



Code for Equitable Microfinance Lending

1. Introduction

The Code for Equitable Microfinance Lending ("the Code") has been approved and is to be implemented by all members and signatories ("the Institutions") of the Cambodian Microfinance Association (CMA) based on shared commitment and trust in accordance with the recommendations of the CMA's Board of Directors (BoD). This Code aims to raise quality and strengthen equity in microcredit provision with a view to ensuring the sustainability of the microfinance industry in Cambodia, promoting financial system soundness and reducing poverty in line with the social mission of the microfinance sector and the strategic policy of the Royal Government of Cambodia.

2. Purpose

This Code is an initiative of the CMA with the main purpose of complementing the professional operations of the Institutions in order to enhance the quality and equity of microfinance lending by ensuring:

- a) the provision of transparent and non-discriminatory services
- b) the public's access to comprehensive information, especially on customers' rights and obligations
- c) the affordability and suitability of services in accordance with the rules and regulations of the National Bank of Cambodia and the Client Protection Principles.

3. Transparent Lending Services

The Institutions guarantee transparency in lending services, and correctness and openness of information, especially on interest rates and related fees.

The Institutions guarantee to provide services without discrimination on any ground such as gender, nationality, skin colour or other opinion.

4. Provision of Comprehensive Information

The Institutions must provide verbal and written communication to convey comprehensive information to their customers. The information provided must state the source of credit (private), the rights and obligations of both customers and guarantors, and any options that clients should know about if they cannot make payments on time. The procedures and principles applied for late or non-payment must be clearly stated and information provided to customers on request as soon as possible.

5. Provision of Affordable Services

The Institutions are committed to seeking appropriate strategies and mechanisms to lower the cost of interest rates and services so that the low-income population can benefit more from microfinance transactions. In the meantime, those include:



- a) the Institutions must implement the Prakas on Interest Rate Ceiling on Loan when lending to rural population, set at an interest rate of 18% p.a. or 1.5% per month with calculation based on the remaining balance method;
- b) the Institutions must set total fees not exceeding maximum of 8% p.a. for loan at or lower than 3000\$ (or equivalent in other currency) and not exceeding maximum of 5% p.a. for loan more than 3000\$ (or equivalent in other currency) depending on each institution.
- c) all institutions recognize that fees are different according to its type, size, currency and duration of loan, etc. For the detail on interest rate and fees charge, please refer to Appendix 1.

6. Compliance and Monitoring

The Institutions shall evaluate their own practices, compliance and submit monthly reports to the CMA (as determined by the CMA's BoD) together with the table attached in Appendix 1. This Appendix 1 may subject to change through the decision of the CMA's BoD; in which case CMA shall notify the Institutions.

The Institutions must provide further information in accordance with the laws and regulations and upon the request from the CMA's BoD, accurately and at a timely manner. The CMA, through the Chair of its BoD, has the right to report and share received information with regulators and relevant institutions and request appropriate action to ensure Institutions adhere to the purpose and practice of this Code.

The CMA, through the chair of its BoD, has the right to appoint a committee or auditor for the purpose of monitoring and evaluating the Institutions in accordance with unanimous decision of the CMA's BoD; the expenses for such shall be borne by the Institution under the audit.

The Institutions accept responsibility for any breach of implementation of this Code and agree to accept any penalty at the discretion of the CMA's BoD. Should any member of the CMA's BoD breach this Code, that member cannot participate in the penal discussion.

7. Effective Dates

This Code does not intend to replace the laws and regulations of the NBC, or the procedures, standards and principles implemented by the Institutions in any circumstance.

The BoD can propose amendments to the Code in any part of this document which will be subject to re-approval by the Institutions.

This Code is effective from the date of 05 July 2017, with the list of signatories in Appendix 2.

(this English version is only for info and should not be treated as main reference for discussion. Amret assisted in the Khmer to English translation)