IFC MOBILE MONEY SCOPING

COUNTRY REPORT: CAMBODIA

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(with assistance from Seida Heng and Samphors Khieu)
CAMBODIA SUMMARY

OVERALL READINESS RANKING
While there is some regulation in place it is not fully integrated with the banking law. 3 (Moderate)

CURRENT MOBILE MONEY SOLUTION
Currently 6 mobile money are in place. One 3rd party processor, on bank and 4 MFI solutions are available in the market.

POPULATION
15 million

MOBILE PENETRATION
129% (high – many people hold 2 or more SIM’s)

BANKED POPULATION
4% through formal banks

PERCENT UNDER POVERTY LINE
20.5% (2011), Source: World Bank

ECONOMICALLY ACTIVE POPULATION
Workforce: 7.9 million (2011), Source: CIA

ADULT LITERACY
73.9% (2009), age 15 and over can read and write, Source: CIA

MOBILE NETWORK OPERATORS
Mefone (10 million subscribers)
Smart (5.5 million subscribers)
Mobitel (3.5 million subscribers)
Beeline (.8 million subscribers)

Market Readiness
- Regulation: 3
- Financial Sector: 3
- Telecom Sector: 3
- Distribution: 3
- Market Demand: 3

There are smaller MNO’s eg qb, Excell and Cootel however they are extremely marginal and it is unclear what their operating objectives are at this time.
OVERALL MOBILE MONEY IMPLEMENTATIONS

✓ WING – 3rd party processor for ANZ Royal Bank and Foreign Trade Bank (FTB). MNO agnostic with largest agent network (approx 1600 to date). USSD based connectivity with plans for app and internet based interfaces.

✓ AMK: Village level mobile banking offering from MFI. Agent based with app – no self serve. Available to everybody for money send but mainly for use of AMK customer base.

✓ ACLEDA Unity: App or SMS based fully self serve – no agents. Customer access cash through ATM or branch network (most extensive in country). For ACLEDA customers only.

PROPOSED OR RUMORED IMPLEMENTATIONS OF NOTE

✓ Amret – MFI Mobile Banking. First stage implementation through app with staff. Stage 2 to create agent network from existing customer base. Stage 3 customer self serve. Currently in pilot (via WB Agrifin Grant funding) and due for deployment late 2014.

✓ PRASAC – MFI Mobile Banking – unclear of the proposed model at this stage.

✓ SMART – MNO has intimated a willingness to enter Mobile Banking market using existing Axiata technology and knowledge.

OTHER ITEMS OF INTEREST

✓ Currently there are 2 automated terminal based offerings (Pay&Go and TopUp) in Cambodia. These are doing some bill payment and TopUp however their impact has been negligible.
OTHER CONSIDERATIONS

- Though the current regulations for Mobile Money have been sufficient to date there are limitations to growth for non-bank related offerers. WING is experiencing challenges now in providing Govt related payment services without having an NBC Bank Account.
- Similarly, there is no specific regulation for banks and MFI's to operate agent networks.
- Due to the cost of funds for MFI’s in Cambodia Mobile Banking offerings that concentrate on mobilising deposits do have a strong business case.
- An independent ATM provider is entering the market Kosign and planning on rolling out ~1000 ATM’s nationally. They are currently in discussions with all the banks and MFI’s however WING is the only contracted party to use the services.
- Both Smart and Mobitel are now offering nano-credit (up to US$.5) via partnering with Tiaxa (more details in this pack). This is an unregulated entity and it is unclear if there will be any action by NBC. The current understanding is that they are monitoring the situation and there has been no challenges in recouping of the credit (no regular customer complaint issues to date).
- WING is also offering nano-credit through Tiaxa where fees will push the customer into debit.

IFC OPPORTUNITIES

- MFI’s signing on to independent ATM network
- Work with SMART to determine offering especially via MFI’s
- Discuss regulatory needs with NBC to ensure that development of customer safe mobile money innovation can occur
- Work with MFI’s to actually develop MOBILE only products that suit customers needs
Macro-economic Overview

Regulations
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Telecom Sector
Other Sectors
Digital Financial Services Landscape
MOBILE BANKING MARKET POTENTIAL

Key Country Statistics

- Population: 15 million
- Age distribution: 42% (0-19 years), 39% (20-44 years), 15% (45-64 years), 4% (over 65 years)
- GDP (PPP): $39.64 billion (2013), Source: CIA
- GDP per Capita (PPP): $2,600 (2013), Source: CIA
- Urban/Rural split: 19.5% urban (2009), Source NIS
- Population below poverty line: 20.5% (2011), Source: World Bank
- Literacy Rate: 73.9% (2009), age 15 and over can read and write, Source: CIA
- Banking Penetration: 4% (2011) using formal financial institutions, Source: World Bank
- Remittance: $256 (2012), Source IFAD
- Workforce: 7.9 million (2011), Source: CIA
- Mobile phone penetration: 129%

Insights

- WING is now a clearly understood service in Cambodia for money transfer and is very widely used.
- Urban, banked populations have transitioned to ACLEDA Unity and WING now and use this with ease for bill payments
- Use of English on the mobile phone is still a limiter of a customers ability to transition to self serve
- The combination of high mobile penetration and a relatively small population receiving financial services means there is still opportunities for more mobile money offerings – especially if MFI’s can become a bit more dynamic and innovative
- Banks are still not trusted very much by the poorer end of the market. Trust needs to be built through the right type of engagement and products
- P2G and G2P are areas that show significant change in the last year – there is still a lot of growth potential.
- The retailing and distributions sectors are still fairly opaque and need much more investigation. There are no large distribution networks
Macro-economic Overview

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Along with other functions related to monetary policy and management the Role of the NBC in relation to payments are specifically to:

1. Issue the license for 3rd Party Processors (and delicense if required)
2. Monitor, Supervise and oversee operations especially in relation to customer protection and risk management practices
3. To oversee payments systems in the Kingdom, and to enhance interbank payments

- Only licensed Banks can hold licenses for 3rd Party Processors
- The Bank must be the license holder for the right to have a 3rd Party Processor
- Be fully responsible for any act or omission by the 3rd Party Processor
- Ensure the 3rd Party Processor has appropriate operational and technical safety and security measures in place
- Hold a ‘trust’ account for customer balance on behalf of the 3rd Party Processor

To participate in the mobile banking business, non-banks must have a bank partner
The bank needs to maintain cash deposits, ensure KYC and AML requirements met, create a risk management framework, and settle accounts
Although banks can utilize service providers there is no clarity about the role of independent multi-bank, multi-operator providers
At this stage any Licensed Bank who wishes to rollout mobile money via an agent network does not have any governing regulation for the agent network as it is not considered a 3rd party processor. As such each bank that is determining to use an agent network is engaging directly with the NBC on a one-by-one basis. It is not clear if they NBC has interim rules/standards for banks using agent networks.
**REGULATORY FRAMEWORK, SLIDE 2**

<table>
<thead>
<tr>
<th>3rd Party Processor (3PP)</th>
<th>Current Regulations</th>
<th>Implications</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>The 3PP must, on behalf of the bank, must</strong></td>
<td></td>
<td><strong>Banks, MDI’s or MFI’s operating mobile banking do not need to apply for a 3PP license as they are not outsourcing</strong></td>
</tr>
<tr>
<td>- Select agents</td>
<td></td>
<td>• Under the current Prakas the level of AML/CTF/Risk management compliance required for low value transactions may be off putting for new entrants</td>
</tr>
<tr>
<td>- Have a legally binding contract with the agent that outlines all responsibilities</td>
<td></td>
<td>• The business needs of the Bank vs the business needs of the 3PP are not always aligned and may stifle growth and innovation (conservative banks vs innovative payment providers)</td>
</tr>
<tr>
<td>- Monitor the agent to ensure that the agent acts within the scope of the contract</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Report to the NBC if requested</td>
<td></td>
<td><strong>In reality there is not any real likelihood of the average Agent keeping records as required.</strong></td>
</tr>
<tr>
<td>- Be responsible for any actions of the agents</td>
<td></td>
<td><strong>Though WING has had very stringent policies of managing Agents (and terminating agents where necessary) this may not be the case for other rollouts.</strong></td>
</tr>
<tr>
<td>- Ensure the agent has appropriate operational and technical safety and security measures in place</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Agents</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Must abide by the legally binding contract with the 3PP</strong></td>
<td></td>
<td><strong>In reality there is not any real likelihood of the average Agent keeping records as required.</strong></td>
</tr>
<tr>
<td><strong>Must operate appropriate operational and technical safety and security measures including document retention</strong></td>
<td></td>
<td><strong>Though WING has had very stringent policies of managing Agents (and terminating agents where necessary) this may not be the case for other rollouts.</strong></td>
</tr>
</tbody>
</table>
REGULATORY FRAMEWORK, SLIDE 3

**Current Regulations**

- Must have national id, passport or other govt id with photograph
- DOB, Occupation, Address and nationality
- Information checked against national id and AML database prior to authorization

**Implications**

- Though there is a national id system it does not function well and most people will not hold national id's
- Issues with Anglocization of Khmer names and script – not consistent

**KYC/AML**

- A 3PP may provide one or more of the following:
  - A communication facility
  - Interbank Clearing
  - Managing or operating customer accounts
  - Act as sending and receiving point for payment orders
  - A Service provider of money remittance
  - Clearing and settlement of debit and credit card payments

**Services Allowed under 3PP Prakas**

- This is extremely broad however testing of this prakas has not really been undertaken outside of the mobile money space
Macro-economic Overview
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Digital Financial Services Landscape
## FINANCIAL SYSTEM OVERVIEW

Only 4% of the Cambodian bankable market is banked by the formal sector – this represents considerable opportunity for growth.

### BANKS
- Cambodia has 39 Commercial banks: 5 are foreign banks with just a Cambodian Branch
- Rural Development Bank (Specialised) is the only 100% owned Govt Bank
- Other banks may have very small Govt shareholdings from the Ministry of Economics and Finance
- There are 8 specialised banks in Cambodia
- There are 487 branches of commercial banks nationally (of which ACLEDA is 238). There are 169 urban branches and 318 regional branches
- Not all regional branches are ‘real-time’ branches which can lead to delays with the implementation of further national based technology

Source: End of year bank reporting for 2013 to NBC

### MICROFINANCE INSTITUTIONS
- There are 7 MDI’s in Cambodia (no further MDI licences are being allocated)
- There are 29 registered MFI’s in Cambodia
- The merging of customer sets between MFI’s and some commercial Banks (ACLEDA predominately) is blurred
- It is currently unclear the number of NGO’s providing financial services however there are NGO’s providing support services for savings and lending groups at village level eg CRS

Source: End of year bank reporting for 2013 to NBC

### PAYMENT INFRASTRUCTURE
- As at the end of 2013 Cambodia had 766 ATM machines nationwide
- Visanet – the only switch represents 7 banks that total 279 ATM’s (cross network fees are charged)
- ACLEDA is the largest ATM provider with 167 ATM’s
- There is a reported 4838 POS terminals as at the end of 2013 Though there is a reported 25k credit cards most are 110% secured. There are no ‘real’ credit card offerings to regular Cambodians (only elite)
- In 2012 AEON opened as Cambodia’s first regulated consumer finance company (more further in this pack)
- As at end of 2103 there is 1.01million debit cards and 477k WING accounts registered

Source: NBC Supervision Annual Report 2013
FINANCIAL SYSTEM OVERVIEW – ADDITIONAL PLAYERS

SWITCHING, CLEARING & SETTLEMENT

- Currently there is no national switch. Visanet (Easy Cash) has 7 banks registered with approximately 279 accessible machines. There are interbank charges to both the customer and bank.
- NBC is currently (with assistance from WB and IFC) reviewing the National Payments System and implementing a Automated Clearing House and Real Time Gross Settlement. Currently all interbank clearing is done manually – which is slow and restricts where branches can be located.

CREDIT BUREAU CAMBODIA (CBC) http://www.creditbureaucambodia.com/

- In 2011 the NBC passed a Prakas implementing a Consumer Credit Bureau in Cambodia.
- This is 51% owned by Cambodian Banks and MFI’s and 49% owned by VEDA (http://www.veda.com.au/).
- All Banks, MDI’s and MFI’s must undertake a credit check for ALL credit applications.
- All Banks, MDI’s and MFI’s have supplied data back to Nov 2010.
- There are currently 97 institutions using the CBC.
- CBC is currently processing ~17k loan applications per day (predominately from MFI’s).

CAMBODIAN SECURITIES EXCHANGE (CSX)

- The CSX was launched in 2012 and is a JV between the Cambodian Ministry of Economy and Finance and the Korea Exchange.
- There are currently only 2 companies listed – Phnom Penh Water Supply Authority (PPWSA) and Grand Twins International (Cambodia) PLC (garment factory).
- Due to the requirement of 3 years audited records it is expected that 2014 and 2015 will be approx 8-10 new companies listing from the following sectors : F&B, Retail (shopping mall), real estate, education, logistics (dry ports – PP and Sihanouk ville) and garment.
Overview of IFC clients in the financial sector

**ACLEDA**
- Largest bank in Cambodia both in loan portfolio and deposit.
- ACLEDA Bank Plc. network had 238 offices covering all provinces and cities in the Kingdom of Cambodia.
- IFC have investment with ACLEDA since 1999
- IFC investment supported the Bank in lending to SMEs and microfinance borrowers
- Helped ACLEDA in its expansion to Lao PDR and Myanmar
- No Advisory services engagement with Prasac at the movement.

**Prasac**
- Established in 1999, Prasac received its MFI licensed and MDI licensed from NBC in 2004 and 2010 respectively.
- PRASAC is biggest MFI, has a nationwide office network covering all 24 provinces and city through 173 outlets and operating in 10,874 villages-76% of all villages
- IFC provided subordinated debt and senior loans to Prasac since 2012
- The loan from IFC supported Prasac MFI in providing microfinance to small businesses and individuals.
- No Advisory services engagement with Prasac at the movement.

**Amret**
- Established in 1988, Amret received its MFI license and its deposit-taking license from the NBC in 2001 and 2009 respectively
- Advanced stage of equity investment process for IFC
- Amret is the 2nd largest MFI in Cambodia with strong management and actively engaged shareholders. It covered 22 out of 24 provinces in Cambodia.
- The investment will be complemented by Advisory services engagement in its transformation to be a bank and institutional capacity.
NON COLLATERAL BASED MICRO LENDING

AEON

- AEON Microfinance is Cambodia’s first (and only registered) true consumer credit company. The Company is wholly-owned by AEON Thana Sinsap (Thailand) Public Company Limited, a company registered in Thailand. The ultimate parent company is AEON Financial Service Co., Ltd., a company registered in Japan.

- Started in 2012 AEON provides 100% unsecured credit for motorbikes, whitegoods, electrical equipment, computers, mobile phones and agriculture equipment.

- Represented in 3 cities (Siem Reap, Battambang and Phnom Penh).

- Currently has 25,000 creditors that are paying monthly via WING or direct payment into bank account at 5 supporting banks, and AEON offices.

- All credit is in USD.

- 4000 new credit applications a month and over 1000 merchants registered (as at July 2014).

- In March 2014 AEON launched a unsecured personal loan product – the loan can be up to 3x monthly income and requires no purpose. Maximum is up to USD2.5k.

- Majority of customers are males earning between USD200-400 per month. Anecdotally it appears that women have a higher tendency to go delinquent.

- Has a very strong MIS program to review segments and products monthly.

- Faces strong competition from unregulated competitors – they have raised this with the NBC and wish for the NBC to implement penalties or force registration.

- AEON is the largest credit card issuer in Japan and AEON Cambodia is reviewing credit cards for the Cambodian Market. Challenges are licensing (currently only MFI license) and the outcome of the personal loan product.
### BANKING SECTOR

<table>
<thead>
<tr>
<th>Bank Name</th>
<th>Total assets</th>
<th>Total liabilities</th>
<th>Branches</th>
<th>ATMs</th>
<th>POS terminals</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACLEDA Bank (private)</td>
<td>9,286,843</td>
<td>7,374,264</td>
<td>238</td>
<td>167</td>
<td>1,279</td>
</tr>
<tr>
<td>Canadia Bank (private)</td>
<td>7,261,884</td>
<td>6,260,975</td>
<td>45</td>
<td>84</td>
<td>904</td>
</tr>
<tr>
<td>Cambodian Public Bank (private)</td>
<td>5,041,550</td>
<td>3,956,831</td>
<td>26</td>
<td>46</td>
<td>433</td>
</tr>
<tr>
<td>ANZ Royal Bank (private)</td>
<td>3,810,316</td>
<td>3,367,643</td>
<td>17</td>
<td>104</td>
<td>509</td>
</tr>
<tr>
<td>Foreign Trade Bank of Cambodia (public/private)</td>
<td>1,932,009</td>
<td>1,638,735</td>
<td>6</td>
<td>24</td>
<td>15</td>
</tr>
<tr>
<td>May Bank (private)</td>
<td>1,844,644</td>
<td>1,580,948</td>
<td>16</td>
<td>27</td>
<td>No POS</td>
</tr>
<tr>
<td>Advanced Bank of Asia (private)</td>
<td>1,302,522</td>
<td>1,134,671</td>
<td>17</td>
<td>57</td>
<td>163</td>
</tr>
</tbody>
</table>

**Note:** Above are selection of banks, the full report is available in NBC 2013 annual report.

Amounts are in Million KHR, exchange rate: KHR4,000 to USD1.00

- **ACLEDA NGO (25.1%), ASA Plc. (25.8%), International Finance Corporation (12.2%), JSH Asian Holdings Limited (12.2%), COFIBRED (12.2%)**
- **Canadia Investment Holding Plc. (CIHP)**
- **Wholly-owned subsidiary of Public Bank Group (Malaysia)**
- **Australia and New Zealand Banking Group Limited (ANZ) – 55%**
- **Cambodia-based Royal Group of Companies (RGC) – 45%**
- **ING – 44%**
- **Two private shareholders – 23% each**
- **Ministry of Economy and Finance – 10%**
- **Wholly-owned subsidiary of Maybank**
- **VISOR Investment Group**
CURRENT CHALLENGES TO THE BANKING SECTOR

DIFFERENT TYPE OF REGISTERED ENTITIES PERFORMING BANKING OPERATIONS

There are 4 different types of licensed institutions performing banking operations supervised by NBC –

• Commercial Bank – able to offer full suite of banking services. Capitalisation of US$12.5mill where there is a significant investment grade financial investor or it is US$36.5mill
• Specialised Bank - able to perform one of the following services: deposit; lending; and transfer. Capitalisation of US$2.3mill where there is a significant investment grade financial investor or it is US$7mill
• Micro Finance Deposit Taking Institution - can issue loans and also collect deposits. Capitalisation of US$2.5mill
• Micro Finance Institutions - able to issue loans but not collect deposits. Capitalisation of US$65k (approx)

Each of these categories appear to be unclearly demarcated and the industry (particularly commercial banks) are concerned about the lack of capitalization vs operations in the other licensed sectors.

LACK OF NATIONAL LEVEL TECHNOLOGY

As at the time of this report there is no technology supporting interbank, ATM or POS switching. Unless you are holding a scheme card it is not possible to use the ATM of another bank. There is also no Automated Check Clearing system which means all checks are cleared manually (taking up to 3 days) which means many SME customers would rather transact in cash.

INTRA GOVT ROLE DEMARCATION

Different sectors of the overall financial sector can be overseen by the NBC, The Ministry of Interior (NGO’s undertaking financial services), Ministry of Commerce (Insurance, Pawnshops, and gaming) and Treasury. These unclear single oversight facility means that the private sector is unclear about which license should be held for which types of services. With many sectors now starting to overlap eg insurance and banking this can cause unnecessary burden on the private sector.

LACK OF AGENT BANKING REGULATION FOR LICENSED BANKS

The NBC recognises that all there current laws and regulations do not outline any scope or responsibilities for licensed banks that may wish to have their services processed by agents. As discussed earlier, this means that each bank that is undertaking an agent banking (whether mobile or not) is engaging in one on one discussions with the NBC and there is no clear guidelines or responsibility matrix.
## MICROFINANCE SECTOR (MDIS)

Amounts are in Million KHR, exchange rate: KHR4,000 to USD1.00

<table>
<thead>
<tr>
<th>Institution</th>
<th>Total assets:</th>
<th>Total liabilities:</th>
<th>NPLs ratio:</th>
<th>Loans to agriculture:</th>
<th>Loans to household:</th>
<th>Loans to trade and commerce:</th>
<th>Ownership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prasac Microfinance Institution 80 ATM’s</td>
<td>1,806,503</td>
<td>1,493,955</td>
<td>0.18%</td>
<td>32.3%</td>
<td>25.2%</td>
<td></td>
<td>BIO, DCG, FMO, and LOLC hold 22.25% each</td>
</tr>
<tr>
<td>Amret</td>
<td>1,003,067</td>
<td>838,900</td>
<td>0.07%</td>
<td>51.4%</td>
<td>17.6%</td>
<td></td>
<td>Advans Luxembourg – 44.42%</td>
</tr>
<tr>
<td>Sathapana 12 ATM’s</td>
<td>832,901</td>
<td>684,689</td>
<td>0.21%</td>
<td>34.0%</td>
<td>30.9%</td>
<td></td>
<td>MARUHAN Japan Bank Plc. – 95.1%</td>
</tr>
<tr>
<td>Hattha Kaksekar 37 ATM’s</td>
<td>717,629</td>
<td>593,271</td>
<td>0.06%</td>
<td>28.1%</td>
<td>25.1%</td>
<td></td>
<td>Oikocredit – 20.02%</td>
</tr>
<tr>
<td>AMK Microfinance Institution 10 ATM’s</td>
<td>406,031</td>
<td>324,447</td>
<td>0.16%</td>
<td>54.1%</td>
<td>19.2%</td>
<td></td>
<td>ANM Triple Jump – 17.62%</td>
</tr>
<tr>
<td>Kredit Microfinance Institution</td>
<td>350,287</td>
<td>283,219</td>
<td>0.28%</td>
<td>28.7%</td>
<td>24.3%</td>
<td></td>
<td>Norfund – 17.61%</td>
</tr>
<tr>
<td>VisionFund (Cambodia)</td>
<td>291,934</td>
<td>218,087</td>
<td>0.26%</td>
<td>69.0%</td>
<td></td>
<td>Loans to Trade and Commerce 12.1%</td>
<td>Phillip Capital – 67.43%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>World Relief – 32.57%</td>
</tr>
<tr>
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<td></td>
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<td></td>
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<td></td>
<td></td>
<td>n/a</td>
</tr>
</tbody>
</table>
## MICROFINANCE SECTOR (MFIS)

<table>
<thead>
<tr>
<th>Institution</th>
<th>Total assets:</th>
<th>Total liabilities:</th>
<th>NPLs ratio:</th>
<th>Loans to agriculture:</th>
<th>Loans to trade and commerce:</th>
<th>Developed World Market (DWM):</th>
<th>Totally ESIOP:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thaneakea Phum</td>
<td>379,695</td>
<td>311,426</td>
<td>0.15%</td>
<td>53.2%</td>
<td>18.8%</td>
<td>92.43%</td>
<td>7.57%</td>
</tr>
<tr>
<td>Active People</td>
<td>78,319</td>
<td>57,313</td>
<td>32.68%</td>
<td>46.6%</td>
<td>52.8%</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>AEON Microfinance</td>
<td>55,836</td>
<td>40,320</td>
<td>1.24%</td>
<td>98.9%</td>
<td>1.1%</td>
<td>Wholly-owned by AEON Thana Sinsap (Thailand) Public Company Limited</td>
<td>n/a</td>
</tr>
<tr>
<td>First Finance</td>
<td>43,276</td>
<td>32,527</td>
<td>2.18%</td>
<td>100.0%</td>
<td>n/a</td>
<td>POEMS Pte. Ltd</td>
<td>n/a</td>
</tr>
<tr>
<td>SAMIC Microfinance Institution</td>
<td>41,903</td>
<td>27,141</td>
<td>1.08%</td>
<td>43.5%</td>
<td>21.5%</td>
<td>Catalyst Microfinance Investors (CMI) – 60.90%</td>
<td>n/a</td>
</tr>
<tr>
<td>Intean Poalroath Rongroeurung</td>
<td>32,574</td>
<td>9,701</td>
<td>0.59%</td>
<td>98.0%</td>
<td>2.0%</td>
<td>Cambodian Health Committee (CHC) NGO – 11.67%</td>
<td>n/a</td>
</tr>
</tbody>
</table>

- NPLs ratio: Non-performing loan ratio
- Loans to agriculture: Loans to agriculture
- Loans to trade and commerce: Loans to trade and commerce
- Total assets
- Total liabilities
CURRENT CHALLENGES TO MDI OR MFI SECTOR

NON FORMAL SECTOR MANAGEMENT

There has been a dramatic increase of credit providers in the rural areas that are registered solely as NGO’s however are performing no other services in the community besides providing credit. The industry would like the NBC to engage with this sector to either work on a conversion program or work with the Ministry of Interior to terminate the NGO registration. The MFI sector is concerned about unfair competitive environments, customer protection and usury interest rates. There is no concern regarding MFI’s that are running VSLA programs in line with other community based programs eg CRS, World Vision.

REGULATION AND ENGAGEMENT

Though there appears to be very good working relationships between the NBC and MFI’s the MFI year round engagement program is less than adequate to stay innovative and internationally comparative. The industry is also concerned about the lack of knowledge and engagement in NBC projects that will seriously impact their operations and costs eg RTGS and ACH projects (being supported by the WB).

CREDIT BUREAU

As the largest user of the CBC the MFI sector feels that the cost of queries is still too high. There is also a concern about the cost of reporting (that has not yet been generated). The profits generated by the CBC have been very good and the market feels like there should be some return.

CAPITAL RAISING

The raising of USD seems to be fairly consistent and ‘easy’ now however for MDI’s like AMK where 90% of their book is in KHR it is very difficult. If the NBC wishes to drive KHR usage then they need to price KHR affordably.
PAYMENT, CLEARING, AND SETTLEMENT

- The NBC has clearly advised that they are concerned about the lack of regulation and internal understanding on Mobile Money and retail clearing in general.
- The WB has drafted a ToR with NBC for some scoping work around a National Payments System Strategy, NBC has partnered with KTFC to undertake a gap analysis with recommendations.
- Due to the size of WING, MFI’s and Commercial Banks wishing to have agent networks and other financial services organisations entering the market the NBC recognises they need to adapt the 3PP regulation however they are uncertain about what model may suit them best.
- Though there appears to be a Clearing House at the NBC this is only for commercial bank wholesale payments – it is not intended at this stage to support retail payments or check clearing.
PAYMENT SERVICE PROVIDERS – ATM NETWORKS

KOSIGN – Independent ATM network

(KOrea Software Innovation Global Network)

http://www.kosign.com.kh/detail.jsp?id=09

- Kosign is a South Korean independent ATM company which has plans to place 1,000 ATMs nationwide in Cambodia. This network will also perform switching functions and allow non PIN transactions like Top-Up and voucher purchases.
- At this stage WING has signed an MOU to use these machines – it is not clear which banks have signed up to use this service.
- There are significant challenges in cash management that the company is struggling with - clean notes, especially for KHR, and transportation of cash logistically around Cambodia.
- In addition to ATMs’ Kosign also will be processing a number of Korean based company payrolls through WING and perform some international remittance for Cambodian workers in Korea through WING.
- CONFIDENTIAL - They are currently in discussions with AMK, HKL, Sathaphana, Amret and Kredit to build a shared ATM network. Being driven by Borann at AMK. All other CEO’s on board though conceptually.

NovusTech

- Owned by AGS transact in India - SEA operations run from Singapore. Has a incorporated entity in Cambodia and Singapore)
- SEA countries being targeted are Malaysia, Thailand, Vietnam, Cambodia, Myanmar and Philippines
- Model is a full ATM/POS managed service (except CIT). In Cambodia they are doing monthly rental commercials (no profit share) as the transaction numbers are still not high enough
- Use Wincor ATM’s
- Have done fleet buy backs before (Axis Bank in India) however do not see this as feasible in Cambodia
- Have 'business deposit' machines that read RFID on packets and then are counted behind counter at more opportune times. Currently being trialled in ACLEDA at the new AEON mall (all businesses HAVE to bank with ACLEDA - they have exclusivity)
GOVT PAYMENTS – IN AND OUT

- In November 2013 the Ministry of Finance appointed ACLEDA, Canadia Bank and WING as preferred suppliers of payroll services to the Cambodian Govt. They are on 5 year contracts.
- All payments are made monthly and are in KHR.
- All recipients MUST undergo full KYC procedures with the provider that is selected to provide their payroll service. This should reduce the number of ‘ghost’ workers registered with Govt departments.
- We are currently not able to determine exactly which ministries and departments have transitioned to these new services however WING is processing payments for 5 ministries and ACLEDA advised that they are processing ‘quite a few’.
- At this stage it appears that only Phnom Penh based ministry staff are being paid electronically but there are plans to pay all regionally based staff – teachers, health workers, military etc. Regionally based civil servants tend to have very delayed payments and tend to bear the brunt of corruption by local authorities.
- In addition to payroll services ACLEDA is receiving in branch payments for road tax, property tax, and corporate tax. There are plans for WING to also process corporate tax payments. Road tax is more difficult as a tax paid sticker is returned to the payer therefore it needs to be in branch.
- Overall it appears that there is some concerted effort on behalf of Government agencies to increase transparency to the public and also offer new levels of convenience.
It is estimated that Cambodian migrants sent home $278 million in remittances in 2013, up by 8.7% from $256 million in 2012.

In 2012, remittances from the United States was $124 million, representing 49% of total international remittance inflows.

Approximately 71.5% of Cambodian migrants go to Thailand, where they can earn about 3.6 to 4.9 times higher wages.

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## MOBILE NETWORK OPERATORS

More than 100% penetration by registered SIM’s – multiple dual SIM holders
Overall growth in regional areas, data growth in urban areas, Smart Phones are ~ 50% of handset sales
All MNO’s allow sales of top-up via WING and ACLEDA Unity

<table>
<thead>
<tr>
<th>Operator</th>
<th>Customers</th>
<th>Market Share</th>
<th>Ownership/Details</th>
</tr>
</thead>
</table>
| Metfone      | 10 million | 55%          | Ownership: Viettel  
Currentlrumored to be for sale  
Owned by Vietnamese military  
Very extensive tower network  
Poor operational infrastructure (retail)  
Experienced negative effectives from election |
| Smart        | 5.5 million | 30%          | Ownership: Smart Axiata Company Limited  
Merger between Smart Mobile and Hello  
Previous merger between Smart and Starcell  
Very strong operationally and network coverage  
Strong desire to enter mobile money market |
| Celcard      | 3.5 million | 20%          | Ownership: Royal Group  
Targeting higher end customers  
Lost No 1 position to Metfone and Smart Hello merger  
Not able to partner with WB |
| Beeline      | 0.8 million | 4%           | Ownership: Sotelco Ltd  
Good purchasing opportunity  
Market follower but not able to drive competition |

Overall growth in regional areas, data growth in urban areas, Smart Phones are ~ 50% of handset sales
All MNO’s allow sales of top-up via WING and ACLEDA Unity
POINTS OF INTEREST IN THE MOBILE MARKET

- Since 2008 there has been an ongoing price war between the 3 large players that has seen a reduction of approx 20% on ARPU (anecdotal)

- A minimum pricing Prakas (known as Prakas 232) was introduced by the regulator in 2009 however there has been widespread consumer and industry backlash. The attempts to enforce Prakas 232 over the years has meet with high levels of media attention as it directly increased prices to consumers. It was finally repelled by the Council of Ministers 23rd Dec 2013

- In 2009 there were 8 active players in the Cambodian MNO market place. This has now been reduced to 4. qb is not included in this report as it is very unclear as to subscriber numbers and use of resources

- Distribution and retail is NOT exclusive. All MNO’s use a master distributor channel as their main revenue stream (scratch cards)

- WING now represents more than 12% of revenue for Smart (expecting this is across the board)

- Most MNO’s have top-up services available through ATM’s of the major banks
## INTERNET USAGE

<table>
<thead>
<tr>
<th>Year</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013&lt;sup&gt;Pj.&lt;/sup&gt;</th>
<th>2014&lt;sup&gt;Pj.&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internet users (per 100 people)</td>
<td>0.23</td>
<td>0.26</td>
<td>0.30</td>
<td>0.32</td>
<td>0.47</td>
<td>0.49</td>
<td>0.51</td>
<td>0.53</td>
<td>1.26</td>
<td>3.10</td>
<td>4.94</td>
<td>6.78</td>
<td>8.62</td>
</tr>
</tbody>
</table>

### INTERNET PENETRATION VIA MOBILE OR FIXED CONNECTIONS


*Definition:* “Internet users are individuals who have used the Internet (from any location) in the last 12 months. Internet can be used via a computer, mobile phone, personal digital assistant, games machine, digital TV etc.”

### NANO CREDIT – TIAXA

http://www.tiaxa.com/

- Both Smart and Cellcard have partnered with Tiaxa to provide nano-credit (up to USD.5)
- Tiaxa takes the risk and the funds are collected when top-up is next performed with a USD.1 fee added
- There is a matrix to determine if each customer is entitled to receive nano-credit
- After 60 days of no top-up the actual phone number is terminated
- WING is also in partnership with Tiaxa to provide nano-credit for situations where fee charges will push the payer over their balance
- Tiaxa is not a registered bank or financial institution with the NBC which does provide some challenges with the provision of further services in Cambodia and is seen as ‘not playing by the same rules’
- Smart has a clear opt-in for nano-credit however with Cellcard you will automatically be put into nano-credit should your balance run out
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RETAIL LANDSCAPE

Cambodia has a distinct lack of investigation and reporting on the retail sector. There is very little requirement by most traders etc. for businesses to be registered. Banks do require registrations however MFI’s do not. It is also very unclear as to how much of actual turnover is included in reported income for the payment of tax or other duties. For these reasons it is not possible to provide statistics or accuracy in this report – we have though provided some anecdotal information that we have gained through personal experience or interviews with experts.

HOW DISTRIBUTION WORKS IN CAMBODIA

- It appears that each Multinational Company (MNC) or licensed distributor (LD) for quality goods has their own distribution network
- It is understood that the MNC or LD usually only has a relationship with the next level in the supply chain (we will call these master distributors (MD)) and is fairly removed from actual retail level distribution or sales
- Many MD perform MD services for more than one MNC or LD
- Most MD relationships are not exclusive and generally do not have set territories or rights
- Many MD have political affiliations and tend to be very opaque in reporting of actual turnover and income
- Other than the LD’s or MNC’s the distribution channels in Cambodia tend to own and operate their own transport

This table is the B2B payments received by some LD’s via WING. This does not represent 100% of turnover. (KTH is Nokia, Nika is multiple, KLD is Samsung)
In March 2014 WING undertook a pilot payment project with Coca – Cola for payments between MD’s and regional wholesalers. There was a direct flow on effect from this pilot where retailers started using WING to pay the wholesalers even though this was not included in the pilot. It is believed that there are 20,000 coke retailers in Cambodia and as a product Coke is very influential and can drive market change.

It is understood that Coca-Cola is very happy with the pilot to date and wishes for this use WING for all payments in the supply chain. This project can also have international implications.
TOURISM

- This table shows international arrivals and receipts. It is not clear how these receipts are calculated.
- There are no direct stats on the on-flow of tourism into the F&B, arte fact/handcraft, or services segments.
- It appears that the increase in tourism is primarily from within the Asian region.
- It is also unclear what is truly business vs tourism due to visas not representing actual behaviour.

Source: Ministry of Tourism, Tourism Statistics Report, March 2014
CAMBODIA GDP

GDP FIGURES

*Due to the lack of registered business and reported income the calculation of GDP can be misleading*

<table>
<thead>
<tr>
<th>SECTOR</th>
<th>2012 Act.</th>
<th>2013 Est.</th>
<th>2014 BL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>%GDP</td>
<td>Amount</td>
</tr>
<tr>
<td>Agriculture: in which</td>
<td>18,999</td>
<td>33.52%</td>
<td>19,891</td>
</tr>
<tr>
<td>Crops</td>
<td>11,373</td>
<td>20.06%</td>
<td>11,887</td>
</tr>
<tr>
<td>Fisheries</td>
<td>4,055</td>
<td>7.15%</td>
<td>4,371</td>
</tr>
<tr>
<td>Industry: in which</td>
<td>13,023</td>
<td>22.98%</td>
<td>14,617</td>
</tr>
<tr>
<td>Textile</td>
<td>5,581</td>
<td>9.85%</td>
<td>5,973</td>
</tr>
<tr>
<td>Construction</td>
<td>3,738</td>
<td>6.59%</td>
<td>4,506</td>
</tr>
<tr>
<td>Service: in which</td>
<td>21,409</td>
<td>37.77%</td>
<td>23,511</td>
</tr>
<tr>
<td>Tourism</td>
<td>2,615</td>
<td>4.61%</td>
<td>3,041</td>
</tr>
</tbody>
</table>

Source: Ministry of Economy and Finance, Budget in Brief 2014

<table>
<thead>
<tr>
<th>GDP (constant 2005 US$)</th>
<th>Amount</th>
<th>Growth%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010¹</td>
<td>8,693,197,236</td>
<td>6.0%</td>
</tr>
<tr>
<td>2011¹</td>
<td>9,307,768,895</td>
<td>7.1%</td>
</tr>
<tr>
<td>2012¹</td>
<td>9,983,636,034</td>
<td>7.3%</td>
</tr>
<tr>
<td>2013²</td>
<td>10,702,457,829</td>
<td>7.2%</td>
</tr>
<tr>
<td>2014²</td>
<td>11,451,629,877</td>
<td>7.0%</td>
</tr>
<tr>
<td>2015²</td>
<td>12,287,598,858</td>
<td>7.3%</td>
</tr>
</tbody>
</table>

Sources:
² Asia Development Bank, Asian Development Outlook (ADO) 2014
WATER AND ELECTRICITY DISTRIBUTION

- Both Water and Electricity are managed by the Ministry of Mining and Energy (MIME).
- Electricity Du Cambodge (EDC) is the only permanently, fully licensed Electricity company in Cambodia. EDC then on-sells electricity to Rural Energy Enterprises (REE’s) who have shorter term licenses.
- EDC’s coverage areas include Phnom Penh and its suburban areas in Kandal province. EDC installs power grids to other provinces and sells the energy to Rural Energy Enterprises (REEs) who further distribute the power to final rural consumers. There is significant mark up (~100%) on the REE supplied electricity to households. REE License holders (of which there are about 300) tend to be highly connected and very protective of this license.
- Phnom Penh Water Supply Authority (PPWSA) and Provincial water authority are under the Ministry of Industry, Mines and Energy. PPWSA was the first company trading on the CSX.
- Provinces: 13 provinces are covered by state-owned water supply (the rest are private-owned). Water pipelines go only to populous areas where there are at least 1,000 to 1,500 families (due to cost of delivery).
- Both PPWSA and EDC receive payments through most of the larger retail commercial banks (branch, internet and mobile if offered). Also WING and ACLEDA Unity offer very extensive bill payment including EDC (PP and regional) and PPWSA. These two organisations are considered the premium bill pay customers to have due to the volume and the inconvenience of previous method of payment.
### Table 3: Selected Housing Conditions (% Of Households) By Year And Quintile Cambodia 2004-2011

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Roof</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Metal</td>
<td>34.5%</td>
<td>49.1%</td>
</tr>
<tr>
<td>Connected to grid</td>
<td>12.7%</td>
<td>37.5%</td>
</tr>
<tr>
<td><strong>Light source</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Battery</td>
<td>24.4%</td>
<td>35.0%</td>
</tr>
<tr>
<td>Kerosene lamp</td>
<td>55.0%</td>
<td>23.4%</td>
</tr>
<tr>
<td><strong>Dry seas. water</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Piped, well or borehole</td>
<td>37.6%</td>
<td>46.2%</td>
</tr>
<tr>
<td>Pond, river, rainwater</td>
<td>35.7%</td>
<td>35.9%</td>
</tr>
<tr>
<td><strong>Sanitation</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sewerage/septic tank</td>
<td>20.8%</td>
<td>42.1%</td>
</tr>
<tr>
<td>None</td>
<td>74.2%</td>
<td>54.0%</td>
</tr>
<tr>
<td><strong>Cooking fuel</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liquefied gas LPG</td>
<td>5.9%</td>
<td>12.2%</td>
</tr>
<tr>
<td>Firewood</td>
<td>84.6%</td>
<td>79.8%</td>
</tr>
</tbody>
</table>

Yellow indicators are positive for household wellbeing. Q3 in 2004 is the middle quintile, Q1 in 2011 is the poorest quintile.

Source: World Bank staff estimates based on CSES
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## QUICK OVERVIEW OF MOBILE MONEY PROVIDERS

<table>
<thead>
<tr>
<th>Feature</th>
<th>Wing</th>
<th>ACLEDA</th>
<th>AMK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wallet</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Bank Account</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Cash In</td>
<td>Agent and Internet Banking</td>
<td>Branch Only</td>
<td>Yes</td>
</tr>
<tr>
<td>Cash Out</td>
<td>Agent and ATM</td>
<td>Branch and ATM</td>
<td>Yes</td>
</tr>
<tr>
<td>Bill Payment</td>
<td>Yes</td>
<td>Yes</td>
<td>Not Yet</td>
</tr>
<tr>
<td>Top-Up</td>
<td>Yes</td>
<td>Yes</td>
<td>Not Yet</td>
</tr>
<tr>
<td>Payroll</td>
<td>Yes</td>
<td>Yes</td>
<td>Can do payments</td>
</tr>
<tr>
<td>Transfer</td>
<td>Within WING</td>
<td>Within ACLEDA</td>
<td>Yes</td>
</tr>
<tr>
<td>OTC Transfer</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Multi Currency</td>
<td>USD, KHR</td>
<td>USD, KHR, THB</td>
<td>KHR Only</td>
</tr>
<tr>
<td>Customers</td>
<td>Open</td>
<td>ACLEDA</td>
<td>AMK but becoming open</td>
</tr>
</tbody>
</table>
MOBILE MONEY PROVIDERS – KEY POINTS OF DIFFERENCE

WING
- 3rd Party Processor – was working only with ANZ Royal Bank but now is also 3PP for FTB
- Works with via all Telco’s
- Currently only USSD and POS terminal interface however Android App and Internet Access being developed for release
- Now has Agents in every district in Cambodia
- Has been appointed as a preferred supplier for Government payroll and will be receiving Government payments in the near future
- Has projects underway with various international remitters to receive remittance directly into WING account
- Has a pre-paid visa option
- Has a debit card attached to the wallet for ATM access (ANZ only at this stage)

ACLEDA Unity
- Smart phone app based offering – self serve only, no agent network
- Direct connect to CBS
- Has been appointed as a preferred supplier for Government payroll is already receiving Government payments – commercial tax, road tax, property tax etc. (payments are currently only accepted at branches – not through Unity)
- Accounts are accessible by branch or ATM network (both are the most extensive in the country)
- There is an intention to take Unity to both Laos and Myanmar

AMK
- MFI lead Mobile Banking – developed primarily to mobilize savings
- Direct connect to CBS – has card attached however this cannot be used in the
- No self serve option – Agent only. Using Nokia Symbian platform however new Android app being developed now
- Have had a very limited offering to date (transfer and deposit/withdrawal on current account only)
- Plan to offer loan collection, Top-Up, Bill Payment services in the near future
- Agent network planned to be nationwide
MOBILE MONEY PROVIDERS – KEY POINTS OF DIFFERENCE (2)

HKL
- Has a product called MyMobile – no cash in or cash out
- Can do transfer facilities
- This offering is unclear at this stage and needs further investigation

Canadia Bank – Xpress Banking
- Smart Phone App – direct link to CBS
- Internal account functions only (except transfer to 3rd party)
- Can open new term deposit accounts through app
- Has been appointed as a preferred supplier for Government payroll and is already receiving Government payments – commercial tax, road tax, property tax etc. (payments are currently only accepted at branches)

Amret Proposed
- MFI lead Mobile Banking – developed primarily to mobilize savings
- Direct connect to CBS
- 3 stage approach – internal staff as agents, internal customers as agents, self serve
- Currently under development
- Being partially funded by WB through AgriFin grant