



NBC NOT TO ISSUE NEW LICENSES FOR MICROFINANCE DEPOSIT-TAKING INSTITUTIONS

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Following the official reopening of the country, the National Bank of Cambodia (“NBC”) announced on 6 December 2021 it would no longer issue new licenses for Microfinance Deposit-Taking Institutions (the “Notification”). The NBC stressed that the decision to not allow new applicants to enter the market will “strengthen the capacity of banking and financial institutions, as well as the monitoring of financial stability” which could be considered a positive move for the microfinance sector to strengthen their available products and services.

As of 31 December 2020, there were a total of 76 microfinance institutions (“MFI”) in operation in the country, 6 of which were deposit-taking institutions. According to the data of the NBC, those 76 MFI’s have over 700 offices and operation areas across the country, which means the demand for medium/micro loans is widespread in the Kingdom.

Adding to the Notification, the NBC encourages smaller MFIs to merge with larger financial institutions and welcomes investors to invest in the already existing banking and financial institutions.

Following the COVID-19 pandemic, and the current Omicron variant to it, there is the prospect that financially affected MFI’s, however having already obtained a license, could be increasingly subject to mergers and acquisitions with healthier financial institutions and/or new investors, wanting to enter this market. According to the existing PRAKAS On Licensing of Microfinance Deposit Taking Institutions, which has not been revoked, for an MFI to be able to obtain a license to collect deposits from the public, it shall have the following qualifications:

- 1) hold a license to carry out microfinance operations (non-deposit taking) from the NBC for a duration of no less than three (3) years;
- 2) have a good financial condition and sound management as judged by the internal rating of the NBC, at a safety level for at least two years before applying;
- 3) have a minimum paid-up capital equal to 10 billion Khmer Riels (2.5 million United States Dollars);
- 4) have an effective Management Information System (MIS);
- 5) implement NBC’s uniform chart of accounts; and
- 6) have sustainable profitability of at least two consecutive years in primary operations.

The above could serve as a general overview for potential investors in regards to the existing deposit taking institutions and their compliance with the qualifications.

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