

UNOFFICIAL TRANSLATION

Government of the Republic of the Union of Myanmar

Microfinance Supervisory Committee

Notification No. (1/2016)

Naypyitaw, the 11th Waning of Wakhaung, 1378 ME

(29th August, 2016)

1. In exercising the powers conferred upon it by section 68, sub-section (b) of the Microfinance Law and in accordance with the agreement reached at the Myanmar Microfinance Supervisory Committee Meeting (1/2016) held on 25.7.2016, the Microfinance Supervisory Committee issues this notification 1/2016.
2. MFIs shall comply with the Client Protection Principles below in order to ensure that their microfinance services do not cause clients over-indebtedness and that they meet clients' needs and provide responsible and accountable financial services for the clients:
 - a. Appropriate product design and delivery that meet clients' needs.
 - b. Prevention of over-indebtedness.
 - c. Transparency – disseminating information regarding financial services in language that is accessible to the clients.
 - d. Responsible pricing – ensuring that pricing for financial services does not affect clients negatively.
 - e. Fair and respectful treatment of clients.
 - f. Privacy of client data – ensuring the security of client data.
 - g. Mechanisms for complaint resolution – having in place procedures to resolve disputes with clients.
3. This notification hereby overrides Myanmar Microfinance Supervisory Committee's Notification No. (3/2015), which required MFIs to collect baseline data every year to measure the socio-economic development of the clients impacted by their microfinance services.

Kyaw Win

Chairman

Microfinance Supervisory Committee

Letter No. KaKa-1/6 (092/2016)

Date : 29th August, 2016

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Circulation to

All members of the Microfinance Supervisory Committee

All Microfinance Institutions

All responsible officials for Union Area Naypyitaw, Regions and States

By order

Signed

(Dr. Sandar Oo)

Secretary

Microfinance Supervisory Committee

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Government of the Republic of the Union of Myanmar

Microfinance Supervisory Committee

Notification No. (2/2016)

Naypyitaw, the 11th Waning of Wakhaung, 1378 ME

(29th August, 2016)

1. In exercising the powers conferred upon it by section 68, sub-section (b) of the Microfinance Law and in accordance with the agreement reached at the Myanmar Microfinance Supervisory Committee Meeting (1/2016) held on 25.7.2016, the Microfinance Supervisory Committee issues this notification 2/2016.
2. With regard to borrowing funds locally or from abroad, MFIs shall comply with the regulations below:
 - a. Whether from inside or outside the country, all loans for funds shall be taken with the approval of Microfinance Supervisory Committee.
 - b. Whether borrowing in foreign currency or Kyat backed by foreign currency, prior approval shall be obtained from the Central Bank of Myanmar under section 48 of Foreign Exchange Management Regulation to regulate the inflow and outflow of foreign currency.
 - c. Approval from Microfinance Supervisory Committee to borrow shall be requested by submitting complete information regarding the following:
 - i. Loan Contract
 - ii. The latest profit-loss account and balance sheet checked by the auditor
 - iii. Non-performing loans
 - iv. Portfolio at Risk (PAR)
 - v. Business performance including currently operating areas, number of clients, portfolio, paid-up capital
 - vi. Business development plans using the funds borrowed (e.g. expansion, bigger loan sizes for clients, upgrading service with IT)
 - vii. Statement of commitment to utilize the funds in microfinance services
 - viii. Trustworthiness of the lending organization
 - ix. Statement that MFI's loan will not exceed the prescribed solvency ratio
3. This notification hereby overrides Myanmar Microfinance Supervisory Committee's Notification No. (3/2014) and No. (2/2015), which stipulated rules for MFIs to follow in taking loan funds locally and from abroad.

Kyaw Win

Chairman

Microfinance Supervisory Committee

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Microfinance Supervisory Committee

Notification No. (3/2016)

Naypyitaw, the 11th Waning of Wakhaung, 1378 ME

(29th August, 2016)

1. In exercising the powers conferred upon it by section 68, sub-section (b) of the Microfinance Law and in accordance with the agreement reached at the Myanmar Microfinance Supervisory Committee Meeting (1/2016) held on 25.7.2016, the Microfinance Supervisory Committee issues this notification 3/2016.
2. In performing microfinance activities in accordance with the rules and regulations, MFIs shall comply with the following:
 - a. MFIs may carry out microfinance activities in rural and urban areas based on their business models. However, operating in rural areas is encouraged. MFIs operating in urban areas are not allowed to enjoy the advantages offered to those operating in rural areas.
 - b. MFIs shall provide loans to clients based on their real repayment capacity.
 - c. No collateral shall be taken for any types of loan products.
 - d. Timely submission of portfolio data shall be made when requested by the regulating bodies.
 - e. MFIs may provide hire purchase service if it meets clients' needs. However, the relevant MFI shall be responsible to deal with complaints related with the service. Timely submission of data regarding the hire purchase service shall be made when requested by the regulators.
 - f. In order to provide other financial activities under section 29 of Microfinance Law, MFIs shall submit the application along with their business model and business plan.
3. This notification shall override the previous notifications of the Microfinance Supervisory Committee relating to the above-mentioned matters.

Kyaw Win

Chairman

Microfinance Supervisory Committee

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Letter No. KaKa-1/6 (094/2016)

Date : 29th August, 2016

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Secretary

Microfinance Supervisory Committee

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Government of the Republic of the Union of Myanmar

Microfinance Supervisory Committee

Notification No. (4/2016)

Naypyitaw, The 11th Waning of Wakaung, 1378 ME

(29th August, 2016)

1. In exercising the powers conferred upon it by section 68, sub-section (b) of the Microfinance Law and in accordance with the agreement reached at the Myanmar Microfinance Supervisory Committee Meeting (1/2016) held on 25.7.2016, the Microfinance Supervisory Committee issues this notification 4/2016.
2. MFIs shall comply with the following, with regard to deposit-taking and minimum paid-up capital requirements:
 - a. Taking deposits from clients
 - i. Compulsory savings may not exceed 5% of the loan size, and the interest rate for compulsory savings shall be no less than 15% per annum.
 - ii. Voluntary savings from clients may not be higher than the required solvency ratio, and the interest rate set for the savings shall be no less than 10% per annum.
 - iii. Deposits may not be taken from non-members.
 - iv. Deposit taking MFIs shall meet the following:
 - a) A minimum of 300 million kyats in paid-up capital balance and a minimum of 300 million kyats in total equity
 - b) A minimum of 3 years' experience in carrying out microfinance activities in Myanmar
 - c) Profits made for a minimum of 2 consecutive years
 - d) A properly operating management information system (MIS)
 - e) Strong internal controls
 - f) Abidance by the prescribed rules
 - v. Deposit taking microfinance institutions that have yet to meet the requirements set in the section (iv) above may take 2 years to meet them. To do so, the MFIs may merge with, form a partnership with other organizations, become deposit-taking microfinance institutions or return their license.
 - vi. Setting a minimum amount of paid-up capital
 - a) **Deposit taking microfinance institutions:** These institutions shall subscribe a minimum of 300 million kyats in paid-up capital.
 - b) **Non-deposit taking microfinance institutions:** These institutions shall subscribe a minimum of 100 million kyats in paid-up capital.

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- c) MFIs not taking deposits presently shall meet the 100 million paid-up capital requirement within 2 years.
 - d) MFIs that did not succeed in subscribing the required 100 million kyats within the set time may merge with, form a partnership with other organizations or return their license.
3. If MFIs that have been allowed to take deposits wish to stay deposit-taking ones in accordance with this directive may submit an application with the required information under section 2 (a)(4).

Kyaw Win
Chairman
Microfinance Supervisory Committee

Letter No. KaKa-1/6 (095/2016)

Date : 29th August, 2016

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Microfinance Supervisory Committee

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Microfinance Supervisory Committee

Notification No. (5/2016)

Naypyitaw, The 11th Waning of Wakaung, 1378 ME

(29th August, 2016)

1. In exercising the powers conferred upon it by section 68, sub-section (b) of the Microfinance Law and in accordance with the agreement reached at the Myanmar Microfinance Supervisory Committee Meeting (1/2016) held on 25.7.2016, the Microfinance Supervisory Committee issues this notification 5/2016.
2. MFIs shall comply with the following, with regard to the solvency ratio and liquidity ratio:
 - a. Solvency ratio: There shall be no change in the calculation of solvency ratio. The solvency ratio, which deposit taking microfinance institutions shall comply with, shall be kept at no less than 12%.

$$\text{Solvency ratio} = \frac{\text{Total Equity}}{\text{Total Assets}} \Rightarrow 12\%$$

- b. Liquidity ratio: The liquidity ratio, which deposit taking microfinance institutions shall comply with, shall be kept at no less than 25%.

$$\text{Liquidity ratio} = \frac{\text{Cash in hand} + \text{Cash in bank}}{\text{Total Voluntary Savings}} \Rightarrow 25\%$$

- c. Loan Categories and Loan Loss Provision: Loan Categories and Loan Loss Provision for all loans, regardless of the term, lent to the clients shall be as follows:

Days past due		Provision as % of Loan Outstanding
a)	Current Performing Loans	1%
b)	Sub-standard Loans 30 days past due	10%
c)	Watch Loans 31 – 60 days past due	50%
d)	Doubtful Loans 61 - 90 days past due	75%
e)	Loan Loss Over 91 days past due	100%
f)	Rescheduled one time	50%
g)	Rescheduled two times	100%

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3. This notification shall override the previous notifications of the Microfinance Supervisory Committee relating to the above-mentioned matters.

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Chairman
Microfinance Supervisory Committee

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