

## **Chapter 24**

### **BANKING AND FINANCE**

The banking system in Cambodia is a two-tier system including a central bank and an emerging commercial banking sector. The major constraint in the banking sector is the lack of expertise.

#### **24.1 State Banks**

The financial sector consists of two banks.

The State Bank of Cambodia is responsible for regulating the banking system, printing money, and controlling foreign exchange. The Foreign Trade Bank of Cambodia is the international branch of the State Bank and works closely with the Ministry of Finance. The second bank is the Commercial Bank of Cambodia controlled by the Council of Ministers and is the country's main monetary authority.

There is a limited capacity to conduct financial analysis for credit applications or financial checks on companies that could be potential partners. In addition, the shortage of banking legislation restricts the development of the banking system and discourages foreign investment.

#### **24.2 Foreign Banks**

Regulations on foreign banks are currently being drafted; nevertheless, the State Bank has already granted several licenses to foreign investors who want to set up branches of foreign banks or form joint venture banks in Cambodia. In 1992, the Council of Ministers had approved over 10 applications for new banks or branches. Most of the applicants are from Thailand, Malaysia, and Cambodians from Australia and France.

#### **24.3 Foreign Exchange Controls**

As with Vietnam and Laos, a lack of foreign exchange is characteristic of Cambodia. The State Bank is the official regulator of all foreign exchange.

#### **24.4 Opening a Foreign Exchange Account**

Foreign investors are allowed to open bank accounts in riels (local currency) or in foreign currencies with the Foreign Trade Bank or with foreign licensed banks.