



1<sup>st</sup> Follow-Up Report

# Mutual Evaluation of Cambodia

September 2018





The Asia/Pacific Group on Money Laundering (APG) is an autonomous and collaborative international organisation founded in 1997 in Bangkok, Thailand consisting of 41 members and a number of international and regional observers. Some of the key international organisations who participate with, and support, the efforts of the APG in the region include the Financial Action Task Force, International Monetary Fund, World Bank, OECD, United Nations Office on Drugs and Crime, Asian Development Bank and the Egmont Group of Financial Intelligence Units.

APG members and observers are committed to the effective implementation and enforcement of internationally accepted standards against money laundering and the financing of terrorism, in particular the Forty Recommendations of the Financial Action Task Force on Money Laundering (FATF).

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APG Secretariat  
Locked Bag A3000  
Sydney South  
New South Wales 1232  
AUSTRALIA  
Tel: +61 2 9277 0600

E mail: [mail@apgml.org](mailto:mail@apgml.org)

Web: [www.apgml.org](http://www.apgml.org)

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## CAMBODIA: 1<sup>ST</sup> ENHANCED (EXPEDITED) FOLLOW-UP REPORT 2018

### I. INTRODUCTION

1. The mutual evaluation report (MER) of Cambodia was adopted in July 2017. This follow-up report (FUR) analyses the progress of Cambodia in addressing the technical compliance deficiencies identified in its MER. Technical compliance re-ratings are given where sufficient progress has been demonstrated. This report does not analyse any progress Cambodia has made to improve its effectiveness. Cambodia's progress with effectiveness will be analysed as part of the 5<sup>th</sup> year follow-up assessment and, if found to be sufficient, may result in re-ratings of Immediate Outcomes at that time.

2. The 2018 assessment of Cambodia's request for technical compliance re-ratings and the preparation of this report was undertaken by the following experts:

- *Mr. Filipe Manuel Peixoto Pereira, Legal Advisor, Legal Affairs Bureau, Macao, China (legal expert)*
- *Ms. Zarifa Izan Zainol Abidin, Deputy Director, Bank Negara Malaysia (financial expert)*
- *Mr. Md. Masud Rana, Joint Director, Policy and International Wing, Bangladesh Financial Intelligence Unit (financial intelligence unit/law enforcement expert)*
- *Mr. Eliot Kennedy, Deputy Executive Secretary, APG Secretariat*

3. The draft FUR was distributed to the global network for review on 15 June 2018 prior to its consideration by the APG Mutual Evaluation Committee on 21 July 2018 and adoption by the APG Plenary on 25 July 2018.

4. Section III of this report summarises the progress made to improve technical compliance. Section IV contains the conclusion and a table illustrating Cambodia's current technical compliance ratings.

### II. FINDINGS OF THE MUTUAL EVALUATION REPORT

5. The MER rated<sup>1</sup> Cambodia as follows:

IO 1	IO 2	IO 3	IO 4	IO 5	IO 6	IO 7	IO 8	IO 9	IO 10	IO 11
Moderate	Moderate	Low	Low	Low	Low	Low	Low	Substantial	Moderate	Low

R 1	R 2	R 3	R 4	R 5	R 6	R 7	R 8	R 9	R 10
PC	PC	LC	LC	LC	LC	NC	PC	C	LC

<sup>1</sup> There are four possible levels of technical compliance: compliant (C), largely compliant (LC), partially compliant (PC), and non-compliant (NC).

R 11	R 12	R 13	R 14	R 15	R 16	R 17	R 18	R 19	R 20
LC	PC	PC	LC	C	PC	LC	PC	PC	LC
R 21	R 22	R 23	R 24	R 25	R 26	R 27	R 28	R 29	R 30
LC	PC	LC	PC	PC	PC	LC	PC	LC	LC
R 31	R 32	R 33	R 34	R 35	R 36	R 37	R 38	R 39	R 40
LC	LC	PC	PC	PC	LC	PC	PC	LC	PC

6. Given these results, Cambodia was placed in enhanced (expedited) follow-up<sup>2</sup>.

### III. OVERVIEW OF PROGRESS TO IMPROVE TECHNICAL COMPLIANCE

#### 3.1. Progress to address technical compliance deficiencies identified in the MER

7. Cambodia requested re-ratings of the following Recommendations: 7 (which was rated NC); 1, 2, 8, 16, 19, 22, 26, 28, 33, 34 and 37 (which were rated PC); and 6 and 30 (which were rated LC).

8. The APG welcomes the steps that Cambodia has taken to improve its technical compliance; the review team has concluded that progress to LC has been made on Recommendations 19 and 34. Insufficient progress has been made to justify re-ratings on the other Recommendations.

#### *Recommendation 1 (Originally rated PC)*

9. Cambodia was rated PC for R.1 in its 2017 MER. The main deficiencies were that the outcomes of Cambodia's 2016 national risk assessment (NRA) had not been provided to reporting entities (REs); Cambodia had not yet applied a broad risk-based approach to the allocation of resources based on the results of the NRA (which had been finalised only the week before the onsite visit); measures in relation to higher and lower risks were not fully reflective of the results of the NRA; and risk-based monitoring of AML/CFT compliance had not fully extended to all REs.

10. In relation to c.1.4, a sanitized version of the NRA was adopted by the NCC and approved for distribution on 6 June 2018. The sanitised NRA was shared with the banking sector via the Compliance Officer Networking Group (CONG) on 11 June 2018. This is a welcome first step, however it has not yet been distributed to other sectors. Cambodia does however plan to share it with the private sector more widely and make it available online. Cambodia also plans to instruct REs to assess their risks and conduct enhanced due diligence and/or simplified measures in light of the NRA findings.

11. Since the adoption of the MER in July 2017, the Cambodian FIU (CAFIU) has conducted some awareness-raising for higher-risk sectors, including the banking, casino and real estate sectors. In September 2017 representatives from the Association of Banks in Cambodia (ABC) and Cambodia Microfinance Association (CMA) were informed about the risks identified in the NRA, and these associations shared this information with their members. ABC and CMA have jointly established the ABC Compliance Committee to oversee AML/CFT compliance among members, and the Committee conducted a workshop for all members in relation to AML and cybercrime. Furthermore, the newly established CONG, comprising compliance officers from all banks, MFIs and leasing companies, provides a platform for sharing AML/CFT compliance matters and awareness-raising. In summary, while compliance with criterion 1.4 has improved, this criterion remains partly met.

12. In terms of risk mitigation and allocation of resources (c.1.5), CAFIU has increased its compliance staffing levels since the ME on-site visit in 2016 from six to nine officials, with an additional officer in each area responsible for supervising the three high-risk sectors identified in the

NRA (banks, casinos and real estate). CAFIU currently has two permanent IT staff who are assigned to the supervisory section and analysis section, and there are four additional officers seconded to CAFIU from the ACU, GDT, General Department of Immigration and General Department of Identification. Additional secondments are expected from other LEAs and regulators. On 6 June 2018 NCC members were instructed to allocate resources responsible for AML/CFT in accordance with the risks identified with the NRA. Given the nascence of this instruction, it is yet to be implemented across agencies. In summary, while compliance with criterion 1.5 has improved, this criterion remains partly met.

13. In relation to simplified measures (c.1.8), the 2017 MER noted that Article 16.4 of Prakas on AML/CFT 2008 allows some form of simplified customer due diligence (CDD) measures for remittances/wire transfers below USD 1,000, and that this simplified measure was not based on an assessment of risk. In fact, the NRA assessed cross-border wire transfers as "medium" risk. It is still not clear therefore whether this exemption is consistent with the NRA. In addition, the NRA assessed financial inclusion products as "low" risk, however, no explicit simplified measures have been introduced for such products. This criterion remains partly met.

14. In terms of c.1.9, CAFIU has established a framework for and commenced testing of a risk-based approach for the AML/CFT supervision of the banking sector. CAFIU has extended its AML/CFT supervisory function to include the real estate and casinos sectors in collaboration with the Ministry of Economy and Finance (MEF). Cambodia reported that monitoring of these sectors has included reviewing whether REs properly assess and mitigate their ML/TF risk at the entity level in line with the findings of NRA. As Cambodia has not yet supervised enterprise risk assessments, it is not clear whether entity level assessments are consistent with the NRA. This criterion is now mostly met.

15. Cambodia did not report any new obligations on REs to update their ML/TF risk assessments in light of the new NRA findings.

16. Cambodia has taken several important measures to address a number of the deficiencies related to R.1, however, moderate deficiencies remain in relation to several criteria, including c.1.4, c.1.5 and c.1.8, and there are minor deficiencies in relation to several other criteria. On this basis, the rating of R.1 remains PC.

### *Recommendation 2 (Originally rated PC)*

17. Cambodia was rated PC with R.2 in its 2017 MER. The main technical deficiencies were that Cambodia had not developed a national AML/CFT policy informed by ML/TF risks (criterion 2.1); there were significant gaps in national cooperation and national coordination, in particular at the operational level (criterion 2.3) and there was a lack of a coordination mechanism in relation to combating the financing of proliferation of weapons of mass destruction (criterion 2.4).

18. Cambodia has started revising its National Strategies on Anti-Money Laundering and Combating the Financing of Terrorism and has advised that the revised National Strategies will prioritise the actions required and will include an indicative timeline. This is a positive development but the process is not yet complete. Criterion 2.1 remains partly met.

19. In relation to operational coordination (c.2.3), the NCC established an Inter-Ministerial Technical Working Group on Anti-Money Laundering and Combating the Financing of Terrorism pursuant to Decision No. B12 017 224 dated 16 October 2017 to mobilize relevant officials at the operational level to execute the NCC's decisions, as well as to serving as a platform for effective and broader operational level coordination on AML/CFT issues between relevant agencies. The working group is divided into three streams: legal, supervision and law enforcement. Moreover, several

capacity building programmes have been conducted for competent stakeholders. This criterion is now met.

20. Cambodia Ministry of Interior (MOI) has tasked by NCC to coordinate policy responses to address the deficiencies related with PF. Cambodia has not yet however adopted the necessary legal, institutional and policy framework on PF issues. Criterion 2.4 remains not met

21. Cambodia has addressed the concerns identified in relation to criterion 2.3 and has started to take several measures to address its deficiencies under criteria 2.1 and 2.4, however this process is not yet complete. On this basis, the rating of R.2 remains PC.

#### *Recommendation 6 (Originally rated LC)*

22. Cambodia was rated LC with R.6 in its 2017 MER. The main technical deficiencies were the scope of freezing measures under UNSCR 1373 and legal entities being covered by the freezing measures. Furthermore, the standing court order was only applicable to REs and not all natural and legal persons within Cambodia.

23. On 4 May 2018, Cambodia issued a new standing court order on freezing measure under UNSCR 1267, covering all REs and other persons (natural and legal) holding targeted properties and funds to freeze them without delay.

24. Minor shortcomings remain however in Cambodia's regime for implementing targeted financial sanctions relating to TF, including a deficiency in the freezing obligation for designations pursuant to UNSCR1373, deficiencies in the freezing obligation pursuant to UNSCR1267 and successor resolutions (including that there are no measures to protect bona fide third parties acting in good faith) and that Cambodia does not have procedures for submitting de-listing requests to the relevant UN sanctions Committee, amongst other shortcomings noted in the MER. On this basis, the rating of R.6 remains LC.

#### *Recommendation 7 (Originally rated NC)*

25. Cambodia was rated NC with R.7 in its 2017 MER. The technical deficiencies related to the fact that no specific measures had been adopted for implementing targeted financial sanctions related to proliferation, in order to comply with UNSCRs.

26. MOI has been assigned as the main agency to receive technical assistance concerning proliferation financing. A working group was established by the Secretariat to the National Counter Terrorism Committee (SNCTC) to review and update the National Counter-Terrorism Planning Book, which aims to encourage LEAs to investigate any new case related to/suspected to involve proliferation financing. These are welcome developments, but there is still legal and institutional framework in place to implement targeted financial sanctions related to proliferation of WMD.

27. Cambodia is yet to address the other deficiencies identified in the MER. On this basis, R.7 remains NC.

#### *Recommendation 8 (Originally rated PC)*

28. Cambodia was rated PC with R.8 in its 2017 MER. The main technical deficiencies were that Cambodia had not conducted a review of its NPO sector; there was no understanding of TF risks to the NPO sector; no outreach had been conducted and competent authorities did not have guidelines or best practices in place for coordinated management of TF risks in NPOs.

29. A special communication group has been established by the Department of Association and Political Party Affairs within the Minister of Interior. The main purpose of the group is to facilitate communications with all administrative offices of the city and provinces on the activities of association, NGOs and political parties. This structure is designed to help monitor the NPO sector. However there is still no evidence that Cambodia monitors the compliance of NPOs with the requirements of Recommendation 8 (per c.8.3 and 8.4). Cambodia has identified the Ministry of Foreign Affairs and International Cooperation (MFA-IC) as the point of contact to respond to international requests for information regarding particular NPOs suspected of terrorist financing or involvement in other forms of terrorist support. However no procedures are in place to respond to those requests, so c.8.6 remains partly met.

30. While some initial steps have been taken to improve compliance with R.8, Cambodia is yet to address the other deficiencies identified in the MER. On this basis, R.8 remains PC.

#### *Recommendation 16 (Originally rated PC)*

31. Cambodia was rated PC with R.16 in its 2017 MER. The main technical deficiencies were that Cambodia's wire transfer regulation did not comprehensively cover the collection of beneficiary information, traceability of batch file transactions, enhanced due diligence on outgoing cross-border wire transfers, and record-keeping requirements that satisfy R.11.

32. Cambodia established the Inter-Ministerial Technical Operational Working Group on Anti-Money Laundering and Combating the Financing of Terrorism (Operational Working Group) on 16 October 2017, which comprises three sub-working groups (legal, supervision and law enforcement). The legal sub-working group is tasked to review relevant laws and regulations to be in compliance with the FATF Standards. The proposed review includes amendments to the Prakas on Anti-Money Laundering and Combating the Financing of Terrorism (Prakas 2008) and Prakas on Anti-Money Laundering and Combating the Financing of Terrorism relating to All Reporting Entities Not Regulated by the National Bank of Cambodia (Prakas 2010). This is a welcome development, but the two Prakas are yet to be amended.

33. Cambodia has not addressed the deficiencies identified in the MER. On this basis, R.16 remains PC.

#### *Recommendation 19 (Originally rated PC, re-rated to LC)*

34. Cambodia was rated PC with R.19 in its 2017 MER. The main technical deficiencies were that there was no legal basis to apply countermeasures on countries when called upon to do so, and it was unclear what measures are in place to advise FIs of concerns regarding weaknesses in the AML/CFT systems of other countries.

35. Criterion 19.1 was found to be mostly met in the 2017 MER. Article 27 of the Prakas 2008 requires FIs to conduct ongoing due diligence and make further detailed inquiries with regards to business relationships and transactions with individuals, businesses, companies and FIs from countries which have insufficiently implemented the internationally accepted AML/CFT measures. However, there was no requirement for the enhanced due diligence to be proportionate to the risks nor an explicit reference to applying this measure to countries called for by the FATF.

36. Cambodia has issued a *Notification to all reporting entities (REs) obliged to implement AML/CFT Law and Regulations* dated 17 November 2016, informing the REs that the FATF updates and publishes its public statement about jurisdictions classified as high risk countries with strategic deficiencies in AML/CFT measures on the FATF website. In the same notification, CAFIU requires

REs to pay particularly attention to any prospective transactions with customers from the high risk countries as determined and updated on the FATF website.

37. On 2 May 2018, CAFIU issued a *Notification to Directors of all Reporting Entities*, referencing its earlier notification of November 2016, and alerting the REs that the FATF had, on 23 February 2018, updated and published its public statement calling on countermeasures and targeted financial sanction (TFS) in accordance with the UNSCRs against the DPRK and the suspension on the call for countermeasures on Iran. The notification also made reference to Article 10 of the AML/CFT Law, Article 27 of Prakas 2008 and Article 24 of Prakas 2010, requesting REs to conduct ongoing enhanced CDD with regards to business relationships and transactions with individual, business, company and financial institution from DPRK and Iran, to make further enquiries about their background and purpose, to establish the findings in writing and to make them available to the competent authorities. The same notification made reference to countries with strategic deficiencies identified by the FATF in its public statement and that CAFIU requires the REs to add these countries as part of their risk assessment process.

38. The notifications issued by CAFIU cover, to a certain extent, the requirement of criterion 19.1. The Cambodian authorities indicated that the notification is enforceable under Articles 10(c) and 28 of the AML/CFT Law and that, commencing in May 2018, compliance with the Notifications has been included in both the Manual (Procedure) and Checklist for both onsite and offsite supervision. Implementation has commenced, with two banks checked for compliance in May 2018 and two securities companies checked in July 2018. The criterion is now met.

39. For criterion 19.2, there is still no evidence that Cambodia has a legal basis to apply countermeasures, other than enhanced CDD, on countries in circumstances where it is called upon to do so by the FATF, or independently of such a call. The deficiency at criterion 19.2 has not been fully addressed.

40. For criterion 19.3, CAFIU has issued two notifications, on 17 November 2016 and 2 May 2018, to REs to advise them of concerns about weaknesses in the AML/CFT systems of other countries. Cambodia also advised that on 9 May 2018 a new Internal Guideline on Enhancing the Compliance of Reporting Entities Regarding Special Monitoring of Transactions With Countries Having Insufficient AML/CFT Measures was issued by the Cambodia FIU. This guideline establishes a procedure under which the FIU will issue notifications to reporting entities whenever the FATF's updates its public statement about jurisdictions classified as high risk countries with strategic deficiencies in AML/CFT. This criterion is now met.

41. Cambodia has taken important steps to improve compliance with criteria 19.1 and 19.3. While the deficiencies identified in the MER in relation to criterion 19.2 remain, overall only minor shortcomings remain and R.19 is re-rated to LC.

#### ***Recommendation 22 (Originally rated PC)***

42. Cambodia was rated PC with R.22 in its 2017 MER. The main technical deficiencies were gaps in the CDD requirements as identified under the analysis of R.10, R.12 and R.17 (criterion 22.1); and the CDD threshold for financial transactions in casinos is set at USD 10,000, above the FATF standard threshold of USD 3,000 (criterion 22.3).

43. Cambodia has indicated that the NCC legal sub-working group is working with IMF experts on drafting amendments to the relevant Prakas 2010 (Reporting Entities Not Regulated by the National Bank of Cambodia) to address the identified deficiencies. This is a welcome development, but is yet to be completed.

44. On this basis, the rating of R.22 remains PC.

#### *Recommendation 26 (Originally rated PC)*

45. Cambodia was rated PC with R.26 in its 2017 MER. The main technical deficiencies were that the verification processes undertaken under the ‘fit and proper’ tests were not clear (c.26.3), there is no information on whether core principles institutions are subject to regulation and supervision in line with the core principles relevant to AML/CFT (c.26.4). and that Cambodia was not taking a risk-based approach to supervision of all FIs (c.26.5).

46. Regarding c.26.3, Cambodia issued a new *Prakas on Granting Certificate to Rural Credit Institutions* in October 2017. This *Prakas* outlines the conditions for granting a certificate as Rural Credit Institution (RCI). However, it does not have provisions to prevent criminals or their associates from holding significant or controlling interest, or holding a management function in the institution. The *Prakas* only prohibits any member of a board of directors or manager or management of the institution who has been convicted of crimes, theft, fraud, breach of trust, etc. from signing on behalf of an institution. It does not prohibit them from being appointed or from holding a management function in the institution. The *Prakas* also does not cover shareholders with a significant or controlling interest. Criterion 26.3 remains partly met.

47. Regarding c.26.4, Cambodia has also issued several other *Prakas*. In June 2017, *Prakas on Payment Service Providers* was issued, which requires applicants a license as a payment service institution from NBC to provide a description of the payment mechanism and their systems in relation to AML/CFT. Other *Prakas* issued are the *Prakas on External Auditor on Banks and Financial Institutions* (issued in November 2017), *Prakas on Credit Risk Grading and Impairments Provisioning* (issued in December 2017), *Prakas on Liquidity Risk Management Framework* (issued in September 2017) and *Prakas on Complaint Handling in Banks and Financial Institution* (issued in September 2017). While these are welcome developments, they do not cover areas of the Core Principles which are relevant to AML/CFT. Criterion 26.4 remains not met.

48. In relation to c.26.5, CAFIU is currently developing and trailing a risk based supervision (RBS) framework and mechanism for the banking sector. CAFIU plans to test the viability of the framework with 13 banks, and subsequently to issue RBS guidelines and tools for banking institutions and update the ML/TF risk profile assessment of the banking institutions and groups twice yearly. These are welcome developments, but the process to address the identified deficiencies is not yet complete. Criterion 26.5 remains partly met.

49. Cambodia has not addressed the deficiencies identified in the MER. On this basis, R.26 remains PC.

#### *Recommendation 28 (Originally rated PC)*

50. Cambodia was rated PC with R.28 in its 2017 MER. The main technical deficiencies related to the power of the supervisors to impose dissuasive and proportionate fines, market entry requirements for some DNFBP, and that DNFBPs are not currently supervised for AML/CFT compliance.

51. Cambodia is planning to draft a MOU between CAFIU and the Ministry of Economic and Finance, in the area of AML/CFT supervision of casinos, real estate, insurance and trusts, which is expected to be finalized soon. Cambodia’s draft Casino Law and Law on Trusts have been submitted to the Council of Ministers for review and are expected to be enacted in 2018. This progress is noted, but the new measures are yet to be completed.

52. Cambodia has not addressed the deficiencies identified in the MER. On this basis R.28 remains PC.

***Recommendation 30 (Originally rated LC)***

53. Cambodia was rated LC with R.30 in its 2017 MER. The main technical deficiencies were that Cambodia has a complex system of sharing powers to investigate ML/TF and predicate offences and it is not clearly prescribed within the national AML/CFT framework which agencies are responsible for ensuring that ML offences are investigated properly (Criterion 30.1); and there are very few instances of parallel investigations by the officers investigating the predicate offence, or systems for referral (30.2).

54. Cambodia established a Joint Technical Working Group on ML/TF in October 2017 which will also ensure better coordination among the LEAs. The Anti-Corruption Unit (ACU), a lead agency for ML investigation, has designated a group of judicial police officers as being responsible for investigating ML, is updating its SOP for investigation, and has organised several capacity building initiatives. The ACU also introduced a regular Breakfast Meeting (BM) on corruption which includes ML issues. In February 2018 the ACU issued a document titled *Decision on the amendment of the composition to attend the BM and the guiding principles implementation and actions against complaint*. Article 5 of this Decision document sets out that BM attendees should share complaints or relevant items for parallel ML investigations to occur.

55. This is welcome progress, however there is still no clearly prescribed lead agency for ML or TF investigation, no policies requiring LEAs undertake parallel investigations and no system for referral.

56. Cambodia has not addressed the deficiencies identified in the MER. On this basis R.30 remains LC.

***Recommendation 33 (Originally rated PC)***

57. Cambodia was rated PC with R.33 in its 2017 MER. The main technical deficiencies were a lack of comprehensive and reliable statistics in particular in relation to international cooperation and property frozen, seized and confiscated.

58. Cambodia advised that the MOI has established a secretariat for case management, however it is not clear whether the case management system itself has been established and, if so, its scope. In addition, Cambodia provided some updated statistics on mutual legal assistance and reported that the central authority will computerise MLA and extradition requests to more effectively monitor their progress. Cambodia did not provide any further information in relation to property frozen, seized or confiscated.

59. Cambodia has begun to address the deficiencies identified in the MER, but moderate deficiencies remain. On this basis R.33 remains PC.

***Recommendation 34 (Originally rated PC, re-rated to LC)***

60. Cambodia was rated PC with R.34 in its 2017 MER. The main technical deficiencies were that while in practice CAFIU provided feedback on the receipt and quality of STRs, the triggers and mechanism for such feedback were unclear; and limited guidance had been issued to assist FIs and DNFBPs in complying with their AML/CFT obligations.

61. On 30 April 2018, CAFIU issued a detailed guideline to all REs regarding the STR reporting mechanism. The guideline provides detailed guidance on what is required, what types of information STRs should contain (including details regarding the nature of the suspicion), good practice tips and examples. While it does not contain detail regarding possible indicators for DNFBPs, the guidance does go some way toward addressing this gap. The guideline also indicates that CAFIU will provide feedback to REs and other relevant agencies regarding the outcome of STRs or information provided to FIU in order to improve the quality of reporting. On 30 April 2018, CAFIU issued an *Internal Guideline on Feedback on the qualities of STR to All Reporting Entities under AML/CFT Law/ Relevant Law Enforcement Agencies*, and Cambodia has indicated that the risk-based supervision tools currently being implemented in the banking sector, including offsite assessment, include an analysis of STR requirements, and CAFIU is providing general feedback to REs based on the guideline. Given the fact that the internal guideline was only issued very recently, it is however not possible to determine the level of feedback actually being provided, but it is noted that CAFIU was previously providing some feedback to REs.

62. No additional guidance on other AML/CFT obligations has been issued since the 2017 MER. However, as noted in the MER, Prakas 2008 (covering FIs) and Prakas 2010 (covering NBFIs and DNFBPs) do include some limited guidance on other AML/CFT obligations (for example, customer acceptance policy, risk profiling, prohibition of anonymous account and accounts in fictitious names, CDD, enhanced due diligence etc), and the 2008 Prakas contains detailed guidance (including examples) to FIs regarding their STR obligations. In addition, in August 2014 CAFIU issued a guideline to banks and MFIs on the conduct of risk assessments. However, issuance of further guidance on AML/CFT obligations is encouraged.

63. Cambodia has taken important steps to address the deficiencies identified in the MER, in particular through the recent issuance of relevant guidance on the STR reporting mechanism, which is a key aspect of R.34, as well as increasing the level of feedback. While deficiencies remain (in particular there is a need for additional guidance to DNFBPs on their STR obligations, and to all REs on their other AML/CFT obligations), these are considered minor. Compliance with R.34 is re-rated to LC.

#### ***Recommendation 37 (Originally rated PC)***

64. Cambodia was rated PC with R.37 in its 2017 MER. The main technical deficiencies were that there was: no domestic legal instruments that dealt with MLA outside the ASEAN MLA framework, other than in relation to drug, corruption and terrorism related offences; no clear process for the timely prioritisation and execution of MLA requests; no case management system to monitor requests; no provisions to maintain the confidentiality of requests; Cambodia required dual criminality regardless of whether the request required coercive measures or not; and there were no clear extension of powers to authorities seeking to respond to requests.

65. The Central Authority has included its staffing of officers to nine, which could lead to a timely execution of MLA requests, and plans to computerise its case management system. Cambodia advised that it has drafted a dedicated MLA Law, but that it will not be adopted until 2019 due to national elections in 2018. The draft law, if passed, will address a number of deficiencies, but it is not clear that it will address the deficiencies in relation to dual criminality.

66. Cambodia has not yet addressed the deficiencies identified in its MER. On this basis, Recommendation 37 remains PC.

### 3.2. Brief overview of progress on other recommendations rated NC/PC

67. R.12, R.13, R.18, R.25 – Cambodia advised that the Legal Sub-Working Group of the Inter-Ministerial Technical Operational Working Group, established in October 2017, will examine the amendments required to the AML/CFT legislation identified in the MER.

68. R.24 – a new Inter-Ministerial Prakas on Public Service Fee of the Ministry of Commerce No. 1217 of 27 November 2017 increases the fine for failing to update registration information from 500,000 Riels to 1,000,000 Riels (the maximum allowed by law). In addition, the fine for failing to file an annual declaration by the due date is increased from 1,000,000 Riels to 2,000,000 Riels, and a new of 1,000,000 Riels for falsifying required document for registration has been added.

## IV. CONCLUSION

69. Cambodia has begun to make progress to address the technical compliance deficiencies identified in its MER, including through establishing of review processes and drafting of some new legislation, and has made sufficient progress to be re-rated on two Recommendations (Recommendations 19 and 34).

70. Overall, in light of the progress made by Cambodia since its MER was adopted, its technical compliance with the FATF Recommendations is currently as follows:

R 1	R 2	R 3	R 4	R 5	R 6	R 7	R 8	R 9	R 10
PC	PC	LC	LC	LC	LC	NC	PC	C	LC
R 11	R 12	R 13	R 14	R 15	R 16	R 17	R 18	R 19	R 20
LC	PC	PC	LC	C	PC	LC	PC	<b>LC</b>	LC
R 21	R 22	R 23	R 24	R 25	R 26	R 27	R 28	R 29	R 30
LC	PC	LC	PC	PC	PC	LC	PC	LC	LC
R 31	R 32	R 33	R 34	R 35	R 36	R 37	R 38	R 39	R 40
LC	LC	PC	<b>LC</b>	PC	LC	PC	PC	LC	PC

71. At the 2018 APG Annual Meeting members adopted the Cambodia FUR and decided that Cambodia will remain on enhanced expedited follow-up, and will continue to report back to the APG on progress to strengthen its implementation of AML/CFT measures.

August 2018