
The Rise of Family Trusts in Cambodia: Building Legacy in an Emerging Market

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Introduction

In the last twenty years, Cambodia's steady economic growth has been fueled by political stability, a welcoming environment for foreign investors, and increased cooperation with regional and global markets. As a result, private wealth has grown, especially among families who own businesses. Many of these families are first-generation entrepreneurs who began their ventures after Cambodia's post-conflict recovery.

When families are building wealth, ownership is usually simple and centralized. Business owners typically keep assets in their own names and make all major decisions. This setup works well during rapid growth, but it can become less effective as businesses and families get bigger. As complexity increases, informal structures often struggle to support long-term continuity.

As Cambodia's economy develops, more families are facing real questions about succession, protecting assets, and ensuring long-term stability. These are immediate challenges that can impact both family relationships and business success. That's why family trusts are becoming a practical and increasingly relevant legal option for Cambodian business owners.

Evolution of the Trust Framework in Cambodia

Cambodia's trust framework officially launched in 2019, followed by the Law on Trust, new regulations, and the creation of the Trust Regulator. This framework aims to provide legal certainty, transparency, and oversight for trust activities, making the environment more attractive for investors and private wealth holders alike.

While the trust sector is still new, the idea of trusts is not unfamiliar in Cambodia. In 2013, Sub-Decree No. 476

introduced financial trusts, mainly used by development partners to help the banking and microfinance sectors. These early examples showed that trusts could work well in Cambodia's legal system with the right rules and oversight.

Building on this success, the Law on Trust expanded trust operations to cover personal, commercial, public, and social trusts. This change created a legal base for trusts in asset holding, wealth management, family succession, and long-term planning. The law also highlights the importance of licensed trustees and trust registration, clearly distinguishing formal trusts from informal arrangements.

Economic and Social Drivers of Family Trust Demand

Cambodia's economic growth has increased the number of wealthy individuals, many of whom started family businesses that provide income for their families and jobs for local workers. As these businesses expand, relying too much on the founder becomes a major risk.

Unexpected events like illness, accidents, disputes, or lawsuits can disrupt businesses and create uncertainty for employees, partners, lenders, and regulators. Without a solid succession plan, families or companies may face problems running the business or disagreements over ownership. Family trusts help manage these risks by separating ownership from daily management while keeping family interests in mind.

Cambodian families now face more cross-border or overseas arrangements. Children often study abroad, family members may have different residencies or nationalities, and assets are spread across several countries. Traditional inheritance methods usually can't handle these challenges. A well structured trust can provide continuity and protection across multiple legal systems.

The Role of Family Trusts in Wealth Preservation

Family trusts do more than just help with legacy planning. They also protect assets, support good governance, and help with long-term financial planning. With the right setup, families can set clear rules for managing assets, sharing income, and defining beneficiary rights. These rules are written in the trust deed to avoid confusion, prevent disputes, and keep things running smoothly if the trust creator can't manage the trust directly.

Trusts can hold shares in family businesses and help prevent ownership from becoming too divided. Creators can set rules for voting rights, dividend policies, and management succession ahead of time, which supports professional management and long-term growth. This is especially important for businesses that need stable ownership to keep good relationships with banks and partners.

Types of Trusts Applicable to Family Planning

Cambodian law usually classifies family trusts as personal trusts. These are meant to serve the needs of individuals or families, not just business goals. In practice, family trusts can hold shares in family businesses, manage real estate in different places, protect savings and investments, provide financial support for spouses, children, or elderly relatives, and help plan for inheritance or unexpected events. Family trusts in Cambodia need to follow local legal rules and registration steps closely. While international experience offers useful guidance, trust structures should always be tailored to the specific needs, values, and circumstances of each family. Trustees can learn from other countries where these structures are more common and developed. Using the same approach for every family rarely works well.

Governance and Control Considerations

Many people worry about losing control of their assets when they set up a trust. In reality, trust deeds can be designed to balance control with the trustee's responsibility to act in the best interest of the family. Families can set up governance tools like protectors, family councils, or advisory committees. With these in place, families keep some influence while making sure trustees follow the law and the trust's goals. Clear rules also make things more transparent and accountable for everyone involved.

Challenges in Developing Family Trusts in Cambodia

Even though family trusts offer many benefits, setting them up in Cambodia still comes with challenges. One major issue is that many people don't know much about trusts. Some families think trusts mean giving up control on assets or see them as foreign ideas that don't fit local customs.

There are also practical steps to consider. Trusts must be registered to be legally effective, and asset transfers need to be coordinated with authorities like land and tax offices. Trust creators should work closely with licensed trustees, lawyers, and banks to make sure everything is done correctly.

Trust Registration and Asset Protection

Registering a trust is essential for asset protection under Cambodian law. A trust only takes effect after it is registered with the Trust Regulator, which keeps trust assets separate from the trustee's personal assets. Registered trusts must follow rules for supervision, reporting, and ongoing compliance. This helps keep things transparent and protects the interests of beneficiaries. For families, registration provides confidence that assets will be managed in accordance with the trust deed and protected from unnecessary risk.

The Role of Professional Trustees

Trustees are key to running family trusts. They handle asset management, make sure the trust follows the rules, keep records, report as needed, and work with regulators and banks to keep the trust running smoothly.

A licensed trustee offers neutrality and stability, especially if family members disagree or can't manage assets themselves. The trustee also helps maintain stability during generational transitions, ensuring the trust's goals are met over time, allowing the trust's purpose to be preserved across generations.

Future Outlook for Family Trusts in Cambodia

As Cambodia's economy grows, more families and long-term foreign residents will need help with wealth management and succession planning. Family trusts are a practical way to meet these needs.

Ongoing improvements in regulations, better training, and more public education are key to growing the trust sector. Closer cooperation between banks, auditors, and regulators will also build trust in these arrangements.

Setting up a family trust does not replace entrepreneurship or family leadership. Instead, trusts offer a solid framework for long-term stability and smooth succession. In Cambodia's emerging market, family trusts can play an important role in preserving family wealth while contributing to sustainable economic development.

Conclusion

Family trusts are emerging as a timely and practical response to the evolving needs of Cambodian business families. As wealth structures become more complex and family enterprises span generations and borders, trusts offer a regulated and flexible framework for asset protection, governance, and succession planning. With continued regulatory maturity and professional support, family trusts are well-positioned to become a cornerstone of long term.