

## WEEKLY TOPIC: Collective Investment Scheme (CIS)

A Collective Investment Scheme (CIS), an important source of financing for large development projects – is relatively new in Cambodia, is the pooling of money or any cash equivalent via an issue of fund units or an electronic system, including crowdfunding, as approved by the Securities and Exchange Regulator of Cambodia (SERC) for establishing public funds, private funds or a real estate investment trust.

To ensure the transparency, accountability and accuracy of CIS operations, regulations have defined some key players in the CIS business process, such as the fund management company, the trustees, the distribution company and the fund administrator. All the aforementioned key players must be companies licensed by the Securities and Exchange Regulator of Cambodia (SERC).

- Fund management companies establish and manage the funds to invest with clear and professional analysis to maximize profits for the fund at an acceptable level of risk.
- The trustee, an independent company that has no interest or relation with the fund management company, is responsible for monitoring the fund management company to ensure their operations are under the laws and regulations in force.
- The distribution company has the role of distributing, redeeming, or settling fund units of the collective investment scheme and advising on fund unit investment to investors.
- The fund administrator is responsible for evaluating the fund's assets, and determining the value of fund units, and transferring their ownership.

A Collective Investment Scheme (CIS) can benefit investors in several ways:

- First, investors are not required to have in-depth knowledge of investments as the fund management company will prepare a report and analyze it for them so that they can then decide whether or not to participate in the scheme.
- Second, even investors with limited income can invest in large projects, such as the construction of commercial and residential buildings, and farms.
- Last but not least, the risk of loss is low because the fund management company will use the money collected from the investors to invest across various sectors.

The benefits for the relevant companies and wider society include the creation of jobs and the raising of capital, while related sectors can benefit from increased trading in the securities sector, the buying or constructing of hotels, resorts, and tourist sites, the building of shopping malls, commercial and residential buildings, as well as the investing in farms or animal husbandry for supply to the local market and export.

Reference: Prakas No.003/18 SECC/PR.K. issued on May 29, 2018 on Licensing and Management of Collectives Investment Scheme Business