



# INTERNATIONAL BANKING BUSINESS

ENHANCE YOUR BUSINESS  
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INTERNATIONAL CONNECTIVITY



# SCB Overseas Offices

International Banking Business has 12 overseas offices in 8 countries with network focusing in the Greater Mekong Subregion



## **A. Overview of Cambodia**

1. Key Government's Policy
2. Industry Updates
3. Investment in Cambodia
4. Setting Up a Business in Cambodia

## **B. Overview of Cambodia Banking Landscape**

1. Type of Banks: Key Activities
2. Payment & Collection Landscape
3. Cambodian Commercial Bank
4. CCB Products and Services
5. CCB: Product Solution

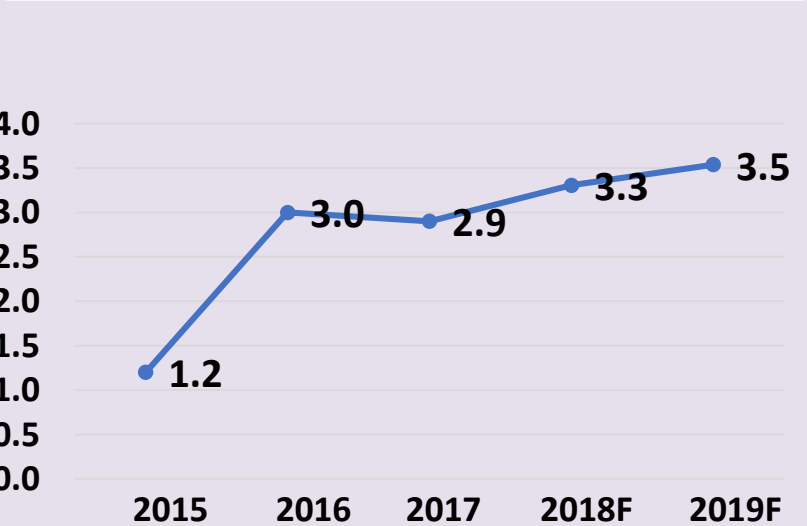


# A. Overview of Cambodia

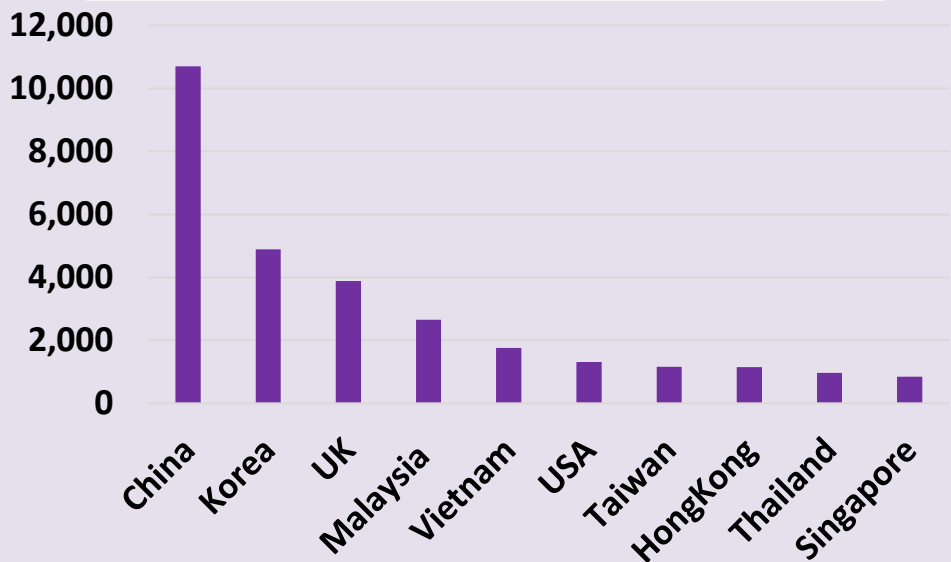
Population	16,204,486	Capital City	Phnom Penh
Workforce Rate (% of total population ages 15+, 2016)	68.98%	Total Area	181,035 km <sup>2</sup>
Economic Partnership	WTO, ASEAN, AICECA, ACFTA, AKFTA, AJCEP,	Language	Khmer
(Free Trade Agreement)	AANZFTA, AFTA, RCEP, AHKFTA	Government	Parliamentary Constitutional Monarchy

	2015	2016	2017	2018F	2019F
Population (Million)	15.5	15.8	16.0	16.2	16.4
GDP (Billion USD)	18.2	20.2	22.3	23.9	25.48
Consumer Price Index	2.8%	3.9%	2.2%	3.5%	3.2%
FX Rate Year End (Riel per USD)	4,077	3,983	3,982	3,950	4,025
GDP Growth (Annual %)	7.2%	7%	6.9%	7%	6%

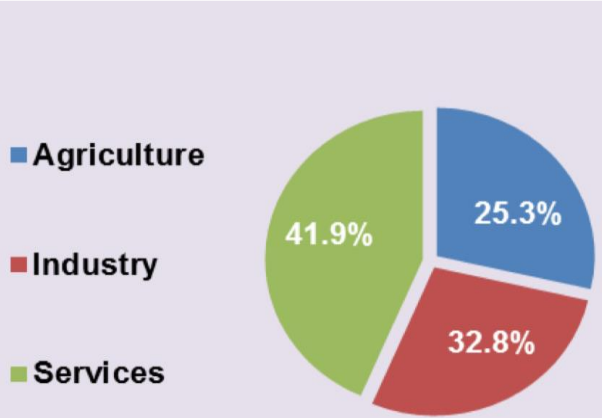
FDI Inflow (Billion USD)



2017 FDI Inflow by Countries



2017 GDP Composition (%)



## Foreign Direct Investment

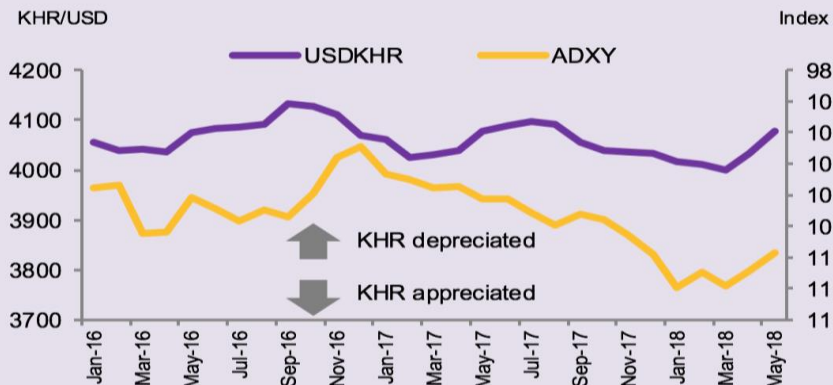
- ✓ Cambodia could benefit from escalating US-China trade war
- ✓ More FDIs from Relocation to Cambodia to avoid the US's tariffs

## SMEs

- ✓ To be further promoted through tax incentives
- ✓ 3 – 5 years of tax exemption

## Trend of Khmer Riel Exchange Rate

- ✓ NBC Aims to Strengthen Confidence in the Riel
- ✓ Cambodia currently has a high dollar economy
- ✓ NBC requires bank loan portfolios to be at least 10% in local currency.
- ✓ More local stores now accept KHR



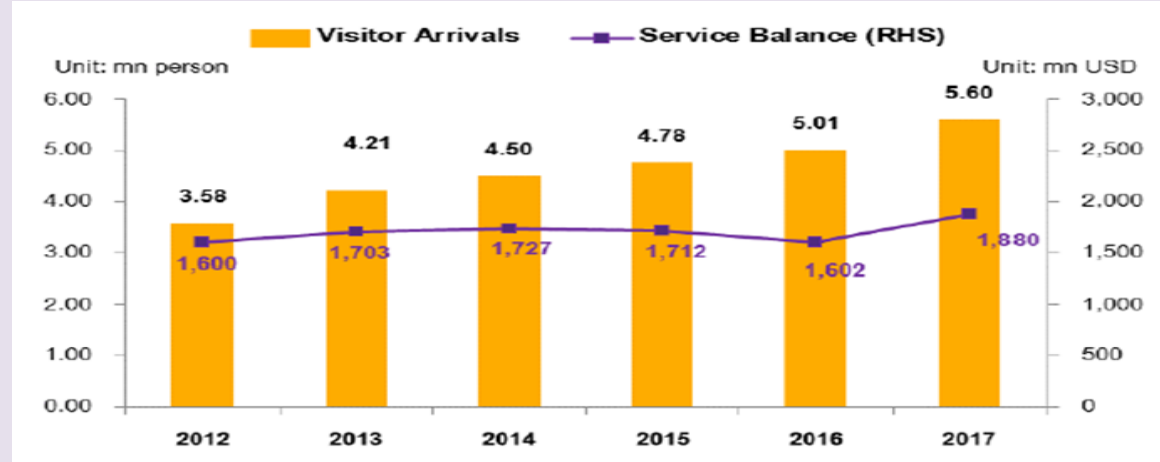
Source: CIA, World Bank, TDRI, IMF, NBC

\*USD/KHR is more stable compared to ADXY (Bloomberg's Asian Dollar Index)



1 USD = 3,990.55  
KHR  
as of Jan 2019

## Tourism



- ✓ 4.3 million Foreign Tourists in the first 9 months of 2018, up 11.8%YOY
- ✓ China remained the top ranking with 1.4 million tourists, up 71%YOY

## Trade Privilege Granted to Cambodia

Reduce or exempt import tariffs under



Japan



US



EU

Generalized System of Preferences (GSP)

- ✓ Cambodia could benefit from escalating US-China trade war
- ✓ Potential loss of EBA benefit with the EU
- ✓ EU started imposing tariffs on rice from Cambodia since Jan 18, 2019

## Increase in Minimum Wage for Workers in Textiles and Footwear Industry

- ✓ 7% Increase from USD170 to USD182 per month
- ✓ The new rate put Cambodia on par with Vietnam

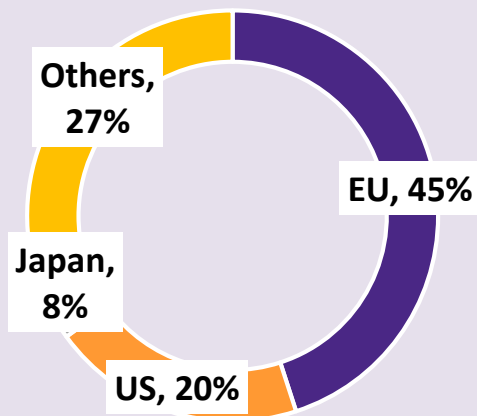
Source: EIC, World Bank

## Current Industry



- **40% of Cambodia's GDP**
- Employs 800,000 Cambodians
- Backbone of Cambodia's economy
- Employs 86% of all factory workers
- Generating USD7 Billion each year

## 2016 Garment Export Destinations



\*Others: Canada, China, South Korea, Hong Kong, Singapore etc.

## Industry Shifting from Garment to Manufacturing



## Future Industry



## Agriculture

- **Cambodia's Rubber Exports Surged 22%YOY**
- A total of 201,000 hectares of mature rubber plantations
- Rubber Cultivation is expected to reach 450,000 hectares by 2025
- The government is considering tax incentives to assist local producers and exports.



## Construction

- **Cement Production Currently Supplies 70% of the Market Demand**
- Southern Cement (Cambodia) Co Ltd and Thai Boon Rong (Cement) started production in 2018.
- It is expected that Cambodian's cement demand will be met by 2020.



## Logistic

- **Expressway to Sihanoukville is Under Construction.**
- This expressway will require an investment of USD 1.9 billion and take 48 months to complete.
- Expressway linking Phnom Penh with Bavet city in Svay Rieng province on the border with Vietnam



## Retail

- **Trade war between the US and China has**
- Relocation of productions to Cambodia
- Handbags and consumer goods makers such as Steve Madden and Coach have expanded production in Cambodia



### Key Cities/Provinces

Name	Population	Importance
Phnom Penh	1,959,600	The capital and largest city in Cambodia, the 'Pearl of Asia'
Sihanouk Ville	285,900	The Kingdom's only deep sea port and most famous beach town
Battambang	1,260,700	Cambodia's second-largest city and the agriculture hub
Siem Reap	1,144,000	The major tourist hub in Cambodia (includes the magnificent Angkor Wat)
Kampong Cham	925,000	Main rubber plantation, cashew nut and rice farming

### List of Targeted and Prohibited Field of Business

#### Industries encouraged by the CDC

Professional development of education, training, health, agriculture, tourism, science, and other services

International trade exhibition center and convention halls

Construction of modern market or trade center

Freezing and processing of aquatic product for export

Production of garments, textiles

Production of animal feed

#### Prohibited Fields of Investment

Production/processing of psychotropic and narcotic substances

Production of poisonous chemicals, agriculture pesticide/insecticide and other goods by using chemical substances prohibited by international regulations or the World Health Organization

Processing and production of electrical power by using any waste imported from a foreign country

Forestry exploitation business prohibited by Forestry Law

### Investment & Business Opportunities

#### Urbanization

- Rapid growth in income and urbanization will strongly push consumer demand for household products
- Expat community in Cambodia is expanding

#### Generous Investment Incentives

- To attract foreign direct investment, the government provides generous incentives, such as;
  - No limit on foreign holdings
  - Long period of tax exemption

#### Preferential Trade Agreement

- Generalized System of Preferences (GSP) with major trading partners, such as US, EU, and Japan

## Investing in Cambodia

### ❖ Form of Investment

- Partnership
  - General partnership & Limited partnership
- Limited Liability Company
  - Private Limited Company & Public Limited Company
- Foreign Business in Cambodia
  - Representative Office
  - Branch of Foreign Company
  - Subsidiary Company

### ❖ Licensing Authorities for Investment

- Council of Ministers (CoM) – authorization required if investment capital exceeds USD 50 million
- CDC – able to authorize projects under USD 50 million
- Provincial Authorities – able to authorize projects under USD 2 million

### ❖ Property Laws

- Foreigners cannot own land; only Cambodian nationals can
- Foreigners are applicable to own building such as Condominium
- Land concessions and long-term land leases are permitted to all investors (maximum 50 years + renewal 50 years)

### ❖ Investment Guarantees

- Equal treatment of all investors (Cambodian nationals and foreigners)
- No nationalizations
- No price control
- Free remittance of foreign currencies abroad

### ❖ Minimum Capital Requirements

- At least USD 1,000
- For registration as a QIP (Qualified Investment Project): ≥ USD 1 million to several million dollars
- 100,000 to several million dollar, depending on fields of investment

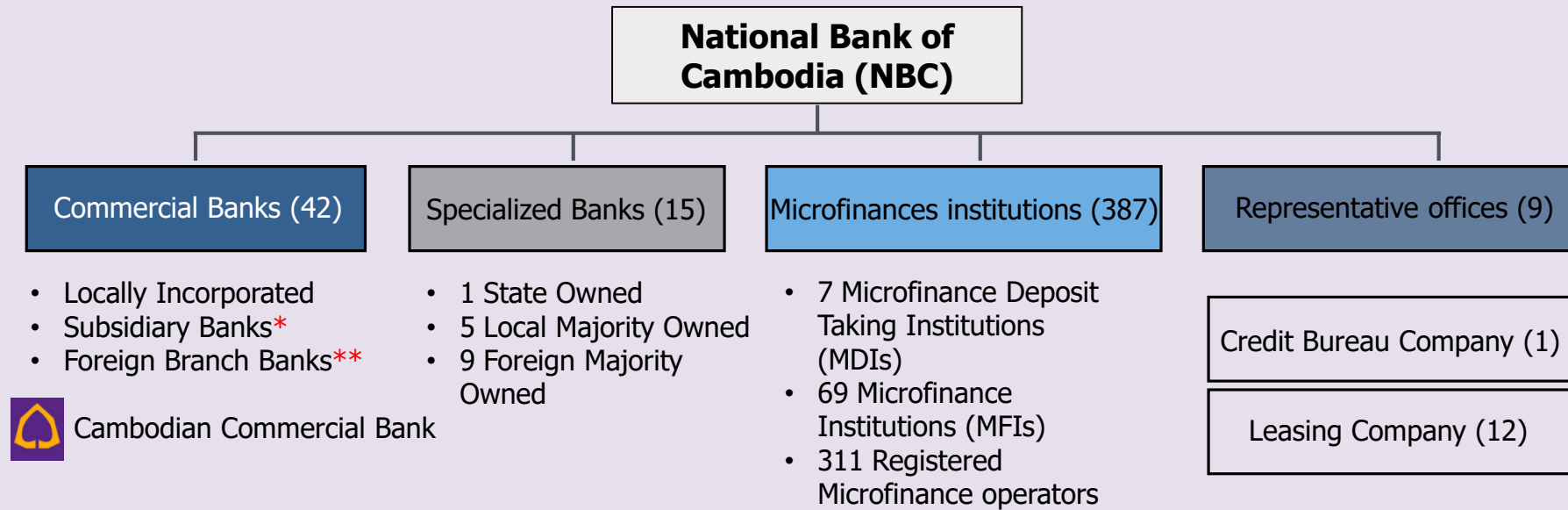


## Investment Incentives

Income Tax	Up to 9 years	Exempted
	Years 9 onwards	20%
Import Duties	<ul style="list-style-type: none"> <li>• 35% for alcohol, petroleum, transportation, steel &amp; valuable stone</li> <li>• 15% for machinery</li> <li>• 7% for raw materials</li> <li>• Exempted for QIP</li> </ul>	
Land Lease	<ul style="list-style-type: none"> <li>• Foreigners lease can be extended up to 50 years + renewal 50 years</li> </ul>	
Foreign Labor	<ul style="list-style-type: none"> <li>• Right to hire not exceed 10% foreign labor</li> </ul>	
Notes	<ul style="list-style-type: none"> <li>• QIPs are eligible for tax incentives</li> <li>• Free repatriation of profit</li> <li>• 100% foreign ownership is permitted in most industries that is not on the negative list</li> </ul>	

## Taxes

Corporate Income Tax	20% for normal business 30% for oil, natural gas, and natural resource exploitation businesses
Personal Income Tax	Progressive tax rate up to 20%
Value Added Tax	10% (SEZs VAT exemption)
International Withholding Tax	14% for dividend, royalties, and interest paid for non-resident <b>*Thai Citizens can apply for 10%</b>
Tax Losses	Losses can be carried forward for a maximum of 5 years
Double Tax Treaties	Singapore, China and Thailand
Tax Authority	The Ministry of Economy and Finance (MEF) and/or Cambodian Tax Authority



\* Data as of 2018

\* Cambodian Commercial Bank is classified as subsidiary bank

Bank Type		Previous Min Cap Requirement (USD)	New Min Cap Requirement (USD)	
Commercial Banks	Local Bank	\$37.5mm	\$75mm	May carry out all types of banking operations: <ul style="list-style-type: none"> <li>Credit operations for valuable consideration, leasing, guarantees and commitment under signature.</li> <li>Collection of non-earmarked deposits from the public</li> <li>Provision of means of payment to customers, processing of payments in national or foreign currency, foreign exchange operations, money market intermediation, transactions in derivatives, and spot or forward dealing in precious metals, raw materials, and commodities.</li> </ul>
	Subsidiary	\$12.5mm		
	Foreign Branch	\$12.5mm	\$50mm	
MFI	MFI	\$2.5mm	\$30mm	Authorized to engage in credit services and saving, but an MDI license is required to collect deposits from the public.
	MFI Deposit-taking	\$62,500	\$1.5mm	
Specialized Bank		\$7.5mm	\$15mm	Specialized Bank can only carries out one of the following three activities: <ol style="list-style-type: none"> <li>The Collection of Deposits</li> <li>Credit Operations</li> <li>Guarantees Under Signature</li> </ol>
Representative Office		-	-	Foreign Banks may also establish representative or liaison offices whose activities are strictly limited to conducting market research purposes and gleaning information.

## Payment/Collection

## Banking Capabilities

## Non-Bank Players

## Local Payments

Banks  
22%

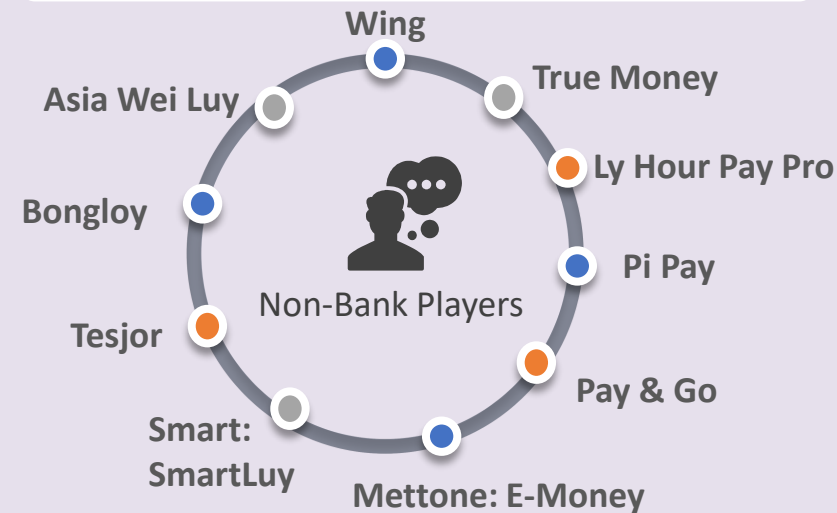
- Bank Account
- Cash OTC Branch
- Internet Banking
- Cheques
- New Methods
  - Mobile Banking
  - Mobile Wallet

Non-Banks  
78%

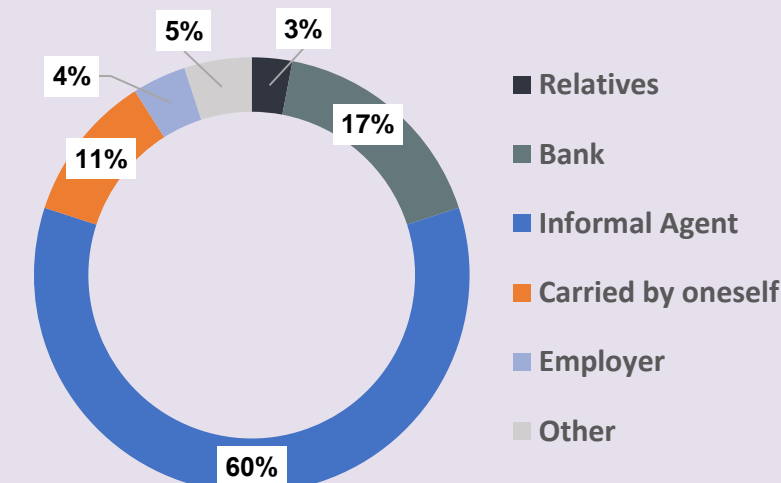
- Cash
- OTC Non-bank
- Mobile Banking
- Internet Banking

## Banking Capabilities

- Business Lending and Guarantees
- Multi-Currency Deposits
- Debit and Credit Cards
- ATM/EDC Machines
- Funds Transfers
- Cash Management
- Trade Finance & Remittance
- Foreign Exchange
- Financial Advisory
- Financial Lease
- Internet Banking
- Mobile Banking



## Remittance Methods in Cambodia







# CAMBODIAN COMMERCIAL BANK

***1<sup>st</sup> Commercial Bank***



**ធនាគារកម្ពុជាជាតិ**  
CAMBODIAN COMMERCIAL BANK 

**27 Years**

## **Cambodian Commercial Bank (CCB)**

- *1<sup>st</sup> Commercial Bank in Cambodia*
- *Established in 1991*
- *Wholly Owned Subsidiary of Siam Commercial Bank (SCB)*
- *1<sup>st</sup> Thai Bank to launch innovative services (ATM Machines, EDC Machines and Internet Banking Services.)*

**4 Branches in Strategic Locations**

**2018 Best Fast Growing Trade Finance Bank in Cambodia Award**

## 1. Supporting Domestic Transactions

### Multi-Currency Deposits

#### Deposit Types (USD, KHR, THB)

- Current Account
- Saving Account
- Fixed Account

### Business Cash Management

#### Payment Products

- Payroll
- Local Payments (USD, KHR)
- Cashier Order
- Corporate Cheque
- **Internet Banking**

### Business Lending and Guarantee Services

#### Credit Products (KHR, USD)

- Promissory Note
- Overdraft
- Short/ Long Term loan

#### Guarantee Services

- Letter of Guarantee
- Standby Letter of Credit

### ATM/EDC Machines

#### ATM Product Features

- ATM Card Issuance
- Cash Withdrawal/ VISA/MASTERCARD
- Cash Transfer
- ATM Machine (ATM Pool)

#### Electronic Data Capture

- EDC Machines & Services

## 2. Supporting International Transactions from/to Cambodia

### Trade Finance & Remittance

#### Import Products

- L/C Issuance
- Import Bill for Collection
- Shipping Guarantee
- Trust Receipt Financing
- Outward Remittance
- **Trade Net**

#### Export Products

- L/C Advising
- Outward Bill Collection under L/C & B/C
- Outward Bill Purchase/Discount under L/C & B/C
- Inward Remittance
- **Trade Net**

### Financial Advisory

#### Service Features

- Financial and Investment Guidelines to Navigate through the Country
- Business Matching Opportunities

### Foreign Exchange

#### Currency Pairs

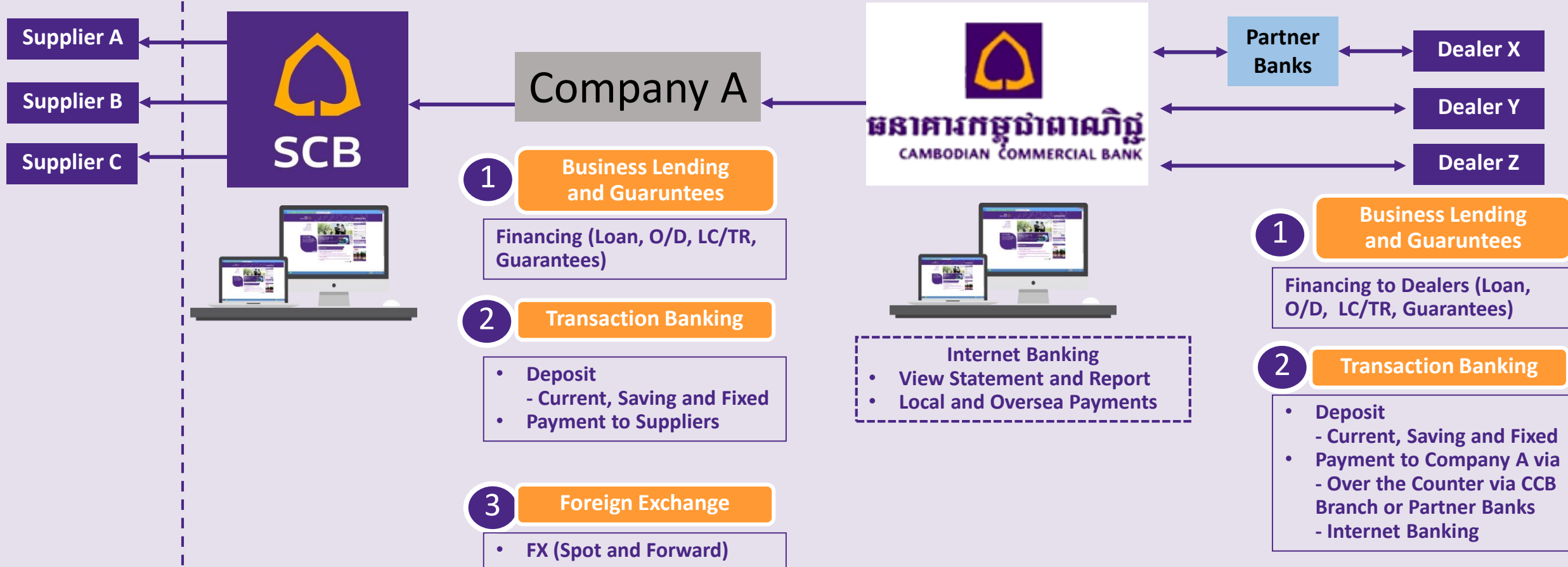
- USD/KHR
- USD/THB
- USD/JPY
- USD/HKD
- EUR/USD
- GBP/USD
- AUD/USD

#### Products

- FX Spot
- FX Forward

#### Market Conditions

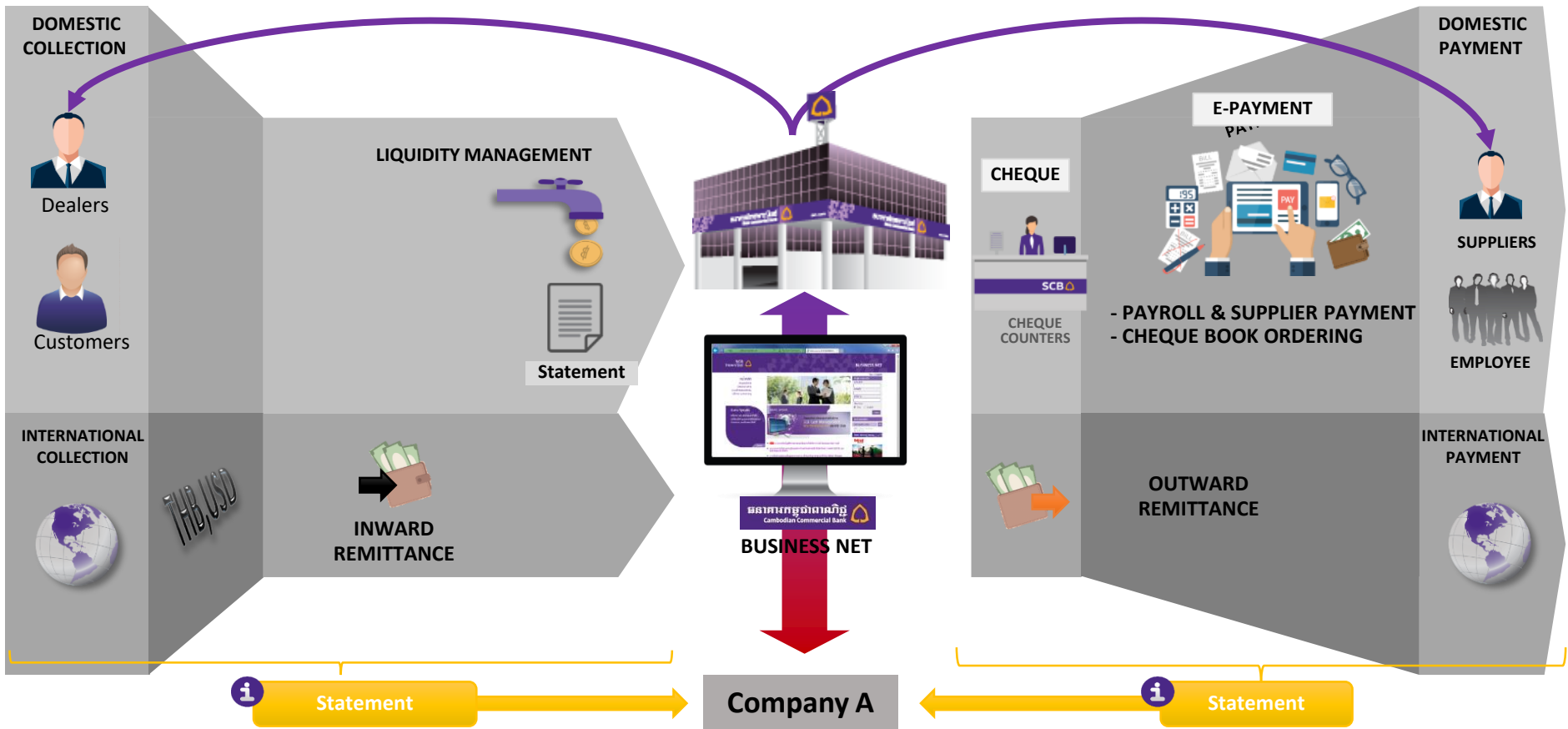
- All currency deals need to do back to back with Head Office except for KHR.
- CCB square position with Head Office
- Value SPOT consists of value today, tomorrow and spot.
- Forward tenor is up to 1 year.





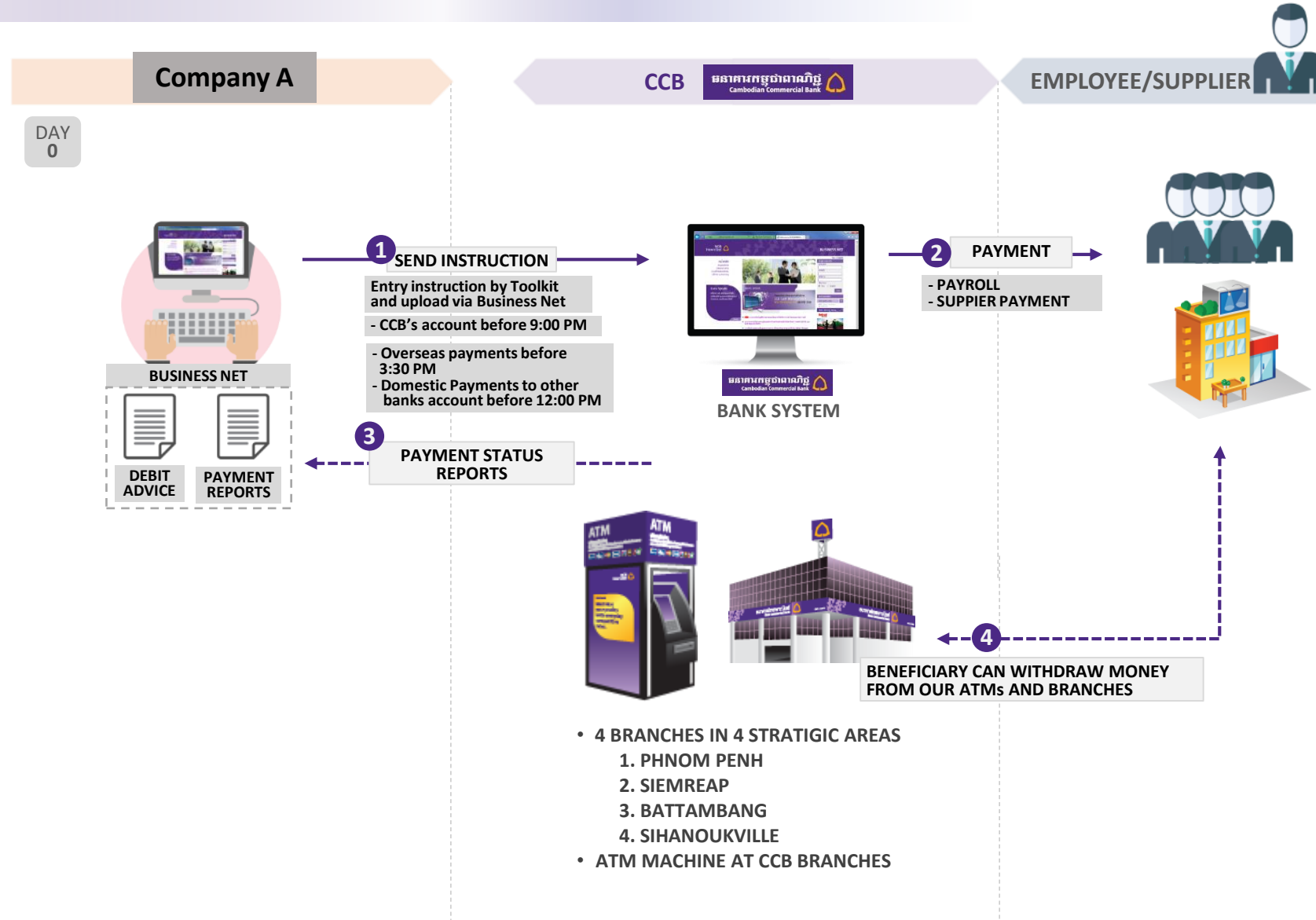
# CCB CASH MANAGEMENT SOLUTIONS

For **Company A** in Cambodia





## CCB PAYMENT



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# THANK YOU

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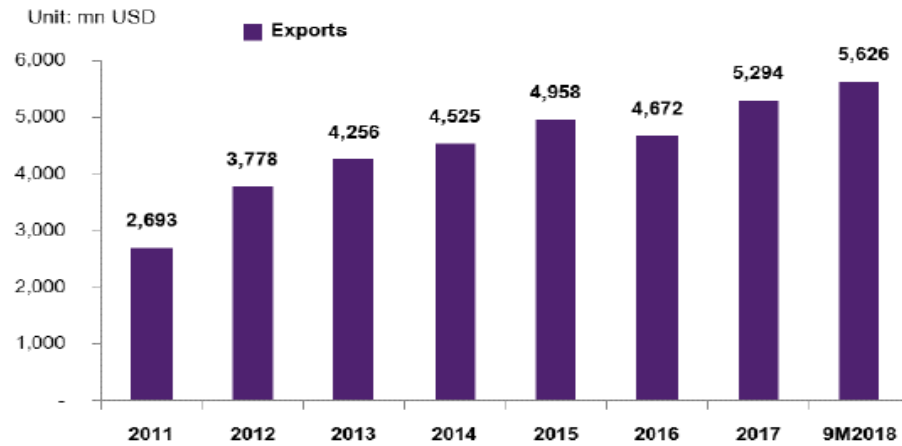


## 10 - 14 ATM Machines by 2019



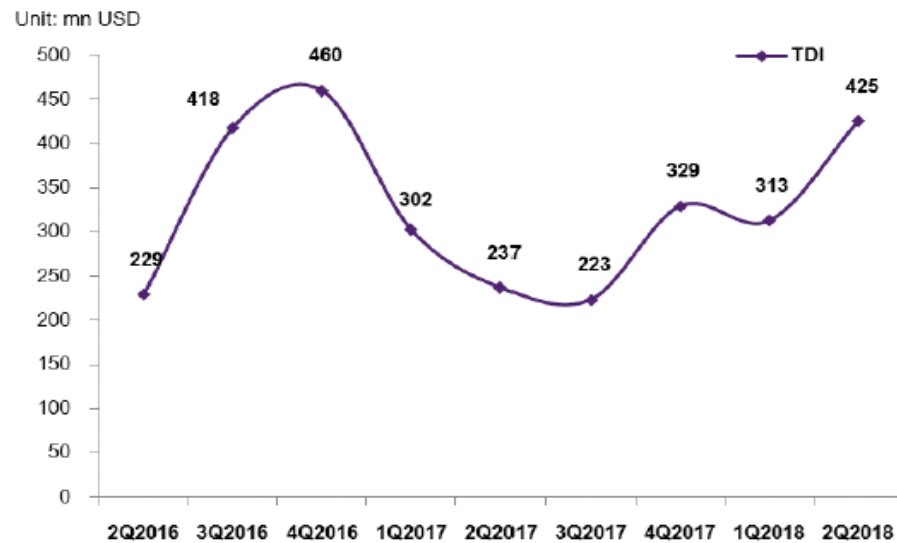


## Exports to Cambodia



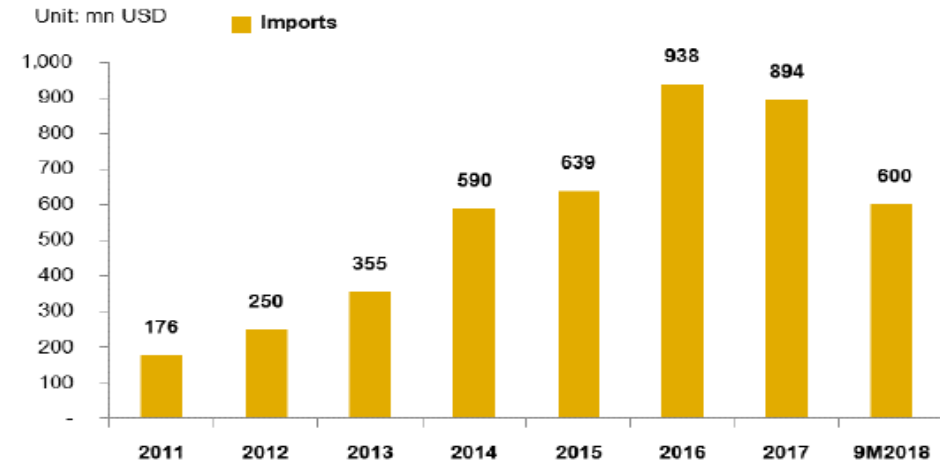
Sources: Thailand's Ministry of Commerce

## Thailand's Direct Investment in Cambodia



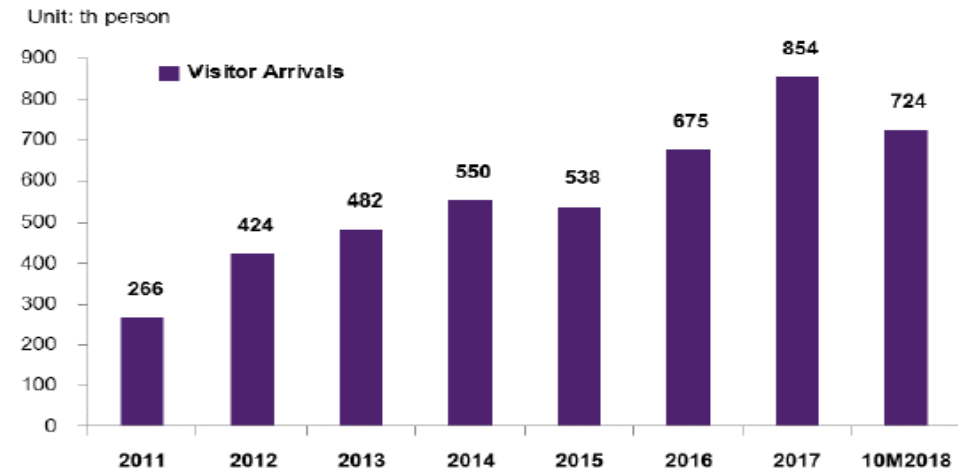
Sources: Bank of Thailand

## Imports from Cambodia



Sources: Thailand's Ministry of Commerce

## Cambodia's tourist arrival in Thailand



Sources: Thailand's Department of Tourism

Source: EIC