

Business Opportunities under Governmental Strategies in Supporting Private Sector



On 5 July 2019, HBS Law attended the Annual Listed Companies Forum with the topic being Business Opportunities under Governmental Strategies in Supporting Private Sector, organized by the Cambodia Securities Exchange (“**CSX**”) and held at Sokha Phnom Penh Hotel. His Excellency Dr. Hean Sahib, Secretary of State of the Ministry of Economy and Finance (“**MEF**”) and Chairman of the Board of Directors of the CSX, led the opening of this year's Annual Meeting of the Forum with the participation of representatives of the MEF, Ministry of Commerce (“**MoC**”), Ministry of Industry and Handicraft (“**MIH**”), representatives of financial institutions, (potential) investors and legal service providers. The purpose of the forum was to increase investor confidence in listed companies, as well as to promote and build a network between potential investors, listed companies and companies considering to be listed at the CSX.

Since the launching of the CSX in 2012, the market fared well resulting in a total market investment of USD 130 million, with the forecast of further growth. The stock market index increased in 2018 with 41.4% and 28.75% in the first semester of 2019. The growth was mostly due to the entrance of new investors and participants, combined with the attractive pricing of the securities.

Currently, the market consists of 7 securities listed companies, of which 5 are by way of the issuance of equity and the remaining 2 by the issuance of bonds. Advanced Bank of Asia (“**ABA**”) will be the next financial institution to join CSX in July 2019 by the anticipated issuance of bonds with a value, which is predicted to raise an estimated USD 30 million.

The common opinion of the participants is that, while the CSX has performed well since its existence, there is always room for improvement. The increase of public confidence, investors’ trust and the willingness of companies to be listed can be achieved by diversifying the instruments on investing in the CSX, various governmental incentives, introducing new investments schemes on the market (such as allowing local investors to trade foreign currencies) and compliance with standards of corporate governance which has been applied in the more developed securities market around the world.

The Royal Government laid down many favourable conditions in order to support the securities sector. Since the beginning of 2019, the Royal Government has introduced tax incentives to the firms who wish to be listed on the CSX. The Royal Government continues to be more attentive to the development of the market, which is a business opportunity under the Government Private Sector Support Strategy.

Currently, companies who wish to be listed receive incentive in the form of reduction of 50% on the profit tax for the first 3 years after having been listed. Furthermore, the Royal Government is considering non-tax related incentives, such as special rates for listed companies on certain types of financing.

A major question from the private sector is: *Why should we consider listing while our business is expanding and performing well?* In response to this, the CSX encourages companies, especially within financial sector, to commence listing on the market due to the following reasons:

1. Increasing reputation, trust and achieve competitive advantages;
2. Stepping up the ability to sustain in case of economic crisis;
3. Lowering cost of funding compared to loans from banks;
4. Improving the operation and expand the business in the region;
5. Tax incentive(s).

The Securities and Exchange Commission of Cambodia (“**SECC**”) has put its priority in the near future on corporate governance. Therefore, the SECC, supported by the World Bank, is now in the process of organizing trainings on corporate governance in order to bring the standard to a higher level. Further targets include improving company ability to be listed, maintaining closed relationships with various exchange markets regionally and internationally and introducing mechanisms to increase public confidence and trust.

HBS Law

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AUTHORS' PROFILES



Mustafa Kocadağ mustafa.kocadağ@hbslaw.asia

Senior Legal Advisor

Head Practice Group M&A and Securities Market

Prior to joining HBS Law, Mr. Kocadağ served as an associate and partner for various firms in the Netherlands, Lao PDR and Indonesia. He has more than 12 years' of experience and expertise in the areas concerning corporate and commercial matters, mergers and acquisitions, secured transactions, financing and real estate transactions, dispute settlements, mining, hydropower, telecommunication, banking, taxation, initial public offerings and labour related issues.

Mustafa speaks English, Dutch, Turkish, German, and Bahasa Indonesia



Vareap Say vareap.say@hbslaw.asia

Legal Advisor

Practice Group M&A and Securities Market

Before joining HBS Law, Mr. Vareap has worked in the oil and gas unit of the government for the past 7 years, where he started off as an officer tasked to assist with the internal process of formulating law and regulations to govern the petroleum activities of the country. Later on, he was promoted to be the Deputy-Head of office following his graduate from Australia. His highly skills is to develop Agreements, issued letters, and negotiated in the field of legal and commercial matters of the oil and gas sector including securities exchange.

Mr. Vareap speaks Khmer and English