

Central Bank of Myanmar

Current Account and Overdraft  
Guideline  
(Version 1.0)

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# CURRENT ACCOUNT AND OVERDRAFT GUIDELINE

## 1 PURPOSE

The purpose of this guideline is to provide basic rules regarding the current account and overdraft with Central Bank of Myanmar, and thereby to contribute overseeing a safe and efficient payment and settlement system.

## 2 DEFINITION

### BANKING DAY

A day not being a Saturday, Sunday, banking holidays or public holidays on which banks are open for general banking business in Myanmar.

### CBM

Central Bank of Myanmar

### CBM-NET

An electronic system operated by CBM for Fund Settlement, T-bond/bill Settlement, Credit & Collateral management and Clearing House.

### CASH VALUE

The cash value that can be raised by securities pledged in the CBM's overdraft facility is determined from the following formula:

Cash value = Face value of pledged security x Market Price x (1 – h)/1000000,  
where the Market Price is the price per 1,000,000 Kyat face value of the security,  
and h is the haircut risk margin expressed as a decimal fraction.

### COLLATERAL MARGIN

Collateral margin amount is total net value of pledged collateral available for intra-day overdraft, and shall be calculated by using the following formula:  
Collateral margin amount = Total cash value – Total overdrawn amount

### CURRENT ACCOUNT

Account with CBM for the purpose of 1) making payment and settlement and 2) satisfying the reserve requirement.

### CURRENT ACCOUNT HOLDER

Financial institutions, international organizations and other organizations

approved by the CBM to hold a current account with CBM.

### **DELIVERY VERSUS PAYMENT(DVP)**

A securities settlement mechanism that links a securities transfer and a fund transfer in such a way as to ensure that delivery occurs if and only if the corresponding payment occurs.

### **INTRA-DAY OVERDRAFT**

Liquidity facility provided by CBM to avoid possible gridlock under the RTGS system.

### **OVERNIGHT**

Intra-day overdraft that is not repaid on the same day.

## **3 OPENING AND TERMINATION OF CURRENT ACCOUNT**

### **3.1 OPENING**

1) Eligibility

Financial institutions, international organizations and other organizations approved by CBM.

2) Number of Account

All eligible institutions can open and maintain one account per currency at each CBM location (Naypyitaw, Yangon and Mandalay).

3) Currency

In addition to Myanmar Kyat(MMK), a Current Account can be opened in foreign currencies designated by CBM.

4) Application

An applicant must submit an application form together with information stated below to CBM at least 1 month in advance.

a) License Copy

b) Latest Financial Report

c) Authorization Letter from the Regulatory Body or Head Quarter of Foreign Banks

d) Certificate of Company Registration

e) Name of Representative

f) Name of Proxy if proxy is used

g) Authorized Signatures

h) Other Items specified by CBM

A Current Account Holder must inform CBM in writing when any of the above information are changed.

5) Approval

After receiving the application form, CBM will make a decision based on the following items;

- a) That the opening of the Current Account fulfills the aims and objectives stated under Chapter II of the Central Bank of Myanmar Law.
- b) That the management, business and operation of the applicant is in good order.

CBM shall inform the applicant of its decision on the application in writing without undue delay.

### **3.2 TERMINATION**

- 1) A Current Account Holder may terminate the Current Account by giving 1 month prior written notice.
- 2) CBM may immediately terminate the Current Account when one of the following occurs;
  - a) When a Current Account Holder violates the terms of this guideline or other regulations related to Current Account stipulated by CBM.
  - b) When CBM believes that there is a material obstacle for continuing the Current Account.
  - c) When CBM becomes aware that the Current Account Holder is to be declared bankrupt, placed in liquidation or receivership.

## **4 TRANSACTIONS THROUGH CURRENT ACCOUNT**

### **4.1 ONLINE AND OFFLINE TRANSACTIONS**

1) Online transactions

CBM-NET transactions executed by a Current Account Holder are called online transactions. A Current Account Holder having a direct access to CBM-NET can execute transactions 4.2 3), 4) and 5) from their office.

2) Offline transactions

CBM-NET transactions executed by CBM based on the request from Current Account Holders are called offline transactions. All transactions under 4.2 2) must be executed as offline transactions. A Current Account Holder not having a direct access to CBM-NET

may execute transactions 4.2 2). International Organization which has current account with CBM may execute Fund Transfer with another account holder through CBM by off-line transactions.

#### **4.2 CBM-NET TRANSACTIONS**

1) Operation Days and Hours

A Current Account Holder can use CBM-NET from 09:30 to 15:00 on Banking Days. CBM may change the operation hours as required and its change shall be informed to current account holders in advance.

2) Credit/Debit

Based on the request from a Current Account Holder, CBM shall execute cash deposit, cash withdrawal, credit with CBM payment order, credit with bank cheque/bank payment order and other transactions between CBM and Current Account Holder in all currencies stated in 3.1 3).

3) Fund Transfer

A Current Account Holder can transfer its funds to another Current Account Holder through CBM-NET in all currencies stated in 3.1 3).

4) Customer Credit Transfer (MMK)

A Current Account Holder can transfer funds to another Current Account Holder with customers' debit and credit information through CBM-NET only in MMK.

5) Settlement for Securities Transactions

Funds transfer corresponding to securities transactions including DVP is executed here.

6) Clearing House Settlement

The net positions of cheque clearings shall be settled through CBM-NET.

#### **4.3 REFUSAL OF PAYMENT**

- 1) CBM shall refuse to make a payment for transactions in 4.2 if the payment amount exceeds the balance in the current account. If sufficient amount for payment is acquired through intra-day overdraft, payment shall be made.

#### **4.4 RETENTION OF TRANSACTION DATA**

- 1) CBM and Current Account Holders must retain transaction data for 5 years for their records.

#### **4.5 DETAILED GUIDELINES**

- 1) Detailed guidelines may be separately issued to supplement this chapter.

### **5 OVERDRAFT FACILITY**

#### **5.1 TYPE OF OVERDRAFT**

- 1) CBM shall only provide intra-day overdraft and overnight facility. Participants who have settlement accounts in the CBM-NET can access intraday liquidity from the CBM through the intra-day overdraft which is made available on a collateralized base. Intraday liquidity may be granted by the CBM to participate up to the amount of collateral held in their “pledged account”
- 2) Overnight facility shall be permitted for up to three consecutive days against the collateral held in the CBM
- 3) Currency will be in MMK.

#### **5.2 APPLICATION FOR USE OF OVERDRAFT**

- 1) A Current Account Holder wishing to use the intra-day overdraft facility must submit an application form to CBM at least 1 month in advance or at the same time of the application for opening a current account.

#### **5.3 COLLATERAL PLEDGE**

- 1) A Current Account Holder may pledge collateral anytime to CBM to increase or decrease collateral amount.
- 2) Collateral shall be restricted to T-bonds/bills

#### **5.4 OVERDRAFT AMOUNT**

- 1) Each overdraft amount shall be limited to the collateral margin amount. The total overdraft amount shall be limited to the total collateral amount.

#### **5.5 REPAYMENT**

- 1) Repayment of the intra-day overdraft shall be made by the cut-off time of

- CBM-NET for Current Account Holders on the same day of overdraft.
- 2) If repayment is not made, the overdraft will be treated as overnight. Interest shall be payable.

#### **5.6 INTEREST**

- 1) Interest for intra-day overdraft shall not be charged.
- 2) Interest for overnight shall be charged at official central bank lending rate + penalty and debited from the current account.

### **6. NOTIFICATION AND STATEMENT**

#### **6.1 NOTIFICATION OF TRANSACTION**

Upon consummation of each of the credit to and/or debit from the current account, CBM shall notify the current account holder of the amount of current account and other information concerning such credit to and/or debit from the current account.

#### **6.2 MONTHLY STATEMENT**

Within seven banking days from the last banking day of every month CBM shall send current account holders a monthly statement.

### **7. INTEREST AND FEES**

#### **7.1 INTEREST ON CURRENT ACCOUNT**

- 1) Interests may be paid on the current account balance according to CBM policy.

#### **7.2 PENALTY**

- 1) Banks having overnight facility beyond three consecutive days shall be subject to penalty set by CBM.

#### **7.3 FEES**

- 1) Membership fee for CBM-NET, transaction fee on each transaction executed and other fees shall be decided by CBM and notified to the Current Account Holders.
- 2) The invoicing period of the above fee shall be decided by CBM and notified to the Current Account Holders.

### **8. OTHERS**

#### **8.1 CONTINGENCY**

- 1) In case of emergency due to earthquake, typhoon, terrorism, cyber attack, electricity black out and computer trouble etc., CBM needs to



establish a contingency plan in advance.

- 2) The contingency plan should include the following:
  - a) Establishment of Emergency HQ
  - b) Personnel Plan
  - c) Communication Plan
  - d) Backup Facility

## **8.2 AMENDMENT / ALTERATIONS OF THE GUIDELINE**

- 1) CBM shall make amendments or alterations as and when it deems necessary.
- 2) CBM shall advise alterations or amendments to the Current Account Holders accordingly.

## **8.3 MISCELLANEOUS**

- 1) Governing Law
  - a) This guideline and the rights and obligations stated in this guideline and is governed by the Central Bank of Myanmar Law.
  - b) Disputes regarding this guideline and the rights and obligations stated in this guideline shall be governed by the relevant law of Myanmar.
- 2) Effect of Current Instructions
  - a) In so far as the current instructions are not inconsistent with this guideline, they shall continue to have effect.

## **8.4 TEMPLATES**

- 1) Application forms for Opening Current Account and Overdraft
- 2) Agreement for participating in CBM-NET FTS/ Overnight/ Intra-day Overdraft Facility.