



# The Republic of The Union of Myanmar

## Central Bank of Myanmar

Date: November 24, 2017

### Directive No.(7/2017)

**Subject: Directive for all banks on the implementation of the Asset Classification and Provisioning Regulation issued by the Central Bank of Myanmar (CBM) on July 7, 2017**

1. By following up the Asset Classification and Provisioning Regulation issued by the CBM on July 7, 2017 and based on the discussions between banks and the CBM on October 2, 2017, the CBM hereby issues the following Directive, and shall apply to all banks:

2. The banks can lend overdrafts and loans subject to a maximum maturity of one year and three years respectively, with interest payments at least on a quarterly basis and subject to reasonable amortizations (for loans) payable at least every three months. Banks are encouraged to develop new lending products with repayment terms that consider the business cycle and cash flow pattern of the borrower. These new lending products and their corresponding credit risk analysis shall be submitted to CBM on a no-objection basis.

3. The Central Bank of Myanmar allows banks to convert their outstanding overdraft facilities as at July 7, 2017 into term loans with up to a maximum maturity of three (3) years on condition that the requesting bank concerned shall satisfy all requirements as follows:

- (a) That the bank submits an Asset-Liability Risk Management Framework approved by the board of directors showing how liquidity risk arising from longer term lending will be managed;
- (b) That all overdraft facilities to a borrower in excess of the large exposure limits shall be reduced to within the prudential limits in accordance with the compliance plan submitted to CBM separately in accordance with the Large Exposures Regulations;
- (c) That all overdraft facilities to the bank's related parties as at July 7, 2017 may be converted into term loans but shall continue to be deducted from capital in accordance with the Capital Adequacy Regulation; and
- (d) That all non-performing overdraft facilities as verified by the external auditors as at March 31, 2017 financial audit or as reported to the CBM as at June 30, 2017 (whichever is greater) shall not be converted into loans.
- (e) Further to the above sub-paragraph (a) (b) (c) and (d), that the bank submits to the CBM a list of all overdraft facilities amounting to at least MMK 5 billion or 10% of core capital, whichever is lower, indicating for each of the facility whether:
  - (i) it is non-performing or not; if NPL (principal or interest past due of over 91 days or more) indicate number of days past due; and
  - (ii) it is a related party lending or not; if related party indicate relationship;

- (f) That the bank submits for each of the facility listed in above sub paragraph (e), the proposed conversion plan indicating:
- (i) the loan amortization schedule for both principal and interest shall be payable at least on a quarterly basis and with regular equal amortization amounts; and
  - (ii) a brief assessment of the borrower's credit worthiness.

4. All banks are required to submit a copy of their Asset-Liability Management Framework and a list of large overdraft facilities including their conversion plans to the CBM which may then authorize the bank to start the conversion process for viable overdrafts and to complete the process not later than March 31, 2018. Quarterly progress report on converted overdrafts shall be submitted to CBM not later than ten (10) days after the end of each reference quarter.

5. The objective of the conversion to term loan is to allow banks to collect their credit facilities smoothly and to increase repayment capacity of their borrower. However, banks are discouraged not allowed to convert non performing overdraft to term loan as it is not giving any advantages to the banks as well as to the borrower.

6. Based on submissions of the banks, the CBM may conduct, or appoint an audit firm to conduct, on-site reviews of banks' loan portfolios, including assessment of collateral valuations supporting credit facilities.

7. That total volume of overdraft facilities (including temporary overdraft and any kinds of overdraft) as percent of bank's total outstanding loan portfolio shall be reduced in accordance with the schedule below:

<u>Deadline</u>	<u>as % of total outstanding loan portfolio</u>
(a) as of July 6, 2018	50%
(b) as of July 6, 2019	30%
(c) as of July 6, 2020	20%

8. The overdraft which include converted as term loans and still remained as overdraft and all loans and overdrafts granted after July 7, 2017 shall strictly follow the Asset Classification and Provisioning Regulation.

Sd./xxxxxxxx  
For Governor  
(Soe Thein, Deputy Governor)

**Circulation:**

All Banks

CC:

Office Record