

With the law on Secured Transaction of May 24, 2007, Cambodia adopted a unified set of rules on securing obligations with collateral. The law aims to improve the position of creditors, and thereby promote credit and economic activity. This publication provides a brief overview of the Law on Secured Transactions.

What is a “Secured Transaction”?

Although the law does not specifically define “Secured Transaction”, it is generally understood to be a loan or a credit transaction in which the lender acquires a security interest in collateral owned by the borrower and is entitled to foreclose on or repossess the collateral in the event of the borrower’s default.

To what kinds of contracts can a secured transaction apply?

The Law applies to all transactions where the effect is to secure an obligation with collateral including:

- pledges
- transfers of title
- consignments
- sales of accounts
- secured sales contracts
- leases of goods exceeding one year.

The law excludes the taking of security over:

- claims for compensation made by an employee
- the sale of accounts or secured sales contracts as part of a sale of a business
- the assignment of accounts
- secured sales contracts or instruments for the purpose of collection only
- the assignment of a right to an assignee where that assignee is also obliged to perform under the contract
- an interest in a deposit, checking, savings, passbook, or other cash account except as provided as to proceeds

It is wise to verify whether any contract or transaction falls within the scope of this law before



signing the contract.

What does a secured transaction require?

The important elements to form a secured transaction are:

- one or more obligations resulting from any contract or transaction under the scope of the Law on Secured Transactiond,
- any collateral as provided in the law,
- a security agreement and
- a security interest.

One or more obligations can be secured by a security interest, whether specifically or generally described. Such obligation(s) can be monetary or non-monetary, future, mandatory, conditional, optional or pre-existing. It can be governed by either Cambodian or foreign law.

In general, two separate documents are needed to precede the secured transaction: a simple contract such as loan contract (secured contract) and another security agreement (an instrument that secures any obligations in the secured contract). In practice, it does not matter if these two contracts are combined into one, so long as all the necessary terms are included.

A security agreement is required by law to be in written and meet all the conditions of validity. Its terms apply to the parties as well as to any eventual purchasers of the collateral and creditors, except where the law states otherwise.

The security agreement must clearly and unambiguously state the collateral. Collateral forms a subject to the security, and can be

- goods or movable things of any nature

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- tangible or intangible property including rights and claims;
- in existence or come into existence in the future
- located anywhere, within or outside of Cambodia
- accounts and secured sales contracts that have been sold
- consigned goods
- leased goods
- proceeds of collateral
- a serial numbered vehicle
- and farm products.

Some of these collaterals are further defined in the law. All immovable properties are excluded from the scope of the law on secured transaction.

How can a security interest be perfected?

Once you have signed a security agreement, a security interest exists on collateral and serves to secure any obligations of a debtor toward secured creditor(s). However, the security interest must

still be perfected. In accordance with the Law on Secured Transactions, a filing of the security agreement must be done at the filing office of the Ministry of Commerce.

The filing process must be completed online via the official website <http://www.setfo.gov.kh>. There are two filing options. First, you can file without an account on the website. In this option, one needs to buy a pin code from ACLEDA Bank. With this pin code, one can login to the website and start filing documents by following their instructions. Remember that one pin code is valid for one transaction only. If you make any mistake in filing, you need to buy another pin code in order to access your account and correct your mistake.

The second option is to create a client account on the website. Unlike the first option, you can file many security agreements at once. You are required to pay for your filings within a month from the filing date at an ACLEDA Bank.

ACLEDA Bank is the only bank where filing of the payment may be made. One transaction costs 10.000 Riels as well as one pin code from ACLEDA Bank (one pin code costs 10.000 Riels and it is for one transaction on the web). You will receive a receipt of payment from the bank that could be a proof of filing.

Secured Transaction Filing Office Website:

<http://www.setfo.gov.kh>



The screenshot shows the homepage of the Cambodia Secured Transaction Filing Office website. At the top, there are navigation links for Home, Contact, and Login, along with language options for Khmer and English. The main heading reads "Welcome to the Cambodia Secured Transaction Filing Office". Below this, there is a language selection prompt: "Select the language in which you wish to view instructions: [Khmer] [English]". A brief description states: "This is the site for searching for notices of security interests in movable property and for filing notices of security interest in movable property." There are three main sections: "Search", "Client Log-in", and "Non-Client Log-in". The "Search" section includes a search bar and a prompt: "If you wish only to search the records of the Filing Office to find filed notices of security interest, click: Search". The "Client Log-in" section includes a prompt: "If you are a regular user of the filing office and have established a Client Account, click: Client Log-in". The "Non-Client Log-in" section includes a prompt: "If you do not have an account, but have paid the fee for filing a notice or a certified search report, click: Non-client Log-in". At the bottom, there is a "Technical Assistance" section with a prompt: "If you encounter technical problems connecting to or while using this site, please request support from our Technical Support Team". On the left side of the screenshot, there is a sidebar menu with links for Public, About the Filing Office, Frequent Questions, Controls and loans, Fees, Public Search, Contact Us, Technical Support, How to..., Access the filing office, Set up a Client Account, File Notices, File a Change Notice, Search Notices, Other Links, Cambodia Commercial Laws, Ministry of Commerce, Export Promotion, and Department.