



វិស័យកម្មវិបល្លាសប្រាក់កម្ពុជា
SECURITIES AND EXCHANGE
REGULATOR OF CAMBODIA

The Global Trends and the Future of Digital Assets Supervision in Cambodia

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1. Global Trend, Benefits, and Challenges of Digital Assets

Global Trends of Digital Assets:

- In 2023, the total digital assets market capitalization doubled, reaching approximately \$1.6 trillion. Bitcoin's price rose from around \$16,500 to \$44,000 during the year.
- Factors contributing to the resurgence of digital assets included the possibility of the U.S. Federal Reserve reversing its stance on interest rate hikes, BlackRock's entry into the spot Bitcoin ETF race, and regulatory wins for the industry.
- Solana (SOL) was the best performer in 2023, returning over 683%, while Polygon (MATIC) lagged behind with a return of 4.46%.
- BTC's relative share of market capitalization increased to 67.49%, while ETH's share decreased to 21.25%.
- Growing Interest in NFTs.
- Stablecoins on the Rise.

1. Global Trend, Benefits, and Challenges of Digital Assets



Benefits of the Digital Assets:

- **Portfolio diversification:** The digital asset industry opens novel investment avenues, such as stablecoins, NFTs, and tokenized real estate.
- **Decentralized Finance (DeFi):** Digital assets leverage decentralized, digital ledgers (like blockchain) for recording ownership and transactions. Unlike traditional assets, which rely on central parties, DeFi allows users to trade digital assets without intermediaries.
- **Tax Revenue:** Regulating digital assets allows governments to collect taxes on transactions, contributing to public revenue.
- **Financial Inclusion:** Promote broader access to financial services and economic empowerment through digital assets market.
- **Transaction Transparency:** Blockchain technology ensures transparent transaction records. While privacy is maintained, the structure provides visibility and clarity for parties involved in transactions.
- **Low Transfer Fees:** Digital assets often have lower transfer fees compared to traditional financial systems.

1. Global Trend, Benefits, and Challenges of Digital Assets



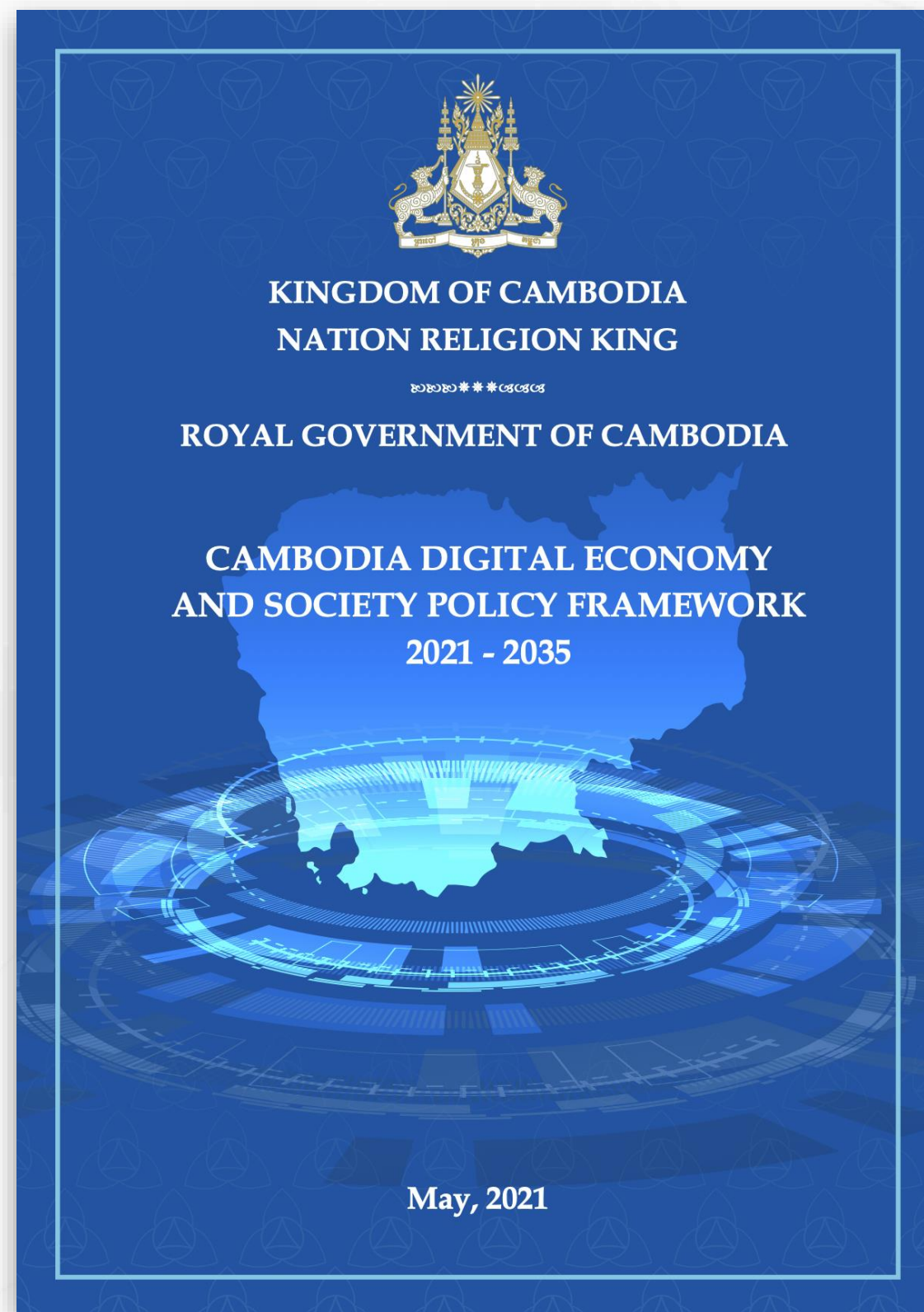
Challenges of the Digital Assets:

- **Regulatory Uncertainty:** The digital asset landscape lacks clear and comprehensive regulations. This is mainly caused by a lack of definition of the term digital assets.
- **Cybersecurity Risks:** As government services move online, the risk of cyber threats increases. It's crucial to invest in robust cybersecurity measures to safeguard sensitive information, protect citizen privacy, and maintain the integrity of digital systems.
- **Infrastructure Development:** Building and improving digital connectivity infrastructure is essential. This includes enhancing digital payment systems for public services and strengthening digital security infrastructure.
- **Literacy Challenges:** While mobile networks cover much of the country, low levels of literacy among smallholder households pose obstacles to the development of mobile financial services.
- **Capacity Building:** Developing skilled human resources capable of managing digital assets and understanding their complexities is vital for effective supervision.

2. Policy and Regulatory Framework



Royal Government of Cambodia's Policies on Digital Economy and FinTech:



Digital Economy and Society Policy Framework
2021 - 2035



FinTech Development Policy
2023 - 2028

3. Digital Securities Sandbox



- ▶ Digital Securities Sandbox is the environment for firms to experiment the innovative financial products or services, that are or are likely to be regulated by the Securities and Exchange Regulator of Cambodia, with real customers in a production environment but within a well-defined space and duration before launching and promoting the products or services in broader scale.
- ▶ Digital Securities Sandbox aims to encourage financial innovation to increase efficiency, manage risks better, create new opportunities, and improve people's lives.
- ▶ The goals of the regulation are to define the purposes, principles, evaluation criteria, application process, requirements, and ongoing obligations of the Sandbox.



3. Digital Securities Sandbox



▶ Principle of the Digital Securities Sandbox includes

1. Not similar to financial products or services that are already being offered in securities sector.

2. Being innovative which provides added value to existing offerings in the securities sector.

3. Bringing benefits directly or indirectly to customers or securities sector.

4. Having well-defined space and duration for experiment.

5. Risks and consequences arising from failed experiments can be contained.

6. Understanding the due diligence and the legal and regulatory requirements.

3. Digital Securities Sandbox



- ▶ SERC has granted authorization to 1 company to test a Trading Platform Using Blockchain Technology to enter into the Digital Securities Sandbox.
- ▶ SERC is currently reviewing many more applications including those related to:
 - ▶ Digital Assets Trading
 - ▶ Digital Assets Wallet Management
 - ▶ Real Estates Tokenization
 - ▶ Real-World Asset Tokenization
 - ▶ Security Token Offering (STO)
 - ▶ Carbon Credit STO
 - ▶ Etc.



4. Way Forward



- ▶ SERC is continually monitoring the Sandbox tests and gathering lessons learned from supervising innovative financial products and services.
- ▶ SERC looks to finalize and adopt the regulation on licensing and supervision of Digital Assets and launch this market into the full scale.
- ▶ Digital Asset Businesses's licensing and supervision framework will open the door for full-scale Securities Tokenization projects such as Government Bond, Corporate Bonds, Green Bond, and Real Estate Token.



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Thank You
