

The Republic of the Union of Myanmar

Central Bank of Myanmar

Notification No. (18/2017)

14th Waxing Day of Waso 1379 ME

July 7, 2017

In exercise of the powers conferred under Section 59 and Section 184 of the Financial Institutions Law, the Central Bank of Myanmar hereby issues the following Regulations:

1. These Regulations shall be called Large Exposures Regulation.
2. These Regulations shall apply to all banks.

Definitions

3. The expressions contained in these Regulations are to have same meaning in the Financial Institutions Law. Moreover, the following expressions shall have the meanings given hereunder:

- (a) “financial exposure” has the meaning as defined in Section 59 (f) of the Financial Institutions Law.
- (b) “core capital” has the meaning as defined in Section 34 (g)(1) of the Financial Institutions Law.
- (c) “connected counterparty” means individuals or legal entities that are interconnected in such a way that financial problems experienced by one or more of them would necessarily entail serious financial problems for the other or all of them shall likewise be deemed to constitute a single beneficiary.

In particular, such connections exist between two or more individuals or legal entities where:

- (i) one of them directly or indirectly exercise control over the other;
- (ii) they are subsidiaries of the same parent company;
- (iii) they come under the same *de facto* management;
- (vi) one of them has an equity interest in the other exceeding 10 percent and they are bound by reciprocal guarantee agreements or have a special business relationship with each other such as sub-contracting, franchise, etc;
- (d) “large exposure” is a financial exposure to a person or counterparty or group of connected counterparty which in the aggregate equal or exceed 10% of core capital of the bank.
- (e) “Secured Transaction” means loans backed by government securities or deposit in US dollar.

Large Exposure Ratio

4. A bank shall not take on financial exposure in respect of a person or a single counterparty or group of connected counterparties which constitutes in the aggregate a liability amounting to more than 20% of the core capital of the bank.

5. Transactions between banks are subject to the following large exposure limits;
 - (a) secured transactions are unlimited;
 - (b) unsecured transactions are limited to 100% of core capital of the bank.
6. Exposure of foreign bank branch to its parent bank is also subject to the large exposure limit.

7. Every bank must report all large exposure transactions to the Banking Supervision Department of the Central Bank of Myanmar quarterly in a prescribed form attached.
8. The aggregate of all large exposure of a bank shall not exceed 8 times of its core capital.
9. State owned banks are exempted from complying with the large exposure limit for loans and exposures made at the direction of government policy. State owned banks are not exempted from complying with the large exposure limit for other loans and exposures not related to government policy.

Additional Requirements

10. A bank that has currently any financial exposure exceeding 20 % of the core capital shall submit to the Banking Supervision Department of the Central Bank of Myanmar a plan to bring these exposures to acceptable limit, within 90 days from the date of these Regulations.
11. The Memorandum Letter Number 1489/380-KaKa(1)/1/2016-2017 dated December 17, 2016 is hereby repealed.
12. Failure to comply with these Regulations constitute a violation and is subject to corrective actions or sanctions as maybe imposed under section 94 and 96 of the Financial Institutions Law and administrative penalties under section 154 of the said Law.
13. These Regulations shall come into effect immediately.

Sd./xxxxxxxxxx
(Kyaw Kyaw Maung)
Governor

