

MONTHLY LEGAL UPDATE

I. OVERVIEW

This Monthly Legal Update will highlight the regulatory updates in the areas of media, trust, insurance, environment, and commerce as follows:

- Notification No. 047 dated 18 February 2025 on the Use of National Domain Name (".kh");
- Prakas No. 022 dated 10 March 2025 on Consumer Protection in Insurance Services;
- Prakas No. 020 dated 10 March 2025 on the Formalities and Procedures for Imposing Administrative Sanctions on Persons Violating Insurance Laws or Regulations;
- Prakas No. 026 dated 11 March 2025 on the Financial Soundness Requirements for Trust Companies;
- Prakas No. 192 dated 12 March 2025 on the Rules and Procedures for Taxation of Trusts;
- Prakas No. 2196/3325 dated 15 March 2025 on the Liability of Exclusive Producers, Importers, or Suppliers of Electrical and Electronic Appliances after Use or When They Become Waste; and
- Announcement Dated 10 April 2025 on the Implementation of New Sample of Company's Memorandum and Articles of Association (MAA).

II. THE USE OF NATIONAL DOMAIN NAME (".KH")

On 18 February 2025, the Ministry of Information (MOI) issued a notification no. 047 regarding the use of the national domain name ".kh". The notification applies to media outlets, organizations, and associations operating in the fields of information and audiovisual sectors.

The MOI encourages the following:

1. New businesses operating in information and audiovisual sectors should register and use the ".kh" domain name.
2. Businesses currently using foreign domain names must switch to the national domain name ".kh" by the end of 2025.
3. Business owners who have received a permit for operating a website but continue to publish content on social media network must review and comply with the regulations by March 2025. Further measures will be taken for non-compliance.
4. Applications for the use of national domain name ".kh" can be submitted via <https://www.domain.gov.kh>.

III. CONSUMER PROTECTION IN INSURANCE SERVICE

On 10 March 2025, the Non-bank Financial Services Authority issued a Prakas on Consumer Protection in Insurance Services. It aims to safeguard the rights and benefits of the consumers and build trust between the consumer and the service providers. This Prakas is applicable to insurance consumers, insurance institutions, third-party administrators, and actuarial firms operating in Cambodia. The Insurance Regulator of Cambodia (IRC) shall have the authority to manage and supervise this consumer protection.

Information Disclosure Obligation

The companies operating general insurance, life insurance, micro-insurance, and insurance intermediaries must disclose main information to the public or insurance consumers in the following stages: (i) advertisement stage, (ii) sale stage, and (iii) post-sale stage.

The information shall be true and updated in all types, forms, and methods of advertisement with respect to the law and regulations. The above companies must ensure that the consumers understand the details of the insurance product before signing the insurance contract. In the case of any change after the contract is signed, the companies need to properly inform and/or obtain the response from the consumer, if required. In the case that the change is requested by the consumers, the company shall follow the request or deny it with proper reasons. The detailed content of the disclosed information in each stage is set out in the Prakas.

Unfair Acts, Unfair Practices, and Nondiscrimination

Companies operating in general insurance, life insurance, micro-insurance, and insurance intermediaries must comply with the following:

Unfair Acts: The companies must not either intentionally or unintentionally mislead or deceive insurance consumers through the following means:

- Mislead and/or fail to disclose sufficient information to insurance consumers related to insurance products
- Gaining benefits from insurance consumers by persuading them to sign the contract knowing that the consumer cannot protect their benefits or is unable to comprehend the insurance product.

The above company must also not encourage the sale by providing misleading declarations, particularly on its inaccurate credentials, terms, and benefits.

Unfair Practices: The companies must not encourage or operate pyramid schemes. The above companies must also not request or allow the public or the consumer to sign or affix a thumbprint on any blank or incomplete documents for the purpose of pushing for the execution of the insurance contract.

Non-Discrimination: The companies shall provide their services with professionalism and utmost care to their consumers based on non-discrimination, including the determination of insurance premiums. The conditions to determine whether an insurance premium is made based on the non-discrimination principle are set out in the Prakas.

Protection of Consumer Confidentiality

The insurance institutes, third-party administrators, and actuarial firms must ensure the confidentiality of the consumer's information. The information may include personal identity, bank account's balance and number, credit report, medical record, premium payment record, insurance claim record, etc. The companies cannot use this information without prior written consent from the consumers with respect to the law and regulations.

The companies must prepare protection measures for consumer private information to prevent any loss of the data-storing equipment or any unauthorized access, use, collection, disclosure, duplication, modification, or deletion of the above information. The companies must notify the IRC, the consumer, and relevant authorities if any of the above occurred.

The companies may disclose the information as set out in Article 28 of the Prakas in the following cases: (i) the request from the competent authorities, (ii) the request from the companies supporting services to insurance businesses, reinsurance companies, and other persons involved in the insurance services as per the insurance contract, or (iii) obtaining consent from the consumer's free will.



Sanctions

The companies are subject to administrative sanctions and fines as set out in Chapter 7 of this Prakas.

The administrative sanctions include:

- Written warning;
- Publicly mentioning and order of correction;
- Restriction on insurance business activities;
- Halt the issuance of new insurance policies;
- Halt the authorization of new insurance activities or any other sale and purchase activities;
- Halt any activities of the insurance institutes, third-party administrators, and actuarial firms if the lack of financial soundness is detected;
- Restriction on the sale of the companies' properties;
- Partly or entirely transferring of the company's valid insurance policies;
- Termination of the roles of the director and the managers; and
- Revocation of registration certificate, permit, written authorization, certificate or license.

Implementation

Articles 6, 7, and 8, which cover the disclosure of information at the advertisement stage, and Article 10, related to the disclosure of information in electronic format during the sale stage, shall be implemented six (6) months after the entry into force of this Prakas.

IV. FORMALITIES AND PROCEDURES FOR INSURANCE LAW OR REGULATION'S VIOLATORS

On 10 March 2025, the Non-Bank Financial Services Authority (NBFSA) issued a Prakas on the Formalities and Procedures for the Sanctions on the Violator of Law or Regulations in the Insurance Sector. The following are the highlights of this Prakas:

Competent Authority

The Insurance Regulator of Cambodia (IRC) has the authority to impose sanctions on the violator. These sanctions may include administrative sanctions or measures, disciplinary measures, and transitional fines. The IRC may submit the case to the competent court if the violator fails to pay the transitional fine set out under this Prakas.

General Principles

The sanctions cannot be implemented in the case of (1) no clear legal ground, (2) the violator's mental disorder or death, and (3) repeated sanctions on the same crime.

The sanction can be aggravated or mitigated subject to the specific conditions below:

- It is mitigated if the violator has the intention to amend its action through (1) reinstatement or remedies the damages before the penalty is imposed or (2) informing the crimes and making a confession.
- It is aggravated if the violators (1) premeditated the crimes, (2) fail to make amends, (3) commit many crimes at the same time, (4) coerce or threaten others to commit crimes, or (5) hide the crime.

The IRC shall provide a chance to the violator to explain either through oral or written hearing. This explanation can be used as a ground for aggravating or mitigating circumstances.

The IRC may impose double fines for any repeated violation and impose disciplinary measures as per the Law on Insurance for continuing the repeated violation. The IRC also has the authority to revoke any principal permit, permit, certificate, or license for the failure to abide by the sanction's measures imposed by the IRC.

Sanction Procedures

The IRC may deliver its decision or notification letter to the violator through a written or electronic letter. If the violator refuses to accept the letter or there is an absence of the recipient, this letter can be displayed at the commune office of the violator's address or through public announcement. The letter is deemed accepted after the display or announcement.

The violator shall pay the fines to the IRC's account within 10 (ten) days after the acceptance date of the above letter. The violator is required to notify the IRC within 5 (five) working days after the fine is paid.

If the violator aims to challenge the penalty, the violator can file the complaint to the NBSFA within 45 (forty-five) working days. The NBSFA's decision on this complaint shall be made within 2 (two) months. This decision can be appealed by the violator to the competent court within 30 (thirty) days.

In the case that there is no payment of fines or objection within 45 (forty-five) days after the acceptance of the penalty letter, the IRC can submit the case to the competent court.

V. FINANCIAL SOUNDNESS REQUIREMENTS FOR TRUST COMPANIES

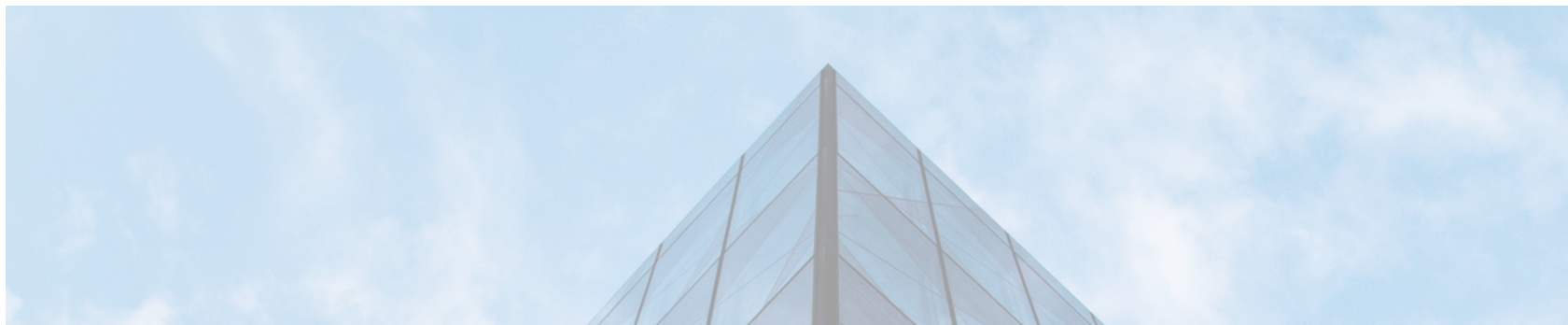
On 11 March 2025, the Non-Bank Financial Services Authority (FSA) issued a Prakas on the Financial Soundness Requirements for Trust Companies. This Prakas establishes conditions and procedures to manage and inspect the financial soundness of trust companies that obtained a license or permit from the Trust Regulator (“RC”):

Requirements

- Trust companies shall prepare financial statements in accordance with applicable accounting standards and relevant regulations.
- Trust companies shall maintain shareholder equity not less than the minimum capital requirement prescribed under the Prakas on the Rules of Management, Organization, and Functioning of Trusts.
- Trust companies shall maintain the required business security deposit and shall not utilize said deposit for business operations, except as permitted under the Prakas on the Rules of Management, Organization, and Functioning of Trusts.
- Trust companies shall maintain a net capital ratio of not less than 150%, calculated in accordance with the formula set forth in this Prakas.
- Trust companies shall submit to the TR a summary trial balance and a liquidity report no later than the 10th day of the following month.

Urgent Corrective Measures

In the event that a trust company fails to maintain the minimum net capital ratio, the trust company shall follow the urgent corrective measures based on the TR’s recommendations. Each urgent corrective measure’s recommendations correspond to the level of net capital ratio in place, ranging from below 150%, 120%, and 100%, as detailed in articles 28, 29, and 30 of this Prakas, respectively.



Penalty for Non-Compliance

Any non-compliance with the obligations set out under this Prakas shall be subject to one or more of the administrative sanctions from the trust inspector as follows:

- Warning;
- Correction order;
- Publicly mentioning and order of correction
- Restrictions on the disposal, management, and/or safeguarding of trust property;
- Restriction on license/permit,
- Suspension of license/permit; and
- Revocation of license/permit.

VI. THE RULES AND PROCEDURES FOR TAXATION OF TRUSTS

On 12 March 2025, the Ministry of Economy and Finance (MEF) issued a Prakas establishing the rules and procedures for the taxation of trusts. This regulation applies to trustors, trustees, and beneficiaries, whether resident or nonresident, who are involved in the operation of a trust established within the Kingdom of Cambodia. However, it does not apply to trusts that have legal forms as companies or enterprises.

Trusts are classified into four main categories under this Prakas: (i) Public Trusts, (ii) Commercial Trusts, (iii) Social Trusts, and (iv) Personal Trusts.

Tax Registration

This Prakas requires all trust companies to register for tax purposes as either large or medium taxpayers. Independent individual trustees must register as small, medium, or large taxpayers, based on their turnover or the value of their business assets, in accordance with the official taxpayer classification. This registration must be made within 15 days from its business operations or upon receiving a license or approval from the Trust Regulator.

Taxation

The trustee shall be subject to income tax for the income from remunerations or other fees from the management of trust operations. The tax rate includes (i) 20% for the income of a legal entity and (ii) from 0% to 20% for the income of a natural person, sole proprietorship, and partnership.

The tax on trust property shall be subject to taxes in applicable tax laws and regulations. These taxes include:

- Tax on rental fee: it covers the income from immovable property lease of the trust property.
- Capital gains tax: it covers the income from the sale or transfer of capital.
- Stamp duty: It covers the transfer of ownership or possession or the injection of capital in the forms of immovable property, movable property, or capital assets, or the transfer of shares.
- Withholding tax: it covers the repatriation of income after tax to the non-resident taxpayer except in the case that such income is subject to the paid capital gain tax.

All trustees are obligated to file tax returns and pay the above and other applicable taxes in compliance with the relevant tax laws and regulations. The trustee shall also maintain proper accounting books as set out under this Prakas. Any applicable exemption for any type of tax shall also be applicable to the above.

VII. LIABILITY OF EXCLUSIVE PRODUCERS, IMPORTERS, OR SUPPLIERS OF ELECTRICAL AND ELECTRONIC APPLIANCES' WASTES

On March 18, 2025, the Ministry of Environment (MOE) issued a Prakas on the Liability of Exclusive Producers, Importers, or Suppliers of Electrical and Electronic Appliances after Use or When They Become Waste. This Prakas applies to individuals or entities that exclusively produce, import, or supply electrical and electronic appliances as listed in the annex of the Prakas ("Liable Persons").

The Liable Persons shall be responsible to collect electrical and electronic appliances after their use or when they become waste. The Liable Persons must either establish a collection system with the approval of the MOE or cooperate with a licensed service provider authorized by the MOE to collect, transport, and store electrical and electronic waste.

The process for collection, transportation, and storage includes:

- Establishing a mechanism for the collection, transportation, and storage of electrical and electronic wastes.
- Designated a collection point with clear signage to separate different classifications of electrical and electronic waste.
- Designating final storage sites for collected wastes or sending them back to the country of origin.

The Liable Persons are fully responsible for the management and treatment of the collected wastes. They may use licensed service providers for the treatment or exporting the wastes back to the country of origin. The export of such waste must comply with existing laws and regulations of Cambodia.

Additionally, the Liable Persons are required to report to the Ministry of Environment every six months, detailing the quantity and types of imported electrical and electronic products as well as the amount and classification of waste collected.

The annexes of this Prakas include:

- **Annex 1:** Types of Electrical and Electronic Appliances.
- **Annex 2:** Form of the Report on the Collection of Electrical and Electronic Waste.

VIII. NEW TEMPLATE OF MEMORANDUM AND ARTICLES OF ASSOCIATION

On 10 April 2025, the Ministry of Commerce issued an announcement on the implementation of a new sample of the company's memorandum and articles of association (MAA). The new samples include the MAA for private limited companies and single-member limited companies. The new sample is in Appendix 1 of the MAA, which contains the company name, structure, business objectives, registered address, registered capital, par value of shares, and shareholder and director information.

It aims to ease the process of preparing business registration applications. For the amendment of MAA, the company is only required to amend Appendix 1.

*This Monthly Legal Update is a general information only and is not considered as legal advice or opinion. If you require any further information or have any questions, please contact **Mr. HOUN Vannak**, managing partner of **RHTLaw Cambodia**.*

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