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Kingdom of Cambodia
Nation Religion King

National Bank of Cambodia
No. NBC/B700/50
February 17, 2000

Prakas
On
the Accounting Process for Foreign Currency Transactions

The Governor of the National Bank of Cambodia

Referring to the 1993 Constitution of the Kingdom of Cambodia;

Referring to Kram No. NS/RKM/0196/27 of January 26, 1996 promulgating the Law on the Organization and Functioning of the National Bank of Cambodia;

Referring to Kram No. NS/RKM/1199/13 of November 18, 1999 promulgating the Law on Banking and Financial Institutions;

Referring to Kret No. CS/RKM/0398/85 of March 10, 1998 on the appointment of H.E. Chea Chanto as Governor of the National Bank of Cambodia;

Pursuant to the request of the Banking Supervision Department of the National Bank of Cambodia.

contract is defined as any foreign exchange contract within two business days of its maturity unless a shorter period is customary or required in the local market.

For the purposes of this Prakas, purchases or sales of foreign currencies in which the parties decide to defer completion for more than the customary period of two business days shall be regarded as forward contracts.

Article 4: The counterpart of the foreign-currency accounting entries relating to foreign-exchange transactions - namely those which entail a foreign currency position - shall be entered in foreign exchange position accounts opened either on or off the balance sheet and denominated in each of the currencies used.

The reporting currency accounting entries relating to foreign exchange operations shall be entered in foreign exchange position countervalue accounts on or off the balance sheet.

Consequently, transactions involving a foreign currency and the reporting currency shall be entered in their appropriate ledger and each ledger shall be balanced by using "mirror accounts" such as the following:

- foreign currency exchange position divided into:
 - . balance sheet exchange position.
 - . off-balance sheet exchange position.
- Reporting currency exchange position equivalent (or countervalue) divided into:
 - . Balance sheet exchange position equivalent.
 - . Off-balance sheet exchange position equivalent.

Article 5: Capital commitments arising from purchases or sales relating to spot foreign exchange transactions with the customary completion period of two business days and to forward foreign exchange transactions must be recorded in the appropriate off-balance sheet accounts on the date the operation is entered into. Upon delivery of the foreign currencies, the operations shall be entered in the financial institution's balance sheet.

Article 6: On each accounting statement date, the asset, liability or off-balance sheet items shall be valued at the market price prevailing on the statement date. The market rate applicable to asset and liability items and to spot foreign exchange commitments shall be the closing rate of the currency concerned.

The market rate applicable to forward foreign exchange commitments shall be the forward rate of the currency concerned for the outstanding term, namely the forward market-rate corresponding to the maturity date of the commitment.

Article 7: On each accounting statement date, the differences between, on the one hand the amounts arising from the valuation in the reporting currency of the foreign-exchange position accounts in accordance with the provisions of Article 5 and, on the other hand, the amounts shown in the foreign-exchange position countervalue accounts shall be entered in the profit and loss account. The counterpart of these entries must be recorded in the foreign-exchange position countervalue accounts denominated in the reporting currency.

Since it is not possible to debit a balance sheet account by crediting an off-balance sheet account and vice-versa, gains and losses posted to the profit and loss account and stemming from off-balance

