

MYANMAR

Banking & Financial Reforms in Myanmar

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CURRENT STATUS

Financial Sector plays an important role in economic development of a country;

The Central Bank of Myanmar is the regulatory and supervisory authority of the financial sector in Myanmar;

Myanmar's banking sector comprises the Central Bank of Myanmar, 4 state-owned banks, 19 domestic private banks and 28 foreign bank representative offices;

Following a change of government in 1988 and adoption of a market-oriented policy by the government, the structure of financial institutions was transformed by new bank laws passed in 1990;

Financial system structure in Myanmar

- **Central Bank of Myanmar**

- **State owned Banks**
 - 1. **Myanmar Economic Bank**
 - 2. **Myanmar Foreign Trade Bank**
 - 3. **Myanmar Investment and Commercial Bank**
 - 4. **Myanmar Agricultural Development Bank**

State owned banks

Myanmar Foreign Trade Bank (MFTB)

- The bank specialises in conducting foreign exchange operations concerning external and non-trade foreign exchange operations.
- The functions of the bank are to accept deposits in Kyats as well as foreign currencies, provision of loans and advances both secured and unsecured, issuing, accepting, discount buying, selling and collecting all securities, including Bills of Exchange, sale and purchase of travellers cheques and foreign currencies, fund transfer issues and handing of Bank Guarantees.

Myanmar Economic Bank

- Myanmar Economic Bank (MEB) originated from the State Commercial Bank (SCB), established in 1954, which provided a wide range of commercial banking services across the country.
- The functions of the bank are accepting current accounts, savings and deposit accounts, issuing of saving certificates, advancing loans to economic enterprises and personal loans, and financing private business undertakings such as production, trade and services.

State owned banks

Myanmar Investment and Commercial Bank

- The functions of the bank are providing investment development and commercial banking facilities to local and foreign investors, partnership firms, joint ventures, limited companies, organisations, sole proprietorships and exporters.

Myanmar Agriculture and Development Bank

- The bank was established with the intention to promote agricultural, livestock and rural society economic enterprises including processing and production.
- The bank has a country wide network of 14 regional offices, 164 branches and 48 agency offices providing short and long term credit for crop production, salt production, livestock, fish and dairy farming etc. Clients receive 10% interest on their deposits and are allowed to borrow four times their savings at 15% interest where the funds are used in relation to farm development.

Financial system structure in Myanmar 2

Joint venture banks and Privately- owned banks

- 1. Yadanabon Bank Ltd.
- 2. First Private Bank Ltd.
- 3. Yoma Bank Ltd.
- 4. Myanmar Oriental Bank Ltd.
- 5. Tun Foundation Bank Ltd.
- 6. Kanbawza Bank Ltd.
- 7. Asian Yangon Bank Ltd.
- 8. Rural Development Bank Ltd.
- 9. Innwa Bank Ltd.
- 10. Myanma Livestock and Fisheries Development Bank Ltd.
- 11. Small & Medium Industrial Development Bank Ltd.
- 12. Myawaddy Bank Ltd.
- 13. Myanmar Citizens Bank Ltd.
- 14. Yangon City Bank Ltd.
- 15. Co-operative Bank Ltd.
- 16. Asia Green Development Bank Ltd.
- 17. Ayeyarwaddy Bank Ltd.
- 18. United Amara Bank Ltd.
- 19. Myanmar Apex Bank Ltd.

Joint venture banks and Privately- owned banks

The Central Bank of Myanmar has also allowed 11 out of a total of 19 local private banks to operate foreign currency accounts. However, only four banks have started operating Foreign Currency accounts up to date.

Financial system structure in Myanmar 3

- **Representative Offices of foreign banks**

- 1. DBS Bank Ltd. 15. Industrial and Commercial Bank of China Ltd.
- 2. United Overseas Bank Ltd. 16. Mizuho Corporate Bank Ltd.
- 3. Oversea-Chinese Banking Corporation Ltd. 17. Siam Commercial Bank Public Company Ltd.
- 4. Malayan Banking Berhad (MAYBANK), Malaysia 18. MARUHAN Japan Bank PLC
- 5. Bangkok Bank Public Company Ltd. 19. Krung Thai Bank Public Company Ltd.
- 6. National Bank Ltd. 20. United Bank of India
- 7. Brunei Investment Bank (BIB) 21. KASIKORNBANK Public Company Ltd.
- 8. First Overseas Bank Ltd. 22. AEON Credit Service Company
- 9. First Commercial Bank, Singapore Branch 23. Hana Bank
- 10. CIMB Bank Berhad 24. Woori Bank
- 11. Sumitomo Mitsui Banking Corporation 25. ANZ Bank
- 12. The Bank of Tokyo-Mitsubishi UFJ, Ltd. 26. Vietin Bank
- 13. Bank for Investment and Development of Vietnam 27. Korea Development Bank
- 14. AB Bank Limited 28. Standard Chartered Bank

Finance companies

Myanmar Orient Leasing Company Ltd.

Foreign exchange rates

The following table presents indicative foreign exchange rates for major currencies against the Kyat.

Currency	Exchange Rate (MMK)
USD	884
SGD	696
EUR	1,088
THB	28

Interest rates

The following table presents approximate interest rates

	Rate per annum
Central Bank Rate	10%
Minimum Bank Deposit Rate	8%
Maximum Bank Lending Rate	13%

REFORM

The following information have been presented by Ms. Naw Eh Hpaw, Deputy Director General, Head of Foreign Exchange Management Department of Central Bank of Myanmar

- Myanmar has implemented important reforms and liberalization in financial services sector since the new civilian government took up office in April 2011;
- Central Bank of Myanmar took the first step toward the country's exchange rate system from the fixed exchange rate system to a managed float regime in early April 2012 with the IMF's Technical Assistance;
- The exchange rate has remained stable, with a slight appreciation against the United States dollar.

REFORM 2

- Central Bank of Myanmar as also initiated the daily foreign exchange auction in which authorized dealer banks can participate as counterparties.
- Myanmar maintains a multiple currency practice subject to Fund approval under Article VIII, Section 3.
- In the circumstances of Myanmar, the Fund grants approval of the retention of the multiple currency practice until January 10, 2014 or the conclusion of the next Article IV consultation with Myanmar, whichever is earlier.
- Central Bank of Myanmar has granted the money changing business licenses to the private banks since October 24, 2011 and there are (110) money changing counters across the country at present.
- CBM has also granted the authorized dealer licenses to the private banks to inaugurate an interbank foreign exchange market since November 25, 2011 and the currency remittance services to the private Authorized Dealer banks.
- The eligible private banks have performed the currency remittance operations for Myanmar Citizens working abroad.

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REFORM 3

M.C counters shall buy and sell up to USD 10,000 and equivalent foreign currency (EUR, SGD) without asking for reasons and documents.

CBM has permitted the authorized dealer banks to maintain the foreign currency accounts for foreign banking services since July 9, 2012.

The Foreign Exchange Management Law was enacted on 10th August 2012. This Law removes all exchange restrictions and eliminates multiple currency practices.

Regarding to exercise the FEML (2012), the regulation for the FEML is being drafted with the IMF T.A.

REFORM 4

Myanmar quickly is moving to establish a market based exchange system.

An initial step is to adjust the exchange rate at least the prevailing market rate and continue to adjust the rate in light of developments in the informal market.

In order to establish Yangon Foreign Exchange Market, the committee was formed comprises of officials from private banks and Central bank of Myanmar.

The Code of Conduct for Yangon Foreign Exchange Market Committee is being drafted.

ISSUES AND CONSTRAINTS

There were no private banks before 1988. Due to this situation, people are not much familiar with foreign exchange market.

We may not rapidly materialize to develop foreign exchange market without cooperation of public companies and private banks.

The most important thing is to build up people's trust: to encourage the public private sector which willing to invest and work especially in Financial Sector.

Informal market is bigger than formal market for many years in Myanmar.

ISSUES AND CONSTRAINTS 1

- 3 Phases for banking sector Development roadmap :
- Phase (1) 2008-2009, to encourage establishing public Companies.
- Phase (2) 2010-2012, to promulgate securities law, Rules and Regulations.
- Phase (3) 2013-2015, to make the linkage ASEAN Stock Exchange Center.
- Tokyo Stock Exchange (TSE) and Daiwa Institute of Research Ltd (DIR) are providing advice for development of financial and capital market in Myanmar.

Phases for banking sector Development strategy

Phase (1) ; Domestic Private Banks to run joint venture banks with foreign banks

Phase (2) ; Permitting Foreign Banks to establish locally incorporated 100% owned subsidiary.

Phase (3) ; Permitting Foreign Banks to open branches.

PAYMENT SYSTEM DEVELOPMENT IN MYANMAR

As Central Bank of Myanmar is responsible for the development of efficient, fast, safe and reliable national payment system,

- (i) Central Bank of Myanmar Law,
- (ii) Law for Financial Institutions and
- (iii) Regulations for Financial Institutions are being applied.

Central Bank of Myanmar has implemented to improve non-cash payment systems :

- (1) Implementing of Banking network, Auto Clearing System and Electronic Fund Transfer.
- (2) Establishment of Myanmar Payment Union (MPU) for merchant based retail payment.

PAYMENT SYSTEM DEVELOPMENT IN MYANMAR 2

Central Bank of Myanmar will carry out the Automatic Clearing System House (ACH) and Real Time Gross Settlement System (RTGS) in 2013~2014 and 2014~2015 with the support of JICA and IMF T.A

Myanmar Payment System Development Committee is already set up the Electronic Fund Transfer (EFT) and it is still proceeding to complete process. After it was completed CBM will link to external network through National Switch

PAYMENT SYSTEM DEVELOPMENT IN MYANMAR 3

CBM encouraged cash payment by using debit card and till now 180,000 MPU cards are already issued.

Myanmar Payment Union is implementing for acquiring process for international cards. Myanmar Payment Union makes efforts to acquire the international card with Myanmar Kyat in 2013 which intends to SEA Game.

QUALI SONO I SETTORI CON MAGGIORI OPPORTUNITA' DI INVESTIMENTO?

- Infrastrutture
- Edilizia: sia per la costruzione di strutture residenziali che di strutture commerciali
- Settore turistico
- Settore minerario: il territorio è ricco, per esempio, di oro, giada, minerali ad uso industriale (silice, caolino...), stagno, tungsteno, antimonio.
- Telecomunicazioni
- Petrolio e gas
- Ittica
- Settore agricolo
- Settore tessile
- Settore energetico
- Smaltimento di rifiuti

COME SI COSTITUISCE UNA SOCIETA' IN MYANMAR?

Le normative in vigore forniscono due alternative agli investitori stranieri che vogliono registrare una società straniera in Myanmar.

Attività che richiedono investimenti sostenuti, come quelli che interessano il settore dell'edilizia o minerario, così come quello dei trasporti o agricolo, sono soggette alla legge sugli investimenti stranieri in Myanmar (FIL 2012), che vincola ad un'autorizzazione del **Myanmar Investment Commission (MIC)**.

Mentre, invece, altre attività che smuovono minori capitali di investimento, devono fare riferimento al **Myanmar Companies Act (MCA 1914)** per l'incorporazione di servizi stranieri in Myanmar.