

The Republic of the Union of Myanmar

Central Bank of Myanmar

Notification No. (1/2021)

14th Waxing of Pyatho 1382 ME

January 26, 2021

In exercise of the powers conferred under Section 184 of the Financial Institutions Law (FI Law), the Central Bank of Myanmar (CBM) hereby issues the following Directive for the establishment, operations and business conduct of non-bank financial institutions.

Application

1. This Directive shall only apply to the companies formed in accordance with the law in intention of establishing NBFIs and any NBFIs engaging in the following activities:

- (a) Finance company business;
- (b) Leasing business; and
- (c) Factoring business.

Definitions

2. (a) **Finance Company business** has the same meaning as defined in section 2 (wa) of the FI Law.
- (b) **Leasing business** has the same meaning as defined in section 2 (lagyi) of the FI Law.
- (c) **Factoring business** has the same meaning as defined in section 2 (ya) of the FI Law.
- (d) **Senior management of NBFIs** means the Directors, Chief Executive, Chief Financial, Chief Credit officer and such other members of the senior management as the CBM may specify.

Application for NBFIs Registration Certificate

3. (a) A person who wishes to carry on NBFIs business must apply to obtain a registration certificate from CBM.
- (b) An applicant for a registration certificate to conduct NBFIs business must meet all the requirements set out in this directive.

Documents required in applying for a Registration Certificate

4. Any person applying to CBM to obtain a registration certificate shall submit the following with the application form attached to this directive:

- (a) documents evidencing that proposed applicant is a company incorporated under the Myanmar Companies Law;
- (b) information evidencing source of fund for paid-up capital;
- (c) an identification and description of the type of services the applicant intends to provide;

- (d) feasibility study and a business plan including a budget forecast, for three financial years from the date the applicant intends to provide the service;
- (e) a description of the applicant's administrative arrangements, internal control mechanisms, risk management and accounting procedures which demonstrate that they are appropriate, sound and adequate;
- (f) a description of the applicant's organizational structure including, if applicable, information about proposed agents, branches, and outsourcing arrangements;
- (g) the identity of persons who have a direct or indirect interest or holding of 10 percentum or more in the applicant(company);
- (h) the identity of directors and the persons responsible for managing the proposed NBFi;
- (i) statement verifying that the directors, senior management and the substantial shareholders of the proposed NBFi are fit and proper;
- (j) admission that the applicant (company) complies and adheres to all applicable laws of Myanmar, including Anti-money Laundering Law, Counter terrorism Law and any Rules, Regulations, Notifications, Directives, Guidelines and any orders issued there under;
- (k) any other documents CBM may deem necessary;
- (l) admission that shall be paid the registration fee and annual fee as prescribed by the CBM.

Issuance of a Registration Certificate

5. (a) The CBM may issue a registration certificate to conduct NBFi business if the CBM is satisfied that:
 - (i) the applicant is a company registered under the Myanmar Companies Law;
 - (ii) the applicant has met the minimum paid-up capital as specified by the CBM from time to time;
 - (iii) the applicant has suitable and sufficient technical skills and organizational arrangements including the proper mechanisms to achieve internal control and risk management as related to the provision of services;
 - (iv) the applicant has a detailed strategy and business plan supported by realistic budget forecast for three years;
 - (v) the directors, senior management and the substantial shareholders of the proposed NBFi is fit and proper under this directive.
- (b) The CBM shall either issue or refuse to issue the registration certificate to operate as a NBFi within six months of the receipt of complete application referred to in subparagraph (a) or, where additional information has been requested, within six months of the receipt of such information.
- (c) The CBM shall notify the applicant of its decision on whether the registration certificate shall be issued or refused.
- (d) Where the CBM has refused to issue a registration certificate, it shall state the reasons for its decision in writing.

Variation of Terms and Conditions of Registration Certificate

6. The CBM may vary terms and conditions of the registration certificate issued to the NBFIs.

Revocation of Registration Certificate

7. (a) The CBM may, by written notice to the NBFIs, revoke its registration certificate, if it finds any of the followings:
- (i) the NBFIs fail to commence activities within twelve months from the date of receipt of the registration certificate;
 - (ii) the NBFIs fail, within the period specified by CBM, to comply with the terms and conditions provided in the registration certificate;
 - (iii) NBFIs conduct business activities other than NBFIs business activities;
 - (iv) the original legal entity is extinguished as a result of a merger or amalgamation;
 - (v) the NBFIs provided, in connection with its application for the registration certificate, information that was false or misleading;
 - (vi) the NBFIs cease to conduct activities without having any sound reasons for more than three months continuously;
 - (vii) the NBFIs conduct activities in a manner detrimental to the rights and interests of consumers;
 - (viii) the NBFIs fail to comply with all applicable laws, including Anti-money Laundering Law, Counter terrorism Law and any Rules, Regulations, Notifications, Directives, Guidelines and any Orders issued there under;
 - (ix) the NBFIs fail to comply with the directives, orders and such kinds to be complied by the NBFIs issued by the Central Bank; or
 - (x) the NBFIs request the Central Bank to revoke its registration certificate.
- (b) The notice referred to in paragraph (a) shall state the reasons in support of the CBM's decision to revoke the registration certificate of the NBFIs.
- (c) Where the CBM takes a decision to revoke the registration certificate of a NBFIs under paragraph (a), the aggrieved NBFIs may appeal to the CBM within 30 days from the date on which it receives notification of the decision of the CBM to reconsider its decision.
- (d) The decision by the CBM on appeal submitted under paragraph (c) shall be final.

Permissible Activities

8. A NBFIs may only engage in any NBFIs activity as specified in the registration certificate issued by the CBM.

Prohibited Activities

9. NBFIs shall not accept deposits as defined in Section 2 (x) under the FI Law.

Notification Requirements

10. The NBFIs shall promptly notify the CBM of any of the following is carried out:
- (a) change of address of head office or branches in the same township;
 - (b) change of board of directors;

- (c) change of constituent documents;
- (d) appointment of agents or outsourcing arrangement or any changes of such kinds;
- (e) any information CBM may deem necessary.

Prior Approval Requirement

11. The NBFI shall seek CBM's prior approval where there is:
- (a) any transfer or selling of 10 percentum or more than 10 percentum of the voting shares of the NBFI;
 - (b) a sale, disposal or transfer of the whole or any part of the business of the NBFI;
 - (c) a change of head office or branches from one township to another;
 - (d) opening of new branches and closing of branches of the NBFI;
 - (e) change of company name and logo;
 - (f) an increase of capital, any changes of share ratio of the shareholders and any changes of constitution of the NBFI;
 - (g) any changes of ownership which may change the status of a domestic company to foreign company or cease the status of foreign company;
 - (h) any information CBM may deem necessary.

Interest rates and fees

12. The CBM may prescribe interest rate and fees of NBFIs.

Display of interest rates

13. (a) NBFI shall display on a daily basis in a conspicuous place at its head office and branches, the interest rates, default interest rates, fees and commissions related to the loan. Interest shall be applied on a declining basis according to the payment terms which requires the computation of interest on the total principal amount outstanding for each payment period of the tenor of the loan.
- (b) NBFI shall be required to submit periodic reports on its lending rates to the CBM in a format specified by the CBM.

Publication or Distribution of False or Misleading Information

14. (a) If the Central Bank of Myanmar considers the information that has been conveyed either orally or in writing or in any other means about the NBFI or any product the NBFI offers, is or may be false or misleading to the consumers, the Central Bank may ban its publication or distribution, and order that an appropriate correction is published or distributed by a specified deadline.
- (b) NBFI shall remove or correct the information which may be false or misleading or cause to misleading the customers in specific period as defined by the CBM's instructions.

Board of Directors

15. (a) NBFIs shall have a Board of Directors which is responsible for the sound and proper functioning of the NBFI and is accountable for its actions and activities to the shareholders and the Central Bank.

- (b) The Board of Directors shall consist of a minimum of three directors.

Fit and Proper Requirements

16. (a) Senior Management of NBFIs shall have experience in finance or other relevant businesses and shall discharge their functions with probity, integrity, diligence, and competence.
- (b) No person shall be appointed or continue as a member of the senior management of NBFIs if the person:
- (i) is subject to any investigation or inquiry in relation to fraud, deceit, dishonesty or any other improper conduct by any regulatory body, professional association, or any other body of such kinds of nature, established by Law within or outside Myanmar, or have been subject to such investigations or inquiries and found guilty;
 - (ii) is of unsound mind;
 - (iii) has been declared bankrupt and has not been discharged.
17. No person shall be the substantial shareholder of the NBFIs, if the person is subject to paragraph 16(b).

Accounting and Financial Reporting

18. The accounting and Financial Reporting of NBFIs shall be carried out in accordance with International Accounting Standard (IAS) and International Financial Reporting Standards (IFRS).

Reporting to the CBM

19. (a) The NBFIs shall submit a copy of its financial statements audited by the external auditor to the CBM within three months of the end of the financial year.
- (b) The NBFIs shall provide any additional information to the CBM as the CBM deems necessary.

Amalgamation or Merger of NBFIs

20. A NBFIs shall apply for a new registration certificate when there is an amalgamation or merger of the NBFIs with any other company.

On-site Examination of NBFIs

21. (a) The CBM may carry out on site examination of a NBFIs, if the CBM has reason to believe that the NBFIs:
- (i) has breached the terms and conditions of its registration certificate;
 - (ii) has failed to submit its annual audited financial statements or any additional information to the CBM as required under paragraph 19(b) of this Directive;
 - (iii) is carrying on illegal deposit taking activities or undertake any activities not permitted in its registration certificate; or
 - (iv) has failed to comply with the Directives, Orders and such kinds issued by the CBM.
- (b) The CBM may conduct on-site examination to a NBFIs from time to time.

Non-Compliance of the Directive

22. Non-compliance by any NBFIs with this directive, shall constitute an offence punishable by one or more administrative penalty/penalties, under Section 154 of the FI Law.

Offences and Penalties

23. Any person who carries on NBFIs business without a NBFIs registration certificate shall be punished, in accordance with Section 171 of the FI Law.

General

24. NBFIs are required to comply with Notifications, Directives and Guidelines issued by the CBM relating to the financial consumer protection.

Effectiveness

25. This Directive shall come into effect immediately.

Sd./xxxxxxxxxxx
For Governor
Soe Thein, Deputy Governor

**FORM OF APPLICATION FOR A REGISTRATION CERTIFICATE TO
ESTABLISH NON-BANK FINANCIAL INSTITUTION IN THE REPUBLIC
OF THE UNION OF MYANMAR**

The Central Bank of Myanmar

Office No. (55), Yaza Thingaha Road

Nay Pyi Taw

The Republic of the Union of Myanmar

Date

I / We hereby apply for permission to establish non-bank financial institution in the Republic of the Union of Myanmar Under section 20(a) and section 23 of the Financial Institutions Law and furnish below necessary information for the purpose.

Yours faithfully

Signature

Name

Designation

1. Name

2. Location of the proposed business

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3. Location of Head Office

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4. Type of business

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5. Capital of the proposed business.....

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- 6. constituent documents.....
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- 7. A feasibility study
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- 8. Undertakings to comply with the legal requirements for capital.....
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