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Cryptoassets Regulation Introduced by the National Bank of Cambodia ("NBC")

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Key Highlights:

- Commercial banks may hold cryptoasset exposures for Group 1 cryptoassets subject to exposure limit.
- Commercial banks, payment settlement institutions and other legal entities may act as cryptoasset service providers (CASPs).
- Cryptoassets do not include central bank digital currency.

Details:

The NBC has passed a new regulation permitting commercial banks and payment settlement institutions to provide services relating to cryptoassets pursuant to Prakas B7-024-735 Prokor on Transactions Related to Cryptoassets on 26 December 2024 ("**Prakas on Cryptoassets**" or "**the regulation**").

Historically, the NBC (together with the Securities and Exchange Regulator of Cambodia and the General-Commissariat of National Police) issued a joint statement in 2018 that prohibited any

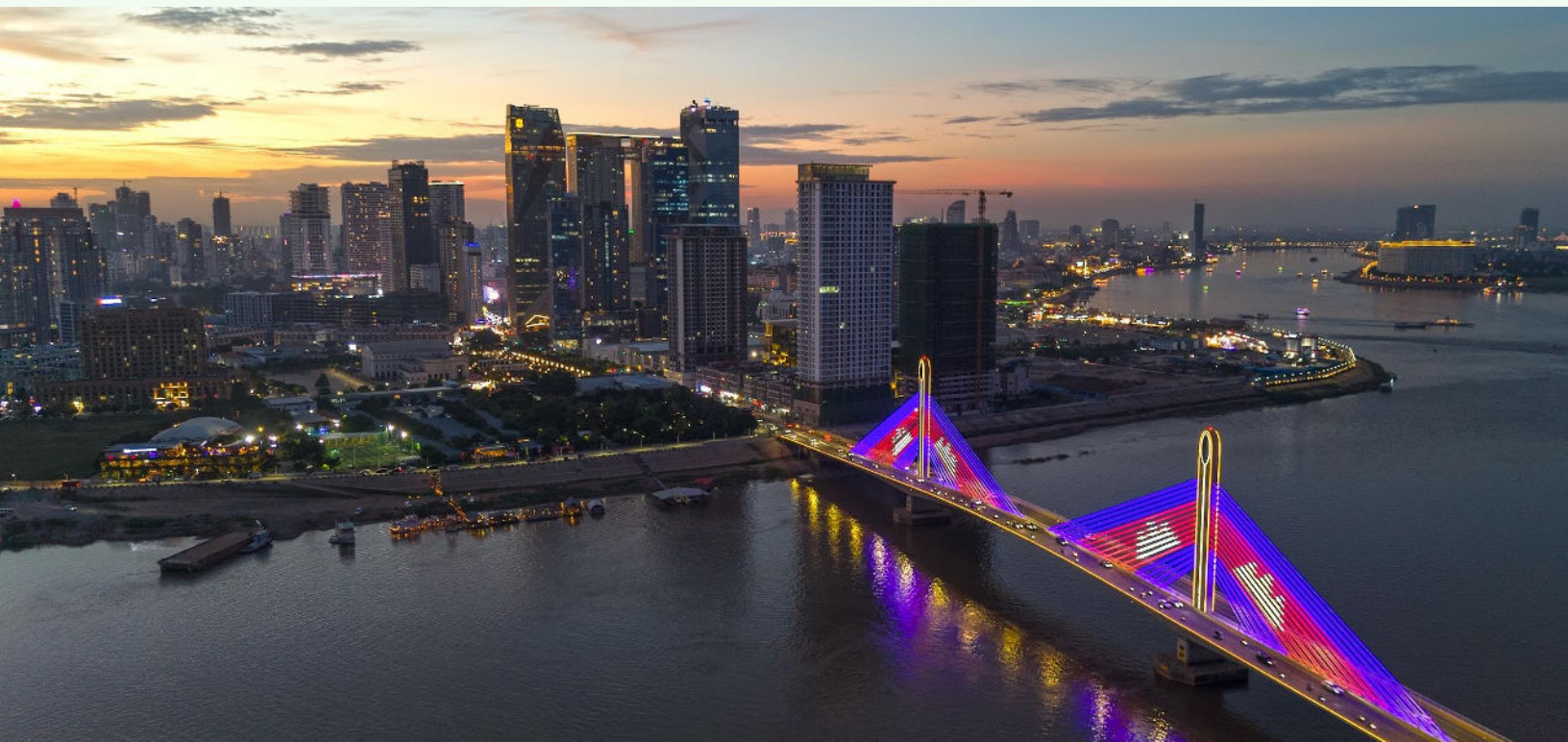
activities related to crypto currencies without holding a license from the relevant authorities.

The Prakas on Cryptoassets formally permits commercial banks and payment settlement institutions operating under the NBC supervision to provide services relating to crypto assets and, for commercial banks, to hold cryptoasset exposure, subject to prior approval from the NBC. Legal entities may also provide services relating to cryptoassets subject to receipt of license from the NBC.

The required conditions and procedures for prior approval (for commercial banks and payment institutions) and license (for legal entities) to act as CASPs pursuant to Clause 20 of this regulation will be set out in a separate regulation.

The regulation defines certain key terminologies used in digital assets. These include cryptoassets, crypto asset exposure, CASPs, e-wallet, tokenization and stablecoin.

Of note, cryptoassets are defined as:



- (1) a unit having value in digital, created by using cryptography and distributed ledger technology (DLT) or similar technology;
- (2) cryptoassets include tokenized traditional assets; unbacked cryptoassets; stablecoin; utility token and security token;
- (3) cryptoassets do not include central bank digital currency (CBDC);
- (4) cryptoassets may be traded, transferred and used for payment or investment purposes or access to goods/services via digital system;
- (5) cryptoassets do not include digital representation of fiat currencies, securities or other financial instruments, for the purposes of regulating cryptoasset service providers pursuant to this regulation.

CASPs refer to any legal entities that provide services or engage in activities relating to cryptoassets on behalf of customers, namely (a) exchange against official currencies or other crypto assets; (b) transfer services; (c) custody and administration.

Cryptoassets are classified into two groups:

Group 1 refers to cryptoassets that are digital representation of traditional financial instruments or the value of which refers to traditional assets or a pool of traditional assets known as reference assets. Group 1 is further divided into Group 1a (i.e., tokenized securities) and Group 1b (i.e., stablecoins). Group 1a and/or Group 1b must satisfy common and specific conditions as stated under Prakas on Crypto Assets.

On the other hand, Group 2 includes all crypto assets that do not meet the criteria of Group 1, particularly unbacked crypto assets, not tokenized traditional assets or stablecoins.

Commercial banks may provide services or engage in activities relating to cryptoassets for their own accounts (only for Group 1 but not Group 2) or their customers pursuant to Clause 20 of the regulation. Commercial banks must implement existing prudential treatment on exposure to Group 1, with Group 1a exposures not exceeding 5% of Common Equity Tier 1 Capital (CET1 Capital) and Group 1b exposures not exceeding 3% of CET1 Capital. Further, commercial banks must file a quarterly report on the nature and value of cryptoasset exposures pursuant to the appendix attached with the regulation.

In addition to the operational restrictions and prudential requirements, the regulation sets out governance frameworks to supervise crypto asset exposures of commercial banks.

Failure to comply with any provisions under the regulation will subject commercial banks, payment settlement institutions and CASPs to disciplinary sanctions pursuant to Article 52 of the Law on Banking and Financial Institutions. In addition to disciplinary sanctions, the NBC may impose fines on commercial banks that do not comply with the operational restrictions, cryptoasset exposures or reporting requirements.

The NBC will issue two new regulations relating to cryptoassets over the coming months. This will include a regulation on the required conditions and procedures to apply for prior approval or license as CASPs and a regulation on cryptoasset exposures by commercial banks.

Contact Us



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