

គ្រឹះស្ថានមីក្រូហិរញ្ញវត្ថុ អេ អិម ខេ ភីអិលស៊ី

AMK MICROFINANCE INSTITUTION PLC.



**គោលនយោបាយ ផលិតផលកម្មសន្យាហិរញ្ញវត្ថុ
រថយន្ត**

Auto Leasing Product Policy

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DOCUMENT CHANGE HISTORY

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

Date	Version	Owner	Summary of Changes	Approved By
	Nil			

OTHER REFERENCES

Whenever applicable, this Auto Leasing Policy should be read together with:

- Credit Risk Policy
- Standard Operation Procedure of Auto Leasing

CAUTION

The details describe in this document are not exhaustive to the extent of excluding the AMK's staff from exercising good judgment and discretion.

However, all AMK's staff must always bear in mind that the underlying principle is to safeguard the AMK's interest at all times and to avoid occurrence of any financial loss and/or incidences which could adversely impact the AMK's name and image.

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GLOSSARY/ABBREVIATION

Term/Abbreviation	Description
Leasing	Referred to financial lease, meaning that a financial agreement in which the lessee pay monthly fee to use the lease asset.
Lessor	The owner of the leased asset (AMK)
Lessee	Client who has right to use leased asset under the financial lease agreement.
Co-Lessee	Refers to the person who join name and obligation in lease agreement to pay monthly lease fee in case of late payment.
Prepayment	Refer to any excess repayment prior the due date set out in repayment schedule.
Early Paid Off	Refer to fully pay off made by customer before the loan maturity date, which including all loan due amount (Principle, Interest, penalty and other fee if any).
Regular Income	Refer to income generate seasonality or less than 7 consecutive months per year.
Debt Service Coverage Ratio	The ratio between net income (after deduction of all expenses) and total outstanding debt.
CBC report	A report that shows the history of customer repayment to the Banks/MFIs.
Post-Visit	Home visitation after financial lease
Vehicle Registration	Refereed to the process of applying vehicle identification card and plate from the Ministry of Public Works and Transport
Vehicle Ownership Transfer	It is a request to transfer the original ownership of the vehicle to another person from the Ministry of Public Works and Transport.

VISION

The long term vision of AMK Microfinance Institution Plc (“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

- i. AMK provides microfinance services to poor people in Cambodia that are grounded in sound financial discipline at all levels.
- ii. AMK is committed to openness and transparency in all areas of management and operations.
- iii. AMK is committed to developing process and services, and to adopting behaviors and standards that ensure optimum social performance, including client protection.
- iv. 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

- i. **Inclusion:** We will provide AMK products and services to poor and marginalized people.
- ii. **Avoiding Corridor Debt:** We will lend to consumers on the possibility of repayment of their customers and find ways to avoid possible debt as much as possible.
- iii. **Transparent pricing:** We will inform customers of the value and duty principle and ensure transparency in product and transaction pricing.
- iv. **Staffs of Ethics:** We will ensure high ethical attitudes and respect for customers by all
- v. **Freedom of Choice (Products and Services):** We will coordinate and promote freedom of choice for all customers.
- vi. **Appropriate debt repayment:** The debt repayment process will be conducted appropriately and cooperatively without breach or threat.
- vii. **Response mechanisms to comments:** We will provide an appropriate and convenient mechanism for the customer to provide feedback and solutions.
- viii. **Customer privacy information:** Customer’s private information will always be respected, except for legal requirements.

1. INTRODUCTION

1.1. Background

As the basic needs of the Cambodian people have increased therefore the demand of movable asset such car for family use has been increased gradually. Looking at the current market demand, financial leasing is appropriate option and viable to fulfill their dream car.

Auto leasing product is purposively established to response to market demands and rapid growth of the sector, and on the other hand, it enable customer to use car in longer time without withdrawal working capital from their business or use their own money to buy the car.

1.2. Objectives

The purpose of this document is to provide knowledge, clarify and convenience to user, it is a standard document for the staff to implementation of auto leasing business.

1.3. Scope

The scope and implementation of this policy document is for staffs under the leasing business and other relevant staffs in order to support the providing financial lease service to the customers in effectively manner. The policy document is used as to use as standard document for implementation and as well as for Internal Auditor Department.

1.4. Application

This policy applies to all AMK staff involved in the provision of auto leasing business. All stakeholders must implement this policy in effective manner from the date of its approval.

1.5. Approval, Owner Review and Language

This Policy shall be approved by BOD of AMK. Any modification or amendment to the said Policy shall follow the same process of obtaining approval.

Product development Department is the custodian and owner of this Policy and is responsible for ensuring that it is reviewed upon request from related stakeholder or at least once every two years to ensure that its remains current and relevant.

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 be prevailed.

1.6. Regulatory Requirement

This Policy is created in accordance with the Credit Risk Policy issued by Risk Department and requirement stated in a set of law applicable to Banking/Financial Institution of the National Bank of Cambodia.

1.7. Level of Confidentiality

This Policy shall be considered as Private and Confidential and served for internal use only.

2. PRINCIPLES

Principle 1 : AMK Microfinance Institution offer leasing product to client with flexible, simple, convenient, fast, and response to customer's need.

Principle 2 : All customer information and data are kept confidential and will not be disclosed to any party without written consent of the customer, except as required by the relevant authorities, regulations and laws requirements.

Principle 3 : AMK Microfinance Institute provide a competitive and transparent interest rate and other fees in the market to customer approve by its relevant committee.

Principle 4 : AMK Microfinance Institution provides leasing products only to individual who has legitimate business and residing in Cambodia.

Principle 5 : AMK Microfinance Institution is committed to strictly adhering to AMK's Code of Conduct for Consumer Protection, lending guideline and the laws or regulations required by the relevant stakeholders.

3. POLICY STATEMENT

3.1. Target Customer

The Auto Leasing Product is offered to the individual customer either self-employed or professional worker who wish to own a car. The specific target customers including:

- Professional White collar worker and Civil Servant
- Individual Business owner

3.2. Customer's Criteria

- Cambodian nationality
- Legal business with good cash flow, evident of income from salaries, other income, legal proof of documents.
- For lessee or co-lessee who is employee: age from 18 years to 60 years old (Maximum age of customers + loan tenor \leq 60 years old at loan maturity date).
- For lessee or co-lessee who is individual business owner: age from 18 years to 70 years old (Maximum age of customers + loan tenor \leq 70 years old at loan maturity date).
 - o Thumbprint for lease and co-lessee
 - o In case lessee is single, he/she must have enough cash flow
- Borrower's permanent address or business location must be located under AMK operation areas.

3.3. REQUIREMENTS Document

3.3.1. KYC Document

Customer must have at least one of the following KYC documents:

Priority	Type of KYC Documents
1	Khmer National Identity Card or
2	Valid Passport or
3	Family Book (head of the family only) or

3.3.2. Income Document and others

Employee	Self-Employee
<ul style="list-style-type: none"> - Home Address/Office/Company Location Map - Pay slip or bank statement (last 3 months) 	<ul style="list-style-type: none"> - Home Address/Business Location map - Income and expenditure report
<i>Incase lessee have other occupation, they should have other support document (if any):</i>	
<ul style="list-style-type: none"> • Payable and Receivable Note • Sale and Purchase Agreement 	<ul style="list-style-type: none"> • Income Statement or bank statement • Contract of supplying good or service

3.4. Auto Leasing Product

No.	Features	Detial
1	Targeted customer	Individual customer
2	Lease purpose/type	Auto lease for personal family use
3	Currency	USD and/or KHR

4	Lease size	Up to 50,000 USD or equivalent in other currency		
5	Lease Term	12-72Months		
6	Repayment mode	<ul style="list-style-type: none"> - Annuity - Declining 		
7	Down Payment	<ul style="list-style-type: none"> - New Auto: $\geq 20\%$ of the asset price - Used car (plate# and tax paper): $\geq 15\%$ of asset price 		
8	Car brand and year of manufacture	<ul style="list-style-type: none"> - Car brand: unlimited - Year of manufacture: <ul style="list-style-type: none"> o Brand new: No limit o Second hand: ≤ 20 Years old counting from manufacturing date (Asset age + loan tenor). <p>***The car brand, Lease Term and Year of Manufacture is clearly defined in the SOP.</p>		
9	Interest (monthly) and Fee	Lease Amount	Interest Monthly	Lease Processing Fee
		Any amount	1.5%	4%
10	Other fee	<ul style="list-style-type: none"> - Comprehensive insurance is a minimum requirement. Staff can request client to take full insurance for their own benefit. - Internet fee for GPS - GPS Fee (include with lease amount) - CBC Fee 		
11	Disbursement	- Disburse to Dealer/Shop owner account.		
12	Ownership transfer fee	Customer bear the cost of transfer ownership after paid off leasing fee.		
13	Car Registration Fee (card and Plate#)	Cost by asset owner		
14	Other	<ul style="list-style-type: none"> - AMK is the owner of the leased asset, lessee become asset owner after paid off AMK and transfer the ownership to their name via the MPWT. - VAT Duty: follow Cambodia Tax Law. 		

3.5. Debt Service Coverage Ratio

The repayment capacity is calculated from the Income source that must be from legal business/occupation and excluding source of income from occupation in the Exclusion list (Apppendix8), the eligible condition of DSCR/ICR calculation included:

- *Business must have been operating for at least 06 Months consecutively*
- *Regular income such as salary (has passed probation period)*
- *In case borrower has more than one business activities, the DSR calculation method is follow "Income from Business".*

Penalty

3.5.1. Late Payment

Customer have to pay 2% per month of overdue principal when he/she has late payment.

3.5.2. Early Paid Off

Early paid-off in the first half of lease term counting from the first disbursement date, customer is required pay 5% of approve amonunt.

Head of Leasing business is authorized of waiving the early payoff penalty in case of: Customer still use otherAMK loan/lease product which current outstanding amount is at least equal to the paid off amount.

3.5.3. Authority and condition to waive the penalty on the asset backed in

- AMK can stop accrual interest, penalty, monthly fee, and other fee if the lease is in overdue condition and asset already take back to AMK
- Head of Leasing Business is authorized to waive penalties and fee if the amount ≤ 100 USD
- Chief Business Officer is authorized to waive penalties, fee and interest charge > 100 USD

3.6. Approval Authorization and Cross Finance

- Single or bundle of the assets is applied, which means one lessee can lease more than one assets at the same time following cross finance condition under current implementation, but not exceed the maximum lease amount as well to align capable cash flow and client capacity payment.
- Level of authorization is set based on the lease size of the lease requested from client; the following table show the approval authority on the lease.

Lease Size (USD)	Approver
\leq USD5,000.00	Lease Business Manager
$>$ USD 5,000.00	Credit underwriting department

3.7. Financial Leasing Management

3.7.1. CBC Check

3.7.1.1. The Requirement of CBC Check

Lessee and/or co-lessee must have CBC check in order to verify credit history of clients. The lease will not be approved if the CBC report reveals that client has bad credit history within last 12 months for both lessee and co-lessee.

3.7.1.2. CBC Fee Charge

CBC fee is charged according to the CBC fee charge issued by Credit Bureau Cambodia.

3.7.2. Leased Asset Selection

- AMK auto leases is for personal use purpose, both new brand and Used car.
- Asset selection must be primarily made by client and agreed by AMK responsible staff with compliance to the following points:

Auto Type	Brand	Year of Manufacture	Remark
New Car	No limit	No limit	Imported certification and VAT invoice.

3.8. Leased Asset Management

- No later than 1 month after car registration, car identification card have to keep at AMK. Lessee can transfer ownership from AMK to his/her name unless lease amount is paid off.
- Leased Assets of AMK are covered by insurance policies issued by insurance partner company and the Comprehensive insurance including: Third party liabilities, own damage and thief, etc.... Client have to pay insurance premium fee in financial leasing cycle.
- Car documents keeps at AMK:
 - o Owner registered card (original)
 - o Legally import tax (Copy)

- o Buy-Sell Invoice (Copy)
- AMK is asset owner and responsible for:
 - o New car: ownership registration process and fee
 - o Plate number car: ownership transfer process and fee (have to transfer ownership to AMK first)

Note: lessee is not allowed to process the car registration by him/herself, giving the lessee the right only with special request and obtaining approval from Head of Leasing Business.