
General Corporate Commercial

Key Amendments to Law on Commercial Enterprises & Commercial Rules and Register

Introduction

On 29 January 2022, amendments were made to the Law on Commercial Enterprises and the Law on Commercial Rules and Register. The amendments are set out in the Amendment Law of the Law on Commercial Enterprises and the Amendment Law of the Law on Commercial Rules and Register and came into force on 30 January 2022 throughout the country.

We set out below the key amendments to the Law on Commercial Enterprises and the Law on Commercial Rules and Register.

Key Amendments to the Law on Commercial Enterprises

Abrogation of Articles relating to security in bearer form and endorsement

Articles 166, 175, 182 to 190 and 196 of the Law on Commercial Enterprises in relation to the security in bearer form and endorsement were abrogated.

Amendments to various concepts and definitions pertaining to companies and sole proprietorships

Articles 1, 2, 3, 4, 5, 59, 62, 87, 101, 106, 110, 114, 115, 137, 144, 161, 174, 192, 195, 225, 234, 255, 262, 270 and 271 of the Law on Commercial Enterprises were amended.

- (a) **Definition of "merchant"**. The definition of "merchant" under the Law on Commercial Rules and Register and the definition of "company secretary" were added in Article 2-new.
- (b) **Appointment of a company secretary**. A number of Articles were amended to reflect the concept of "company secretary", which will replace the term "registered agent". The appointment of a "company secretary" is compulsory for a limited company, whose duty is to receive and maintain official documents of the company. The company secretary must be a permanent resident of Cambodia.

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- (c) **"Sole proprietorship" as new business legal form.** "Sole proprietorship" has been included as a new business legal form in the Commercial Enterprises Amendment Law, in addition to partnership and limited company. A number of Articles were amended accordingly to reflect the existence of this new legal form.
- (d) **Liquidator – qualification and duties.** Articles 59-new and 255-new were amended to include the requirement that an accounting or audit company licensed by the Accounting and Auditing Regulator of the Non-Banking Financial Services Authority must be appointed as the liquidator in the event of the liquidation of a general partnership or limited company. The appointed liquidator must keep the accounting records, financial statements, and records of the dissolving general partnership or limited company for five years after the completion of liquidation.
- (e) **Removal of minimum number of shares requirement.** The Commercial Enterprises Amendment Law removed the entire paragraph 1 of Article 144 on the minimum number of shares requirement, which was 1,000 shares for a limited company, in the case where its articles¹ fail to provide the number of shares.
- (f) **Concept of "Local branch".** Article 270-new was amended to introduce the concept of "local branch" of a partnership or limited company, and regulate the establishment, operation and dissolution of such local branch.

New Articles on establishment, dissolution and liquidation of sole proprietorships

Articles 8-bis and 53-bis were added in the Commercial Enterprises Amendment Law as new sections of the Law on Commercial Enterprises. The new articles aim to regulate the establishment, dissolution, and liquidation of sole proprietorships.

Another article was introduced as Article 147-bis, which allows shareholder(s) of limited companies to not disclose their names in the articles, and appoint individuals or legal entities to represent them instead. Article 147-bis further emphasises that the appointment of a shareholder's representative shall be made via an agreement between the representative and the shareholder. The details of the shareholder and appointment agreement must be filed with the Ministry of Commerce.

Key Amendments to the Law on Commercial Rules and Register

The amendments to Articles 14-new (2) and 17-new (2) were introduced to modify certain requirements which a merchant must declare at the time of registration with the commercial register. The following details are now required to be declared upon registration:

¹ "articles" with small letters refer to the memorandum and articles of association of limited companies.

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- (a) phone number and/or email address of the merchant(s)/shareholder(s); and
- (b) business activities following the International Standard Industrial Classification of All Economic Activities (ISIC Codes).

The requirement of providing "samples of signatures or corporate seal print" has been removed from both Articles 14-new (2) and 17-new (2). In addition, the requirement to provide "certificate of capital deposit issued by the bank (or bank confirmation on capital deposit)" has been deleted from Article 17-new (2).

Article 26-new (2) is included to enhance the power of the Commercial Registration Official in issuing a Certificate of Incorporation for temporary use by the company for one month following its issuance. The Commercial Registration Official may reject the company registration or cancel the registration number if he/she finds that (i) the declaration provided during the application contains incorrect or misleading information; or (ii) a claim with legal effect has been filed against such company after its registration.

Article 47-new was amended to clarify that every merchant or manager of a commercial company must implement accounting and auditing rules in accordance with the Law on Accounting and Auditing, and related regulations.

If you have any queries on the above, please feel free to contact our team members below who will be happy to assist.

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