TECHNICAL ASSISTANCE REPORT

CAMBODIA

Risk-Based Supervision in Capital Markets

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Prepared By

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Glossary

ADB	Asian Development Bank
AML/CFT	Anti-Money Laundering/Combating The Financing Of Terrorism
APG	Asia/Pacific Group on Money Laundering
ASEAN	Association of Southeast Asian Nations
CASF	Cambodian Association of Securities Firms
CFD	Contract For Difference
CGCC	Credit Guarantee Corporation of Cambodia
CIS	Collective Investment Scheme
CSX	Cambodia Securities Exchange
DG	Director General
ESG	Environmental, Social, And Governance
ETF	Exchange Traded Fund
FATF	Financial Action Task Force
IFC	International Finance Corporation
IMF	International Monetary Fund
IPO	Initial Public Offering
KPI	Key Performance Indicator
MoU	Memorandum of Understanding
NBC	National Bank of Cambodia
NBFSA	Non-Bank Financial Services Authority
NSSF	National Social Security Fund
OTC	Over The Counter
RBS	Risk-Based Supervision
REIT	Real Estate Investment Trust
SERC	Securities And Exchange Regulator of Cambodia
SME	Small And Medium Enterprise
SOE	State Owned Enterprise
SOP	Standard Operating Procedures
SRO	Self-Regulatory Organization
TA	Technical Assistance
WB	World Bank

Preface

At the request of the Securities and Exchange Regulator of Cambodia (SERC), a Monetary and Capital Markets (MCM) Department mission visited Phnom Penh, Cambodia from December 1–5, 2025 to assist the authorities (i) to undertake a diagnostic assessment of the securities market, its regulatory and supervisory framework, the risks and vulnerabilities and identify gaps to effectively transition to a risk-based supervision framework; and (ii) to provide a high-level training on risk-based supervision in securities markets to SERC senior and technical staff.

The mission met with H.E. Mr. Sou Socheat, Director General of SERC, H.E. Dr. Vin Pheakdey, Deputy Director General, , and Chair of the FinTech Working Group of SERC, and senior management and technical staff from various departments and with industry representatives. The mission wishes to thank H.E. Mr. Sou Socheat, the management and staff of the SERC, for their cooperation, productive discussions, and their hospitality. The mission would like to particularly thank Ms. Likea Hor, Director of Research, Training, Securities Market Development and International Relations Department and her team for excellent cooperation in logistics and coordination for the mission.

Executive Summary

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.

Cambodia's securities market is small 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, 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 and receives support from multiple international institutions for capacity building in various aspects (not including RBS).

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.

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 formats to enable online, analytical, and risk-based data reporting. 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.

Recommendations

Table 1. Summary of the Mission's Main Recommendations

Recommendations and Authority Responsible for Implementation	Timeframe 1/
1. SERC should review and strengthen the reporting formats with a view to make data in an analytical format, of high quality, and risk-based	ST
2. SERC should develop a comprehensive risk-identification and assessment framework, suitable to the Cambodian context.	MT
3. SERC should develop a risk-based supervisory engagement, resource allocation and intervention framework.	MT
4. SERC should review and revise (or develop of, as needed) supervisory manuals in line with the revised risk-based supervisory framework	MT
5. SERC should consider undertaking a phased approach to implementation of the RBS framework (including pilot projects, revisions to organizational structure, etc.)	MT
6. SERC should undertake staff training and stakeholder communication (e.g. licensed firms, investors, etc.) on the new framework for effective transition to RBS.	MT/LT

1/ Short term: < 12 months; Medium term: 12 to 24 months, LT: 24 to 48 months.

I. Introduction and Work Done

1. **The Securities and Exchange Regulator of Cambodia (SERC) sought Technical Assistance from the IMF on Risk Based Supervision (RBS) in Securities Markets.** To get greater clarity on the nature of the securities market (incl. types and business models of entities operating in Cambodia), risks and challenges, the current supervisory approach, and exact TA needs, it was decided to undertake an in-person diagnostic mission in Phnom Penh, Cambodia. In addition, it was decided to combine the diagnostic mission with a high-level training to the senior and technical supervisory staff on the topic. Accordingly, an in-person mission was conducted by Ms. Nila Khanolkar, Senior Financial Sector Expert from the IMF in Phnom Penh, Cambodia for five days from Dec 1–5, 2025.

2. **For the diagnostic mission, the expert met with various departments of SERC as well as industry participants.** Within SERC, the expert met with the Director General of SERC, senior management team and technical experts from the Supervision departments, Legal department (which also undertakes enforcement and handling of complaints) and the Research, Training, Securities Market Development and International Relations department. From the industry, the expert met with the Cambodia Securities Exchange (CSX), a fund management company, a trustee company, Cambodian Association of Securities Firms (CASF), and Derivatives Broker Association in Cambodia. The findings of the diagnostic mission are outlined in the chapters that follow.

3. **The mission also delivered training on risk-based supervision in securities markets.** The attendees included technical and senior staff from three supervision departments (Securities Issuance Supervision Department, Securities Intermediaries Supervision Department and Securities Market Supervision Department).[1] Topics covered included introduction to RBS (including difference in approach w.r.t banking/ insurance RBS supervision), risk assessment frameworks, supervisory engagement and resource allocation, intervention frameworks, and challenges in implementation. The presentations included details of the publicly available RBS frameworks from several countries (especially Association of Southeast Asian Nations (ASEAN)) region) for practical perspectives. In addition, three group discussions were carried out on various topics (including emerging risks) with breakout sessions, to enable interactive sessions and a practical case-based approach. The training was well received by the participants. The training materials are attached at Annex A.

4. **The mission also interacted with other international institutions providing TA to SERC/ on capital markets.** These include experts from the Asian Development Bank (ADB), World Bank (WB) and International Finance Corporation (IFC). Details of the TA provided by these institutions and their engagement with Cambodian securities markets are covered in a later part of the report. Importantly, none of the institutions have provided or committed to provide any TA to SERC on risk-based supervision in capital markets.

5. **The IMF conducted a Financial Stability Sector Review in Cambodia from 2019, which was primarily focused on banking supervision and TA to the National Bank of Cambodia (NBC).** A

[1] Staff from the Legal Affairs Department attended the sessions relating to intervention framework.

dedicated resident advisor on bank supervision worked at the NBC for three years from September 2022 till September 2025. During the term, TA provided included strengthening risk-based supervision for banks and other financial institutions under NBC's purview. The TA also included work on a regulation pertaining to the prudential scope of consolidation (which is ongoing) to lay the foundation of consolidated supervision. If such consolidated supervision is implemented from NBC's end, it may involve cooperation with the SERC for banks which also undertake business in the securities market.

II. Institutional Set-Up

6. The SERC was established in 2007 to act as securities regulator to monitor, supervise and develop securities market in the Kingdom of Cambodia. The SERC was established under the law on the Issuance and Trading of Non-Government Securities in 2007 and the Sub-decree on the Conduct and the Organization of the Securities and Exchange Commission of Cambodia and was then known as the Securities and Exchange Commission of Cambodia (SECC). The name was later modified to Securities and Exchange Regulator of Cambodia (SERC) after the adoption of the Law on the Organization and Functioning of the Non-Bank Financial Services Authority (NBFSA) in 2021. SERC broadly has investor protection, fair market and development mandates under the law (see Annex B for SERC's mandates). SERC has no explicit financial stability mandate; however, NBFSA has a financial stability mandate.

7. In 2021, a Non-Bank Financial Services Authority (NBFSA) was created to integrate the management and supervision mechanisms of all the non-bank sectors. Under the new law, the NBFSA's mandate covers various sectors including insurance, private pension, securities and exchange, social securities, trust, accounting and auditing, real estate, pawnshop, and security as transfer sectors. The regulators and supervisors of these sectors including SERC are now subordinated to the NBFSA. NBFSA's roles include legislation and regulation, development (including innovation), (certain) investigation and enforcement, and financial stability (See Annex B for NBFSA's mandate, roles and duties). The NBFSA is chaired by the Minister of Economy and Finance, and its main governing council includes representatives from various ministries, Director Generals (DGs) of the respective regulators (including NBC and SERC, among others) and three independent experts. It is understood that the supervisory functions with respect to securities market are done independently by SERC.

III. Industry Overview[2]

A. Primary and Secondary Markets

8. **Cambodia has a small but growing equity, debt and derivative markets.**[3] There is one stock exchange in the country, Cambodia Securities Exchange (CSX), which lists stocks and bonds, and was established in 2010 and officially launched in 2011. CSX is now examining introduction of new products such as Real Estate Investment Trusts, Infrastructure bonds and Exchange Traded Funds. There are no Collective Investment Schemes or derivatives listed on CSX. Contract for Difference (CFD), introduced in 2017, is currently the only product in the Cambodian derivative markets, operating Over The Counter (OTC). However, there are plans to introduce swaps, options and futures and commodity futures (with the assistance of International Finance Corporation (IFC)) as well as securitization markets. The entities operating in the derivative markets (derivative brokers, clearing counterparties) are completely different from the entities operating in the equity and bond markets.[4] A unique feature of the exchange-broker interaction in the Cambodian securities market is the complete reliance of the brokers/ dealers on CSX's Information Technology (IT) systems. This requires CSX to focus heavily on IT development for new products/ features.[5]

9. **Cambodia Securities Exchange (CSX) has 12 equity-listed companies.** CSX lists equity in two segments: Main board and Growth Board (for SMEs).[6] As on date of the misison, there are nine companies listed on the Main Board and three on the Growth Board, with a total market capitalization of around US Dollar (USD) 2.91 bn as of the end of 2025. Issuers are domestic and from different sectors including banking, real estate, and garments. Three of the issuers are State Owned Enterprises (SOEs). Investors are primarily domestic retail investors; foreign investors account for only ~7 percent of the equity holdings by value. Foreign investors (especially investors from China) prominently invested before COVID, but have reduced their holdings since. Now, the market remains largely dominated by domestic retail investors. Equity trading is low, with average daily trading volume of ~95,000 shares amounting to approximately USD 0.11 million in 2025. Equity fund raising is challenging. Lack of liquidity in the secondary market has deterred institutional investors, resulting in a cyclical chain of further illiquidity. There are also concerns around investor trust and confidence, given the pervasive prevalence of scams in the country. CSX plans to introduce margin trading in 2026 and there are ongoing preliminary discussions with respect to market

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[2] The details provided under this section are based on data provided by SERC/ industry during discussions. Data is as on Dec 2025.

[3] The Cambodian financial system remains bank dominated. Although the securities market is small, it may become more systemically relevant as equity, bond and derivative markets expand and greater interconnectedness with the rest of the financial sector develops.

[4] While there is no regulatory requirement prohibiting this, from the industry discussions, it is understood that one of the reasons for hesitancy of the more established securities firms to enter the derivative markets is their lack of risk appetite for derivative products, as they exist today.

[5] For instance, there is lack of clarity on application of capital gains tax on securities trading on the exchange. The current CSX IT system does not accommodate deduction of capital gains/ other taxes on securities trading. Since brokers/dealers depend on the CSX IT system, they also lack the capability to deduct taxes for their client trades.

[6] Requirements to list in the Main Board are stronger than those in the Growth Board for proportionality.

making. In addition to investor education and financial literacy initiatives, these measures could improve secondary market trading and relatedly, primary market listings.

10. **Fourteen companies have listed their bonds on the CSX so far.** Around half of them are outstanding as on date of the mission; the rest have matured. The bonds include both public bonds and those issued only to qualified investors. Bond issuances appear to be more popular than equities, supported by high coupon rates (~9 percent) and bond guarantees. Recently issued bonds include two green bonds and one sustainability bond and there are proposals to introduce and potentially list social bonds. Bonds are held to maturity and there is practically no secondary market. Similar to equity markets, issuers in bond markets are also domestic firms. However, investors in bond markets are largely international investors unlike equity markets. Foreign life insurance companies, in particular, have shown interest and keenly participated in the bond market. In total, 26 companies have listed their stocks and bonds on the CSX, raising a total of USD 651 mn so far. The government bond markets (primary market) operate under the jurisdiction of National Bank of Cambodia; there is no secondary market for government bonds. There is a 'profile listing' of such bonds on the CSX, but it is primarily for disclosures than trading.

11. **CSX is partially State owned and operates under a unified structure (trading, clearing and settlement, and depository).** CSX is owned 55 percent by the Cambodian government and 45 percent by the Korea Exchange. CSX operates under a unified structure where the trading, clearing and settlement and depository functions are housed within the same entity. Equities are traded on a T+2 basis while bonds are traded on a T+1 basis, depending on buyer and seller preferences. CSX plans to introduce margin trading in 2026 for which rules, including risk management, are being drafted. CSX's depository arm focuses on all aspects relating to securities holding, including corporate actions, training and public awareness and development of IT system to support trading of new products. Securities are mainly held electronically. There are discussions to separate the trading operations of CSX from its clearing, settlement and depository operations.

12. **CSX's undertakes some SRO (self-regulatory organization) functions.** CSX undertakes a first-round review of IPO documents before review by SERC. Requirements (including disclosure requirements) relating to IPOs, listing and post-listing are laid down by the SERC. CSX undertakes daily monitoring of daily disclosures. Given the nascent nature of the market, CSX 'pre-reviews' post-listing material event disclosures before making it public. This enables it to advise the firm on adequacy of disclosures before making it public. Periodic disclosures, such as financial statements and corporate governance disclosures, are reviewed by SERC. CSX undertakes limited daily market surveillance functions through its 'MarketWatch' for detecting abnormal activity but lacks a robust surveillance system to detect market abuse. CSX is working together with SERC to develop an automated surveillance system, that is currently largely manual and excel-based. CSX's role in supervising brokers/ dealers is limited.

13. **Cambodia has an OTC derivatives market with one active product: Contract for Differences (CFDs).** CFDs have been offered in Cambodia since 2017. While brokers offer CFDs on multiple products (precious metals, forex, equity indices, etc.), in practice, the most popular product is the CFD on gold,

which dominates the sector.[7] CFDs are sold mainly to domestic retail investors and operate with product-wise limits on leverage (which can be as high as 1:200). Industry players cite similar challenges as equity/ bond markets (e.g., financial literacy, lack of investor confidence due to scams, etc.) that inhibit further development of the derivatives market. In addition, lack of skilled derivative representatives (due to lack of adequate training) is another challenge.

Table 2. Funds raised through Issuance of Equities and Bonds in 2025

Company Name	Logo	Type of Securities	No. of Listed Securities	Total Fund Raised
Equity				
Picasso City Garden Development Plc.		Voting right shares	54,907,018	USD 5,888,422
Corporate Bond				
ACLEDA Bank Plc.		Subordinated Bond	8,000,000	USD 200,000,000
CIA FIRST International School		Guaranteed Bond	401,100	USD 10,000,000
SchneiTec Dynamic Co., Ltd		Green Infrastructure Bond	1,966,400	USD 49,160,000
Private Placement Bond				
Koh Kong SEZ Co., Ltd (KKSEZ)		Private Placement Bond		USD 40,000,000
CAMSGM Plc. (Cellcard)		Private Placement Bond		USD 180,000,000

Source: SERC website

[7] Cambodia's gold market exhibits exceptionally large and volatile flows, unrelated to domestic jewelry demand. Gold trade fluctuated sharply during the pandemic—exports in 2020, then shifting to large scale imports in 2021 and early 2022 despite rising prices—with inflows far exceeding typical hedging activity relative to GDP. Authorities attributed this to wealthy individuals seeking a store of value in uncertain times (IMF Article IV Report 2022)

B. Asset Management

14. Cambodia has one active licensed Collective Investment Scheme (CIS) and relatedly one active licensed fund manager and one active licensed trustee company.[8] The CIS regulatory framework was introduced in 2018 by SERC. At present, there are 12 entities holding a fund management company license and 6 entities holding a trustee company license from the SERC. However, in each category, only one entity is operational, Banjaran Asset Management (Cambodia) Plc (BAMC) as the active fund management company and Stronghold Trustee Co. Ltd. as the active trustee company. BAMC and Stronghold Trustee Co. Ltd. both are foreign owned (Singapore and Taiwan respectively). SERC has been actively revoking licenses of non-operational fund management companies and trustee companies, due to which the number of license holders has been reducing over time. The trustee companies are usually also licensed with the Trust regulator; the non-CIS part of the trustee business dominates in Cambodia.[9] For CIS business, the trustee company also has oversight responsibilities over the fund management company. There are 7 licensed fund distributors, of which 3 are active.[10] There are 6 licensed fund administrators, of which 2 are active.[11]

15. The operational CIS (launched in 2023) primarily raises funds from domestic retail investors and invests in foreign equity. There are attempts to increase domestic institutional investor participation, particularly by National Social Security Fund (NSSF) and insurers.[12] The fund management company has cited concerns around illiquidity of domestic equity markets for lack of investment therein. There are four CIS which are under process with the SERC.

16. Discussions with SERC and the industry indicate investor confidence and literacy concerns as key reasons for lack of development of the CIS industry. Recent scams have heavily eroded investor trust, including in CIS. Levels of financial literacy are low. Concerns around investor confidence, Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) risks, reputational risks and lack of liquidity in domestic markets have deterred foreign players from entering the Cambodian asset management industry in a significant way. Distribution channels are limited; industry cites issues relating to regulatory approvals for banks and insurers to operate in this sector. The sector also lacks qualified experts in the sector resulting in resourcing constraints for the industry. Despite these challenges, discussions suggest that some players are keen to take advantage of the growing Cambodian economy and launch their CIS.

[8] There are two private funds (managed by Royal Group Funds) which are operational but not licensed by SERC and under SERC's review.

[9] The non-CIS trust business is the dominant part of the trustee company business in Cambodia. Such companies enable holding of real estate and other assets, particularly for foreign investors, through the trust structure.

[10] Banjaran Asset Management (Cambodia) Plc. and ACLEDA Securities Plc. distributing BAMC Asia Equity Fund managed by Banjaran Asset Management (Cambodia) Plc.; Royal Group Funds presumably distributing the group's two private funds (see earlier footnote).

[11] Banjaran Asset Management (Cambodia) Plc. and Royal Group Funds are active.

[12] NSSF is currently permitted to invest only in domestic and not in foreign equity.

C. Intermediaries

17. **Intermediaries in Cambodian capital markets include the broad categories of securities firms, CIS operators, derivative market firms, and (securities) market participants.** Securities firms broadly include entities conducting activities of brokers, dealers, underwriters, investment advisors and financial advisors. CIS operators include fund management companies, trustee companies, fund distributors and fund administrators (already discussed above). Derivatives market firms include brokers and central clearing counterparties operating in the derivatives market. Market participants include custodians, registrars, transfer and paying agents, and cash settlement agents.[13]

18. **Intermediary activities are primarily focused on the domestic markets and investors.** The number and types of licensed intermediaries can be found in Table 3 in the next section. The licensing structure permits a firm holding an underwriting license to also conduct dealing and broking activities within the same license. Similarly, a firm holding a dealing license can also conduct broking under the same license. Therefore, many firms hold the underwriting/ dealer license, while undertaking multiple businesses under the same license. Broking activities focus on domestic retail investors for trading in domestic markets.[14] Underwriting activities focus on underwriting of domestic issuances. One securities firm has an investment-advisory license, focusing on providing services to high-net-worth international investors. Market operators support primary and secondary market activities.

19. **While there are many licensed intermediaries, there are only a few active participants resulting in a high concentration risk.** There is only one active CIS and therefore, one of each related CIS operator being active. Three more CIS are under process which may help diversify the sector in the future. Concentration risks are also present in other areas such as broking/ dealing, custodians, registrar, transfer and paying agents, etc.[15]

20. **Securities firms face several constraints affecting their businesses including the lack of enough IPOs and lack of liquidity in secondary market.** Lack of enough IPOs/fund raisings make the underwriting business challenging. Similarly, lack of secondary market trading makes reliance solely on broking income difficult. Many sustain their businesses through focusing on corporate advisory services. Industry also cites concerns around lack of easily accessible public information about Cambodian securities (e.g. on Bloomberg) as another reason for lack of interest in Cambodian capital markets from foreign investors.[16] Operational issues such as lack of electronic KYC, KYC procedures, etc. add to the challenges. From the supervisory end, there are concerns of mis-selling by unlicensed derivatives representatives in the sector.

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[13] Market operators in the Cambodian context also includes market infrastructure institutions (exchanges, clearing and settlement corporations and depositories), even though not classified as intermediaries.

[14] One of the securities firms is examining introduction of a platform for clients to invest in global securities.

[15] RBS will address concentration risks through suitable prioritization and focus of supervisory resources on areas of high risk.

[16] Industry discussions indicate that there are ongoing discussions with Bloomberg on this issue.

IV. Regulation and Supervision

A. Regulation

21. The regulatory framework for the securities market is covered by laws, sub-decrees, Prakas, and Guidelines.[17] The two key laws that govern the securities market operations, including powers and mandates of SERC itself, are Law on the Issuance and Trading of Non-government Securities and the Law on the Conduct and Organization of the Non-bank Financial Services Authority. In addition to laws laid down by the legislature, the Prime Minister can issue sub-decrees (Anukret) laying down implementation aspects relating to the laws. The Minister of Ministry of Economic and Finance and Chairman of NBFSA have the power to issue '*Prakas'* or proclamations on various topics (see Annex C). The SERC may adopt guidelines to facilitate the understanding and compliance with requirements of the Prakas to securities market entities, participants, and the public. SERC has issued several of these on various aspects of the securities markets over the years. Key laws, sub-decrees, Prakas, and guidelines are provided at Annex C. The NBFSA now has important final approval powers over rule-making in the nonbank financial sector including in the securities market.

22. In line with the Securities Sector Development Strategy 2025-35, SERC is strengthening its regulatory framework and addressing emerging areas. Since its inception, SERC has focused on building foundational regulatory frameworks for various segments of the securities market. Recent regulatory reforms that are ongoing or under consideration include: (i) amendments to the Law on the Issuance and Trading of Non-government Securities to fulfil preconditions enabling SERC to sign the IOSCO Multilateral Memorandum of Understanding (MMoU) (ii) regulatory framework relating to emerging issues such as Fintech, Digital Assets, Crowdfunding Platforms, and peer-to-peer financing (iii) regulatory framework to establish new markets/ products such as swaps, options and futures; commodity futures; securities financing and margins (iv) strengthen existing regulatory requirements; e.g., implementation of new AML/CFT Guidelines for securities intermediaries to align with Financial Action Task Force (FATF)/ Asia-Pacific Group (APG) mutual evaluation, adopt a corporate governance code with mandatory and voluntary guidelines.

B. Supervision

23. SERC has three supervision departments dealing with issuance, markets and intermediaries.

- The securities issuance supervision department has four divisions with 22 staff across the department and deals with regulation and supervision of primary markets, with pre-and post-listing functions. Two divisions deal with issuance/pre-listing and post-listing aspects respectively. Two have a thematic focus of accounting supervision, and corporate governance. The department deals with issuance of equity, bonds, CIS, and securitization instruments.

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[17] See explanations in the para for understanding of the terms sub-decrees, Prakas, and guidelines.

- **The securities markets supervision department has three divisions with 23 staff across the department and deals with licensing, regulation and supervision of market infrastructure institutions** (exchange, central counterparty, depository) and other securities market participants (custodians; registrar, transfer and paying agents; cash settlement agents). The department also undertakes surveillance with respect to market abuse and deals with the provision of investor ID to investors in the securities market. This department also contributes to investor education to promote securities trading.
- **The securities intermediaries supervision department has four divisions with 29 staff across the department and deals with licensing, regulation, and supervision of securities market intermediaries** (e.g., brokers, dealers, underwriters, financial advisory firms, investment advisory firms), derivatives market operators (e.g., derivative brokers, central counterparties), and CIS operators (e.g., fund managers, trustee companies, fund distributors, fund administrators).[18] The department is also responsible for the licensing, regulation, and other activities relating to the Fintech sandbox (Prakas and guideline adopted in 2023) and broader digital assets businesses (Prakas adopted in 2025).

24. SERC's legal department works closely with the supervision departments in development of regulations, handling of complaints, as well as investigation and enforcement matters. SERC has a toolkit of enforcement powers including administrative sanctions (e.g., warning, correction orders, limitation/restriction/suspension/revocation of licenses) and fines, which it deploys from time to time for misconduct violations. Criminal cases are forwarded to the Prosecutor for necessary action. The Legal Department also deals with investor complaints, which involves a formal mediation process at the first stage and an adjudication process at the second stage (if mediation fails).

25. SERC licenses and supervises a wide variety of entities. As mentioned earlier, there is a significant concentration risk due to a few active players in various sectors, despite having many licensed entities. With SERC revoking licenses of certain inactive licensed entities in the last few years, the number of licensed entities is reducing over time. Table 3 below provides the list of total number of licensed entities by SERC in various sectors.

Table 3: Number of Licensed Entities by SERC in Various Sectors#

Sr. No	License type	Number of licensed firms
1.	Securities Underwriter	7
2.	Securities Dealer	7
3.	Securities Broker	12
4.	Financial Advisory Firm	2
5.	Investment Advisory Firm	1
6.	Securities Selling Firm	3
7.	Government Securities Intermediary Firms	3
8.	Central Counterparties (Derivatives)	5
9.	Derivative Brokers	18
10.	Trustees	6

[18] The department started with supervision of securities firms. Since 2019, the department additionally supervised the derivative market operators and more recently, CIS operators.

11.	Fund management companies	12
12.	Fund administrators	6
13.	Fund distributors	7
14.	Fintech Regulatory Sandbox in Securities Sector	6
15.	Market Operator (Operator of Securities Market, Operator of Clearing and Settlement Facility, and Operator of Securities Depository)	1
16.	Cash Settlement Agents	8
17.	Registrar Agent, Transfer Agent and Paying Agent	3
18.	Bondholder representatives	4
19.	Credit Rating Agency	1
20.	Custodian Agent	1
21.	Associations	3

#Some firms have multiple licenses. In addition to the entities mentioned in the list, SERC licenses/ accredits supporting professional firms including law firms, IT firms, audit firms, and valuation companies.

26. SERC largely adopts a compliance-based approach in its supervision. Each supervision department focuses on compliance checks with various regulations through offsite and onsite supervision. Approximately 70 onsite inspections were conducted in the last five years. SERC has developed supervisory manuals in 2024/2025 including onsite inspection manuals which provide detailed guidance on the planning, execution, and reporting of inspections of entities regulated by the SERC (in Khmer Language). While comprehensive, the focus of these manuals is on compliance with regulations. A significant focus of offsite supervision includes compliance with prudential net capital requirements, among others.

27. Onsite inspections cover some elements of risk-based supervision in terms of selection of entities and topics for inspection. The scope, frequency, and topics of inspection are determined by the entity's risk profile, complexity of operations, and past compliance record, as outlined in the Standard Operating Procedures (SOP). A scoring mechanism is used to shortlist high-risk entities based on various parameters. Inspections are conducted annually and typically, five staff members are assigned to each inspection. Challenges for onsite inspections include skills shortage, intensity of resource utilization, incomplete/ inconsistent data and information, restricted access to sensitive documents, and reliance on manual data. A robust risk identification and assessment process, resource allocation and supervisory intensity based on risk and impact, and a clear risk and outcome-based intervention framework is absent.

28. Some elements of risk-based supervision are also found in issuance supervision but continue to be primarily compliance-based. The securities issuance supervision department undertakes a focused review of certain Key Performance Indicators (KPIs) (e.g., liquidity risk, profitability risk) based on the financial statements submitted by listed companies.[19] In addition, there is a focus on equity listed companies, and bonds issued to public investors. However, the overall supervision continues to be

[19] Given the limited number of listed companies, the department has indicated issues on calculating industry benchmarks.

primarily compliance-based, e.g., review of compliance with corporate governance regulatory requirements.

29. There is a lack of a robust surveillance mechanism for market abuse. CSX undertakes a daily “market watch” for daily surveillance but a robust surveillance mechanism to detect market abuse is absent. SERC undertakes some excel-based surveillance for detecting market abuse, but a holistic and robust online surveillance system is absent.

30. Reporting formats are well-established, but manual processes and lack of analytical formats make offsite supervision cumbersome and resource intensive. Reporting formats are laid down through different *prakas*/ guidelines and differ based on the license. Reporting broadly covers aspects such as capital/liquidity, state of business, certain financial items (e.g., revenue items), control and governance reports (e.g., internal control reports, internal audit report), organization, shareholding and management, complaints, etc. SERC also receives markets data (trading, clearing and settlement) periodically from CSX. Reporting frequency includes daily, weekly, monthly, quarterly and annual, depending on the license.[20] The key challenge with respect to reporting and data is the lack of a robust online reporting process, which results in cumbersome manual data entry (with the risk of introducing errors), processing and analysis based on physical forms and difficult to process formats such as pdfs/images. Use of messaging apps for data reporting also raises challenges of privacy and data security.

31. Thematic approach towards supervision is limited. Certain thematic topic onsite inspections such as AML/CFT have been conducted in the past. However, an active risk-focused thematic approach is absent.

[20] In addition, the issuance supervision department deals with quarterly and annual disclosures by listed companies.

V. Work with International Institutions/ Authorities

32. SERC is working with several internation institutions to develop the regulatory and supervisory framework in Cambodia. The largest development partner for the securities market in Cambodia is the Asian Development Bank (ADB) who is working closely with the Cambodian authorities on a policy-based loan which ends in 2030. The SERC, NBFSA, and NBC drafted the Securities Sector Development Strategy 2025-30 with the aid of ADB.[21] ADB is also involved in providing TA in areas such as development of government bond markets, development of the regulatory framework for Real Estate Investment Trusts (REITs) and Exchange Traded Funds (ETFs), etc. The World Bank is involved in providing TA with respect to sustainability reporting, while the IFC is providing technical assistance to develop the derivatives markets.[22] In addition, SERC is working closely with the UK Financial Conduct Authority to remove impediments to SERC signing IOSCO's Memorandum of Understanding (MoU) to become an Ordinary Member. SERC is not receiving TA/has not requested TA on risk-based supervision from any other international institution, other than the IMF.

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[21] Key measures under this plan includes development of a risk-based supervision approach and framework by SERC.

[22] It is also understood that IFC drafted a Cambodia Capital Markets Assessment Report recently, but details are not available publicly.

VI. Recommendations

33. The mission made six key recommendations targeting key steps necessary for SERC to fully transition to an effective risk-based supervision framework. The recommendations are outlined below:

- **Review and strengthening of the reporting formats with a view to make data in an analytical format, of high quality, and risk-based.** The current reporting formats are comprehensive but involve cumbersome manual processes and data in difficult-to-use formats. The reporting formats are compliance-focused and not risk-focused. There are also data quality issues which utilize significant resources on a regular basis. SERC should review and strengthen its reporting format, focusing on establishing an online reporting format (at the very minimum, begin with usable data formats such as excel), improve data quality through automation, and review data reporting format to make it risk-based.[23]
- **Development of a risk-identification and assessment framework, suitable to the Cambodian context.** At present, the supervision is largely compliance-based. There are some elements of risk-identification and assessment in the selection of onsite inspections, but a holistic risk identification and assessment framework is absent. SERC should consider establishing a robust risk-identification and assessment framework, suitable to the Cambodian context, as the basis of a sound and robust risk-based supervisory framework.
- **Development of a risk-based supervisory engagement, resource allocation and intervention framework.** Currently, the supervisory engagement is risk-based to a limited extent (for the purpose of selection of entities for onsite inspections). A holistic framework for an overall supervisory engagement (including offsite, onsite, thematic approaches, engagement with management, etc.) based on a robust risk-assessment framework is absent. The resource allocation is not risk-based. The intervention framework focuses on addressing non-compliance and penal actions rather than mitigation of risks. Once the risk identification and assessment framework is in place, it is important that the supervisory engagement, resource allocation and intervention framework is based on the assessed risks to form a holistic risk-based supervision framework. In this process, SERC should also review its powers to ensure that there are no gaps, legal or otherwise, that could undermine its transition to RBS, particularly for intervention. Supervisory engagement should also include review and enhancement (if needed) of the current domestic and cross-border supervisory cooperation.
- **Review and revision (or development of, as needed) of supervisory manuals in line with the revised risk-based supervisory framework.** SERC already has a comprehensive set of inspection manuals. However, these manuals are drafted with a compliance-focus in line with the current compliance-based approach to supervision. To transition to an RBS approach, the manuals will need to be reviewed and revised in line with the RBS framework. In addition, other supporting manuals for transitioning to an RBS will need to be put in place.
- **Implementation of the RBS framework (including pilot projects, revisions to organizational structure, etc.): Implementing RBS is a massive exercise and will need substantial revisions to**

[23] The review of data reporting format to make it risk-based can be done in conjunction with the establishment of the risk identification and assessment framework.

the current supervisory approach. A phased approach may be suitable in implementation of the RBS framework. In such cases, SERC should consider pilot projects beginning with one/two sectors before extending RBS to its entire supervisory approach. Further, implementing RBS may also involve reviewing the current organization structure, particularly to establish structures necessary to support an effective RBS (e.g., RBS panels for quality control).

- **Staff training and stakeholder communication (e.g., licensed firms, investors, etc.) for effective transition to RBS**. Staff training will be key to ensure that current and new supervisory staff are adequately trained in the new RBS framework and its implementation. In addition, SERC should consider devising a stakeholder communication strategy with external stakeholders who may be affected by RBS implementation (e.g., licensed firms, investors, etc.).

34. The authorities have sought TA for transitioning their supervisory approach and framework to RBS. The expert indicated that this will be discussed within the Fund and will be subject to availability of expertise and resources.

Annex A: Training Presentations

Presentation copies shared with the authorities.

Annex B : Mandates & Roles of SERC and NBFSA

A. SERC's Mandate

- Under Article 7 of the Law on the Issuance and Trading of Non-Government Securities 2007, SERC's core mandates include:
- To regulate, supervise and develop the securities sector in Cambodia;
- To supervise and surveille of the securities market and its participants;
- To enforce policy with respect to securities market;
- To formulate conditions for granting approvals to the operators of a securities market, clearance and settlement facility, and securities depository;
- To formulate conditions for granting license to securities companies and other players;
- To formulate conditions for approval proposal to make public offering of securities and monitor compliance
- Develop and maintain the confidence of public investors in the Kingdom of Cambodia by protecting their lawful rights and ensuring that the offer, issue, purchase and sale of securities are carried out in a fair and orderly manner;
- Promote the effective regulation, efficiency and orderly development of the securities markets;
- Encourage the varieties of saving tools through buying of securities and other financial instruments;
- Encourage foreign investment and participation in the securities markets in the Kingdom of Cambodia; and
- Assist in facilitating the privatization of state-owned enterprises in the Kingdom of Cambodia.

B. NBFSA's Roles and Duties

- Act as legislator of insurance and private pension, securities and exchange, social securities, trust, accounting and auditing, real estate, pawnshop, and security as transfer sectors;
- Initiates non-bank financial sector development policies and strategies as well as non-bank financial technology to the government;
- Determines, monitors, and observes the implementation of the action plan and strategic plan for implementing non-bank financial sector development policies and strategies;
- Enhances market confidence, supports investors, and prevents financial crime within the non-bank financial sector by initiating investigations, collecting information from relevant persons, and taking action on freezing of assets or bank account balances of relevant persons in the event of suspicion of non-bank financial crime in accordance with the law in force;
- Contributes in the maintenance of and strengthening the stability of the financial sector;
- and encourages development of financial innovation.
- Roles and Duties of the NBFSA Council
- Examines and initiates the non-bank financial sector development policies and strategies as well as non-bank financial sector technology;
- Puts forth strategic plans and action plans to implement non-bank financial sector development policies and strategies;
- Examines and monitors the implementation of strategic plans and action plans of the Authority;

- Examines and decides on the preparation of Prakas, Circulars and Decisions in order to manage the non-bank financial sector;
- Examines and decides on conditions, procedures, and rules to issue, suspend and terminate licenses and/or certificates, approvals, accreditations, and registrations in the non-bank financial sector;
- Promotes and enhances the implementation of and compliance with the provisions of the Law;
- Monitors the fulfilment of roles and duties of subordinated regulators;
- Examines and approves budget plan for the operation of the Authority and the regulators and subordinated entities of the Authority; and
- Examines and decides the internal rules of the Authority.

Annex C: List of Key Legislations and Regulations

- Law on the Issuance and Trading of Non-government Securities
- Law on the Conduct and Organization of the Non-bank Financial Services Authority
- Sub-decree on the Conduct and Organization of the Securities and Exchange Regulator of Cambodia
- Sub-decree on the implementation of the Law on the Issuance and Trading of Non-government Securities
- Prakas on Licensing and Supervision of Securities Business
- Prakas on Grant Approval to Securities Market Operator, Depository Operator and Clearing and Settlement Operator
- Prakas on Licensing and Supervision of Derivative Business
- Prakas on Licensing and Supervision of Collective Investment Scheme Business
- Prakas on the Public Offering of Equity Securities
- Prakas on the Public Offering of Debt Securities
- Prakas on the Offering of Infrastructure Bond
- Prakas on Corporate Disclosure: https://www.serc.gov.kh/boards/data_dir/m23Prakas/100033.pdf
- Prakas on Sustainability Disclosure
- Prakas on code conduct of securities firms and securities representative: https://www.serc.gov.kh/boards/data_dir/m23Prakas_k/100027.pdf (Khmer version)
- Prakas on requirements for financial soundness of securities firms: https://www.serc.gov.kh/boards/data_dir/m23Prakas_k/100030.pdf (Khmer version)
- Prakas on licensing and supervision of securities business: https://www.serc.gov.kh/boards/data_dir/m23Prakas_k/100062.pdf (Khmer version)
- Prakas on obligations of reporting, notifying and requesting for approval of securities firms and investment advisory firms https://www.serc.gov.kh/boards/data_dir/m23Prakas_k/100067.pdf (Khmer version)
- Prakas on the accreditation to the cash settlement agent: https://www.serc.gov.kh/boards/data_dir/m23Prakas/100022.pdf
- Prakas on the Registration of Securities Registrar,Securities Transfer Agent, and Paying Agent: https://www.serc.gov.kh/boards/data_dir/m23Prakas/100023.pdf
- Prakas on the Accreditation of the Custodian Agent in the Securities Sector https://www.serc.gov.kh/boards/data_dir/m23Prakas_k/100063_1.pdf
- Prakas on authorization of securities selling firms and selling agent https://www.serc.gov.kh/boards/data_dir/m23Prakas_k/100065.pdf (Khmer version)
- Prakas on licensing and supervision of derivatives business https://www.serc.gov.kh/boards/data_dir/m23Prakas_k/100043.pdf (Khmer version)
- Prakas on opening of branches of central counterparties and derivatives brokers https://www.serc.gov.kh/boards/data_dir/m23Prakas_k/100056.pdf (Khmer version)
- Prakas on licensing and supervision of CIS business https://www.serc.gov.kh/boards/data_dir/m23Prakas_k/100064.pdf (Khmer version)

- Prakas on code conduct of derivatives business https://www.serc.gov.kh/boards/data_dir/m23Prakas_k/100074.pdf (Khmer version)
- Prakas on amendment of Prakas on licensing and supervision of derivatives business https://www.serc.gov.kh/boards/data_dir/m23Prakas_k/100078.pdf (Khmer version)
- Prakas on requirements for financial soundness of central counterparties and derivatives brokers https://www.serc.gov.kh/boards/data_dir/m23Prakas_k/100080.pdf (Khmer version)
- Prakas on obligations of reporting, notifying and requesting for approval of central counterparties and derivatives brokers https://www.serc.gov.kh/boards/data_dir/m23Prakas_k/100081.pdf (Khmer version)
- Prakas on obligations of reporting, notifying and requesting for approval of financial advisory firms https://www.serc.gov.kh/boards/data_dir/m23Prakas_k/100083.pdf (Khmer version)
- Prakas on obligations of reporting, notifying and requesting for approval of fund distribution companies https://www.serc.gov.kh/boards/data_dir/m23Prakas_k/100084.pdf (Khmer version)
- Prakas on obligations of reporting, notifying and requesting for approval of trustee https://www.serc.gov.kh/boards/data_dir/m23Prakas_k/100085.pdf (Khmer Version)
- Prakas on obligations of reporting, notifying and requesting for approval of fund management companies https://www.serc.gov.kh/boards/data_dir/m23Prakas_k/100086.pdf (Khmer Version)
- Prakas on obligations of reporting, notifying and requesting for approval of fund administration companies https://www.serc.gov.kh/boards/data_dir/m23Prakas_k/100089.pdf (Khmer Version)
- Prakas on code conduct of trustee https://www.serc.gov.kh/boards/data_dir/m23Prakas_k/100090.pdf (Khmer Version)
- Prakas on requirements for financial soundness of CIS business https://www.serc.gov.kh/boards/data_dir/m23Prakas_k/100091.pdf (Khmer Version)
- Prakas on code conduct of fund distribution companies and fund distribution representative https://www.serc.gov.kh/boards/data_dir/m23Prakas_k/100096.pdf (Khmer Version)
- Prakas on The Grant of Approval to The Operator of a Securities Market: https://www.serc.gov.kh/boards/data_dir/m23Prakas_k/100006_1.pdf (Khmer Version)
- Report form including Quarterly Report, Annual Report and Corporate Governance: https://www.serc.gov.kh/boards/data_dir/m24guide/100019_1.pdf (Khmer Version)
- Prakas on requirements for financial soundness of securities firms: https://www.serc.gov.kh/boards/data_dir/m23Prakas_k/100030.pdf (Khmer Version)
- Prakas on obligations of reporting, notifying and requesting for approval of securities firms and investment advisory firms: https://www.serc.gov.kh/boards/data_dir/m23Prakas_k/100067.pdf (Khmer Version)
- Prakas on obligations of reporting, notifying and requesting for approval of financial advisory firms: https://www.serc.gov.kh/boards/data_dir/m23Prakas_k/100083.pdf (Khmer Version)
- Prakas on requirements for financial soundness of central counterparties and derivatives brokers: https://www.serc.gov.kh/boards/data_dir/m23Prakas_k/100080.pdf (Khmer Version)
- Prakas on obligations of reporting, notifying and requesting for approval of fund management companies: https://www.serc.gov.kh/boards/data_dir/m23Prakas_k/100086.pdf (Khmer Version)
- Prakas on obligations of reporting, notifying and requesting for approval of trustee: https://www.serc.gov.kh/boards/data_dir/m23Prakas_k/100085.pdf (Khmer Version)

- Prakas on obligations of reporting, notifying and requesting for approval of fund distribution companies: https://www.serc.gov.kh/boards/data_dir/m23Prakas_k/100084.pdf (Khmer Version)
- Prakas on obligations of reporting, notifying and requesting for approval of fund administration companies: https://www.serc.gov.kh/boards/data_dir/m23Prakas_k/100089.pdf (Khmer Version)
- Guideline on mechanism for receiving securities trading orders: (https://www.serc.gov.kh/boards/data_dir/m24guide_k/100012.pdf) (Khmer Version)
- Guideline on derivatives operating rules for central counterparty: (https://www.serc.gov.kh/boards/data_dir/m24guide_k/100016.pdf) (Khmer Version)
- Guideline on derivative client money account and mechanism of cash deposit, cash withdrawal and cash settlement (https://www.serc.gov.kh/boards/data_dir/m24guide_k/100017.pdf) (Khmer Version)
- Guideline on account opening form, client agreement and risk acknowledgement (https://www.serc.gov.kh/boards/data_dir/m24guide_k/100022.pdf) (Khmer Version)
- Guideline on report forms of securities firms and investment advisory firms
- (https://www.serc.gov.kh/boards/data_dir/m24guide_k/100025.pdf) (Khmer Version)
- Guideline on report forms of central counterparty and derivatives broker
- (https://www.serc.gov.kh/boards/data_dir/m24guide_k/100026.pdf) (Khmer Version)
- Join guideline on registration and additional authorization application of trustee of CIS and custodian agent in the securities sector
- (https://www.serc.gov.kh/boards/data_dir/m24guide_k/100035.pdf) (Khmer Version)
- Guideline on the derivative trading account opening via online (https://www.serc.gov.kh/boards/data_dir/m24guide_k/100042.pdf) (Khmer Version)
- Guideline on the securities trading account opening via online (https://www.serc.gov.kh/boards/data_dir/m24guide_k/100048.pdf) (Khmer Version)
- Guideline on report forms of financial advisory companies (https://www.serc.gov.kh/boards/data_dir/m24guide_k/100050.pdf) (Khmer Version)
- Guideline on report forms of fund distribution companies (https://www.serc.gov.kh/boards/data_dir/m24guide_k/100052.pdf) (Khmer Version)
- Guideline on report forms of fund management companies (https://www.serc.gov.kh/boards/data_dir/m24guide_k/100053.pdf) (Khmer Version)
- Guideline on report forms of trustee (https://www.serc.gov.kh/boards/data_dir/m24guide_k/100054.pdf) (Khmer Version)
- Guideline on accounts opening and forms for investing in fund of CIS (https://www.serc.gov.kh/boards/data_dir/m24guide_k/100056.pdf) (Khmer Version)
- Guideline on report forms of fund administration companies (https://www.serc.gov.kh/boards/data_dir/m24guide_k/100060.pdf) (Khmer Version)
- Guideline on request for approval to change the board of directors, name and head office of securities intermediaries (https://www.serc.gov.kh/boards/data_dir/m24guide_k/100060_1.pdf) (Khmer Version)
- Guideline on fund investment account opening via online (https://www.serc.gov.kh/boards/data_dir/m24guide_k/100063.pdf) (Khmer Version)Prakas on Licensing and Superivision of digital asset businesses (https://www.serc.gov.kh/boards/data_dir/m23Prakas_k/100100.pdf) (Khmer Version)