



Q&A – TCX/LIFT Webinar

(We received these questions during/around the webinar. A few questions have been edited for clarity)

1. Is it confirmed that the cap for offshore lending is now 16%?

It is TCX's understanding that loans under the LIFT program can be submitted to regulators with a 16% interest rate in Myanmar Kyat, with no additional fees.

LIFT/UNOPS officials have confirmed and approved this way to proceed.

2. Regarding fees, is there a mandate fee included in the 16%? Or only the fees of the loan agreement?

To comply with the regulation and keep all-in funding costs for MFIs at a reasonable level, LIFT requested that no fee of any sort is added. This goes for all fees and costs linked to the due diligence, disbursement, legal fees, monitoring, etc.

Penalty fees and costs linked to the prepayment/default of the transactions are admitted, as per the loan agreement documentation

3. Does the allocation also cover NDFs or only swaps?

Both are possible. Furthermore, if a lender wishes not to hedge the credit margin, that is also allowed.

4. What happens in case the lender and MFI agree on an MMK rate lower than 16% (say, 14%)? Would the 2% difference be directly deducted from the spread that the lender will receive?
5. A rate of 16% all-in is mentioned, but is it mandatory for the interest rate to be at 16% or could we lower the interest rate in MMK and add an upfront fee to get a total 16% all-in?

TCX will only accept allocation requests with an MMK 16% interest rate, as specified in the information memorandum. Presenting a lower rate is not acceptable.

6. Do MFIs have any influence on which lenders participate in the auction for their funding? In other words, would it, in theory, be possible for a lender to obtain allocation for an MFI without ever having been in touch with that MFI?



In theory yes, a lender could receive allocation for an MFI that it is not in contact with. However, given the allocation period, the lender will have to sign and submit the loan agreement within 3 months. If the lender is not able to do so, it will lose its allocation. Lenders are expected to operate in good faith and to comply with the timeline that is imposed.

7. What time frame do we have for disbursement of the loan?
8. Does the loan need to be submitted to the Central Bank within the 3-month allocation period? Or could we receive an extension of the 3 months even if the loan has not been submitted to the Central Bank? How long does Central Bank approval generally take?

The program grants allocations for a 3-month period. It is expected that the lender is able to sign and disburse the loan within the first 3 months. However, LIFT is aware of the lengthy process at the Central Bank and the Ministry of Finance. Therefore, TCX is allowed to offer a 3-month extension, provided that the lender has submitted the loan agreement to the regulators within the first 3-months period.

If the loan agreement is not signed within the first 3 months, TCX has the right to cancel the allocation and pass it on to the next lender in line.

LIFT retains the full power to decline the possibility of a further extension, i.e. the lender takes the risk of losing his initial allocation after the first extension (i.e. end of month 6).

However, since the funding needs of some MFIs are spread over time, lenders whose timeline for internal approvals is longer than 3 months are invited to approach TCX BEFORE the submission period to discuss the possibility of postponing the allocation.

9. Is it possible for loans to be disbursed in tranches?

Yes, this is possible.

10. Does the total amount of the loan have to be disbursed within the first 6 months?

In principle, yes. Further extensions will have to be submitted to LIFT, but LIFT has full authority to decline the possibility of a further extension. The lender takes the risk of losing his initial allocation after the first extension (i.e. end of month 6).

However, each MFI has been required to share with LIFT and TCX its disbursement schedule. In doing so, each MFI indicates the timing at which it would prefer its funding amount to be disbursed under the LIFT facility.



TCX will allocate capacity over time to try to meet the disbursement schedule of each MFI provided that the schedule has been approved by LIFT.

This measure is taken to allow each lender to provide funding in line with the demand that each MFI anticipates from its clientele and in accordance to its liquidity needs.

When an allocation is granted by TCX and accepted by a lender, the timeline of 3 months + 3 months described in section 3.3. of the information memorandum will be enforced.

Beyond this timeline LIFT is the only party that can decide if an allocation can be extended.

Once the submission period terminates, each lender should expect the allocations to be granted over time to match the disbursement schedule of the MFI. The allocations will be granted in the ranking order described in section 4.4 of the information memorandum.

As a result, the lenders being allocated first are much more likely to disburse sooner than the lenders being allocated last.

11. Is it possible to share the eligibility criteria for the 16 MFIs?

These criteria were defined in a call for proposal published by LIFT in November 2018. TCX has not been part of this process. TCX has simply been provided a list of eligible MIFs by LIFT.

For further inquiries regarding this point, it is suggested to contact LIFT/UNOPS in Myanmar directly.

12. How should we address TCX/LIFT in the loan agreement with MFIs? Do we just put in 16% all-in, with TCX allocation as condition precedent?

Yes, in the loan agreement, the lender commits to an MMK 16% rate. The access to LIFT/TCX program might be added as a condition precedent.

Similarly to what has been done in the first program, TCX and LIFT require each lender to mention in the loan agreement submitted to the authorities (CBM and FRD) the indicative commercial rate (the rate without subsidy) and the subsidy amount. This is for the authorities to be informed of the presence of a subsidy, to facilitate the operations. Both figures (commercial rate and subsidy amount) are provided by TCX



13. Is there a form for us to fill in for the submission, or do we just write a plain text email including the elements mentioned in the slides/memorandum?

Each lender can submit the allocation request in the form which it prefers, as long as all the required information is included.

14. In section 3.4 of the memorandum, what does "the subsidy required to support the allocation of a single loan cannot be more than 20% of the grant" mean? Particularly, does this limit how much we can ask for in an allocation?

Not more than 20% of the grant (this equals USD 2.4m) can be used for a single loan. This does indeed directly limit the amount that can be requested for an allocation. However, an allocation this size would already be very large and likely for a longer than usual tenor, which is why TCX assumes that this requirement will in practice not constrain lenders.

15. Can the trade be done on a forward basis or must value date of funding also be within 3-month window?

No, TCX will not accept trades on forward-starting basis. Funding must be disbursed at the time the hedge is closed.

16. What is the sort/type of impact that the donors seek through the LIFT program?

LIFT aims for the microfinance sector to receive funding that will be used for expansion in/to rural areas through new branches, with a special focus on disadvantaged persons (e.g. refugees, handicapped, elderly people). Eligible MFIs have committed to work and develop products for these purposes.