:
  - a- have at least a university degree relating to securities or financial sector, or any other equivalent degree in the financial sector.
  - b- have a professional qualification relating to securities or financial sector, with at least 3 (three) years of experience in the financial market.
  - c- have been licensed to act as a securities representative for at least 3 (three) years from a jurisdiction recognized by the SECC.
- 4- pass an examination set by the SECC. The examination result is valid for 2 (two) years as from the date of announcement of such examination result.
- 5- not have been an official or a member of the SECC, or a senior staff or a member of the board of directors of any operator within the last 2 (two) years as the date on which the application is made.
- 6- satisfy the conditions stipulated in sub-paragraphs (8) through (10) of Article 17 of this Prakas.



**Article 34.-**

Pursuant to sub-paragraph (4) of Article 33 of this Prakas, an applicant or a holder of a securities representative license shall, before the expiry of the validity of his/her examination result, pass again an examination or participate in a training program established by the SECC in order to maintain the qualification.

**Article 35.-**

The Director General of the SECC may refuse the application or the renewal application based on any of the following grounds:

1- the application was not made in accordance with Article 32 of this Prakas.

2- the applicant has failed to comply with any requirement stipulated in Article 33 of this Prakas.

3- there are reasons as prescribed in sub-paragraphs (3), (4), (6), (7), (10) or (11) of Article 28 of this Prakas.

**Article 36.-**

A licensed securities representative shall commence the licensed business activity within 3 (three) months as from the date of issuance of the license.

**Article 37.-**

The Director General of the SECC may take the measures as stipulated in Article 34 of the Law against a holder of a securities representative license, if:

1- the license holder dies or becomes an incompetent person.

2- the license holder ceases or fails to act the business activity as a securities representative for a consecutive period of 3 (three) months.

3- the license of his/her securities firm is suspended or revoked.

4- the license holder ceases to comply with any requirement stipulated in Article 33 of this Prakas.

5- the license holder contravenes any condition or restriction in respect of his license or any direction issued to him/her by the Director General of the SECC under the Law, the Sub-decree and this Prakas.

6- the license holder contravenes other relevant laws and regulations.

Where the Director General of the SECC has taken the measures under Paragraph (1) of this Prakas, the securities representative shall immediately inform all clients of the

securities firm by notice in writing of such measures, unless otherwise determined differently by the Director General of the SECC.

The securities representative whose license is suspended or revoked shall be deemed not to be licensed as from the date on which the license is suspended or revoked.

## **CHAPTER 5**

### **GRANTING A LICENSE TO AN INVESTMENT ADVISOR**

#### **Article 38.-**

A license of an investment advisory firm and investment advisory representative shall expire 2 (two) years as from the date on which it is issued.

A license that has been renewed shall continue in force for a further period of 3 (three) years, commencing on the date upon which the existing license would have expired.

#### **Article 39.-**

Any person intending to act as an investment advisory firm or investment advisory representative shall file with the SECC an application for a license in respect of the determined forms.

In the case of an application for the renewal of a license, the investment advisory firm or investment advisory representative shall file with the SECC an application in respect of the determined forms not later than 30 (thirty) days before the expiry of the license. The submission of renewal application to the SECC after the expiry of existing license shall be considered as an application for a new license.

The Director General of the SECC shall notify the applicant in writing of the approval or rejection of the application for a license under Paragraph (1) of this article not more than 45 (forty five) days as from the date on which the SECC receives the complete application.

The Director General of the SECC shall notify the applicant in writing of the approval or rejection of the application for the renewal of a license under Paragraph (2) of this article not more than 30 (thirty) days as from the date on which the SECC receives the complete application.

#### **Article 40.-**

In order to obtain a license or renew a license to act as an investment advisory firm, an applicant shall fulfill the following requirements:

1- the applicant shall be a company or partnership which has been established in accordance with the Law on Commercial Enterprises or any other relevant laws.

2- the applicant shall have a minimum capital of 400,000,000 (four hundred million) riels in which shall lodge at the National Bank of Cambodia a security bond or security instruments determined by the SECC in sum of 80,000,000 (eighty million) riels.

3- the applicant shall have investment advisory representatives who are required to have a license in accordance with this Prakas.

4- that the chief executive officer and directors or partners of the applicant:

a- have never been declared bankrupt, or if a chief executive officer and director or partner has been declared bankrupt, the date on which the bankruptcy was declared is not less than 05 (five) years before the date of the company's or partnership's application.

b- have never been chief executive officers, directors or partners of a company whose the application for a license has been rejected by the Director General of the SECC or a similar overseas institution with similar powers to those of the SECC, unless otherwise permitted by the SECC.

c- have never been chief executive officers, directors or partners of a company whose license has been revoked by the Director General of the SECC or a similar overseas institution with similar powers to those of the SECC, unless otherwise permitted by the SECC.

5- the chief executive officer and directors or partners, and any employees who would perform duties in connection with the holding of the license of the applicant shall be of good character in accordance with Article 42 of the Sub-decree.

6- at least one director or partner and one employee of the applicant shall be qualified to be licensed to act as an investment advisory representative.

7- the applicant shall have premises suitably located and equipped to provide satisfactory services to clients in the fields of the activities to which the license relates, or evidence acceptable to the Director General of the SECC that such premises will become available if the license is granted.

8- the applicant shall satisfy the requirements stipulated in sub-paragraphs (8) through (10) of Article 17 of this Prakas.

**Article 41.-**

In order to obtain a license or renew a license to act as an investment advisory representative of a securities firm or investment advisory firm, an individual applicant shall fulfill the following requirements:

- 1- be legally competent and a resident of Cambodia.
- 2- be a person of good character as prescribed in Article 42 of the Sub-decree.
- 3- have at least 5 (five) years of work experience relating to securities sector, in which at least 3 (three) years relating to investment advisory service.
- 4- provide the Director General of the SECC with written endorsement from a licensed securities firm or a licensed investment advisory firm, which has engaged the applicant to act as its investment advisory representative.
- 5- satisfy the requirements stipulated in sub-paragraphs (8) through (10) of Article 17 and sub-paragraph (4) and (5) of Article 33 of this Prakas.

**Article 42.-**

Pursuant to Article 41 of this Prakas, an applicant or a holder of license to act as an investment advisory representative shall, before the expiry of the validity of his/her examination result, pass again an examination or participate in a training program set by the SECC in order to maintain the qualification.

**Article 43.-**

The Director General of the SECC may refuse the application or the renewal application based on any of the following grounds:

- 1- the application was not made in accordance with Article 39 of this Prakas.
- 2- the applicant has failed to comply with any requirement stipulated in Article 40 or Article 41 of this Prakas.
- 3- there are reasons as stipulated in sub-paragraphs (3) through (11) of Article 28 of this Prakas.

**Article 44.-**

A licensed investment advisory firm shall commence the licensed business within 6 (six) months as from the date of issuance of the license.

A licensed investment advisory representative shall commence the licensed business activity in the framework of a securities firm or investment advisory firm within 3 (three) months as from the date of issuance of the license.

**Article 45.-**

A securities firm or investment advisory firm shall be liable in any civil action for those acts of an investment advisory representative of the securities firm or investment advisory firm that the investment advisory representative is authorized to carry out under the terms of their license or other activities authorized by the securities firm or investment advisory firm.

The acts of an investment advisory representative which lead the securities firm or investment advisory firm to be liable in any civil action shall include omissions to take action in a given situation.

The acts to an investment advisory representative that are authorized by a securities firm or investment advisory firm shall include the acts that are implicitly approved by the securities firm or investment advisory firm on the basis that the securities firm or investment advisory firm knows or ought to have known that the investment advisory representative has carried out the acts and has not taken any action to prevent or repudiate such acts.

**Article 46.-**

The Director General of the SECC may take the measures as stipulated in Article 34 of the Law against a holder of license of investment advisory representative, if:

- 1- the license holder dies or becomes an incompetent person.
- 2- the license holder ceases or fails to conduct the licensed business activity for a consecutive period of 3 (three) months.
- 3- the license of a securities firm or investment advisory firm of the investment advisory representative is suspended or revoked.
- 4- the license holder ceases to comply with any requirement stipulated in Article 41 of this Prakas.
- 5- the license holder contravenes any condition or restriction in respect of his license or any direction issued by the Director General of the SECC under the Law, the Sub-decree and this Prakas.
- 6- the license holder contravenes other relevant laws and regulations.

Where the Director General of the SECC has taken the measures under paragraph (1) of this article, the investment advisory representative shall immediately inform, by notice in writing, all clients of the securities firm or investment advisory firm that have received investment advice, of such measures, unless otherwise determined differently by the Director General of the SECC.

The investment advisory representative whose license is suspended or revoked shall be deemed not to be licensed as from the date on which the license is suspended or revoked.

#### **Article 47.-**

The Director General of the SECC may take the measures as stipulated in Article 34 of the Law against a holder of an investment advisory firm license, if the license holder:

1- is wound up or otherwise dissolved.

2- ceases or fails to carry out the licensed business activity for a consecutive period of 6 (six) months.

3- ceases to comply with any requirement stipulated in Article 40 of this Prakas.

4- contravenes any condition or restriction in respect of his license or any direction issued by the Director General of the SECC under the Law, the Sub-decree and this Prakas.

5- contravenes other relevant laws and regulations.

Where the Director General of the SECC has taken the measures under paragraph (1) of this article, the investment advisory firm shall immediately inform, by notice in writing, all of its investment advisory representatives and clients of such measures, unless otherwise determined differently by the Director General of the SECC.

The investment advisory firm whose license is suspended or revoked shall be deemed not to be licensed as from the date on which the license is suspended or revoked.

#### **Article 48.**

The investment advisory firm or securities firm shall charge the fees of investment advisory service as specified by the SECC.

## **CHAPTER 6 FEES OF LICENSING**

#### **Article 49.-**

Any applicant for a license or the renewal of a license to conduct businesses as a securities firm shall pay application and processing fees of 2,000,000 (two million) riels

when filing the application, and shall pay a license fee to the SECC in respect of each type of securities business as follows:

1- 80,000,000 (eighty million) riels for initial 2 (two) years and 120,000,000 (one hundred and twenty million) riels for 3 (three) years of the renewal of a license in regard to conducting a business as a securities underwriter.

2- 60,000,000 (sixty million) riels for initial 2 (two) years and 90,000,000 (ninety million) riels for 3 (three) years of the renewal of a license in regard to conducting a business as a securities dealer.

3- 40,000,000 (forty million) riels for initial 2 (two) years and 60,000,000 (sixty million) riels for 3 (three) years of the renewal of a license in regard to conducting a business as a securities broker.

**Article 50.-**

Any applicant for a license or the renewal of a license to act as a securities representative shall pay application and processing fees of 800,000 (eight hundred thousand) riels when filing the application, and shall pay to the SECC a license fee of 2,500,000 (two million and five hundred thousand) riels for initial 2 (two) years and 3,750,000 (three million and seven hundred and fifty thousand) riels for 3 (three) years of the renewal of a license.

**Article 51.-**

Any applicant for a license or the renewal of a license to act as an investment advisory firm shall pay application and processing fees of 1,000,000 (one million) riels when filing the application, and shall pay to the SECC a license fee of 10,000,000 (ten million) riels for initial 2 (two) years and 15,000,000 (fifteen million) riels for 3 (three) years of the renewal of a license.

Any applicant for a license or the renewal of a license to act as an investment advisory representative shall pay application and processing fees of 400,000 (four hundred thousand) riels when filing the application, and shall pay to the SECC a license fee of 1,500,000 (one million and five hundred thousand) riels for initial 2 (two) years and 2,250,000 (two million and two hundred and fifty thousand) riels for 3 (three) years of the renewal of a license.

**Article 52.-**

Application and processing fees pursuant to this Prakas shall be non-refundable even if the license is refused to be granted or renewed.

**CHAPTER 7**  
**OTHER PROVISIONS**

**Article 53.-**

Case where an applicant modifies any document or information in connection with the application for a license or the renewal of a license, the applicant shall notify immediately in writing of such modification to the SECC.

**Article 54.-**

Case where there is an amendment of regulation relating to licensing in the moment of reviewing an application for a license or the renewal of a license, this amended regulation shall be applied to such application.

**Article 55.-**

The Director General of the SECC shall publicly announce, through the SECC's website and/or other means, the grant, renewal of a license or measures and/or other punishments in accordance with the Law, Sub-decree and this Prakas, unless otherwise determined differently by the SECC.

**CHAPTER 8**  
**PENALTIES**

**Article 56.-**

Where a licensed securities firm submits an application for the renewal of its license to the SECC less than 60 (sixty) days before the existing license expires, the securities firm shall be liable to the SECC's transactional fine of 1,000,000 (one million) riels per day in regard to such late application for the renewal.

Where a licensed securities representative, investment advisory firm and investment advisory representative submit an application for the renewal of its/his/her license to the SECC less than 30 (thirty) days before the existing license expires, the securities representative, investment advisory firm and investment advisory shall be liable to the SECC's transactional fine per day in regard to such late application for renewal:

- 600,000 (six hundred thousand) riels for a securities representative;
- 400,000 (four hundred thousand) riels for an investment advisory firm;



- 200,000 (two hundred thousand) riels for an investment advisory representative.

When the existing license has expired, the securities firm, securities representative, investment advisory firm and investment advisory representative shall immediately cease the businesses. Where still continuing the businesses the securities firm, securities representative, investment advisory firm and investment advisory representative shall be liable to punishments in accordance with the laws and regulations in effect.

**Article 57.-**

Any person who does not comply with any direction issued by the Director General of the SECC in accordance with Article 37 of the Law in regard to the measures taken on the grounds prescribed in Article 30, 37, 46 and 47 of this Prakas shall be liable to the SECC's transactional fine prescribed in Article 53 of the Law.

**Article 58.-**

All persons, who contravenes this Prakas, or any requirement prescribed in accordance with this Prakas, commit an offence and shall be liable to punishments in accordance with the applicable laws and regulations in the Kingdom of Cambodia.

**CHAPTER 9  
TRANSITIONAL PROVISIONS**

**Article 59.-**

Where the SECC has not yet determined the lodgment of securities instrument as prescribed in Article 17 and 40 of this Prakas, the applicant shall lodge the securities bond in cash at the National Bank of Cambodia.

**CHAPTER 10  
FINAL PROVISIONS**

**Article 60.-**

The SECC may adopt guidelines in accordance with the Law, Sub-decree and this Prakas for the purpose of facilitating the understanding and compliance.

**Article 61.-**

Any provisions that contradict this Prakas shall be hereby repealed.

**Article 62.-**

The Director General, Deputy Director General of the SECC, Department of Securities Intermediaries Supervision, Department of Legal Affairs, other Departments and Unit of the SECC and relevant persons shall implement this Prakas efficiently as from the signing date.

Phnom Penh, November 18, 2009

(Signature and Seal)

**KEAT CHHON**

**Copy to:**

- Ministry of Royal Palace
- Secretariat of Constitutional Council
- Secretariat of Senate
- Secretariat of National Assembly
- Secretariat of Royal Government
- Cabinet of Samdech Akak Moha Sena Padei Techo **HUN SEN**  
Prime Minister of the Kingdom of Cambodia
- Cabinet of His/Her Excellency, Deputy Prime Ministers
- Ministers Council
- All relevant ministries and institutions  
“for information”
- As prescribed in Article 62  
“for implementation”
- Royal Gazette
- Archives-records

**Appendix of Prakas No.....**  
**on Licensing of Securities Firms and Securities Representatives**

Dated on.....

**Evaluation Standards for Risk Management and Internal Control**

**1. Items Subject to Evaluation**

Item (3)	Sub-Item (12)
<b>1. Organization and human resource relating to risk management and internal control</b>	<ul style="list-style-type: none"> <li>- Organization and human resource of risk management,</li> <li>- Organization and human resource of internal control,</li> <li>- Organization and human resource of front office,</li> <li>- Organization and human resource of back office</li> </ul>
<b>2. Procedures of risk management and internal control</b>	<ul style="list-style-type: none"> <li>- Rules for the risk management,</li> <li>- Rules for internal controls,</li> <li>- Plan and/or practices relating to risk measurement and management in business,</li> <li>- Plan and/or practices relating to internal controls in business,</li> <li>- Counter measures against emergency</li> </ul>
<b>3. Computer system relating to risk management and internal control</b>	<ul style="list-style-type: none"> <li>- Overall computer system and database,</li> <li>- Computer system for risk management and internal control,</li> <li>- Stability and security of computer system</li> </ul>

**2. Method of Evaluation**

A- Each sub-item provided above shall be valuated after consideration of the results of document review and on-site examination for the detailed evaluation standards per item based on a point scale of 1.0 point ~ 5.0 point.

Standards	Superb	Good	Normal	Weak	Dangerous
Evaluation Points	1.0 ~ 1.4	1.5 ~ 2.4	2.5 ~ 3.4	3.5 ~ 4.4	4.5 ~ 5.0

B- Evaluation points of the items are calculated by a simple average of the evaluation points of the sub-items.

C- Comprehensive evaluation points are calculated by a weighted average of the evaluation points of the items through the weight described below:

Item	Organization and human resource relating to the risk management and internal control	Procedures of risk management and internal control	Computer system relating to the risk management and internal control
Weight	30%	40%	30%

D- The result of total evaluation is determined by dividing the total evaluation points into 5 steps as follows:

Total evaluation points	1.0 ~ 1.4	1.5 ~ 2.4	2.5 ~ 3.4	3.5 ~ 4.4	4.5 ~ 5.0
Result of total evaluation	Superb	Good	Normal	Weak	Dangerous