

# LEGAL ALERT

**Cambodia**  
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## Cambodia Adopts New Law on Trusts

On 25 December 2018, the Law on Trusts was adopted by the Cambodian parliament and then promulgated by Royal Kram (Decree) on 2 January 2019, introducing a new concept in Cambodia's legal system. This new law provides a basic framework for the creation of trusts in Cambodia, regulating the establishment, registration, management, and control of such trusts.

### Establishment and Termination

According to the law, a trust can only be established by a trustor or by relevant regulations and the subject matter must be lawful and not contrary to public order. A trust becomes effective once the trustee expresses their written consent to becoming a trustee.

Under the law, there are two primary methods for establishing trusts:

- A trustor wishing to establish a trust must transfer the property to the trustee through a trust instrument, which specifies the purpose of the trust and/or the identity of the beneficiaries.
- Where relevant regulations establish a trust, the trust property will be automatically transferred to the trustee to manage and dispose in accordance with those relevant regulations. The particular purpose of the trust and/or the identity of the beneficiary must also be specified.

Four types of trust may be created:

- **Commercial Trust:** A trust established with the purpose of finding profits for the benefit of the trust contributor or any person determined by the trust contributor.
- **Public Trust:** A trust established for the benefit of general Cambodian citizens.
- **Social Trust:** A trust established when a trustor donates property to the trustee for use in the general interests of society, such as cultural, educational, humanitarian, religious, or scientific purposes.
- **Private Trust:** A trust established for the trustor's interests or any person determined by the trustor.

The duration of each trust must be specified. The term of private trusts cannot exceed 100 years (from the trust's establishment date).

A trust can be terminated in five circumstances: (i) where its term expires; (ii) where its purpose is attained; (iii) by the trustor's unanimous decision; (iv) by a competent court's decision; or (v) as set forth in the trust instrument. Upon termination, the trustee is required to submit a report to the Ministry of Economy and Finance.

### Registration

In order to be valid, trusts must be registered with the Ministry of Economy and Finance within three months of their establishment.

Prior to registration, the trust operator must receive prior approval from the Ministry of Economy and Finance and obtain a licence from the relevant regulator.

The detailed requirements and procedures shall be determined in a Sub-Decree.

### Management

All trustors and trustees have rights and obligations pursuant to the Law on Trusts. Compliance with these obligations is important, as trustees and other persons can be held liable for failing to adequately fulfil their duties or failing to comply with the provisions of the law.



The law also establishes the Committee of Trust Dispute Resolution of the Ministry of Economy and Finance as the body to resolve any disputes, which arise in the operation of a Trust.

### **Control of Trusts**

Under the law, trusts will be supervised by the Ministry of Economy and Finance. Trusts may be audited by an independent auditor and the ministry will appoint Trust Inspection officials to monitor and inspect trusts and ensure the compliance with the law. Trustees must comply with any inspection or audit by allowing access to the trust records.

As is noted in the law, further regulations will be issued setting out the rules, procedures, and mechanisms regarding the establishment, registration, and management of trusts. Only after the issuance of these proposed implementing regulations will it be possible to create and manage trusts in Cambodia.

If you have any questions or require any additional information, please contact [Matthew Rendall](#) or the ZICO Law partner you usually deal with.

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