HIGH-LEVEL SUMMARY TECHNICAL ASSISTANCE REPORT

CAMBODIA

Risk Based Supervision in Capital Markets

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High-Level Summary Technical Assistance Report
Monetary and Capital Markets Department

Cambodia: Risk based Supervision in Capital Markets
Securities and Exchange Regulator of Cambodia (SERC)
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The ***High-Level Summary Technical Assistance (TA) Report*** series provides high-level summaries of the assistance provided to IMF capacity development recipients, describing the high-level objectives, findings, and recommendations.

ABSTRACT: This TA mission was conducted at the request of SERC to implement risk-based supervision (RBS) for Cambodian securities markets. The mission consisted of a diagnostic assessment of the market, risks, and the supervisory framework, and a high-level training on the topic. Key findings include a small but growing securities market, limited primary and secondary market, significant investor confidence concerns amplified by scams and low financial literacy, and a high concentration risk. SERC's current supervision approach is compliance-oriented and based on comprehensive (but manual) reporting and detailed (but compliance-oriented) inspection manuals. The mission recommended specific steps that will enable SERC to undertake a phased transition to RBS, aimed at enhancing the quality of supervision and optimizing supervisory resources.

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Background

At the request of the Securities and Exchange Regulator of Cambodia (SERC), an IMF technical assistance mission on risk-based supervision (RBS) in capital markets was conducted in Phnom Penh in December 2025. The mission had two components: firstly, a diagnostic component to analyze the current state of the securities market, the regulatory and supervisory framework, risks and vulnerabilities; a second component being delivery of high-level training on RBS in capital markets to SERC senior and technical supervisory staff. The mission met with SERC management, technical staff, industry, and international institutions providing TA to the authorities.

Summary of Findings

Cambodia's securities market is small and in its formative stages, but growing. The market consists of one stock exchange (i.e., Cambodia Securities Exchange) with a small equity and bond market, a derivatives market focused on Contract for Differences (CFDs), one operating Collective Investment Scheme (CIS) and a variety of intermediaries supporting the market activities. Concerns include fund raising challenges in the primary market, investor confidence concerns amplified by scams and low financial literacy, limited secondary market, and high concentration risk in most sectors. SERC has ambitious plans to develop its capital markets with its Securities Sector Development Strategy 2025-2035.

SERC's supervisory approach is primarily compliance based. Reporting formats are comprehensive, but manual processing and difficult-to-process formats result in resource-intensive processes and limited analytical data. Detailed inspection manuals exist and there are some elements of a risk-based approach in the selection of entities for inspection. However, the broad supervisory approach in onsite inspection continues to be compliance-based. Offsite supervision focuses primarily on compliance checks, for instance, on capital requirements. Use of a thematic approach in supervision is limited. SERC intervenes primarily through enforcement, which is aimed at ensuring compliance with regulations and not risk mitigation. SERC is keen to transition to RBS to enable it to focus on key risks and enable better utilization of its supervisory resources.

Summary of Recommendations

The mission recommends a phased transition to a robust risk-based supervision framework and approach. The mission recommends beginning with a review and strengthening of the reporting framework to enable online submission, focus on risk-based parameters, and analytical capabilities. Based on a sound data reporting system, SERC should establish a comprehensive risk identification and assessment framework tailored to Cambodia's context, a risk-based supervisory engagement and intervention framework, and revise manuals to align with an RBS approach. Implementation can be phased, starting with pilot sectors and accompanied by training, organizational adjustments (as needed) and stakeholder communication.