Newsletter:

Trust: Beyond Trust Administration in Business in Cambodia.

In Brief

In early 2019, Cambodia established a formal trust system through the enactment of the Law on Trust, which is expected to drive national economic growth, attract Foreign Direct Investment (FDI), ensure smooth operations across all businesses, and mobilize international capital in relevant sectors. Based on Annex of the Law on Trust, Trust refers to the administration and management of Trust Fund provided by a Settler in favor of a Beneficiary in accordance with the terms of Trust Instrument or applicable regulations. Additionally, Trust provides investment options and opportunities across various sectors in Cambodia, while harmonizing with existing relevant regulations.

Key Takeaways

According to Article 44 of the Constitution of the Kingdom of Cambodia, only individuals with Cambodian nationality may own land. This means Cambodian law prohibits foreigners from holding land ownership titles. To address this challenge and enhance business security and confidence, the Royal Government adopted the trust system—despite its origins in the Common Law tradition. Considering the benefits observed in Cambodia and other countries, several reasons make the trust sector a reliable source of security for domestic and international investors, going beyond merely enhancing business confidence:

A. Growth Momentum of Cambodia's Trust Sector

Following the establishment of a formal trust system with a robust legal framework, Cambodia has gained significant momentum in this sector. To date, the trust market has pooled approximately $1,898 million (one thousand eight hundred ninety-eight million) USD in assets, with 1313 registered trust cases (As of June 12, 2025)[1].

B. Legal Safeguards

The Law on Trust ensures settlors' business security, including: Clearly defined rights and obligations of relevant parties; A registration system allowing state intervention when necessary; Monitoring and oversight mechanisms to ensure settlor confidence and security; Dispute resolution mechanisms through administrative complaints, financial penalties, or imprisonment for trustees violating the law.

C. Qualified Trustees

Trustee qualifications are crucial for building settlor confidence. Cambodia imposes strict conditions for becoming a trustee: individuals must obtain a license or permit from the Trust Regulator and maintain adequate capital, including appropriate security deposits to guarantee compensation for trustee misconduct[2].

D. Supervision and Control

Cambodia implements a supervisory framework for trust through institutional establishment and governance. Specifically, the Non-Bank Financial Services Authority (NBFSA) was created, under which the Trust Regulator operates as a subordinate unit. Per Article 20 of the Law on the Organization and Functioning of the Non-Bank Financial Services Authority (NBFSA Law), the Trust Regulator holds the mandate to enforce the Law on Trust and related regulations. Beyond institutional frameworks, the registration of trusts and governance mechanisms further bolster investor confidence and security.

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About us

ILAW CAMBODIA LAW OFFICE ("The Firm") was established in March 2023 and registered with the Bar Association of the Kingdom of Cambodia under registration number LO 016/23. The Firm is located at Phnom Penh and was founded by Somphob Rodboon and Vicheka Lay. The Firm is a branch office of its parent company, ILAWASIA CO., LTD., which has been based in Bangkok, Thailand for over a decade.

The Firm is in well placed to provide professional advisory services primarily in domestic and international matters which include corporate, commercial and investment matters, trading and investment transactions, intellectual property protection, and any issues appropriate for any businesses.

Our partner and attorneys were recently recognized and listed in the Asia-Pacific Legal 500 series. Furthermore, from 2021 to the present, The Firm has been ranked as "Firms in the Spotlight" in the Legal 500.

Key Takeaways *(cont.)*

E. Supervision and Control

The act of transferring assets from a property owner (referred to as the settlor or contributor of trust) to another person (referred to as the trustee) for management, disposition, and preservation on behalf of other beneficiaries (referred to as the beneficiary) is considered a trust operation. All trust operations in the Kingdom of Cambodia must be pre-approved and registered with the Director General of the Trust Regulator[3]. The creation of a trust must be done through a trust instrument.

In this case, the trustee chosen by the settlor is obligated to register the trust with the Trust Regulator. The settlor must select one or more trustee candidates who are licensed and/or authorized by the Trust Regulator only[4].

F. Termination of Trust

Based on Article 63 of Prakas No. 003, Trust can be terminated for the following cases:

1. The expiry of the term defined in the trust deed.
2. The objectives of trust have been achieved.
3. The discretion or unanimity decision of trustor.
4. The decision of the competent court or
5. Any other cases as stated in the trust deed.

Conclusion

Trust shall have maximal duration not more than 100 (a hundred) years, starting from the date of trust establishment. Except social trust, and public trust or other trust created by law or regulations, trust can have unlimited duration or duration that determined by that law or regulations in force. In case of any trust without duration limitation or expiry, such trust can last up to 100 (hundred) years after the date of trust creation. For trust that sets out the expiry procedures, the trust shall last until any following date: 1. Reach the expiry or 2. Reach the 100 years after the trust establishment.

References

[1] Trust Regulator Website. (Online). Retrieved: 30 June 2025, at 3 PM.

[2] Prakas No. 003 on Rules for Supervision, Organization and Functioning of Trust, Articles 12 and 16.

[3] Ibid. Article 4.

[4] Ibid. Article 8.