

# NPL Markets in Cambodia

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# Outline

Status and Obstacle of NPL Markets in Cambodia

Current Practice to Deal with NPL

Conclusion and Considered Questions

# Status and Obstacle of NPL Markets in Cambodia

- There is NO NPL markets (primary or secondary) in Cambodia due to no demands and supplies.
- Securities market is not very active.
- NPL Resolution Strategies have not established yet.

# Current Practice to Deal with NPL

- Facilities are classified based on customer's past due and financial condition and 5 categories as below:

		Loan $\leq$ 1 Year	Loan $>$ 1 Year	Provision
Performing Loan	Standard	Pay On Time	Pay On Time	1%
	Special Mention	> 14 Days	> 29 Days	3%
Non-Performing Loan (NPL)	Substandard	> 30 Days	> 89 Days	20%
	Doubtful	> 60 Days	> 179 Days	50%
	Loss	> 90 Days	> 359 Days	100%

- Regulatory provision is calculated in accordance with both CIFRS and the Prudential Regulation.

# Current Practice to Deal with NPL: BFIs

Discuss with customers and select the best option

- Loan restructuring
- Customer can sell other assets to pay off loan.
- BFIs/ customer can find potential buyer to buy customer's collateral.
  - Over 90% of loans are collateralized and consumer consent to have their physically certificate of the title deed to be kept by the BFIs.
  - Average LTV=60%
- In case, both parties cannot reach agreement, either party can bring the case to the court (always expensive option, and most people do not like it).

Follow write off/ recovery policies and procedures

# Current Practice to Deal with NPL: Related Authorities

## NBC

- Prakas (Regulation) and Circulation on Credit Risk Grading and Impairment Provisioning
- Guidelines for Loan Restructuring during COVID-19
- Monthly stress-tests and trend analysis on loan restructuring impacted by COVID-19
- Supervisor can ask BFIs with high NPL to submit NPL recovery plan
- For DSIBs and top 10 Banks, supervisor frequently arrange meeting to discuss about loan restructuring and NPL status

## MEF

- The initiative stage of the development of the Credit Guarantee Scheme (establish the Credit Guarantee Corporation of Cambodia (CGCC), a state-owned enterprise with USD 200 million initial capital)

# Conclusion

- NPL Markets in Cambodia has not established yet.
- Currently, we follow our regulation related to the Credit Risk Grading and Impairment Provisioning.
- BFIs have their individual NPL frameworks.

# Considered Questions:

## Has NPL caused any significant issues in Cambodia?

- NPL rate has been relatively low from 2007-2020 (average 3%).

## Should Cambodia consider having NPL markets in this present time?

- If Yes, will Cambodia be beneficial of having NPL markets?
  - NPL to Nominal GDP (2019) = 2.05%
- If No, when should Cambodia start to develop NPL markets?
  - Once the sign of the matching between the demands and supplies of the NPL Markets rises, we may consider to promote the NPL markets.

## How to develop NPL markets?

- Development of the national NPL resolutions and strategies
- More active securities market
- Improvement of the NPL and collateral evaluation
- Enhancing the market disciplines through improving the quality of the financial disclosures and data integrity for the corporate borrower



# Q&A And Thank you.

Please Stay Safe and Healthy to all.

Happy Weekends.