

PRAKAS ON TRANSACTIONS RELATED TO CRYPTOASSETS

 2025
JANUARY

LEGAL UPDATE

“Local expertise with international
experience makes us the advisor of choice”

On 26 December 2024, the National Bank of Cambodia (“NBC”) issued a Prakas on Transactions Related to Cryptoassets (the “**Prakas**”), becoming effective immediately and representing a step toward greater regulatory certainty on cryptoassets transactions with respect to the banking sector in Cambodia. Before the Prakas, the Securities and Exchange Regulator of Cambodia issued Guideline No.001/22 on Fintech Regulation Sandbox in Securities Sector.

While apparently open to novel forms of doing business, the Royal Government continues to make efforts to minimize risks related to money-laundering, financial stability, and potential fraud that may arise from the use of the digital assets. In the past NBC has appealed to the public to be cautious of buying, selling, trading and settlement of cryptoassets, which signified that NBC previously was reluctant to legalize the cryptoasset operation.

The Prakas, which consists of six chapters and twenty-six articles, aims to manage the transactions and business activities related to cryptoassets.

1. Scope and Applicability

The Prakas defines cryptoassets as “*a digital representation of value that depends on cryptography and distributed ledger or similar technology.*” The Prakas applies to all commercial banks and payment service institutions, under the supervision of NBC and any legal entities intending to engage in providing cryptoasset service providers (“**CASPs**”), including a). exchange of cryptoassets, b). transfer of cryptoassets, and c). safekeeping or administration of cryptoassets.

2. Classification of Cryptoassets

Cryptoassets are classified into two groups: Group 1 and Group 2.

Group 1 includes cryptoassets that are digital representations of traditional financial instruments or value which refers to traditional assets or a pool of traditional assets.

Group 2 includes all cyptoassets that do not meet the criteria of Group 1, in particular, but not limited to, unbacked cryptoassets that are neither tokenized traditional assets nor stablecoins.

3. Requirements to Conduct Cryptoasset Transactions

Commercial banks intending to carry out cryptoasset activities classified in Group 1 or intending to provide the conduct of one or more cryptoasset services are required to obtain prior approval from NBC.

Any legal entity intending to operate as CASPs on one or more of the cryptoasset services is required to obtain a license from NBC.

NBC will issue a separate prakas on the criteria and conditions for the above prior approval and license.

4. Prohibitions and Sanctions

The Prakas does not allow commercial banks to issue cryptoassets and carry out, directly or indirectly, any cryptoasset activities classified in Group 2. The Prakas also prohibits commercial banks, payment services institutions and CASPs from using customers' cryptoassets for their own business purposes, promoting the use of cryptoassets as a means of payment, or advertising specific cryptoassets.

Commercial banks, payment services institutions, and CASPs will be subject to penalties in accordance with Article 52 of the Law on Banking and Financial Institutions if they fail to comply with the Prakas. In addition to the aforementioned Article 52, NBC has the authority to impose monetary fines in accordance with Article 23 of the Prakas.

5. Conclusion

As Cambodia develops its approach to the governance of cryptoasset transactions to balance the beneficial potential of digital assets with the need to protect financial stability in the banking sector, the Prakas indicates the forward-looking approach to minimize the risks for the use of digital assets in Cambodia in the coming years.

Therefore, it is crucial for businesses and investors in the cryptoasset sector to be aware of the update and comply with regulations in place.

If you need advice on Prakas compliance, detailed information about the Prakas, and/or any assistance in obtaining the prior approvals or licenses required under the Prakas, please contact our team.

Disclaimer: The information provided herein is for information purposes only and shall not be treated as legal advice in any way.

AUTHOR'S PROFILE



SUN Vannak
Attorney-at-Law