

គ្រឹះស្ថានមីក្រូហិរញ្ញវត្ថុ អេ អិម ខេ ឥណ្ឌូស៊ី



POLICY ON OVERDRAFT FACILITY

Department: Product Development
Policy No: PPD- Overdraft Facility-01

Version : 001
Date:/...../.....

Memo

Overdraft Facility Policy

Sign-Off	:	Name and Position	Signature	Date
Prepared by	:	Pum Sophy, Head of Product Development		
	:	Chea Roattana, Head of Channel and Operation		
Reviewed by	:	Uk Kosal, Head of Legal and Compliance		
	:	Pen Vandarong, Head of Risk		
	:	Suon Pisey, Chief Retail Business Officer		
	:	Huot Sokha, Chief Commercial Business Officer		
	:	Kea Borann, Chief Executive Officer		
Reviewed and Endorsed by	:	Board Risk Committee Chin-Kang Liu Chairperson of Board Risk Committee		
Approved by	:	Board of Directors Tanmay Chetan Chairman of the Board of Directors		

Version History

The following outlines the high level changes that have been made to each version of this document and who made them:

Date	Version	Prepared By	Reviewed by	Endorsed and Approved by
..... / 2019	001	Head of Product Development and Head of Channel and Operation	<ul style="list-style-type: none">• Commercial Business Development Manager• Head of Product Development• Head of Risk• Head of Legal and Compliance• Chief Executive Office	Chairperson of Board Risk Committee And Board of Directors (BoD)

Content

Purpose of document.....	1
Scope of document.....	1
Policy language	1
Terminology	1
1. Target Customer.....	2
2. Customer's Criteria	2
2.1. SME/MSME's customer criteria	2
2.2. Agent's Criteria	2
3. Document Requirment	2
4. Overdraft Facility Product Feature	2
5. Interest Rate and Approval Authorization	3
6. Cross Finance and OD increase limit	3
7. Refinance	3
8. OD Loan Calculation	3
8.1. Interest Calculation	3
8.2. Loan Processing Fee Calculation	3
9. The Overdraft Account Creation/Disbursement	3
10. Overdraft Colleciton	3
10.1. Collection Schedule	3
10.2. Payment Location	3
11. Overdraft Loan Security	3
11.1. Property as Collateral	3
11.2. Fixed Term Deposit as Collateral.....	4
12. Overdraft Loan Check	4
12.1. Short Term Review/Long Term Review/Event Review	4
12.2. Overdraft Transaciton monitor/follow Up	4
12.3. Covert Overdraft to Term Loan.....	4
12.4. Daily monitor on Agent's OD transaction	4
13. Non Performing-Overdraft Management	4
13.1. Non- Performance Overdraft.....	4
13.2. Grading Loan Classification and Provisioning	4
13.3. Restructure Loan	4
13.4. Collaterail Resolution.....	5
13.5. Overdraft-Write Off	5
14. Overdraft Porfolior Management	5

Vision

The long-term vision of AMK is of a Cambodian society where citizens have equal and sufficient economic and social opportunities to improve their standard of living, and where they can contribute productively towards the overall development of the country.

Mission

To help large numbers of poor people to improve their livelihood options through the delivery of appropriate and viable microfinance services.

Guiding principles

1. AMK provides microfinance services to poor people in Cambodia that are grounded in sound financial discipline at all levels.
2. AMK is committed to openness and transparency in all areas of management and operations.
3. AMK is committed to developing process and services, and to adopting behaviours and standards that ensure optimum social performance, including client protection.
4. AMK is a learning organization where appropriate exchange and sharing of information contributes to employee development, training and to improvements in policies and systems.

AMK's code of conduct for client protection

1. **Inclusion:** We will provide products and services to as many poor and marginalized citizens as possible.
2. **Avoidance of over-indebtedness:** AMK will provide loans to clients depending on their capacity to repay and will try it best to avoid client over-indebtedness.
3. **Transparent pricing:** We will provide clients with complete information on pricing policies and procedures, and ensure transparency in transactions and pricing.
4. **Ethical employee behaviour:** We will ensure that all employees behave ethically and respectfully towards clients.
5. **Freedom of choice (products and services):** We will facilitate and promote freedom of choice to our clients.
6. **Appropriate collection practices:** Our debt collection practices will be reasonable and collaborative and will never be abusive or coercive.
7. **Mechanisms for redress of grievances:** We will provide clients with appropriate and accessible mechanisms for any comments and problem solving.
8. **Privacy of client data:** The privacy of client data will be respected unless disclosure is required by law.

Purpose of document

This document is created in purpose for AMK staff to implement in standard of providing the Overdraft Facility service to customer. Additional, the policy is provided a convenient to relevant staffs for implementation across nationwide and also for internal auditor department use as reference.

Scope of document

The scopes of this policy is to provide the detail implementation of AMK's Overdraft Facility.

Policy language

The policy is written in two languages as English and Khmer in order to staff implementation. In case of inconsistency between the 2 (two) languages, the Khmer language will prevail.

Terminology

To make it easier for reader/implementer the terminology will explain as below:

Overdraft (OD)	It is a loan linked to a savings account or current account, and allows customers withdraw money with negative or zero balance from their account. Customers can withdraw funds up to the level of limit granted by AMK.
OD Limit	Refers to limit amount in OD account approved by AMK to OD customer.
OD Processing Fee	Loan fee charge by AMK on OD account.
Un-utilization fee	Refers to service charged by AMK on un-utilization amount. This fee is accrued daily and required to be paid monthly to AMK.
Excess Limit Amount	Refers to amount that customer use exceeds limit amount approved by AMK. Generally the exceed amount could happen due to customer use all limit and do not pay interest on maturity so the system will capitalize interest on the principal and then lead to exceed amount.
Interest Capitalized	Refers to any accrued interest and overdue interest collected into the principal.
Debt Service Ratio (DSR)	Is the ratio between net income (after deduction of all expenses) and total outstanding debt.
Loan to Value Ratio (LTV)	Is the ratio between the OD amount request and loan to value amount.
Individual Client	Refers to companies or businesses that are sole proprietorship or Co-partnership company/business that do not register with the Cambodian Ministry of Commerce
Legal Entity Client (Enterprise Client)	Refers to companies or businesses that are sole proprietorship or Co-partnership company/business that have registered with the Cambodia Ministry of Commerce.
Cross Loan/Add Loan	Refers to loan that client request to add new loan, the adding new loan can be internal and external MFIs/Bank.
Refinance Loan	Refers to practices or mechanisms that allow for the replacement of existing debt obligations with the new term and condition of loan contract. The refinance in this policy does not include the internal AMK refinance.
Restructure Loan	A conditional loan contract has been modified to provide customer when they have a temporary financial difficulty.
Credit Bureau of Cambodia (CBC)	Is the provider institution of financial information, analytical solutions, and credit reporting services to financial institutions and consumers in the Kingdom of Cambodia.
CBC Report	the repayment history report of each of each customer who applying loan to AMK.

1. Target Customer

OD is offer to any potential cusomter who has shortage cash flow in short term, AMK define the OD target customer as follow:

- SME and MSME customer
- AMK' Agent

AMK will consider to expand to other target cusomter in the furture depend on the demand in the market

2. Customer's Criteria

2.1. SME/MSME's customer criteria

The general criteria and conditions of customer is the same to current SME/MSME policy and procedure.

2.2. Agent's Criteria

- Standard Agent who partnership with AMK at least 6 months
- Good history with AMK
- Agent has an average of liquitiy about 3,000\$ in last 3 months

3. Document Requirement

AMK identifies two (02) types of identification documents for individual customer and identification documents for legal entities.

The terms of acceptance and approval on the document is follow the currenct SME/MSME policy and procedure.

4. Overdraft Facility Product Feature

Feature	Description	
Target Customer	AMK agent	SME and MSME
Purpose	Reserve fund for daily operations	Use as a reserve fund for shortage cash flow in the business
Currency	KHR/USD/THB	
OD Limit	<ul style="list-style-type: none"> ▪ Up to 5,000 USD ▪ Advantage for agent has land or Fixed Term Deposit as collateral 	<ul style="list-style-type: none"> ▪ Asset as collateral : <ul style="list-style-type: none"> - Up to 70% of Loan to Value but not exceed 100,000 USD ▪ Fixed Term as collateral <ul style="list-style-type: none"> - Up to 100% of FD , but not exceed 100,000 USD
OD Fee	<ul style="list-style-type: none"> ▪ Loan Processing Fee: 1% of OD limit ▪ Excess Fee: 1% per month on exceed amount ▪ Un-Utilization Fee: 1% per year of un-utilization amount 	
OD Term	Up to 12 months	
Saving Account	Required easy saving for OD account	
Payment	Pay principle amount on maturity	
OD Security	Not required loan collateral, but must have asset for loan appraisal, follow current procedure.	<ul style="list-style-type: none"> ▪ Asset as collateral or ▪ Fixed Term
Operation Location	<ul style="list-style-type: none"> - Loan Operate: Front Office - Loan Payment: all AMK channel 	<ul style="list-style-type: none"> - Loan Operate: Front Office - Loan Withdrawal and Payment: All AMK channel
Cash Withdrawal Condition	Not allow, OD limit for support agent Liquidity only	Allow
Convert OD to Term Loan	<ul style="list-style-type: none"> ▪ Any OD that has no net cash in flow in 60 days ▪ Any portion of OD that becomes stagnant more than 60 days 	

5. Interest Rate and Approval Authorization

- OD interest rate is define by OD amount and collateral type, as same as to SME/MSME interes rate
- Any OD limit amount approval shall submit to Loan Approval Committee at Head Quarter.

6. Cross Finance and OD increase limit

- Customers who have OD may have additional loans, but the new loan, plus the outstanding loan can not be exceed maximum single loan limit exposure.
- Customers who have OD can request increase the limit, yet need to follow the same process of applying new OD.

7. Refinance

AMK does not allow cusomter use OD for purpose of refinance either for internal or external institution.

8. OD Loan Calculation

8.1. Interest Calculation

Interest rate is calculated by factoring in outstanding principle as of interest due date and the monthly interest rate (Interest bearing period is 30 days per month or 360 days per year). Below is the formula for calculating the loan interest amount:

$$\text{Interest amount} = \frac{(\text{Outstanding Principal} \times \text{Monthly interest rate})}{30} \times \text{Number of interest bearing days}$$

8.2. Loan Processing Fee Calculation

Loan processing fee is calculated base on OD limit amount and make payment before OD disbursement, doing so it can be alert to Teller have to receive the processing fee correctly. Processing fee is calculate as following formula:

$$\text{Loan Processing Fee} = \text{Approval Amount} \times \text{Loan Approval Fee (\%)}$$

9. The Overdraft Account Creation/Disbursment

Teller responsible for OD creation and activate in the Core banking after OD limit is approved. Step fo creation are list below:

- Create Customer CID for new cusomter or can be use existing CID incase existing customer
- For loan settlement, Tell create new easy saving account incase customer has not easy saving account with AMK or will use existing easy saving account, follow saving account opening procedure
- Create Contingent Account (for payment un-utilization fee)
- Create OD limit and linked to settlement account
- OD account is automatrice active after complete above step, no loan disbursement required

10. Overdraft Colleciton

10.1. Collection Schedule

All OD loans have a one-day maturity date; end of the month is collection date date.

10.2. Payment Location

Customer can pay OD loan by cash or saving account through all AMK's channels below:

- Over the counter (Office)
- Agent
- ATM/CDMs
- Mobile Banking and Internet Banking Application

11. Overdraft Loan Security

11.1. Property as Collateral

Collateral evaluation procedure is follow current policy of SME/MSME.

11.2. Fixed Term Deposit as Collateral

Customer who has Fixed Deposits can use as collateral. The loan term of OD should be less than or equal to the remaining maturity date of Fixed Term Deposit. However, customers can still ask for a longer term, but there is a requirement to freeze fixed term account, by following current implement of Fixed Term Deposit Freezed.

12. Overdraft Loan Check

12.1. Short Term Review/Long Term Review/Event Review

Short Term / Long Term Review / Event Review is required to implemented and follow current policy and procedure of SME/MSME.

12.2. Overdraft Transaction monitor/follow Up

Overdraft is not pre-define repayment amount, the payment amount is depends on the actual use of the customer. CM/AM/SM must review Customer's OD Accounts to determine the behavior of customer in using the OD in 1st of every month in order to take appropriate action on time. Responsible person have to review OD monthly report on:

- Excess Amount Use
- Any amount or all amount of OD has no transaction or cash inflow is not sufficiency for monthly repayment

12.3. Covert Overdraft to Term Loan

The OD Loan will convert into Term Loan incase:

- Any OD that has no net cash in flow in 60 days, follow Prakas of NBC
- Any portion of OD that becomes stagnant more than 60 days

Therefore, every new month CM/AM/SM have to review on customer OD report to determine any customer who same condition as above to convert their OD become Term Loan . Covertion of OD to Term Loan is follow below condition:

- Close OD account
- Request for change of OD to Term Loan, re- loan appraisal as same as new loan procedure, yet not required to register hypotec again
- OD can change to SME or MSME loan upon loan amount and requires chose payment mode as monthly installment (declining)
- Check CBC again
- Allow to keep same loan term
- Keep the same loan purpose
- Not allow for grace period

Remark: Agent OD required to put collateral when convert to Term Loan and follow current implement of loan appraisal.

12.4. Daily monitor on Agent's OD transaction

In order to minimized the risk, CM in charge of monitoring the agent performance and transaction repayments on a daily basis. The purpose of the follow-up is to ensure that agents use OD loan in current purpose. In the case of abnormal, CM must visit agent and find better solution immediately. Within 3 days if the problem is not resolved, CM have to reports Regional Manager for further action.

13. Non Performing-Overdraft Management

13.1. Non- Performance Overdraft

According to the National Bank of Cambodia, loans classified as "under standard", "suspicious" and "lost" are classified as non-performing loans. AMK needs to identify non-performing loans and take appropriate and timely action to maintain the quality of AMK loan. However, AMK will continue to deal with customers, in line with customer protection principles.

13.2. Grading Loan Classification and Provisioning

Overdraft is classified as short-term loans and are only available for short-term financing, therefore grading of loan classification and provision is comply with the National Bank of Cambodia's Prakas.

13.3. Restructure Loan

AMK does not allow Overdraft loan to be restructure in any mean.

13.4. Collateral Resolution

The process of resolving the loan with collateral must comply with the current policies and procedures of SME/MSME implementation.

13.5. Overdraft-Write Off

The process of managing customer debt to write off must be kept in compliance with the current policies and procedures of SME/MSME implementation

14. Overdraft Portfolio Management

Overdraft portfolio is cap to 10% of AMK's total loan portfolio. The Credit Retail and Credit Commercial Business Department are responsible for monitor and manage entire portfolio.