

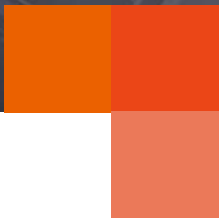


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Crypto Exchange Outlook Cambodia

Report

JAN 2024



EXECUTIVE SUMMARY

- With the rise of new technological innovations such as blockchain and cryptocurrency, central banks around the world are actively experimenting and researching ways to implement the technology into their system.
- Cambodia lags behind neighbouring countries in terms of local exchange adoption and regulation that governs the trading of cryptocurrency. However, with the adoption of Bakong utilizing blockchain technology, Cambodia becomes the first neighbouring country to provide a payment system in which customers, merchants, and financial institutions are connected into one secure platform.
- RGX is the first “digital asset” exchange to be approved under the Securities and Exchange Regulators of Cambodia’s (SERC) sandbox regulatory framework. To encourage innovation within the fintech sector, SERC launched its sandbox scheme which enabled RGX to trial its product with real customers in a clearly defined and regulated environment for a specific time frame.
- As the integration of cryptocurrencies into the world become more evident, RGX is pioneering the way for local Cambodians to be apart of this new digital era. With plans to launch RGX token and asset tokenization, RGX aligns itself with global trends in the digital landscape and positions the company to be at the forefront of innovation in Cambodia’s FinTech sector. However, as the first unregulated exchange, RGX will have to navigate through turbulent waters as it tackles government regulations, build consumer’s trust and confidence, and increased competition from international exchanges.
- With access to over 100 cryptocurrencies, the exchange is built for the local population by utilizing Khmer into its user interface (UI), 24/7 support, educational academy. As financial literacy of trading and investing in digital assets is still nascent, this approach ensures ease of use, encourages participation, and builds trust among local users.
- Platform still lacks necessary functions and needs certain user experience (UX) improvements for it to challenge Binance’s dominance over Cambodia’s crypto market.
 - Available on Android and web browser, IOS app is still pending approval.
 - The inevitable introduction of asset tokenization in RGX will help the platform capture non-crypto users.

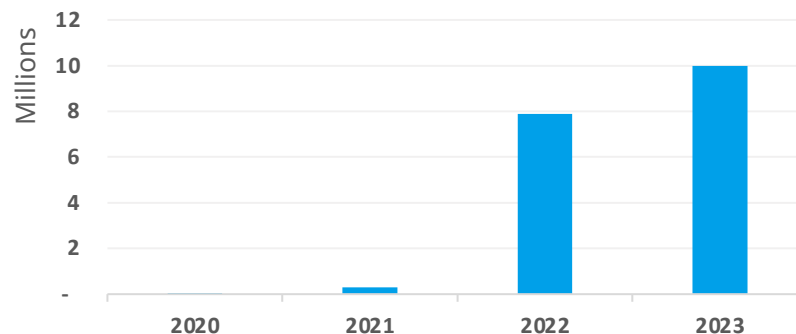
BLOCKCHAIN IN SIMPLE TERMS

- In simple terms, a blockchain is a secure and unchangeable digital notebook and cryptocurrency is a kind of digital money that relies on this secure notebook for its existence. People can use cryptocurrency to buy things or trade it like regular money.

Blockchain

- In laymen terms, a blockchain is like a “notebook” that many people can write on, and once something is written, it can’t be easily changed. This digital notebook is then shared with everyone in a network. Each page in the notebook contains a list of things that happened, and new pages are added as more things happen. This notebook is called blockchain – a public record that’s secured and cannot be tampered with easily.
- Utilizing blockchain technology to facilitate secure payments, **Bakong** facilitates real-time interbank transfers at little to no charge.

Bakong's User Acquisition



Benefits of Blockchain

- Decentralization and Trust:**
 - Eliminates the need for a central authority (like a central bank). Since no single entity has full control of the notebook, it reduces the risk of single points of failure and fosters trust as everyone in the network has a shared, transparent view of the notebook. In the case of Bakong, each participants of the network (participant banks) have an identical copy of the notebook, minimizing the risks of hacking.
- Security and Immutability:**
 - Utilizes cryptographic techniques – a kind of digital lock and key system -- to secure transactions and ensure integrity of the data. Once information is stored on the blockchain, it is extremely difficult to alter, providing a high level of integrity and transparency. It reduces the risk of fraud or manipulation since changes require consensus among participants.
- Transparency and Efficiency**
 - Transactions on the blockchain are recorded in a chronological and transparent manner, enhancing accountability and reduces the need for intermediaries. The synchronized nature of the notebook streamlines operations, minimizes the risk of errors, and allows participants access a single, reliable source of truth.

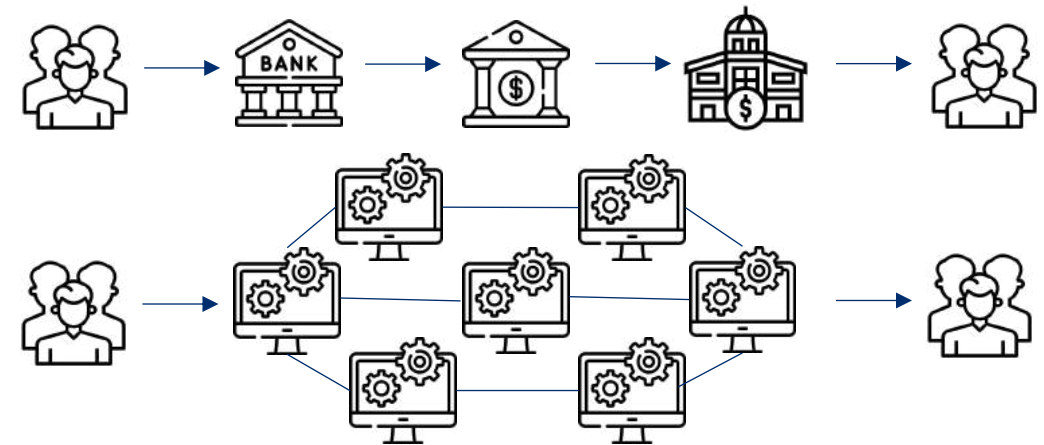
CRYPTOCURRENCY – PAYMENT OF THE FUTURE?

- Cryptocurrency allows people to send digital money directly to each other without the use of intermediaries, like a bank.

Cryptocurrency

- A type of digital money that only exists in the digital world. Instead of coins or bills, it's made up of digital tokens. These tokens are unique codes that present value. More importantly, it is decentralized – not control by any government or bank - and utilizes blockchain technology to record and verify transaction.
- Example of cryptocurrency: Bitcoin, Ethereum, Solana
- Cryptocurrencies can be broadly categorized into two main types based on their consensus mechanism, which are the fundamental protocol that enable the validation of transaction:
 - Proof of Work (PoW): Bitcoin was the first cryptocurrency and relies on mining which uses computational power to validate transactions. As a result, Bitcoin consumes more electricity than most countries such as Norway and Pakistan.
 - Proof of Stake (PoS): Other cryptocurrency such as Ethereum as transition into PoS consensus and verifies transactions by relying on participants who hold and stake their cryptocurrency. Validators are chosen based on their staked amount, and their role involves creating new blocks, and validating new transactions. Ethereum has reduced its electrical consumption requirement by 99.8% by changing from PoW to PoS.

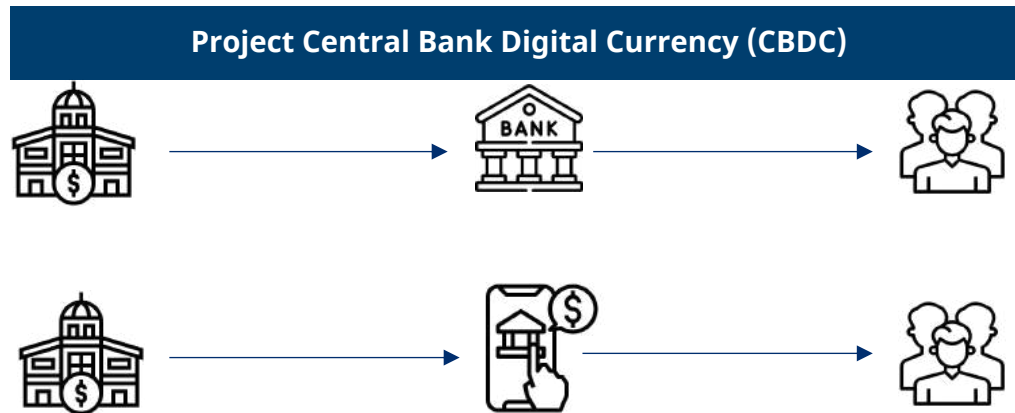
Cross-border payments without Banks



- In traditional system, each transaction involves multiple intermediaries and record keeping to facilitate transfer of assets and create trust under the supervision and clearing from the central bank. This transaction can take days and incur high fees .
- Utilizing blockchain and the decentralization of the technology, each transaction can be completed between two parties without a central authority and intermediaries instantly, incur very minimal fees, and enhances financial inclusion for the unbanked.

BLOCKCHAIN VS STATUS QUO

- The rise of cryptocurrency as an alternative for every day payments has provoked government bodies to explore and research ways the technology can be harnessed.



The rise of cryptocurrencies has prompted central banks to explore CBDC as a means of maintaining control over monetary policy. CBDC can provide a regulated and stable alternative to cryptocurrency.

The use of blockchain to develop a central bank digital currency (CBDC) – a form of digital currency issued by central bank – has attracted in the interest of many central banks around the world. The introduction of CBDC is in line with the declining use of cash and promotion of financial inclusion and inefficiencies in payment systems. At a global level, there is a mix of wholesale and retail areas of blockchain-based CBDC.

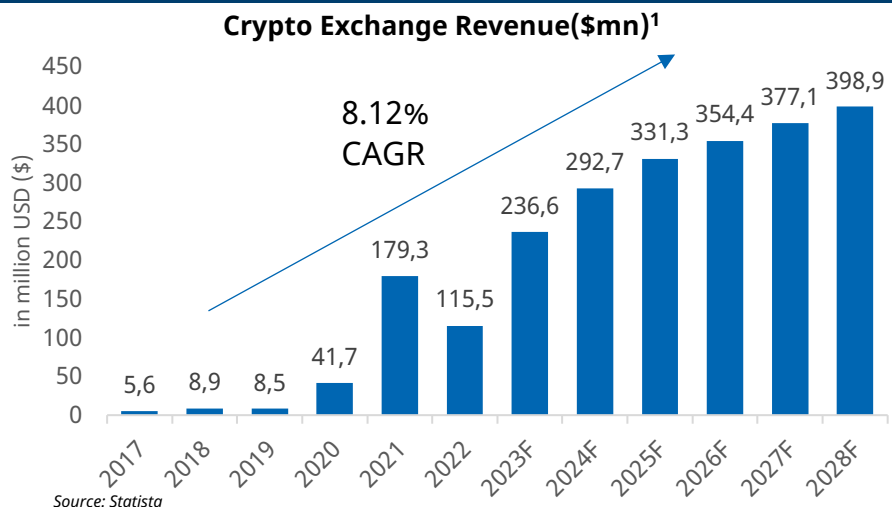
The difficulties and challenges of implementing CBDC

- Bank disintermediation
 - The introduction of CBDC puts into question the role of banks. Presently, bank deposits fund lending. If individuals stop providing banks with deposits, lending will have to be funded another way. Perhaps, P2P lending will be the new norm or even direct lending from central bank.
 - In lieu of the prominence of the banking sector in Cambodia, and their interlinkages with other segments of the financial ecosystem such as real estate, such potential implications could spill over the broader financial ecosystem and the real economy.
- Legal and Regulatory restrictions
 - Regulatory framework and laws need to evaluate the legal basis for issuance of CBDC. Furthermore, necessary legal reforms would depend on the design and use cases of the CBDC.
- Technical challenges
 - Many possible difficulties could arise at the technical level since it's a new technology and breaks the norms of traditional finance, for example relating to internet connectivity, especially in rural areas, interoperability with the existing systems, or cyber attacks.

CAMBODIA LAGS BEHIND NEIGHBOURING COUNTRIES

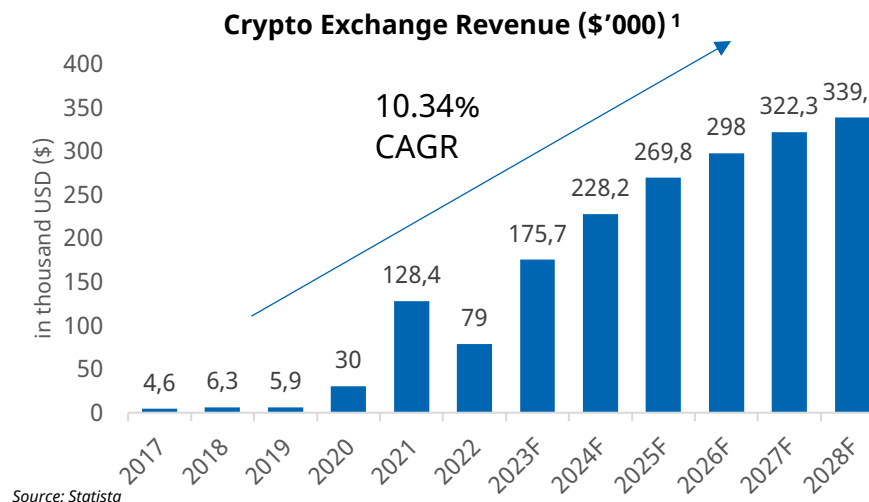
- Both Laos and Thailand are years ahead of Cambodia in terms of the adoption of local exchange and regulation

Bangkok



- Founded in 2018, Bitkub became the first Thai startup to achieve unicorn status.
 - 90% of all cryptocurrency transactions goes through the exchange with a daily trade value of \$25 million.
 - Over 4.5 million registered users and over 100 cryptocurrencies to trade from.

Laos



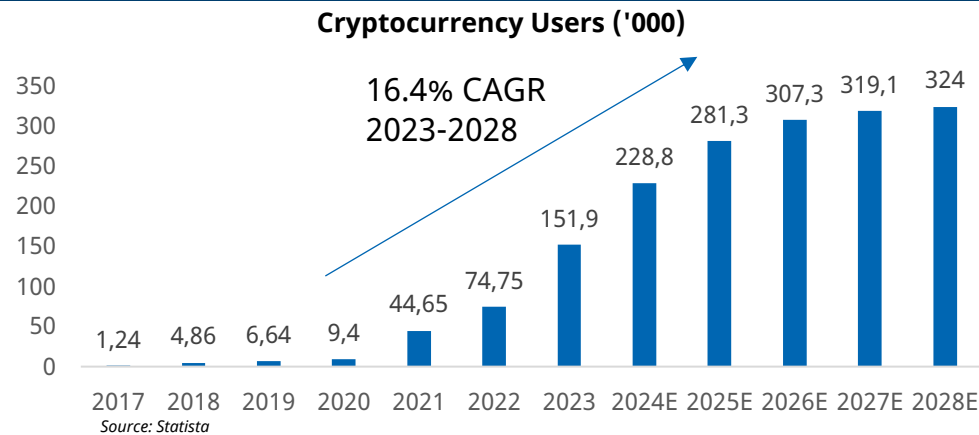
- 30 exchanges are still pending regulatory approval.
- In 2022, the Laotian government issued license authorizing two companies to trade cryptocurrencies – LDX and Bitqik
 - Both exchanges allows users to exchange fiat-to-crypto and crypto-to-fiat conveniently within the platform.

¹: Financial entities such as crypto networks, crypto exchanges, neobrokers, and neobanks usually charge a fee for their services,

LOCAL TRENDS FORCE REGULATOR'S HANDS

- In early 2021, NBC issued a Prakas that banned the exchange of cryptocurrency assets. Furthermore, financial institutions cannot be directly linked with any crypto exchanges. In other words, crypto traders cannot purchase crypto directly using fiat currency from their local bank account, nor can they withdraw deposits from their crypto account into their local bank account. Nevertheless, Cambodians still trade cryptocurrency via international exchange – the number one platform being Binance.

Cambodians are experimenting with digital assets



- Over 200,000³ registered Cambodian users trade on the Binance platform – an international exchange that is unregulated and does not hold a license from Cambodia’s relevant regulatory bodies.
- Users are able to skirt through regulatory bodies with the use of Binance’s Peer-to-Peer (P2P) function, allowing to buy and sell cryptocurrencies directly with each other without an intermediary.
- Binance P2P is unregulated and is susceptible to scammers resulting in loss of customers funds.
- As a population with limited English capability, local Cambodians may find it difficult to deal with Binance’s customer service as Binance does not support Khmer language.
- Without a proper regulatory body, customers funds are not SAFU.

Cambodia’s first step towards regulating cryptocurrency



- In July 2022, the Securities and Exchange Regulator of Cambodia (SERC) signed a memorandum of understanding with Binance on crypto regulations. Regulators planned to employ the exchange in developing regulatory measures for the industry.
- In Dec 2022, the Securities and Exchange Regulator of Cambodia (SERC) developed a “Sandbox Framework,” which allowed regulators to live test innovative fintech products – which are generally not fully compliant with existing legal and regulatory requirements – with real customers in a controlled, well-defined space for a specific period.

³: Data according to Thomas Schings (manager of RGX) given to Khmer Times.

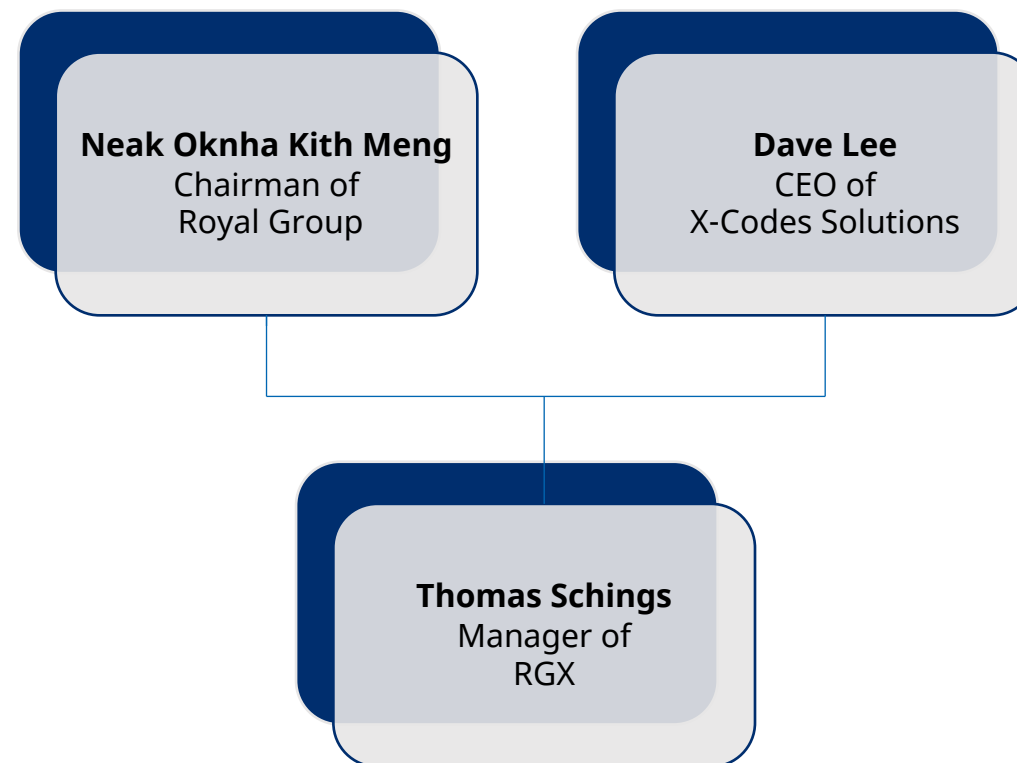
RGX IS THE FIRST LICENSED CRYPTO EXCHANGE FOR CAMBODIANS

- The Royal Group Exchange (RGX) is the first exchange to be approved into Sandbox Framework under SERC. With over 100 cryptocurrency available and the backing of regulatory bodies, investors hope to invest in a platform that is safe, secured, and transparent.

Company Summary

- With technical expertise from X-Codes Solution and synergies from subsidiaries of Royal Group, RGX was developed with the aim to become the first fully-licensed localized exchange.
- Registration for RGX exchange is a straightforward process requiring a government issued ID and facial recognition with the KYC process taking no more than two days.
- The platform has 5 trading pairs, allowing users to trade one cryptocurrency for another.
- RGX supports both spot trading, where users can buy and sell actual cryptocurrencies, and futures trading, where users can trade contracts representing the future value of cryptocurrencies with leverage up to 25X – e.g. traders with \$100 in margin can open a position as large as \$2500, thereby amplifying both potential profits and losses.
- Business Model:**
 - Build a fully regulated local exchange that caters to the local population
 - Funnel customers from RGX Academy once it is well-established
 - Fee structure: Maker and taker fees are 0.02% and 0.05%, respectively.
 - Claim to have no withdrawal and deposit fee once direct fiat-to-cryptocurrency function is implemented

Company Structure



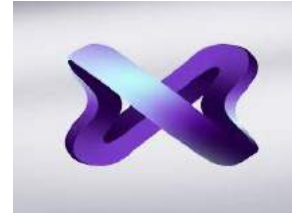
X-CODES HAS A TRACK RECORD OF DEVELOPING CRYPTO AND BLOCKCHAIN

- X-Codes has completed four projects each with mixed results.

Company Profile

- X-Codes solutions main services are developing blockchain products, whitepaper solutions, forex brokerage, AI, digital wallet, and OTC platform exchange.
- RGX leveraged codes from X-Meta to develop its exchange hence why both platforms have completely identical UI and UX and business model.
- Apart of a larger conglomerate, IH Bit Global, but the connection isn't clear.
- Projects have produced mixed results:
 - X-Meta has gained some momentum as Mongolia's first local exchange
 - Inflation Hedging Coin's (IHC) price has halved multiple times since inception

Past Projects



X-Meta



Inflation Hedging Coin



IH Wallet

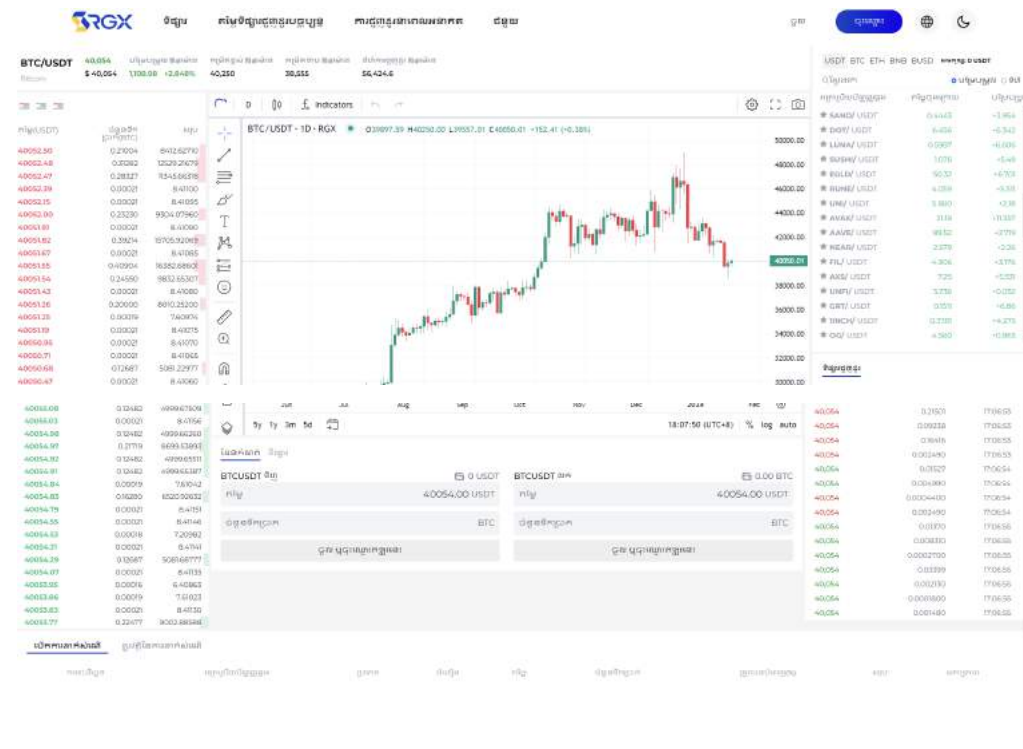


MOT FX

CONVENIENT EXPERIENCE THROUGH LOCALIZED CRYPTO EXCHANGE

- Using Khmer language as default user interface (UI) provides users with many benefits such as increased accessibility, improved user understanding, enhanced consumer confidence, and customer support effectiveness.

Khmer Language for ease-of-use



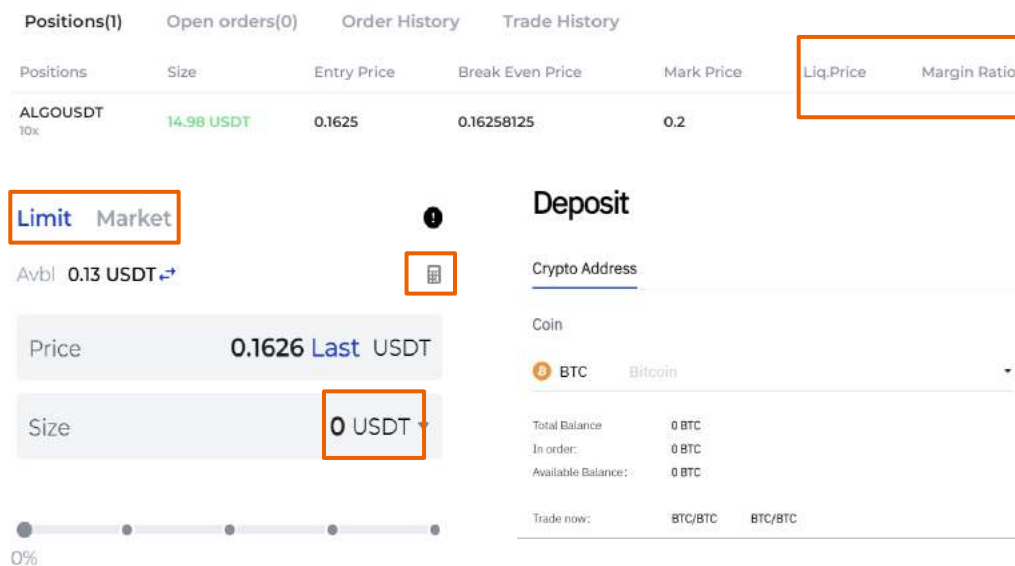
Perks of a localized exchange

- Utilization of Khmer language can help non-English speakers navigate through the complexity of trading cryptocurrency, making it more accessible to a broader audience.
- Using the local language ensures that users can easily understand instructions, terms and other relevant information on the exchange, reducing the likelihood of misunderstandings or errors during transactions
- Instills a sense of trust and familiarity for new traders as it fosters a more inclusive and welcoming environment.
- Customer support services provided in the local language are more effective in addressing user queries and concerns.
- Competitive advantage against international exchanges as the platform is designed specifically for the local population.
- Most importantly, a localized exchange provides a pathway for relevant regulatory bodies to ensure customer's funds are safe.
 - In a traditional stock market, customer's funds and stocks are safely stored with a custodian which is regulated and audited. Meanwhile, most crypto exchanges are not subjected to any regulations and audit. For example, in the case of FTX, the founder is accused of stealing more than \$10 billion in customers deposits. These customers will find it difficult, if not impossible, to retrieve their deposits.

LACK OF FUNCTION AND UNSATISFACTORY UX MAKE RGX LESS APPEALING

- Before mass local adoption can take place, RGX needs to implement and amend certain functions and continuously improve user experience (UX). Addressing these issues in future updates will tip the scale for new users to enter the local exchange platform.

Vital Functions and UX are missing from the exchange



The screenshot shows the trading interface with several missing or broken features highlighted by orange boxes:

- Table Headers:** The table for positions has headers for 'Positions', 'Size', 'Entry Price', 'Break Even Price', 'Mark Price', 'Liq.Price', and 'Margin Ratio'. The 'Liq.Price' and 'Margin Ratio' columns are empty, indicating these functions are missing.
- Order Type Selection:** The 'Limit' and 'Market' buttons are present, but the 'Limit' button is highlighted, suggesting a lack of advanced order types like stop limit or SL/TP.
- Price and Size Input:** The price input is set to '0.1626 Last USDT' and the size input is '0 USDT', indicating that users cannot place orders with specific parameters.
- Deposit Section:** The 'Deposit' section shows 'Crypto Address' and 'Coin' (BTC), but the 'Total Balance', 'In order', and 'Available Balance' are all '0 BTC', suggesting a lack of fiat-to-crypto deposit functionality.

Without these functions, risks will be amplified in futures market

- Without a trading calculator, users cannot theorize the outcome of their trades such as expected profit-and-loss (PnL), from the entry and exit, liquidation price based on their leverage, and target price.
- Since only limit and market order exists, users would have to manually close their trade, risking full margin liquidation (stop limit or SL/TP are functions that would help mitigate this risk).
- No liquidation price and margin ratio will make it difficult for traders to know if they are over-leveraging their trades or if they are close to the liquidation price.
- When users want to place an order, the "0" would stay there and is undeletable – worsening UX for traders.
- Fiat-to-cryptocurrency function is still pending; therefore, users will need to deposit cryptocurrency from other exchange/wallet to trade on RGX.
- Platform still has bugs and incorrect messages to work out.
- Only available on Android Playstore, IOS application is still pending approval.

KHMER LANGUAGE HAS YET TO BE IMPLEMENTED

RGX Academy

Receive crypto news immediately

- Bitcoin ★
- Ethereum
- Sui
- Arbitrum
- Pepe
- Dogecoin
- AAVE
- Shiba Inu
- Solana
- Cardano ADA
- BNB
- Uniswap

- RGX Academy has a goal to become the number one cryptocurrency academy in Cambodia.
- All articles are only written in English
- Current articles are a copy-and-paste from coin market, and only includes basic information for each coin.
- Lack of news section for traders

Support

Get in touch



Chat us

Start a facebook conversation with our team and get the answers you need



Call us

Give us a call at 0 (000) 000-0000 8:30am - 5:30pm PST Monday to Friday



Telegram

Join us for the latest updates, news, and exclusive insights into the world of RGX.

- One of their main selling point is their 24H helpline to support users in local language.
- Support on the main page is still in English and has not been translated to Khmer.
- Chatbox isn't available on the platform yet, however, Facebook inquiries were responded quickly but lacking technical experience.

WHAT'S NEXT FOR RGX?

- Introduction of RGX tokens and, most importantly, of asset tokenization into the platform will appeal to users that don't trust digital crypto assets but want to invest in tangible assets. Tokenization is the process of issuing digital representation of an asset on a blockchain. These assets can be both intangible and tangible assets – cars, company shares, land, building, etc..

Asset Tokenization

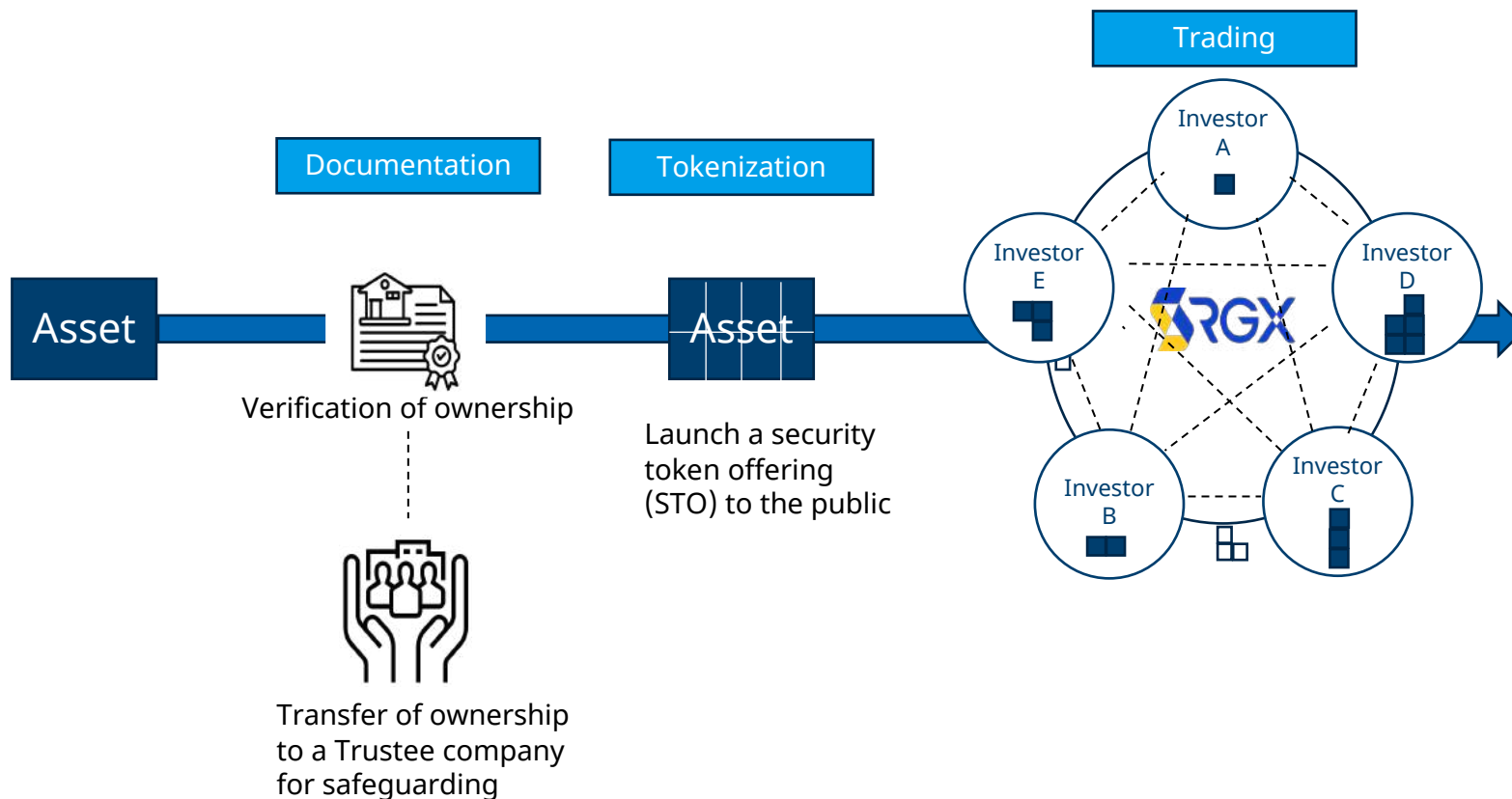
Benefits of Tokenization:

Improved Liquidity: Splitting notoriously illiquid assets such as land into smaller shares can make the market more liquid. Tokens can be token on secondary exchange.

Faster transaction settlement: Settlement is almost instant with 24/7 availability. Currently, most financial settlements occur within two business days after the trade is executed.

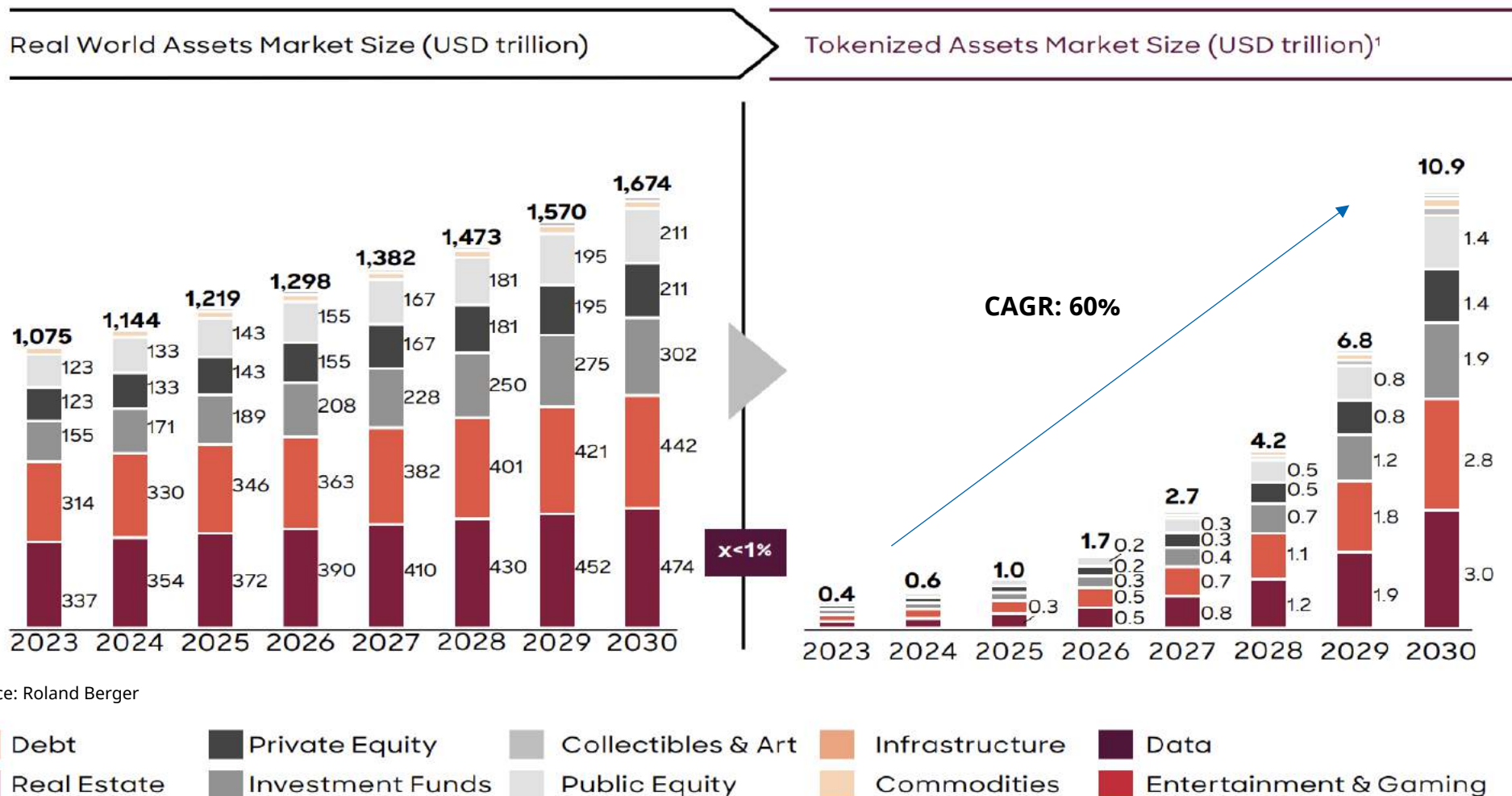
Financial Inclusion: Makes high-value investments available for retail investors.

Transparency: Records of every transaction is immutable and transparent for everyone.



STRONG FUTURE GROWTH PROSPECTS

- Assuming that <1% of real world assets will be tokenized, the value of tokenized assets will reach at least \$10.9 trillion dollars by 2030 – Real estate, Debt, and Investment Funds are the top 3 tokenized asset category.



TOKENIZATION CASE STUDY

- In 2018, the St. Regis resort in Aspen, Colorado became the first major property to be tokenized using blockchain technology – turning an infamously illiquid asset class liquid.

The first major tokenization case



- The St. Regis Aspen Resort is a five star resort, 179 room full-service luxury hotel located in Aspen, Colorado, USA.
- Equity: \$94 million
- Required additional capital for:
 - Hotel renovations
 - Marketing and management of resort
 - Partial shareholder cash out

- In 2018, the issuance of the Aspen Coins raised \$18 million dollars for a 19% indirect ownership stake (each token represents an indirect ownership interest in one share of the company's common stock) to accredited investors around the world, becoming the first major real estate asset to be tokenized in the US.
- STO price: \$1/token with 18,000,000 token supply
- In Q3 2020, Aspen Coins began secondary trading and was listed on tZero exchange, allowing investors to buy and sell shares of the hotel with ease.

- Current Price: \$3.25
- Dividend yield: ~4.7%
- Secondary trading increases liquidity by providing a platform for investors to trade their coins on the exchange.
- Owners of Aspen Coins can receive cash back from their stay in the resort, treating each coin holders as co-owners of the resort.

THE RACE TO TOKENIZATION

- With the inevitable introduction of asset tokenization, new players have entered Sandbox Framework to be the first Security Token Exchange in Cambodia.

The potential of RGX's tokenization capability

- Security tokens (from companies, to artwork, and to land) are here to stay – they are technologically superior, safe, and more transparent from a regulatory standpoint.
- The current value chain for trading in CSX is organized around a number of different intermediaries that act sequentially.
- The introduction of blockchain and other DLT technologies represents a clear disruption of the business model and the roles of various stakeholders in the value chain.
- But, to achieve this, certain regulatory factors must be met:
 - Regulatory Framework especially approval from NBC to conduct cryptocurrency deposits and withdrawals via banking system must be approve. Despite the launch of RGX though the Sandbox Scheme under SERC, NBC recently reiterated their ban on links between cryptocurrency and local banks, emphasizing the associated risks involved with trading and owning the digital asset. Without this approval, RGX has no competitive advantage against other international exchanges such as Binance.
 - SERC must pave a framework to allow companies and other assets to issue security tokens via RGX exchange.

New Entrants in the Market

- On February 5 2024, SERC signed an MOU with KS Green to provide consultation, knowledge, and technical expertise relating to establishing the first security token exchange in Cambodia. After gaining final approval from SERC, KS Green plans to unveil the world's first carbon credit specialized STO exchange in collaboration with the Conference of Global Climate Action Forum 2024 (GCAF2024) in the middle of May.
- Various types of assets such as stocks, bonds, real estate, and other alternative assets can be fractionalized and sold to the public.



FUTURE OUTLOOK

- Due to Cambodia's young demographic, cryptocurrency market has the highest potential future growth relative to neighbouring countries.. Cryptocurrency and blockchain are here to stay.
- RGX must implement and amend certain functions and work on improving its UX for traders to consider using the platform. With first-mover advantage, RGX has the chance to become Thailand's Bitkub. However, certain concerns and in must be met:
 - **Regulatory and Laws:** Must stay compliant with relevant regulatory bodies and receive the green light from NBC to implement fiat-to-cryptocurrency via local banks
 - **Financial Literacy:** Develop RGX Academy to become the leading educational resource centre to empower new users into the cryptocurrency space
 - **Security:** Cash is physical and digital assets like cryptocurrency are simply digital versions of cash. Technology fails, especially new ones. In 2022, cryptocurrency exchanges around the world suffered over \$3.8 billion dollars in losses from hacks, demonstrating exploitable weaknesses in the technology.
 - **Customer Service:** The current platform only offers customer support through Facebook messenger and telegram group message. As customer registration compounds, can the platform keep up with the increase in user base?
 - **UI and UX updates:** RGX exchange still lacks vital functions (order types, liquidation price, etc.) which amplifies the risks of trading on this platform. Furthermore, UX must be improved if it wants to compete with the likes of Binance.
 - **Foster Trust:** Many Telegram and Facebook groups – with no affiliation with RGX -- have recently been created using RGX as its logo and name have been swindling and scamming RGX's customers in a variety of ways.
- Unlike investing in the stock market which trades on fundamentals and the performance of the underlying asset, investing in cryptocurrencies carries inherent risks, and users should exercise caution and thorough understanding of the product before engaging in trading activity. The volatile nature of cryptocurrency markets can lead to rapid and unpredictable price fluctuations. Furthermore, It's crucial for users to educate themselves about the specific cryptocurrency they intend to trade or invest and the underlying technology.
- Nevertheless, the future is bright and RGX's launch marks a transformative moment in Cambodia's financial and digital landscape.



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