

Law
ON
Secured Transactions

FOREWORD

It gives me great pleasure to introduce you to this important publication "Law on Secured Transactions" in both Khmer and English version. This initiative is part of a larger effort of the Royal Government envisages the development of the legal infrastructure for financial markets as spreading over the next decade beginning with the introduction of key underpinning laws pertaining to commercial activities. In subsequent stages, law enforcement will be strengthened with the progress in other legal and judicial reforms and capacity building.

The Ministry of Commerce has undertaken painstakingly the translation of the texts and the publication of this publication which is a 'must have' for managerial and professional staff of the Ministry of Commerce and key ministries in terms of useful reference in the ever evolving field of complex commercial legislation. Other professionals from the academia, the legal community and the private sector could also benefit from the availability of these materials.

In the short to medium term, the Ministry of Commerce will continue to equip Cambodian government officials and other stakeholders with additional national and international reference materials, and to provide access to other relevant information in the field of commercial and financial laws. In the long term, the Cambodian government will benefit from the pool of civil servants and societal stakeholders at large with a sound understanding and appreciation of commercial legislation.

I wish to express my sincere thanks to the Asian Development Bank for providing the financial support in the initiative. All my congratulations go to the team of translator and editors. Great Job.

Thank you and Good Learning

Cham Prasidh
Senior Minister
Minister of Commerce

Chapter 1 General Provisions

Article 1: Purpose and rules of construction

1. The purpose of this law is to promote economic activity through a unified set of rules on securing obligations with collateral as described in Article 6 this law.
2. If there is a conflict between a provision of this law and a provision of any other law, this law shall govern unless the other law specifically cites or amends the conflicting provision of this law. Any provisions that are not described in this law, the Civil Code of the Kingdom of Cambodia shall apply.

Article 2 Scope

1. This law applies to:
 - a. all transactions where the effect is to secure an obligation with collateral as described in Article 6 of this law, including pledge, transfer of title, consignment, and assignment;
 - b. the sale of accounts and secured sales contracts; and
 - c. the lease of goods for a period greater than one (1) year.
2. This law applies to the transactions identified in paragraph 1 regardless of the form or terminology used in the agreement, and whether the ownership right is held by the secured party or the debtor.
3. Cambodian law on capacity to contract, agency, fraud, duress, mistake, and bankruptcy supplement the provisions of this law.
4. Notwithstanding paragraphs 1 and 2 of this article, this law does not apply to:
 - a. the transfer of a claim for compensation of an employee;
 - b. a sale of accounts or secured sales contracts as part of a sale of a business out of which they arose;
 - c. an assignment of accounts, secured sales contracts, or instruments which is for the purpose of collection only; and

- d. an assignment of a right to payment under a contract to an assignee that is also obligated to perform under the contract.
- e. an interest in a deposit, checking account, savings account, passbook or other cash account , except as provided as to the proceeds.

Article 3. Definitions

- 1. "Farm products" means goods of a debtor engaged in farming, other than standing timber, which are:
 - a. crops grown, growing, or to be grown;
 - b. aquatic goods produced in aquacultural operations;
 - c. livestock, born or unborn;
 - d. supplies used or produced in a farming operation; or
 - e. products of crops or livestock in their unmanufactured state;

- 2. "Lease of goods for a period greater than one year" means:
 - a. a lease of goods for a stated duration of more than one year;
 - b. a lease of goods for an indefinite term even though the term may ultimately be determined as less than one year;
 - c. a lease of goods initially for a term of one year or less if the lessee, with the consent of the lessor, retains uninterrupted or substantially uninterrupted possession of the leased goods for more than one year after the lessee first acquired possession of the goods, but the lease does not become a lease for a term of more than one year until the lessee's possession extends beyond one year; or
 - d. a lease of goods for a term of one year or less where the lease provides that it is renewable for a period that may exceed one year.

- 3. "Purchase" means to take as a buyer, a donee, a person receiving security such as a secured party or mortgagee, or by any other voluntary transaction creating an interest in property. A person who takes by purchase is a "purchaser."

- 4. "Authenticate" means to execute or adopt a name or symbol, manually or otherwise, with present intent to identify the authenticating party or to adopt or establish the authenticity of a record.

- 5. "Guarantee" means a secondary obligation that consists of a an obli-

gation to pay, or an issuer's obligation to pay under a letter of credit, and that supports the payment or performance of an account, secured sales contract, document, instrument, or other intangible property.

6. "Secured sales contract" means a record that creates a monetary obligation and a security interest in, or a lease of, goods.
7. "Security Agreement" means an agreement that creates or provides for a security interest.
8. "Debtor" means the person who owes payment or other performance of the obligation secured, whether or not the person owns or has rights in the collateral, and includes the seller of accounts or secured sales contracts, the consignee of goods, and the lessee of goods under a lease subject to this law.
9. "Obligor on an account" means the person who is obligated on an account, secured sales contracts, or other intangible property.
10. "Record" means information that is inscribed on a tangible medium or that is stored in an electronic or other medium and is retrievable in perceivable form. A notice, amendment, continuation statement, or termination statement is a record, if delivered to the filing office in a medium authorized by the filing office.
11. "Account" means any right to payment for goods sold or leased or for services rendered which is not evidenced by an instrument or secured sales contracts.
12. "Lien holder" means:
 - a. a person who obtains a right in a secured party's collateral, or a right to seize a secured party's collateral, by action of any officer of the Royal Government of Cambodia, or any officer of the Kingdom of Cambodia, including any officer of the judiciary or an administrator or temporary administrator in an insolvency proceeding.
 - b. a person with a general preferential right or a preferential right over

specific movables under any other law.

13. "Fixture" means goods that are fixed to immovable property, or are intended to become fixed to immovable property, in a manner that causes a real right to arise under the land law of 2001.
14. "Value." A person gives value for rights if he acquires the rights
 - a. in return for a binding commitment to give credit, whether or not drawn upon; or
 - b. as security for or satisfaction of a pre-existing claim, in whole or in part; or
 - c. by accepting delivery pursuant to a pre-existing contract for purchase; or
 - d. in return for anything given in exchange, or for any promise.
15. "Goods" means all things that are movable when a security interest attaches. The term includes mineral product that its security interest attached after extraction, timber to be cut and removed for sale, the unborn young of animals, crops grown, growing, or to be grown including crops that grow on trees, vines, or bushes. The term does not include accounts or secured sales contracts, money, documents, or instruments.
16. "Consumer goods" means goods used primarily for personal, family, or household purposes, except serial numbered vehicles.
17. "Commingled goods" means goods that are physically united with other goods in such a manner that their identity is lost in a product or mass.
18. "Other intangible property" means any movable thing or right other than goods, accounts, secured sales contracts, documents, instruments, and money.
19. "Consignment" means a transaction, regardless of form or terminology, in which a person (the consignor) delivers goods to a merchant (the consignee) for the purpose of sale and:

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- a. the merchant deals in goods of that kind under a name other than the name of the consignor;
 - b. the merchant is not an auctioneer;
 - c. the goods are not consumer goods prior to delivery to the merchant; and
 - d. the transaction does not create a security interest that secures an obligation.
20. "Person" means a natural person or a juridical person recognized by Cambodian law.
21. "Person in the ordinary course of business" means a person who buys goods from a person in the business of selling goods of that kind, if the buyer buys in good faith and without knowledge that the sale violates the rights of another person in the goods.
22. "Proceeds" means whatever is acquired upon the sale, lease, license, exchange, or other disposition of collateral; whatever is collected on, or distributed on account of, collateral; rights arising out of collateral; to the extent of the value of collateral, claims arising out of the loss or nonconformity of, defects in, or damage to the collateral; and to the extent of the value of collateral and to the extent payable to the debtor or the secured party, insurance payable by reason of the loss or nonconformity of, defects in, or damage to the collateral.
- "Cash proceeds" means proceeds that are money, checks, funds on deposit in banks, and the like.
23. "Secured party" means a lender, seller or other person in whose favor a security interest is created under a security agreement, including a person to whom accounts or secured sales contracts have been sold, a consignor, and a lessor of goods under a lease subject to this law.
24. "Secured party on the notice" is a person whose name is provided as the name of the secured party or a representative of the secured party in an initial notice or an amendment that has been filed. A per-

son remains a secured party on the notice until the filing of an effective amendment which omits the name of the secured party, or until the filing of an effective termination statement by the secured party on the notice, or upon the lapse of the notice with respect to the secured party on the notice.

25. "Serial numbered vehicle" means the following, when not held as inventory of a debtor: a motor vehicle, a trailer, an aircraft, or a motorized boat.
26. "Instrument" means a record that evidences a right to the payment of money, that is not itself a security agreement or lease, and that is of a type which is in ordinary course of business transferred by delivery with any necessary endorsement or assignment. The term includes a certificated security.
27. "Notice" means a record filed or presented for filing in a filing office. The term includes amendments, continuation statements, and termination statements on file or presented for filing.
28. "Accession" means goods that are physically united with other goods in a manner such that the identity of the original goods is not lost.
29. "Inventory" means goods held for sale or lease, or goods that are raw materials, work in process, or materials used or consumed in a business;
30. "Purchase Money Security Interest." A security interest is a purchase money security interest to the extent that it is:
 - a. taken or retained by the seller of goods to secure all or part of its price; or
 - b. taken by a person other than the seller who, by making an obligation, gives value to enable the debtor to acquire rights in or the use of goods, if such value is in fact so used.
31. "Assignment" means the transfer from one person to another, in whole or in part, of any right in an account, secured sales contract,

document, instrument, or other right to payment. The person who makes the assignment is the assignor. The person who takes the assignment is the assignee.

32. "Lessee in the ordinary course of business" means a person who in good faith and without knowledge that the lease is in violation of the ownership rights or security interest or leasehold interest of a third party in the goods, leases in ordinary course from a person in the business of selling or leasing goods of that kind. "Leasing" may be for cash or by exchange of other property.
33. "Equipment" means goods that are not farm products, inventory, or consumer goods;
34. "Document" means a document of title, or a receipt such as a bill of lading, dock warrant, and warehouse receipt, issued by a person in the business of transporting or storing goods.

Article 4: Security interest

1. A security interest is a real right in collateral that secures performance of an obligation.
2. Any person may give a security interest, and any person may take a security interest under this law, except as provided in paragraph 3 of this article.
3. No security interest other than a purchase money security interest may be created in goods that are consumer goods when held by a debtor.
4. A security interest may not be deemed invalid because the debtor has the right to use, possess, sell, exchange, commingle, or otherwise dispose of the collateral.

Article 5: Secured obligation

1. A security interest may secure one or more obligations, which may be described specifically or in general terms.

2. Secured obligations may be monetary or non-monetary obligations.
3. Secured obligations may be governed by Cambodian law or foreign law, although the provisions of this law shall also apply.
4. A security interest may secure future obligations, whether mandatory, conditional, or optional.
5. Upon agreement of the parties, a security interest may secure pre-existing obligations.

Article 6: Collateral

1. Collateral may be goods or movable things of any nature.
2. Collateral may be intangible property, including rights and claims and other intangible property.
3. Collateral may be fixtures.
4. Collateral may be in existence or may arise in the future.
5. Collateral may be located anywhere, within or outside of Cambodia.
6. Collateral includes accounts and secured sales contracts that have been sold, consigned goods, leased goods, and proceeds of collateral.
7. A description of collateral is sufficient if it reasonably identifies what is described. A description of collateral may be expressed in general terms, except as required with respect to serial numbered vehicles. A description such as "all assets" or "all movable property" of the debtor is sufficient, except with respect to consumer goods.

Article 7: Effectiveness of security agreement

1. A security agreement must be in the form of a written record. A security agreement may be found in multiple records when read together.

2. A security agreement is effective according to its terms between the parties, against purchasers of the collateral, and against creditors, except as otherwise provided in this law.
3. A security agreement may relate to more than one security interest

Article 8: Collateral in secured party's possession

1. A secured party shall use reasonable care in the custody and preservation of collateral in the secured party's possession.
2. Unless otherwise agreed, if collateral is in the secured party's possession:
 - a. reasonable expenses shall be charged to the debtor and secured by the collateral, including the cost of any insurance, and payment of taxes or fees associated with the collateral;
 - b. the risk of accidental loss or damage is on the debtor to the extent of a deficiency in any insurance coverage;
 - c. the secured party may hold as additional collateral any fruits, except money, received from the collateral and shall apply money to reduce the secured obligation, unless the money is remitted to the debtor.

Article 9: Attachment of security interest to collateral

1. A security interest attaches to collateral and becomes enforceable against the debtor and third parties with respect to the collateral only if:
 - a. the debtor has authenticated a security agreement that provides a description of the collateral;
 - b. value has been given by the secured party to the debtor; and
 - c. the debtor has rights in the collateral or the power to transfer rights in the collateral to a secured party.
2. Unless otherwise agreed, the attachment of a security interest in collateral gives the secured party the right to security in proceeds as provided in this law.

Chapter 2 Perfection and Priority

Article 10. Perfection of security interest

1. A security interest is perfected when it has attached to the collateral and all of the applicable requirements of this article are satisfied.
2. A notice must be filed in accordance with this law to perfect a security interest, unless this article provides otherwise.
3. A purchase money security interest in consumer goods is perfected when it attaches and without the filing of a notice.
4. A security interest in goods, instruments, documents, or secured sales contracts may be perfected by filing or by the secured party's taking possession of the collateral.
5. A security interest is perfected by possession from the time possession is taken and continues only so long as possession is retained.
6. A security interest in money may be perfected only by the secured party's taking possession of the money, except for cash proceeds.
7. A security interest in a serial numbered vehicle may be perfected by a notice that describes the serial numbered vehicle generally or by serial number.
8. A security interest, other than a security interest in money, may be perfected by filing before, during, or after a period of possession by a secured party.
9. The filing of a notice is not necessary to perfect a security interest in proceeds.
10. While goods are in the possession of a bailee that has issued a document covering the goods, a security interest in the goods may be per-

fectured by perfecting a security interest in the document. Any security interest in the goods otherwise perfected during the period that goods are in the possession of the bailee is subordinate to the security interest perfected in the document.

11. Perfection of a security interest in collateral also perfects a security interest in a guarantee supporting the collateral. The filing of a notice is not necessary to perfect a security interest in a guarantee.
12. Perfection of a security interest in a right to payment or performance also perfects a security interest in a mortgage on immovable property securing the right to payment.

Article 11. Continuity of perfection

1. A security interest is perfected continuously if it is first perfected in one manner and later perfected in another manner, without an intermediate period when it is not perfected.
2. If a secured party assigns a perfected security interest, a notice need not be filed under this law to continue perfection of the security interest against creditors of the debtor and transferees from the debtor.

Article 12. Priority among security interests in the same collateral

1. Security interests in the same collateral have priority according to time of filing or perfection, except as otherwise provided in this law.
2. Priority is measured from the time of the first notice filed covering the collateral, or the time the security interest is first perfected, whichever is earlier, if there is no period thereafter when there is neither filing nor perfection.
3. The first security interest to attach has priority among security interests for which there is neither filing nor perfection.
4. A date of filing or perfection as to collateral is also a date of filing or perfection as to proceeds of the collateral.

Article 13. Priority of lien holder

A security interest has priority over the rights of a lien holder unless a notice of the rights of the lien holder is filed according to this law:

1. before the security interest is perfected; and
2. before a notice covering the collateral is filed.

Article 14. Person taking collateral

1. A person takes collateral free of a security interest if the person gives value for the collateral without knowledge of the security interest and before it is perfected. If the collateral is tangible, the person must also take delivery of the collateral without knowledge of the security interest and before it is perfected.
2. Notwithstanding paragraph 1, a person in the ordinary course of business takes goods free of a security interest in the goods, even if the security interest is perfected and even if the person knows of its existence.
3. Notwithstanding paragraph 1, a person who buys goods that are consumer goods of the seller takes the goods free of a security interest whether or not the security interest is perfected, if the person buys without knowledge of the security interest and before a notice is filed that covers the consumer goods.
4. Notwithstanding paragraph 1, a person who buys a serial numbered vehicle takes the serial numbered vehicle free of a security interest only if the person bought without knowledge of the security interest and the serial numbered vehicle was not described, or was incorrectly described, by serial number in a filed notice.
5. Notwithstanding paragraph 1, a person who buys farm products:
 - a. takes the farm products free of any security interest if the farm products are bought for use as consumer goods;
 - b. takes the farm products free of a security interest if the person buys the farm products other than for use as consumer goods, gives value

for the farm products and receives delivery without knowledge of the security interest and before it is perfected.

6. A transferee of money takes the money free of a security interest unless the transferee acts in collusion with the debtor in violating the rights of the secured party.
7. A transferee of proceeds that are funds from a deposit, checking, savings, passbook, or other cash account takes the funds free of a security interest in the funds or the account unless the transferee acts in collusion with the debtor in violating the rights of the secured party

Article 15. Lessees of collateral

1. A lessee of goods takes its leasehold interest free of a security interest in the goods if the lessee receives delivery of the goods without knowledge of the security interest and before it is perfected.
2. Notwithstanding paragraph 1, a lessee in the ordinary course of business takes the leasehold interest free of a security interest in the goods even if the security interest is perfected and even if the lessee knows of its existence.
3. Notwithstanding paragraph 1, a lessee takes a serial numbered vehicle free of a security interest only if the lessee leased without knowledge of the security interest and the serial numbered vehicle was not correctly described by serial number in a filed notice.

Article 16. Notice with respect to purchase money security interest

If a person files a notice with respect to a purchase money security interest in goods before or within (5) days after the debtor receives delivery of the goods, the security interest has priority over the rights in the goods of a buyer, lessee, or lien holder which arise between the time the security interest attaches and the time of filing.

Article 17. Disposition of collateral and proceeds

1. A security interest continues in collateral notwithstanding sale, lease, license, exchange, or other disposition of the collateral,

except as otherwise provided in this law or agreed upon by the parties.

2. Upon the disposition of collateral, a security interest attaches to proceeds of the collateral, except as otherwise provided in this law or agreed upon by the parties.
3. A security interest in proceeds is a continuously perfected security interest if the security interest in the original collateral was perfected but it becomes unperfected twenty (20) days after the debtor receives the proceeds unless:
 - a. a filed notice covers the original collateral and the proceeds are cash proceeds or proceeds of a nature described in the notice; or
 - b. the security interest in the proceeds is perfected before the expiration of the twenty (20) days period.

Article 18. Priority of purchase money security interests in equipment, inventory, and livestock

1. A perfected purchase money security interest in equipment has priority over a conflicting security interest in the same equipment and also has priority in its proceeds, if the purchase money security interest is perfected when the debtor receives possession of the equipment or within five days thereafter.
2. A perfected purchase money security interest in inventory or livestock has priority over a conflicting security interest in the same inventory or livestock if:
 - a. the purchase money security interest is perfected when the debtor receives possession of the inventory or livestock; and
 - b. the purchase money secured party notifies in writing the holder of the conflicting security interest if the holder had filed a notice covering the same types of inventory or livestock before the time of a notice filed by the purchase money secured party. The notification must describe the inventory and state that the person giving the notification has or expects to acquire a purchase money security interest in inventory or livestock of the debtor.

Article 19. Priority of certain liens arising by operation of law

A right of retention established by law in goods has priority over a perfected security interest while the goods are in the possession of the person holding the right of retention if:

1. the right of retention is created in favor of a person in possession of the goods to secure payment for materials or services with respect to the goods; and
2. the materials or services are provided in the ordinary course of business.

Article 20. Fixtures

1. A security interest may be created in goods that are fixtures and may continue in goods that become fixtures.
2. A security interest in ordinary building materials ceases to exist when the building materials are incorporated into the immovable property.
3. Readily removable factory, office machines, domestic appliances or other things that may be used separately from land and buildings are not fixtures. Priority in these movable things is not determined by this article and is not affected by the rights of an owner or mortgagee with respect to land.
4. A security interest in fixtures is subordinate to all other real rights in immovable property, except as provided in this article.
5. A perfected security interest in fixtures has priority over the interest of the owner of immovable property a lien holder, or a mortgagee notwithstanding any provision in the mortgage, if
 - a. a notice is filed before the filing of a notice of the interest of the lien holder as required by this law, or before the mortgage or interest of the owner is registered in the appropriate registry of immovable property;
 - b. the security interest is a purchase money security interest given by the debtor before the goods become fixtures, and a notice is filed

before the goods become fixtures or within five (5) days thereafter.

The priority established in subparagraph "b" of this paragraph is not effective against a construction mortgage. A mortgage is a construction mortgage to the extent that it secures an obligation to pay for the construction of an improvement on immovable property, if the mortgage is registered in accordance with the land law of 2001 and if the mortgage indicates that it secures such an obligation.

6. On default, a secured party who has priority under this article may remove fixtures from immovable property.
 - a. A secured party that removes fixtures shall promptly reimburse any mortgagee other than the debtor for the cost of repair of any damage to the immovable property.
 - b. The secured party need not reimburse the mortgagee or owner for any diminution in value caused by the absence of the goods removed or by any necessity for replacing them.
 - c. A person entitled to reimbursement may refuse permission to remove until the secured party gives adequate assurance for the performance of the obligation to reimburse.

Article 21. Crops

A perfected security interest in crops growing on immovable property has priority over a conflicting interest of the owner or a mortgagee if the debtor is in possession of the immovable property or has an interest in the immovable property that is registered in accordance with the land law of 2001.

Article 22. Accessions

1. A security interest may be created in an accession and continues in collateral that becomes an accession. If a security interest is perfected when the collateral becomes an accession, the security interest remains perfected in the accession.
2. On default, a secured party may remove an accession from other goods if the security interest in the accession has priority over the claims of every person having an interest in the whole.
3. A secured party that removes an accession shall promptly reimburse

the holder (other than the debtor) of any interest in the whole or the other goods whose interest is superior to that of the secured party for the cost of repair of any physical injury to the whole.

- a. The secured party need not reimburse for any diminution in value of the whole caused by the absence of the accession removed or by any necessity for replacing it.
- b. A person entitled to reimbursement may refuse permission to remove until the secured party gives adequate assurance for the performance of the obligation to reimburse.

Article 23. Commingled goods

1. A security interest may not be created in commingled goods. However, a security interest may attach to a product or mass that results when goods become commingled goods.
2. If collateral becomes commingled goods, a security interest attaches to the product or mass.
3. If a security interest in collateral is perfected before the collateral becomes commingled goods, the security interest that attaches to the product or mass is perfected without the need for filing a notice. The priority of the security interest in the product or mass is measured from the time of perfection of the security interest in the collateral that became commingled.
4. If more than one security interest attaches to the product or mass, the following rules determine priority:
 - a. a security interest that is perfected has priority over a security interest that is unperfected at the time the collateral becomes commingled goods;
 - b. the first security interest to attach to the product or mass has priority among unperfected security interests; and
 - c. if more than one security interest is perfected, the security interests rank equally in proportion to the value of the collateral at the time it became commingled goods.

Article 24. Purchase of secured sales contracts and instruments

A purchaser of secured sales contracts or an instrument has priority over a conflicting security interest in the secured sales contracts or instrument and also has priority with respect to the proceeds of the secured sales contracts or instrument if:

- in the ordinary course of the purchaser's business, the purchaser gives new value and takes possession of the secured sales contracts or instrument; and
- the secured sales contracts or instrument does not indicate that it has been assigned to the person holding the conflicting security interest.

Article 25. Assignments

1. A person may assign all or part of the person's rights in accounts, secured sales contracts, instruments, and other intangible property.
2. An assignment may be a general assignment, including future accounts, secured sales contracts, instruments, and other intangible property.
3. The assignee is subject to all the terms of the agreement between the obligor on an account and assignor.
4. No information to the obligor on an account shall be required for attachment, perfection or enforcement of a security interest arising from an assignment. Failure to inform the obligor on an account of an assignment has only the effects specified in this article.
5. If information of an assignment is required to be given to the obligor on an account, the information shall be in writing, shall identify the rights assigned, and shall be authenticated by the assignor or the assignee, but need not disclose any of the terms or conditions of the assignment.
6. An obligor on an account shall perform his obligation by paying the

assignor until, but not after, the obligor on an account is informed that the amount due or to become due has been assigned and that payment is to be made to the assignee.

7. After being informed of an assignment, the obligor on an account shall perform his obligation by paying the assignee, and not the assignor. However, if requested by the obligor on an account, the assignee shall furnish timely and sufficient proof that the assignment has been made, and unless the assignee complies, the obligor on an account may perform his obligation by paying the assignor even if the obligor on an account has received a notice of assignment.

Article 26. Rights of third parties

An agreement between a secured party and a debtor is unenforceable if it prohibits or restricts the sale or assignment of an account, lease, or secured sales contract.

Article 27. Future advances and future collateral

1. If a perfected security interest secures an obligation by the secured party to make future advances, the rights of a lien holder have priority over the security interest to the extent the security interest secures advances made after the secured party has actual knowledge of the interest of the lien holder or more than twenty (20) days after a notice of the interest of the lien holder is filed in the filing office, whichever occurs first.
2. If a filed notice describes collateral in which the debtor may acquire rights in the future, that notice shall not be effective against the rights of an administrator or, where applicable, a provisional administrator appointed under the insolvency law, with respect to collateral acquired after a notice is filed in the filing office pursuant to any provision of the insolvency law.

Article 28. Subordination of priority

A person entitled to priority under this law may agree to modify or forego the priority. No filing is necessary with respect to such an agreement.

Chapter 3 Filing

Article 29. Filing office

A secured transactions filing office is hereby established in the Ministry of Commerce.

Article 30. Submissions to the filing office

The secured transactions filing office is the place to file

1. a notice of a security interest in collateral subject to this law except collateral designated in article 44 of this law; and
2. a notice of the interest of a lien holder.

Article 31. Authority of the Ministry of Commerce

1. The Ministry of Commerce has power to issue regulations as provided in this article.
2. Regulations of the Ministry of Commerce shall not contradict the provisions of this law, or the purpose of this law to promote economic activity.
3. Regulations may prescribe the means by which fees authorized by this law may be paid.
4. The Ministry of Commerce shall permit the filing of notices and the searching of records by electronic means. The Ministry of Commerce may adopt regulations permitting the submission of notices and search requests by other means, to be converted to electronic records. The electronic records of the filing office shall be the official records of the filing office.
5. If the Ministry of Commerce permits the submission of notices and search requests by means other than electronic means, the Ministry of Commerce may prescribe forms for the submission of the notices and search requests.

Article 32. Rights of the people with respect to the filing office

1. Information contained in notices filed pursuant to this law are public records.
2. Indexes and other records created by the filing office with respect to the notices, in any form or medium, are public records.
3. Any person, without discrimination, has a right to inspect and obtain copies of any records held by the filing office.

Article 33. Contents of initial notice

1. An initial notice is sufficient if it:
 - a. identifies the debtor and provides an address;
 - b. identifies the secured party or an agent of the secured party and an address; and
 - c. describes the collateral covered by the notice. In addition, a notice must provide a description of the relevant immovable property if it covers timber to be cut, minerals to be extracted, or fixtures.
2. A person is entitled to file an initial notice only if the debtor authorizes the filing in an authenticated record. The authenticated record need not be contained in the notice.
3. By authenticating a security agreement, a debtor authorizes the filing of an initial notice or amendment covering the collateral described in the security agreement, and proceeds of the collateral, whether or not the security agreement expressly covers proceeds.
4. A notice may be filed before a security agreement is concluded or before a security interest attaches to collateral.
5. A notice substantially complying with the requirements of this chapter is effective, even if it is insufficient under this article, unless the insufficiency makes the notice seriously misleading. A notice that fails to sufficiently provide the name of the debtor is seriously misleading.

Article 33. Name of debtor and secured party

1. An initial notice is sufficient if it:
 - a. identifies the debtor and provides an address;
 - b. identifies the secured party or an agent of the secured party and an address; and
 - c. describes the collateral covered by the notice. In addition, a notice must provide a description of the relevant immovable property if it covers timber to be cut, minerals to be extracted, or fixtures.
2. A person is entitled to file an initial notice only if the debtor authorizes the filing in an authenticated record. The authenticated record need not be contained in the notice.
3. By authenticating a security agreement, a debtor authorizes the filing of an initial notice or amendment covering the collateral described in the security agreement, and proceeds of the collateral, whether or not the security agreement expressly covers proceeds.
4. A notice may be filed before a security agreement is concluded or before a security interest attaches to collateral.
5. A notice substantially complying with the requirements of this chapter is effective, even if it is insufficient under this article, unless the insufficiency makes the notice seriously misleading. A notice that fails to sufficiently provide the name of the debtor is seriously misleading.

Article 34: Name of debtor and secured party

1. A notice sufficiently provides the name of the debtor when, in Latin and Khmer characters and Arabic numerals:
 - a. the debtor is a natural person on the records of the Ministry of the Interior and the notice contains the nine digit identification number of the natural person as displayed on the person's Khmer Nationality Registration Card;
 - b. the debtor is a natural person and not a citizen of Cambodia, and the notice contains the name of the person as indicated on the person's passport and the name of the country that issued the passport;

- c. the debtor is a juridical person organized under the company law of Cambodia or recognized under other Cambodian law, and the notice contains the name of the debtor as shown on the company law registry or the name recognized under other Cambodian law;
 - d. the debtor is a foreign juridical person qualified to do business under the company law of Cambodia, if the notice provides the name of the debtor as shown in the company law registry of Cambodia;
 - e. the debtor is a foreign juridical person not registered of the company law of Cambodia, and the notice contains the name of the debtor as shown on the appropriate registry in the country of the foreign juridical person's origin;
2. A notice that sufficiently provides the name of the debtor is not rendered ineffective by the presence or absence of a trade name or other name of the debtor. A notice that provides only the debtor's trade name does not sufficiently provide the name of a debtor.
 3. A notice may provide the name of more than one debtor and the name of more than one secured party.
 4. The failure to indicate on a notice that a person is an agent of the secured party does not affect the sufficiency of a notice.

Article 35. Effect of changes

1. A filed notice remains effective with respect to collateral that is sold, exchanged, leased, licensed, or otherwise disposed of and in which a security interest continues, even if the secured party knows of or consents to the disposition.
2. If a debtor changes its name so that a filed notice becomes seriously misleading, the notice is effective to perfect a security interest in collateral acquired by the debtor before or within four (4) months after the change. The notice is effective to perfect a security interest in collateral acquired by the debtor more than four (4) months after the change only if an amendment to the notice is filed within four (4) months of the change that corrects the name.

3. Except as provided for a change of debtor name under paragraph 2, above, a notice remains effective if, after the notice is filed, a change of circumstances renders the notice seriously misleading.

Article 36. Duration of notice & effect of lapse

1. A filed notice is effective for a period of five (5) years after the date of filing.
2. The effectiveness of a filed notice lapses on the expiration of the five (5) years period unless, before the lapse, a continuation statement is filed.
3. Upon lapse, a notice becomes ineffective and any security interest that was perfected by the notice becomes unperfected, unless the security interest is perfected without filing.
4. If the security interest becomes unperfected upon lapse, it is deemed never to have been perfected against a prior or subsequent purchaser of the collateral for value.

Article 37. Amendment of notice

1. An initial notice may be amended by one or more amendments. An amendment must:
 - a. identify the initial notice by its file number;
 - b. identify the secured party on the notice who authorizes the amendment;
 - c. indicate that it is an amendment to the notice; and
 - d. provide all of the information required of an initial notice, completely restating the notice in a manner that reflects the amended state of the notice.
2. If an amendment adds collateral covered by a notice, or adds a debtor to a notice, it is effective if the debtor authorizes the filing in an authenticated record. By authenticating a security agreement, a debtor authorizes the filing of an amendment, covering the collateral described in the security agreement, and proceeds of the collateral, whether or not the security agreement expressly covers proceeds.

3. If there is more than one secured party on the notice, the amendment is effective if a secured party authorizes the filing in an authenticated record.
4. An amendment that adds collateral is effective as to the added collateral only from the date of the filing of the amendment.
5. An amendment that adds a debtor is effective as to the added debtor only from the date of the filing of the amendment.
6. An amendment other than an amendment to add collateral or add a debtor is effective only if a secured party on the notice authorizes the filing in an authenticated record.
7. An amendment is ineffective if it purports to delete all secured parties and fails to provide the name of a new secured party, or purports to delete the names of all debtors and fails to provide the name of a debtor not previously covered by the notice.
8. If there is more than one secured party on the notice, each secured party may authorize the filing of an amendment.
9. An amendment authorized by one secured party on the notice does not affect the rights of another secured party on the notice.
10. The filing of an amendment does not extend the period of effectiveness of a notice.

Article 38. Continuation of notice

1. The period of effectiveness of a notice may be continued by filing a continuation statement that:
 - a. identifies the initial notice by its file number;
 - b. identifies a secured party on the notice who authorizes the continuation statement; and
 - c. indicates that the effectiveness of the notice, with respect to the secured party who authorized the filing, is to be continued.

2. A continuation statement may be filed only within six (6) months before the expiration of the five (5) years period of the notice.
 - a. Upon timely filing of a continuation statement, the effectiveness of the notice continues for a period of five (5) years commencing on the day on which the notice would have become ineffective in the absence of the filing.
 - b. The effectiveness of a notice is continued only with respect to the secured party who authorized the filing of the continuation statement.
 - c. Upon the expiration of the new five (5) years period, the notice lapses with respect to the secured party unless, before the lapse, another continuation statement authorized by that secured party is filed. Succeeding continuation statements may be filed in the same manner to continue the effectiveness of the notice.

Article 39. Termination of notice

1. The effectiveness of a notice may be terminated by filing a termination statement that:
 - a. identifies the initial notice by its file number;
 - b. identifies a secured party on the notice who authorizes the termination statement; and
 - c. indicates that the notice is no longer effective with respect to the interest of the secured party who authorized the filing.
2. Within twenty (20) days after the secured party receives a written demand by the debtor, the secured on a notice shall file a termination statement if:
 - there is no outstanding secured obligation and no commitment to make an advance, incur an obligation, or otherwise give value; or
 - the debtor did not authorize the filing of the initial notice; or
 - the notice covers accounts or secured sales contracts that have been sold but as to which the obligor on an account or other person obligated has discharged its obligation.
3. A termination statement effectively terminates the interest of a secured party on the notice only if the filing is authorized in an authenticated record by that secured party. Upon the filing of an

effective termination statement, the notice to which the termination statement relates becomes ineffective with respect to the authorizing secured party.

Article 40. Effectiveness of notice

1. An initial notice, amendment, continuation statement, or termination statement is effective at the time it is discoverable on the records of the filing office by a person who requests information from the filing office as provided in article 43.
2. Filing does not occur with respect to a record that a filing office refuses to accept because:
 - a. in the case of an initial notice, the record does not provide the information required by this law;
 - b. in the case of an amendment, the record does not provide the information required by this law, or the record identifies an initial notice whose effectiveness has lapsed;
 - c. in the case of a continuation statement, the record does not provide the number of the initial notice, or was not delivered within the permitted six (6) months time period; or
 - d. in the case of a termination statement, the record does not provide the number of the initial notice.
3. The filing office may not refuse to file a notice for a reason other than set forth in paragraph 2 of this article, except that the filing office may refuse to file a notice due to tender of less than the required filing fee.
 - a. A record presented to the filing office with the required filing fee, but which the filing office refuses to accept for a reason other than one set forth in this article, is effective as a filed record except against a purchaser of the collateral that gives value in reasonable reliance upon the absence of the record from the files.
 - b. If a filing office refuses to accept a record for filing, it shall promptly communicate the fact of and reason for its refusal to the person that presented the record.
4. A filed notice is effective only to the extent that it was filed by a per-

son authorized to file it under this law.

5. A notice authorized by one secured party on the notice does not affect the rights of another secured party on the notice.
6. The failure of the filing office to index a record correctly does not affect the effectiveness of the record.

Article 41. Claim concerning inaccurate or wrongfully filed notice

1. A person may file in the filing office a correction statement with respect to an indexed notice under the person's name if the person believes that the record is inaccurate or was wrongfully filed.
2. A correction statement must:
 - a. identify the record to which it relates by the file number assigned to the initial notice;
 - b. indicate that it is a correction statement; and
 - c. provide the basis for the person's belief that the record is inaccurate and indicate the manner in which the person believes the record should be amended to cure any inaccuracy or provide the basis for the person's belief that the record was wrongfully filed.
3. The filing of a correction statement does not affect the effectiveness of a notice.

Article 42. Filing office duties

1. For each notice filed, the filing office shall:
 - a. assign a unique number to the filed record;
 - b. create a record that bears the number assigned to the filed record and the date and time of filing; and
 - c. maintain the filed record for public inspection.
2. The filing office shall index an initial notice by the name of the debtor and shall index all filed records relating to an initial notice in a manner that associates the initial notice and all filed records relating to the initial notice. For notices containing serial numbers of serial numbered vehicles, the filing office shall maintain an index of serial numbers.

3. The filing office shall maintain the capability to retrieve a record by the name of the debtor and by the file number assigned to the initial notice to which the record relates, and that associates an initial notice and all filed records relating the initial notice with one another. For notices containing the serial number of a serial numbered vehicle, the filing office shall maintain the capability to retrieve a record by the serial number of the serial numbered vehicle.
4. The filing office shall maintain records of lapsed notices for a period of ten (10) years beyond the date of lapse.
5. The duties of the filing officer are merely administrative. The contents of notices are drawn from private agreements authorized by this law and general laws of Cambodia which do not require the approval or consent of anyone other than the parties. Therefore, the filing office has no authority to examine notices to determine their sufficiency, authenticity, or validity.

Article 43. Information from filing office

1. The filing office shall communicate the following information to any person that requests it:
 - a. whether there is on file on a date and time specified by the filing office, any notice that designates a particular debtor and has not lapsed with respect to all secured parties;
 - b. the file number, and the date and time of filing of each notice;
 - c. the name and address of each secured party on each notice;
 - d. the description of collateral contained on each notice or amendment; and
 - e. the file number, and the date and time of filing of each record relating to each notice, and identification of the record as an amendment, continuation statement, correction statement, or termination statement.
2. A request may be made to search the records of the filing office by any of the following criteria:
 - the file number of a notice;
 - the serial number of a serial numbered vehicle;

- the identification number of a debtor who is an individual and a citizen of Cambodia; or
 - the name of a debtor who is not an individual and a citizen of Cambodia.
3. In complying with its duty, the filing office may communicate information in any medium. However, if requested, the filing office shall communicate information by issuing a written certificate that can be admitted into evidence in the courts of Cambodia without extrinsic evidence of its authenticity.

Article 44. Filing with respect to collateral related to land

1. Notwithstanding the provisions of article 30, the place to file a notice to perfect a security interest is the registry established by the land law of 2001 if the collateral is fixtures, minerals to be extracted, or timber to be cut.
2. Notices filed under this article shall be in accordance with rules established by the Ministry of Land Management, Urban Planning, and Construction.

Article 45. Fees

1. The fee for filing an initial notice, amendment, continuation statement termination statement, correction statement, or for the preparation of a certified search report shall be determined by the Ministry of Economy and Finance and the Ministry of Commerce.
2. Notwithstanding paragraph 1, there is no fee for a search report obtained by any person using the electronic services of the filing office.
3. There shall be no fees for other services provided pursuant to this law.

Chapter 4 Enforcement

Article 46. General provisions on default

1. The parties to a security agreement are free to define default with respect to the agreement.
2. Upon default, the secured party shall have:
 - a. the right to possession or control of the collateral, as the secured party prefers, even if the security agreement is silent about possession or control;
 - b. other rights and remedies provided in this law;
 - c. other rights and remedies in the security agreement; and
 - d. rights and remedies under other law.
3. The secured party may pursue any or all of its remedies simultaneously.
4. If the collateral is accounts or other intangible property, the secured party may proceed directly against the accounts or other intangible property, without judicial action, but subject to any applicable provisions of this law on assignments or collection rights.
5. If the collateral is a document, the secured party may proceed as to the document or as to the goods covered by the document.
6. Upon default, the secured party has the rights to request an expedited judicial order from the court that authorize the secured party to take possession or control the collateral.
7. When a secured party has obtained an order granting possession, the priority in the collateral is measured from the date of filing of the notice, or perfection of the security interest, whichever is earlier.
8. If collateral is sold at an execution sale, the secured party may buy the collateral at the sale.

Article 47. Collection rights of secured party

1. Upon default with respect to accounts or other rights to payment, the secured party may proceed directly against the accounts.
2. Upon default, with respect to accounts, secured sales contracts, or other rights to payment, or whenever agreed by the debtor, the secured party is entitled to notify an obligor on an account or the obligor on any other right to payment to make payment to the secured party, and also to take control of any proceeds.
3. If the security interest secures a debt, the secured party shall pay the debtor any amount collected in excess of the secured debt. Unless otherwise agreed, the debtor owes to the secured party the difference between the secured debt and the amount collected.
4. If the transaction was a sale of accounts or secured sales contracts, the debtor is entitled to any surplus and is liable for any deficiency only if the security agreement so provides.
5. The secured party may act under this article without recourse to judicial process.

Article 48. Secured party's right to take possession after default

1. Upon default, the secured party may take possession or control of collateral without legal proceedings if the debtor has agreed in writing after default.
2. Upon default, the secured party shall be entitled to a special, expedited order from the court granting the secured party possession or control over the collateral.
 - a. Issues at the hearing are limited to the existence of a security agreement covering the collateral and at least one event of default.
 - b. If the service of a bailiff or other official is required to dispossess the debtor of the collateral, the secured party shall pay a fee in Khmer riels as determined by joint regulation of the Ministry of Economy and Finance and the Ministry of Justice.

3. If the security agreement so provides, the secured party may require the debtor to assemble the collateral and make it available to the secured party at a place to be designated by the secured party which is reasonably convenient to both parties.
4. A secured party may render equipment unusable without removing it from its location, and may dispose of collateral on the debtor's place of business, residence, or any other location where the collateral is found.

Article 49. Secured party's disposal of collateral after default

1. After default, a secured party may sell, lease, license or otherwise dispose of any or all of the collateral.
2. Disposal of the collateral may be made publicly or privately, and may be made in one or more contracts.
3. Disposal may be as a unit or in parcels and at any time and place and on any terms consistent with the secured party's duties under this law.
4. The secured party shall give the debtor reasonable notice of the time and place of any public sale or the time after which any private sale or other intended disposal is to be made, unless collateral is perishable or threatens to decline speedily in value. The debtor may waive the right to be informed.
5. The secured party shall inform any other secured party from whom the secured party has received a written record of an interest in the collateral.
6. The secured party may buy at any public or private sale.

Article 50. Consequences of disposal

1. The proceeds of disposal shall be applied in the following order to:
 - a. The reasonable expenses of retaking, holding, preparing for disposal, and disposing of the collateral, including reasonable attorneys' fees and legal expenses incurred by the secured party;
 - b. the satisfaction of debt secured by the security interest;

- c. the satisfaction of debt secured by any subordinate security interest in the collateral if a written demand is received before distribution of the proceeds is completed and the holder of a subordinate security interest gives reasonable proof of the interest.
 - d. The satisfaction of unsecured debt that has been recognized.
2. The secured party shall account to the debtor for any surplus, and, unless otherwise agreed, the debtor is liable for any deficiency.
 3. When collateral is disposed of by a secured party after default:
 - a. the disposal transfers to a purchaser who gives value all rights in the collateral, and discharges the security interest and any subordinate security interest or privilege, if the purchaser acts in good faith; and
 - b. the registrar of any registry maintaining records of ownership of the collateral, such as the registrar of ownership rights in serial numbered vehicles, shall issue a new title to the purchaser for value, and if the registrar requests, the secured party shall provide authorization for the issuance of the new title in the form of the court order granting possession to the secured party, or the written agreement of the debtor to surrender possession to the secured party, executed after default.

Article 51. Retention of collateral

1. A secured party may, after default, propose to retain the collateral in full or partial satisfaction of the obligation.
2. The proposal shall be given to the debtor and to any other secured party from whom the secured party has received a written claim of an interest in the collateral.
3. If the secured party receives objection in writing from a person entitled to receive notice within twenty (20) days after the notice was sent, the secured party must dispose of the collateral as provided in this chapter.
4. If no objection is received within the twenty-day period, the secured party may retain the collateral in satisfaction of the debtor's obligation in accordance with the proposal.

Article 52. Debtor's right to redeem collateral

1. Unless otherwise agreed in writing after default, the debtor or any other secured party may redeem the collateral by fulfilling all obligations secured by the collateral and expenses reasonably incurred by the secured party in retaking, holding and preparing the collateral for disposal, including reasonable attorneys' fees and legal expenses.
2. Redemption shall take place before the secured party has disposed of collateral or entered into a contract for its disposal or before the obligation has been discharged.

Article 53. Secured party's liability for failure to comply with this law

1. If the secured party does not comply with the requirements of this chapter, disposal of collateral may be ordered or restrained by a court on appropriate terms and conditions.
2. In disposing of collateral, the secured party shall at all times act in a commercially reasonable manner.
3. If the disposal has occurred, the debtor or any person entitled to be informed or whose security interest has been made known to the secured party prior to the disposal has a right to recover from the secured party any loss caused by a failure to comply with this law.
4. A sale is not commercially unreasonable merely because a better price could have been obtained by a sale at a different time or in a different method from the time and method selected by the secured party.
5. A sale is commercially reasonable if the secured party disposes of the collateral in conformity with commercial practices among dealers in that type of property.
6. If a method of disposal of collateral has been approved in any legal proceeding, the disposal shall conclusively be deemed as commercially reasonable, but no such approval is required by this law.

Chapter 5 Concluding provisions

Article 54. Conflicting statutes
Laws in conflict with this law are abrogated.

Article 55. Effective date
This law shall be declared to be urgent.

This Law is enacted by the National Assembly of the
Kingdom of Cambodia on the 24th of May 2007
at its 6th Session of the 3rd Legislature.
Signed and Sealed at Phnom Penh.

President

Samdech HENG SAMRIN