

The Republic of the Union of Myanmar
Central Bank of Myanmar
Directive No. (11/2019)
5th Waning of Tabaung 1380 ME
March 25, 2019

In exercise of the powers conferred under Section 64 on related parties and Section 184 of the Financial Institutions Law (FI Law), the Central Bank of Myanmar (CBM) hereby issues the following Directive:

Title and Application

1. This Directive shall be called Related Parties Directive.
2. This Directive shall apply to all banks.

Definition

3. (a) **Related Party in relation to a bank** means-
 - (i) a person who has substantial interest in the bank or the bank has significant interest in the person;
 - (ii) a Director or Officer of the bank or of a body corporate that control the bank;
 - (iii) a relative of a natural person covered in paragraphs (i) and (ii);
 - (iv) an entity that is controlled by a person described in paragraphs (i), (ii) and (iii);
 - (v) a person or class of persons who has been designated by CBM as a related party because of its past or present interest in or relationship with the bank.
- (b) **Relative in relation to a natural person** means his spouse, brother or sister of the individual, brother or sister of the spouse of the individual, any lineal ascendant and descendant of the individual or spouse of the individual and his dependents; and any such relationship created through adoption.
- (c) **Substantial Interest** means owning, directly or indirectly, ten percent or more of the capital or of the voting rights of a financial institution or, directly or indirectly, exercising control over the management of the bank as the CBM may determine.
- (d) **A person is deemed to have control over the management of a bank** when the person-
 - (i) has the power to appoint a majority of the director of the bank; or
 - (ii) has the power to make decisions in respect of the business or administration of the bank;
- (e) **Officer in relation to a bank** includes-
 - (i) the chief executive officer, or his deputies;
 - (ii) the chief financial officer;
 - (iii) such other person performing executive functions at the bank.
- (f) **Market terms and conditions in relation to a transaction** means terms and conditions of an open market transaction in securities, foreign currencies and bullion prevailing in the market at the time of the transaction.

Transactions with Related Parties

4. A bank shall not lend to any related parties and shareholders holding more than five percent of the voting shares of the bank unless such transaction has been approved by a vote of two thirds or more of the Board of Directors excluding the involved Director and secured by collateral and made on market terms and conditions.

5. The paragraph 4 shall not apply to a Director or an Officer who is an employee of the bank at the time that the credit facility is granted if the credit facility is granted under the scheme applicable to the employees.

6. A bank must deduct the amount of the credit facility granted to a related party from its Tier I capital if such credit facilities remain outstanding whether the credit facility is on or off balance sheet.

7. All credit facilities whether they are on or off balance sheet granted to related party shall be disclosed in the financial statements for that financial year and for each subsequent financial year till such credit facility has been repaid or settled in full.

Documentation and Reporting Requirements

8. All related party transactions approved by the Board of Directors must be recorded in the minutes of the board meeting.

9. A Director who is a related party shall not be present or vote at the meeting when the related party transaction is voted on by the Board of Directors.

10. A bank must have adequate supporting information and documents readily available to allow the bank to make an evaluation of the bank's commitment in respect to the related party transaction.

11. A bank must ensure that all related party transactions and relationships are fully disclosed, and whether payment for services rendered; payment for facilities used, such as premises, personnel, or equipment; or payment for assets sold, of the bank is fully documented.

12. Every bank must report all related party transactions to the Banking Supervision Department of the CBM monthly in accordance with the form specified by the Banking Supervision Department of the CBM.

Existing Related Party transactions

13. If a bank has related party transactions in its book that violate this Directive, the bank must provide a written plan to the Banking Supervision Department of the CBM on how the bank proposes to resolve such transactions within thirty days of the effective date of this Directive.

Non-Compliance of the Directive

14. Failure to comply with this Directive constitutes a violation of the FI Law and is subject to administrative penalties under section 154 and such other sanctions as may be imposed under such Law.

Effectiveness

15. This Directive shall come into effect immediately.

Sd./xxxxxxxxx
For Governor
Soe Thein, Deputy Governor