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Legal and Tax Digest

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Labor

Instruction No. 154/24 dated November 1, 2024 issued by the Ministry of Labor and Vocational Training (“MLVT”) on “Labor Dispute Conciliation”

To ensure a timely and effective resolution of labor disputes while maintaining a mutual commitment to the settlement process, the instruction sets out the following steps to be followed:

- **Request for re-conciliation:** After failing the first conciliation, the parties to the dispute have two working days to make a joint written request for re-conciliation to the MLVT.
- **New appointment:** Upon receiving the request, the Minister of the MLVT may appoint a new conciliator or replace the existing one in an effort to resolve the dispute.
- **Limitation on further conciliation:** If the parties still fail to reach a settlement, no additional re-conciliation requests are allowed; however, they can proceed with other labor dispute resolution mechanisms as stipulated by the law.

Wastewater System

Royal Kram No. NS/RKM/1124/005 dated November 22, 2024 issued by the Royal Government of Cambodia on the “Law on Wastewater Systems”

The Law on Wastewater Systems aims to ensure the effectiveness, quality, safety, and sustainability of wastewater systems while protecting the environment and promoting public welfare. Key highlights are provided below:

Priority areas

The law emphasizes critical infrastructure needs in response to urban development, population growth, and environmental pressures. It specifies five key priority areas for preparing a wastewater system development master plan:

- Water pollution control areas
- Water quality and quantity protection areas in natural zones
- New development areas, including new cities, construction areas, business areas, and new land preparation areas
- Commercial, production, service, and tourism zones
- Special economic zones, industrial parks, innovation parks, and agro-industrial zones

The final prioritization will be determined by the Royal Government of Cambodia.

Master plan

The master plan is a comprehensive framework ensuring the operational efficiency and long-term sustainability of a wastewater system. It should include the following components:

- **Wastewater system coverage:** The area and conditions for treatment and discharge.
- **Overarching policy framework and implementation strategy:** Wastewater treatment plans and detailed implementation schedules.

- **Expansion projects:** Promotion of projects to expand wastewater systems in various regions and expand the scope of sewer system reconstruction.
- **Wastewater treatment plants:** Wastewater treatment plant plans, drawings, structures, and capacities.
- **Site evaluation:** Study of existing structural conditions, topography, flow, currents, water sources, and other natural conditions in the project area.
- **Land use and development:** The wastewater system development should align with land-use plans.
- **System improvement:** It should include the upgrading of existing infrastructure to improve wastewater treatment.
- **Research and development:** This should focus on wastewater systems and include human resource training.
- **Cost estimation:** Estimation of the costs and cost requirements to implement the project, including an analysis of the benefits and other relevant aspects of the wastewater system development.

The Ministry of Public Works and Transport is responsible for developing a comprehensive master plan for wastewater systems aligned with national policies, with the cooperation of sub-national administrations to oversee the management of wastewater systems under their jurisdiction. The development master plan must be monitored, reviewed, and re-evaluated over a 10-year period.

Steps for the development of a wastewater treatment system

1. Gathering of basic information and data
2. Development of a procedural workflow to study and design the project
3. Determination of the type and durability of the sewage
4. Determination of the type and construction of the sewage well
5. Installation of flooring, connections, and sewage

In addition, a wastewater treatment system is divided into wastewater treatment plants, wastewater treatment tanks, and other infrastructure supporting the wastewater treatment system. Separately, sewer systems are divided into common sewer networks and separate sewer networks based on the type and size of each sewer network.

Connection requirements

- All buildings, business centers, and production facilities must have adequate wastewater treatment systems, drainage networks, and related infrastructure that meet technical standards before connecting to the main drainage system.
- Special economic zones, industrial parks, and innovation parks must obtain authorization from the wastewater management authority before connecting to the main drainage system. The review process for authorization will consider technical standards, timelines, pollution levels, and wastewater flow at connection points.

Obligations and rights

A. Operators

Rights:

- To operate wastewater systems in accordance with the investment agreement.
- To propose legal amendments and participate in related discussions.
- To collect service fees and seek compensation for damages.
- To participate in discussions and advise on the wastewater system development plan for the administrative area in which they have invested.
- To be entitled to compensation for damages caused by parties who have breached the investment agreement.
- Additional rights as outlined in the agreement and the law.

Obligations:

- To manage system assets and resolve any operational issues.
- To prepare and maintain a service fee plan and keep data on connected properties.
- To cooperate with water supply authorities.
- To protect the system's infrastructure.
- To follow the procedures and rules stipulated in this law.
- To resolve any incidents that occur during the investment period until the end of the agreement term.
- To gather housing data and identify locations for connections to the sewage system under its control and management.

B. Users**Rights:**

- To access sewage services in accordance with the contract.
- To request prompt resolution of issues with sewage connections.
- To receive accurate information about service usage and fees.
- To file complaints and seek compensation for contract or law violations.
- Other rights as outlined in the contract.

Obligations:

- To pay sewage fees on time.
- To discharge wastewater according to the terms of the contract and applicable laws.
- To notify the authorities of any incidents that could harm the system.
- To ensure the proper connection of property sewage pipes to the sewer network.
- To pay for damages caused by non-compliance.
- To fulfill other obligations outlined in the contract and law.

Operation of a Wastewater System Business

- Any business involved in wastewater systems must hold a valid business permit or license issued by the Ministry of Public Works and Transport and the relevant sub-national administration.
- All business operations will be subject to a public service fee.
- Operators must ensure that their staff are properly trained, equipment is well-maintained, and safety procedures are followed in line with technical and safety standards.

Wastewater system maintenance

Government entities responsible for wastewater systems are required to conduct inspections of their technical characteristics at least once every three years to ensure the quality and functionality of the wastewater system.

Penalties

Violators of the law, both individuals and entities, will be subject to administrative and/or criminal sanctions.

Commerce

*Sub-Decree No. 289 dated December 14, 2024 issued by the Royal Government of Cambodia on “**Informal Economy Registration**”*

Purpose and scope

The Sub-Decree sets out the process and procedures for registering those involved in the informal economy, which will allow for the monitoring and support of its development, ensuring its sustainability and long-term viability. It applies to micro-enterprises, employees of micro-enterprises, casual workers, and self-employed individuals engaged in informal economic activities.

Authorities involved in the registration process

- **The Coordinating Committee for Developing the Informal Economy:** It is primarily responsible for overseeing and coordinating the registration process and issuing registration certificates.
- **The General Secretariat of the Digital Economy and Business Committee:** It operates the digital platform for the development and registration of the informal economy.
- **The one-window service offices of municipalities, districts, and khans:** They are responsible for receiving, reviewing, and responding to informal economy registration applications.

Process

To register, applicants must provide the following information and supporting documents:

- Identification details

- Economic details
- Educational background
- Copy of their Cambodian national ID card
- Recent photograph of the applicant's face
- Photograph of the applicant's face taken at the business location
- Other information as specified in the operating procedures of the General Secretariat of the Digital Economy and Business Committee

All of the information and documents must be submitted online for the relevant authorities' review and approval. There is no fee for registration.

Procedure

Within one working day after receiving the application, the one-window service office of the particular municipality, district, or khan will verify the accuracy of the provided information and required documents and proceed as follows:

- **If the information and required documents are found to be sufficient and correct:**
The applicant will receive an informal economy registration certificate in digital form, which can be printed. This certificate will serve as an official document for the development of the informal economy for formal use, as outlined in the annex of the Sub-Decree.
- **If the information and required documents are found to be insufficient or incorrect:**
The application will be returned to the applicant to correct, along with a clear explanation of the reasons.
- **If the information and required documents are found to be fraudulent or not within the scope of the Sub-Decree, or for other reasonable grounds:** The application will be rejected, with a clear explanation provided.

The informal economy registration certificate confirms the applicant's identity, business type, occupation, and/or job, and verifies their status as being registered in the informal economy.

The applicant must electronically confirm that the information and documents provided for registration are genuine, accurate, and not fraudulent. If the information or documents are found to be incorrect or fraudulent, the relevant ministries and competent institutions will take appropriate action in accordance with applicable laws.

Rights and obligations

Rights

All natural persons registered in the informal economy have the right to receive various incentives and benefits from the relevant ministries as per the applicable laws.

Obligations

Every natural person registered in the informal economy have the following obligations:

- To complete the form and fulfill the requirements set out in this Sub-Decree on registration.
- To provide accurate and sufficient information and documents.
- To update the required information and documents as needed.

Banking and Finance

Prakas No. B7-024-735 dated December 26, 2024 issued by the National Bank of Cambodia on “Crypto Asset Transactions”

This Prakas sets out the rules for managing transactions and business activities related to crypto assets, which apply to all commercial banks, payment service providers, and legal entities that intend to have crypto asset exposure and/or to act as crypto asset service providers.

The Prakas classifies crypto assets into two groups:

- **Group 1:** These are crypto assets that digitally represent traditional financial instruments, or whose value is linked to traditional assets or a pool of traditional assets (referred to as reference assets). Group 1 is further divided into two subgroups:
 - **Group 1A:** Digital versions of traditional assets that have been tokenized, especially tokenized securities. These digital assets are recorded using distributed ledger technology (“DLT”) or similar technologies to track ownership. They carry the same credit and market risks as the traditional assets they represent, such as corporate bonds, loans, deposits, equities, derivatives, commodities, and cash held in custody.
 - **Group 1B:** Stablecoins that use a reliable mechanism to maintain a stable value, backed by a traditional asset or a mix of traditional assets. Importantly, these stablecoins do not involve any crypto assets or algorithm-based systems for stabilization.

The characteristics and requirements of crypto assets recognized as belonging to Group 1 assets are shown in the table below.

Characteristics	Group 1A	<ul style="list-style-type: none"> - Use cryptography, DLT, or similar technology to record ownership - Carry the same level of risk and provide the same rights as the reference assets
	Group 1B	<ul style="list-style-type: none"> - Can be redeemed for a predefined amount of the reference assets - Include a stabilization mechanism that minimizes market value fluctuations relative to the peg value and passes a redemption risk test - Provide reliable information to verify the ownership rights of reserve assets - Issuers are supervised and regulated by the central bank or relevant authorities

Requirements	Group 1A	<ul style="list-style-type: none"> - All rights, obligations, and interests associated with the crypto assets' arrangement are clearly defined, legally enforceable, and properly documented in all jurisdictions where the crypto assets are issued and redeemed.
	Group 1B	<ul style="list-style-type: none"> - The functions of the crypto asset and the underlying network on which it operates, including the DLT or similar technology, are designed to manage material risks effectively. - Entities providing services such as redemptions, transfers, or storage of crypto assets, or manage reserve assets will be regulated and supervised by the relevant authorities.

▪ **Group 2:**

These include all crypto assets that do not meet the requirements of Group 1. This category includes, but is not limited to, unbacked crypto assets that are neither tokenized traditional assets nor stablecoins.

Crypto asset services

Entities that intend to become crypto asset service providers may offer one or more of the following services:

- **Exchange of crypto assets:** This includes services for exchanging crypto assets for fiat currencies, or vice versa, or one type of crypto assets for another.
- **Transfer of crypto assets:** This involves transactions that move crypto assets from one crypto asset address or account to another.
- **Safekeeping or administration of crypto assets:** This refers to services such as (i) safeguarding of customers' crypto asset wallets; and/or (ii) managing customers' crypto asset wallets. Entities providing such services can execute transactions or transfer from its platform on behalf of its customers.

Prohibited activities

- Using customers' crypto assets for their own business purposes or facilitating lending or staking of customers' crypto assets.
- Promoting the use of crypto assets as a means of paying for goods and services.
- Advertising specific crypto assets, unless it is advertising their own services.

Conditions for conducting transactions

Commercial banks that carry out crypto asset activities, whether for their own accounts or on behalf of their customers, must obtain prior approval or authorization from the National Bank of Cambodia ("**NBC**"). Moreover, for their own accounts, banks are not allowed to issue crypto assets or directly or indirectly engage in any crypto asset exposure with Group 2 crypto assets.

In order to conduct transactions for their own accounts, commercial banks must submit an application to the NBC for authorization and meet the following conditions:

- Have a resolution from their board of directors' approving their engagement in crypto asset exposure.
- Demonstrate that they are in a strong financial condition and comply with all prudential regulations.
- Provide a detailed classification of the crypto assets they wish to engage in, whether they fall in Group 1A or Group 1B.
- Conduct proper legal due diligence of the crypto asset arrangements.
- Submit a business plan related to their crypto asset exposure for three financial years
- Provide a description of the governance and risk management framework for managing their crypto asset exposure.
- Submit any other supporting documents or information required by the NBC.

Upon receipt of the application with all required documentation, the NBC will provide written notification of its decision within 60 working days.

All legal entities must comply with the existing prudential guidelines on exposures as set out by the NBC; any violation may result in a monetary penalty.