

New NBC's Regulation on Cryptoasset Transactions

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On 26 December 2024, the National Bank of Cambodia (NBC) issued Prakas No. B7-024-735 on Transactions Related to Cryptoassets ("Prakas"), to regulate cryptoasset transactions and business activities. This initiative establishes a framework to regulate cryptoasset exposures and services, promoting secure digital finance in Cambodia.

1. Key Highlights of the Regulation

- **Covered entities:** All commercial banks and payment service institutions under NBC, and legal entities intending to act as Cryptoasset Service Providers (CASPs).
- **Cryptoassets:** Cryptoassets are digital values using cryptography and distributed ledger technology, excluding fiat currencies and traditional financial assets.
- **Authorization and Licensing Requirement:** To provide cryptoasset services in Cambodia, a commercial bank (both for its own account and for its customers) or a payment service institution must obtain authorization from the NBC. Meanwhile, a CASP must secure licensing from the NBC. Permissible services include:
 - Exchange of cryptoassets;
 - Transfer of cryptoassets; and
 - Safekeeping or administration of cryptoassets or instruments enabling control over cryptoassets.
- **Classification of Cryptoassets:**
 - Group 1:**
 - **Group 1a:** Tokenized traditional assets (e.g., tokenized securities).
 - **Group 1b:** Stablecoins backed by traditional assets with stable value.
 - Group 2:** Unbacked cryptoassets or those failing to meet Group 1 criteria.
- **Regulatory Restrictions and Sanctions for Non-compliance:** For their own account, commercial banks are prohibited from issuing cryptoassets and engaging in any direct or indirect cryptoasset exposure with Group 2. CASPs are prohibited from using customers' cryptoassets for business purposes (including lending and staking), promoting cryptoassets as payment methods, and advertising specific cryptoassets, except for their own services.
- **Governance and Risk Management:** Commercial banks must establish comprehensive frameworks to manage risks, including Information and Communication Technology (ICT) risk, Cybersecurity risk, Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) risk, and valuation risk. Governance structures require board oversight, regular reviews, and staff competency in cryptoasset-related activities. In addition, commercial banks

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must report cryptoasset exposures according to applicable regulations and submit quarterly reports detailing the nature and value of these exposures.

- **Strict Prudential Limits:** For commercial banks, exposures for Group 1a and Group 1b, prior to risk-weighting, are limited to 5% and 3% of Common Equity Tier 1 (CET1) Capital, respectively.
- 2. Sanctions for Non-Compliance:** Applicable to all commercial banks, payment service institutions, and CASPs, the NBC may impose fines on institutions for non-compliance with this Prakas, including:
- (i) KHR 500,000,000 per transaction for commercial banks that issuing cryptoassets and engaging in any direct or indirect cryptoasset exposure with Group 2.
 - (ii) KHR 20,000,000 to KHR 500,000,000 per transaction for commercial banks breaching thresholds by not respecting exposures for Group 1a and Group 1b, prior to risk-weighting, which are limited to 5% and 3% of CET1 Capital.
 - (iii) KHR 1,000,000 per day for commercial banks failing to meet reporting requirements for cryptoasset exposures according to applicable regulations and to submit quarterly reports detailing the nature and value of these exposures.
 - (iv) KHR 3,000,000 per day for commercial banks, payment service institutions, and licensed CASPs failing to comply with the Prakas, excluding items (i), (ii), and (iii), starting from the corrective action deadline set by the NBC.

3. What This Means for Cambodia

This landmark regulation signals Cambodia's commitment to creating a secure digital financial ecosystem. By fostering transparency and mitigating risks, the Prakas sets the stage for increased confidence in cryptoasset adoption, while discouraging speculative and high-risk activities.

4. What's Next?

NBC has indicated that the criteria and conditions for authorization and licensing for all commercial banks, payment service institutions, and CASPs will be detailed in a separate prakas. All commercial banks, payment service institutions, and CASPs intending to engage in cryptoasset services should begin preparing compliance frameworks and gathering the necessary documentation to meet regulatory requirements.

CONTACT

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