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20 December 2016

Dear Anton,

REVIEW OF PAWNSHOP REGULATIONS

The following review is in response to your questions which you sent to us on the relevant rules and regulations governing pawnshops in Myanmar. We base our review on the available law, discussions with the relevant authorities and using what we understand is the standard form pawnshop agreement entered into between the Yangon City Development Committee (**YCDC**) and the applicant.

Discussions with the relevant authorities were held to better understand the current policies in place. The understanding and application of these policies may vary between officials and may be applied differently on a case by case basis. The agreement which we obtained (**YCDC Pawnshop Agreement**) is a copy of an agreement between a pawnshop and YCDC from 2013. We were told that this is the standard form of agreement which pawnshops enter into with YCDC if they are operating within YCDC's jurisdiction. Note that as this is an agreement and not a notification or other kind of regulation, this can be varied on a case by case basis by YCDC.

The regulations governing pawnshops in Myanmar are limited. Pawnshops are normally run by individuals and not by corporate entities, they are normally small scale businesses with only one place of business and focus on providing small amounts of credit to individuals. If a pawnshop is set up to operate differently, such as going after a mass market and operating in a non-conventional manner, there is a risk that the regulatory burden will significantly intensify.

From your description of your business model, our interpretation of the current regulations and on how they are interpreted suggest that they do not regulate your business. However, your exposure to regulatory risk is still significant as a change in policy of how regulations are interpreted or after the issuing of a notification can subject your business to the requirements under a number of laws, including the Financial Institution Law, the Anti Money Laundering Law and the Consumer Protection Law.

This memo was current as of 31 May 2016, any regulatory changes or changes in practice since are not reflected in this memo. Please let us know if you have any further questions.

Yours sincerely,



Chris Hughes
Partner, Head of Myanmar

| # | Question | Answer | Reference to Related Laws, Regulations, Bylaws and legal precedents |
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| 1 | Interest rate | | |
| 1.1 | What is the formula of calculating the interest for Pawn credit? | <p>There is no formula, however, the YCDC Pawnshop Agreement limits the maximum interest rate to 3% per month.</p> <p>According to discussions with the Central Bank, pawnshops are not regulated under the Financial Institutions Law 20/2016, however, they are also not specifically exempt from the Financial Institutions Law as they do not fall under the definition of Scheduled Institutions (financial service providers which are regulated under other laws and are exempted from the law). A pawnshop could potentially fall under the category of a Non-Banking Financial Institution, which would require it to get a licence if required by the Central Bank. No change in law would be required, only a change in policy. If determined that a licence is required under the Financial Institutions Law then the Central Bank could regulate the business of a pawnshop, including the maximum interest rate. For your information, currently the Central Bank has set a maximum interest rate for domestic banks at 13% per annum. The maximum interest rate for micro-finance institutions is 2.5% per month or 30% per annum.</p> | <p>c4(c) YCDC Pawnshop Agreement</p> <p>s19 & 23 Financial Institutions Law 20/2016</p> <p>s5(b)(i) Notification 1/2011 of the Microfinance Supervisory Committee</p> |
| 1.2 | What are the fees included in this interest cap for Pawn credit? | It is not specified if fees are included in the interest rate cap or if these can be added as additional fees and | c10 YCDC Pawnshop Agreement |

| # | Question | Answer | Reference to Related Laws, Regulations, Bylaws and legal precedents |
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| | | <p>charges. The YCDC Pawnshop Agreement provides an inclusive of what needs to be included in the receipt with the customer, there is no provision preventing the pawnshop from adding additional fees or for other service providers to charge a fee for facilitating the transaction.</p> <p>While there is no regulation preventing the pawnshop and customer to agreeing to additional fees, discussion with the relevant authority indicated that they understood that all fees need to be included in the 3% interest rate cap. If there is a dispute over this, YCDC is able to make an order clarifying that this is how to interpret the YCDC Pawnshop Agreement, the pawnshop will have limited grounds to appeal as YCDC has the final say on disputes which arise under the YCDC Pawnshop Agreement.</p> <p>There is also no precedent that YCDC were aware of where a third party charged for services in facilitating the loan from a pawnshop.</p> | |
| 1.3 | <p>Can Pawnshop charge over the interest cap the following commissions:</p> <ul style="list-style-type: none"> - collateral appraisal commission? - service commission for processing the Pawn credit? | <p>This is not covered in the YCDC Pawnshop Agreement , see comments in 1.2 above discussing the ability of the customer and the pawnshop to agree on additional fees.</p> <p>Under the Usurious Loans Act a court may examine a transaction and change the terms if it believes that the interest was excessive. When determining whether the</p> | s2 Usurious Loans Act 1918 |

| # | Question | Answer | Reference to Related Laws, Regulations, Bylaws and legal precedents | |
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| | | interest rate is excessive, the court will look at the risk involved as well as other payments made, such as fees, fines, expenses, premiums, renewals. Please note that the Usurious Loans Act is very rarely applied in Myanmar, however, it suggests that courts may view additional fees and expenses as part in conjunction with the interest rate. | | |
| 1.4 | Can Pawnshop exclude from interest cap all the commissions that Pawnshop has to pay to outsourcers (like commission of payment system provider for money delivery to customer, etc.)? | This is not covered by the YCDC Pawnshop Agreement, please see answer in 1.2 and 1.3 above. | | |
| 1.5 | Can Pawnshop charge the customer with overdue interest rate higher than interest cap? | <p>The YCDC Pawnshop Agreement is silent on the ability to charge default interest. If the customer pays the outstanding interest accrued, then they are entitled to extend the tenor of the loan without being in default.</p> <p>The Myanmar Contract Act allows for the pawnshop to charge for additional expenses in the case where the customer defaults but still redeems the pledged goods. Note, that this provision does not permit charging a penalty, only for additional expenses.</p> | c4(i) YCDC Pawnshop Agreement s177 Myanmar Contracts Act | |
| 1.6 | How does YCDC usually track the actual interest rate accrued by | Site visit to check the ledger book or property, we were informed that this normally occurs after there is a | s4(t) YCDC Pawnshop Agreement | |

| # | Question | Answer | Reference to Related Laws, Regulations, Bylaws and legal precedents |
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| | Pawnshop? What is the procedure? | complaint made to YCDC. | |
| 1.7 | What are the penalties for Pawnshop (and for his managing director) in case of over limiting the interest cap? | <p>The procedure for a breach under the YCDC Pawnshop Agreement is as follows:</p> <ol style="list-style-type: none"> 1. for the first violation a warning letter will be written; 2. for the second violation a fine will be charged; 3. for the third violation a fine will be charged, this fine will be three times the amount of the first fine; and 4. for the fourth violation the licence shall be terminated and any outstanding sums payable to the licence holder shall be forfeited. <p>Additionally, under the YCDC Pawnshop Agreement, YCDC may terminate the Agreement, with providing 30 days prior notice, if there has been a breach of the Agreement. YCDC may also terminate the agreement if the licence holder did not follow an order or directive issued by YCDC and did not remedy this within 30 days. If the YCDC Pawnshop Agreement is terminated the pawnshop owner will forfeit the security deposit.</p> <p>Disputes under the YCDC Pawnshop Agreement shall be resolved by YCDC, any resolution on a dispute made by YCDC shall be final. The validity of this clause, not</p> | <p>c3(b), 3(c), 8 & 9 YCDC Pawnshop Agreement</p> <p>s67 Yangon City Development Law 2013</p> |

| # | Question | Answer | Reference to Related Laws, Regulations, Bylaws and legal precedents |
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| | <p>allowing for an appeal to a court may be challenged as unconstitutional.</p> <p>Any breach of the YCDC Pawnshop Agreement is not necessarily a breach of the YCDC Law or YCDC regulation, however, if the pawnshop does breach the law, regulations or orders, the fines and prison sentences are as follows:</p> <ol style="list-style-type: none"> 1. for breaching the YCDC Law - fine between MMK10,000 to MMK 500,000 or a prison sentence of up to one year; 2. for continuing to breach the law – fine of MMK10,000 to MMK50,000 per day; 3. for breaching the YCDC rules - fine between MMK10,000 to MMK 400,000 or a prison sentence of up to six months; 4. for breaching a YCDC order - fine between MMK10,000 to MMK 300,000 or a prison sentence of up three months; and 5. for continuing to breach the order – fine of MMK10,000 to MMK50,000 per day or a prison sentence of up to three months. | | |
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| 2 | Licensing procedure. | | |

| # | Question | Answer | Reference to Related Laws, Regulations, Bylaws and legal precedents |
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| 2.1 | What is the licensing procedure and timeline of getting the Pawnshop license in case we have a local nominee? | <p>The application process is not included in any rule or regulation. Discussing the application process with the relevant officer, we were informed that an application needs to be submitted to the YCDC tax office, together with a deposit of 10% of the licence fee. This licence application will be considered at the following YCDC Executive Committee meeting and if successful then a licence will be issued after the meeting, valid for the remainder of that financial year. These meetings generally occur once a month. The remainder of the licence fee needs to be paid prior to receiving the licence. The licence fee will be pro-rated for the remainder of the financial year. At this point YCDC will issue a signed copy of the YCDC Pawnshop Agreement.</p> <p>The above is the normal application process for opening applying for a pawnshop licence, it does not take into consideration that you are using a nominee to apply for the licence and is not advice on the arrangement between you and the nominee. Nominee arrangements while common in Myanmar aren't robust and if apparent may be opposed by the authorities.</p> | |
| 2.2 | What is the list of documents required for Pawnshop licensing? | There is no formal application form or regulations determining the application process. Following our discussions with the relevant authorities, we were informed that the application documents consist of the | |

| # | Question | Answer | Reference to Related Laws, Regulations, Bylaws and legal precedents |
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| | | <p>following:</p> <ol style="list-style-type: none"> 1. cover letter (name, address, responsible person); 2. national registration card of the applicant; 3. household list; and 4. 10% of licence fee to be deposited at bank. | |
| 3 | Collateral | | |
| 3.1 | Could you please send us the description of the order of processing the collateral? How regulator defines the place and rules of keeping the collateral? | <p>The YCDC Pawnshop Agreement requires that a clear description of the collateral is recorded on a receipt kept at the pawnshop, with one copy given to the customer and one copy attached to the item and kept at the pawnshop. The Pawnshop Agreement requires the property to be kept safely and that records are kept of items being stored as well as items which are sold. The pawnshop is responsible for the pawned property until the day it is redeemed or sold.</p> <p>Requirements for keeping collateral are stipulated under the Myanmar Contract Act. The pawnshop is required to take such care over the collateral as are ordinarily prudent under such circumstances. If such ordinary prudent steps are taken, then unless stipulated</p> | <p>c3(h), 3(i), 4(a) & 4(e) YCDC Pawnshop Agreement</p> <p>s151 & 152 Myanmar Contracts Act 1872</p> |

| # | Question | Answer | Reference to Related Laws, Regulations, Bylaws and legal precedents |
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| | | <p>otherwise in the agreement, the pawnshop is not responsible for the loss or destruction of the collateral.</p> <p>Immoveable property, equipment belonging to the police force or the military or farming tools are not allowed to be used as collateral.</p> | |
| 3.2 | Could we sign special agreement with customer of safe keeping the collateral in customer's house? | Not regulated. | Stamp Duty Act 1899 s109 Myanmar Companies Act |
| 3.2.1 | <p>We want to write in contract that «<i>Things received for loan we will kept securely in the hands of borrower or in the borrower's house</i>» (as most securely place)</p> <p>Is it not regulated? Can we do it?</p> | <p>If security is kept by borrower, then it is no longer a pledge as a pledge requires the pledger to have possession of the asset. The type of security would then be similar to a charge.</p> <p>All regulations for a pawnshop refer to keeping the security as the responsibility of the pawnshop, however, there is no specific prohibition on the pawnee keeping possession of security. It may cause a problem if the regulators (YCDC) requests to inspect how the security is kept, but this not clear as there is no precedence we are aware of where the pawnor does not keep possession.</p> | License holder's Responsibilities (j) - Things received for loan shall be kept securely. |
| 3.3 | How regulator checks that the pawnshop suits the requirements on processing the | Under the YCDC Pawnshop Agreement, authorities are allowed to inspect all records and collateral at any time. YCDC informed us that this will normally only occur if | c4(t) YCDC Pawnshop Agreement |

| # | Question | Answer | Reference to Related Laws, Regulations, Bylaws and legal precedents | |
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| | collateral? | there has been a complaint lodged against the pawnshop. | | |
| 3.4 | What are the penalties for breaking the rules of keeping the collateral | For penalties see 1.7 above. The pawnshop owner is also required to pay compensation to the customer if the property is damaged by their negligence, the amount of compensation is to be determined by a YCDC committee. | c4(p) YCDC Pawnshop Agreement. | |
| 3.5 | What are the requirement of Regulator to collateral appraisal? Are there any limits on discount rates to value of collateral? | According to the YCDC Pawnshop Agreement the value of the collateral should be mutually agreed upon by the customer and the pawnshop. Note that under the YCDC Pawnshop Agreement and the Myanmar Contract Act, if the proceeds of any sale are greater than the amount due, then the pawnshop is required to pay the surplus to the customer. | c4(b) & 4(r) YCDC Pawnshop Agreement s176 Myanmar Contract Act 1872 | |
| 3.6 | How regulator checks those requirements in point 3.5? | Site visit to inspect the pawnshop records, we were informed that this normally occurs after there is a complaint lodged with YCDC. | c4(t) YCDC Pawnshop Agreement | |
| 3.7 | What are the penalties for breaking the requirements those described in point 3.5? | See 1.7 above for the consequences of a breach of the YCDC Pawnshop Agreement. For breaches under the Myanmar Contract Act the customer is able to rely on general damages. | | |

| # | Question | Answer | Reference to Related Laws, Regulations, Bylaws and legal precedents |
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| 3.8 | <p>How Pawnshop should keep track of collaterals?</p> <p>Are there any requirements by Regulator for collateral records (format, media)?</p> <p>Could all the collateral records to be recorded in electronic form only (with no paper form)?</p> | <p>A description of the collateral should be recorded on a receipt on carbon copy paper, one copy to be retained by the pawnshop and one copy to be given to the customer. The description on the receipt should include the type of material, the amount of money lent, the tenor of the loan and the date at which the pawnshop may sell the good.</p> <p>There is no mention of whether alternative forms of recording collateral may be used.</p> | c4(a) of the Pawnshop Agreement |
| 3.9 | <p>Are there any requirements by Regulator to Pawnshop to check a Customer's rights to collateral?</p> | <p>The pawnshop is required to take a copy of the customer's National Identity Card if the collateral is gold or other item of value, otherwise there is no verification required in the YCDC Pawnshop Agreement. Note also that under the Agreement it is not allowed to receive stolen property and if the pawnshop has reason to believe that property has been involved in the carrying out of a criminal offence, it must be given to the nearest police station. If the police believe that any property was used in a criminal offence, then the police can request that the property is deposited with them and may not be returned.</p> <p>Care needs to be taken that the pawnshop is not in breach of the Penal Code. In accordance with the Penal Code, if a person comes into possession of stolen property legally then it ceases to be considered to be</p> | <p>C3(i), 4(g) & 4(s) YCDC Pawnshop Agreement</p> <p>s410 – 414 Penal Code 1860</p> <p>s8, 19 & 44 Anti-Money Laundering Law 11/2014</p> <p>Directive for CDD Measures, Directive 21/2015, Central Bank of Myanmar</p> |

| # | Question | Answer | Reference to Related Laws, Regulations, Bylaws and legal precedents |
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| | | <p>stolen property, however, if the person knowingly receives stolen property or has reason to believe that they are receiving stolen property then they are not entitled to it and liable to be punished by imprisonment of up to 3 years or with a fine. This increases to imprisonment to 10 years if the person frequently receives property which they know or have reason to believe is stolen.</p> <p>If the person receives property which they know is stolen or they have reason to believe was stolen in a violent crime, the terms of imprisonment can include 10 years of hard labour or transportation for life.</p> <p>A pawnshop would be considered a financial institution under the Anti-Money Laundering Law 2014 and is therefore designated a Reporting Organisation under the law. It is therefore required to have a risk management system and carry out customer due diligence, the intensity of which will depend on the potential risk of money laundering. Offences under the Anti-Money Laundering Law includes imprisonment of 3 years for an individual and a fine of up to MMK100,000,000 for an organisation. The Central Body under the law also has the authority terminate the business or place the business under suspension for committing breaches of the law. For more information on know your customer requirements review the Central Bank Directive on CDD</p> | |

| # | Question | Answer | Reference to Related Laws, Regulations, Bylaws and legal precedents |
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| | | measures. | |
| 3.10 | Can Pawnshop charges the customer with penalties without selling the collateral? | <p>Under the Myanmar Contract Act, the pawnshop is able to determine whether it wishes to sell the pawned item or retain the goods pledged as collateral.</p> <p>The pawnshop shall provide the local authorities with a list of collateral to be enforced upon, the pawnshop may dispose of the collateral if the customer has not repaid or extended the loan within 4 months and 10 days. The YCDC Pawnshop Agreement allows upon the customer paying the accrued interest to obtain an extension of the tenor of the loan, such extension to be recorded on the collateral receipt. The YCDC Pawnshop Agreement is silent on whether any additional fees are allowed to be charged if the term of the loan is extended, arguably not as the customer has the right to extend the loan upon paying outstanding interest charges. The YCDC Pawnshop Agreement is also silent on whether a penalty can be imposed if the customer defaults on the loan, normal practice would be for the collateral to be sold.</p> <p>Under the Myanmar Contracts Act after a default, the pawnshop is entitled to charge additional expenses which have arisen from the default. Note that this does not stipulate that penalties may be charged. An example of an expense may include collection fees.</p> | <p>c4(d), 4(i) & 4(p) YCDC Pawnshop Agreement</p> <p>s176 & 177 Myanmar Contract Act 1872</p> |

| # | Question | Answer | Reference to Related Laws, Regulations, Bylaws and legal precedents | |
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| 3.11 | What is the penalty to be applied for losing or damaging the collateral? | <p>Under the YCDC Pawnshop Agreement the pawnshop is responsible for the collateral and should compensate the customer if the collateral is lost or damaged due to its own negligence, the amount of compensation shall be determined by YCDC.</p> <p>See 3.1 above on the standard of care, if this is not met then the customer is able to claim damages under the Myanmar Contract Act.</p> <p>Also see 1.7 above on consequences of breach of the YCDC Pawnshop Agreement.</p> | c4(p) & 4(r) YCDC Pawnshop Agreement. | |
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| 4 | Pawn contract signing | | | |
| 4.1 | What is the data about customer and collateral should be stated in Pawn credit contract in a mandatory manner? | <p>Customer related data which is required to be collected is not regulated by the Pawnshop Guidelines (except in the case where gold or other item of valuable items are used as collateral, in which case a copy of the national identity card need to be made), only that a description of the collateral is required. This is recorded on the receipt for the collateral. As a matter of practice a receipt will normally be issued this will include the customer's name and national identity card number as well as the tenor of the loan and the interest rate.</p> <p>Please note that Anti-Money Laundering Law requires</p> | | |

| # | Question | Answer | Reference to Related Laws, Regulations, Bylaws and legal precedents | |
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| | | the pawnshop to have a certain level of knowledge of the customer (see 3.9 above). | | |
| 4.2.2 | Are there any requirements for the place and the way of signing the Pawn contract? | <p>A pawnshop is not allowed to extend a loan to anyone under the age of 18, a religious individual (for example a monk) or somebody of unsound mind.</p> <p>The YCDC Pawnshop Agreement requires that the pawnshop business is carried out at only one location in the specified township and that this is at the registered place of business, so the place of the transaction must be on the pawnshop premises. It should be possible to deem the place of entering into the agreement to be on the premises of the pawnshop, however, the agreement is entered into in counterparts so that the customer is not actually present at the signing. There is a risk that the authorities will interpret this requirement to mean that the entire transaction must be done with both parties present at the place of business.</p> | <p>C3(e) & 4(f) YCDC Pawnshop Agreement</p> <p>s6 Amendment to the Stamp Duty Act 19/2014</p> <p>Stamp Duty Act 1899</p> | |
| 4.2.1 | Could sign the Pawn contract with customer outside the office of Pawnshop? | See comment in 4.2 above regarding the signing in counterparts. | | |

| # | Question | Answer | Reference to Related Laws, Regulations, Bylaws and legal precedents |
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| 4.2.2 | <p>Could the following options be recognized equal to paper contract signing with Customer:</p> <ul style="list-style-type: none"> - verbal consent of Customer recorded by audio technical means? - consent of Customer recorded by video technical means? - consent of Customer sent by SMS? - consent of Customer by ticking the related checkbox on WEB-site? - consent of Customer in form of predetermined set of concludent actions? | <p>The YDCD Pawnshop Agreement is silent on whether alternative media is allowed to enter into agreements, however, for the purposes of depositing collateral it does require that a receipt in multiple duplicates is issued.</p> <p>The Myanmar Contract Act does not limit the entering into agreements to one kind of medium, it requires that the proposal and the acceptance of the proposal are communicated.</p> <p>If the agreements are entered into through the use of electronic devices, the entering into such agreements needs to be in accordance with the Electronic Transaction Law.</p> <p>Where agreements are not reduced to writing it is unclear how the required stamp duty will be paid.</p> | <p>s3 Myanmar Contract Act 1872</p> <p>The Electronic Transactions Law 5/2004</p> |
| 4.2.1 | <p>In the Law there is not clearly written: in what period of time the borrower must sign voucher, borrower not obligated to be in front of lender, while signing. We want fully follow law by scheme:</p> <p>We will explain to borrower that he has to sign his contract remotely: SMS / checkbox on WEB-site / etc.</p> | <p>This is correct. While it is not required under the Contract Act that an agreement is written, according to the pawnshop agreement a copy of the voucher is required, It is unclear if a copy of the electronic agreement will be sufficient.</p> | |

| # | Question | Answer | Reference to Related Laws, Regulations, Bylaws and legal precedents |
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| | Can we do it? What is our risk? We cannot sue(judge) our borrower - am I right? | | |
| | also we cannot get any fine from regulator, because, legally speaking, there is no confirmation of the loan issue, no any physical document signed by any side, and therefore there is no violation of the law - am I right? | A physical document is not required under the Contract Act, however, YCDC, may determine that it is required under the Agreement they have with the pawnshop. | |
| | We will not take collateral. Customer will keep collateral in his hands or his house. – so it does not require that a receipt in multiple duplicates is issued. » Can we do it? | This is a requirement under the Pawnshop Agreement, how they will enforce this is unclear if no collateral is taken. The transaction you are entering into no longer appears to be a pawn, but more like a traditional loan, which the CBM may determine requires a separate licence. | |
| | To follow law: «proposal and the acceptance of the proposal are communicated» we will use remote contract signing such as: SMS / checkbox on WEB-site / etc. Can we do it? What is our risk? | In accordance with the Contract Act, a signed agreement is not required, however, under the Pawnshop Agreement this is a requirement. If the regulators (YCDC) will accept a different type of communication is unknown. | |

| # | Question | Answer | Reference to Related Laws, Regulations, Bylaws and legal precedents | |
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| 4.3 | What is the penalty for breaking the rules of signing the Pawn contract? | <p>If the agreement was not properly entered into then it may not be enforceable or deficiencies may first need to be rectified, such as paying a fine for not properly stamping the document.</p> <p>If it is determined that having the agreements signed by the customer outside the shop outside of the pawnshop's premises is in breach of the YCDC Pawnshop Agreement, then YCDC may commence termination proceedings, please see 1.7 above.</p> | YCDC Pawnshop Agreement | |
| | | | | |
| 5 | Territory. | | | |
| 5.1 | Could we service the customer who resides out of the allowed territory (e.g. in case customer just works in allowed territory)? | There is no restriction on customers residing outside the territory to go use the pawnshop, however, business has to be carried out at one location in the specified township at the registered address. | c3(e) &3(f) YCDC Pawnshop Agreement | |
| 5.2 | In case of "no" answer to question 5.1m then which documents shall we check from customer to allow customer to be serviced in this Pawnshop; | n/a | | |
| 5.3 | How does the regulatory control that pawnshop follows the territorial requirements? | Authorities are authorised to ensure that pawnshops comply with the licencing requirements. | c4(t) YCDC Pawnshop Agreement | |

| # | Question | Answer | Reference to Related Laws, Regulations, Bylaws and legal precedents | |
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| 5.4 | What are the consequences in case Regulatory finds that Pawnshop breaks the allowed territory limitation? | There is no restriction on where the customers are resident. Any breach of the YCDC Pawnshop Agreement could result in penalties, see 1.7 above. | | |
| | | | | |
| 6 | Pawn Credit parameters | | | |
| 6.1 | What is minimum and maximum tenor of Pawn credit defined by Law? | Our review of the current form of the YCDC Pawnshop Agreement and following discussions with the YCDC, is that the current minimum tenor is 4 months and 10 days, the customer has a right to extend this if they pay the interest which has accrued over this time period. | c4(d) & 4(i) YCDC Pawnshop Agreement | |
| 6.2 | How does regulators control that Pawnshop follows the requirements on Pawn Credit tenor? | Under the YCDC Pawnshop Agreement, authorities are allowed to inspect all records at any time, the final redemption date is required to be recorded on the receipt issued to the customer. Our understanding from discussing this with YCDC is that this will normally only occur if there has been a complaint made against the pawnshop. | c4(t) YCDC Pawnshop Agreement | |
| 6.3 | What is the penalty for breaking such requirements? | See 1.7 above | | |
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| 7 | Financing | | | |

| # | Question | Answer | Reference to Related Laws, Regulations, Bylaws and legal precedents |
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| 7.1 | What are the ways/sources allowed to Pawnshop to fund its' credit portfolio? | No regulation. | |
| 7.2 | Can a Pawnshop take a loan secured by its' pawn credit portfolio? | There is no regulation on whether a pawnshop can assign its receivables. Under general Myanmar law and the Myanmar Contract Act an assignment or conditional assignment of receivables is possible. | |
| 7.2.1 | is there a possibility to Pawnshop to assign some their debts / credit portfolio to another company, which has no any licenses? | There is no restriction against assigning income streams. However, the debt obligations cannot be transferred (e.g. the pawnee is obligated to repay a new party) without that company having a licence. | |
| 7.3 | What are the limitations for the size of Pawnshop's portfolio? | There are no regulations limiting the size of the pawnshops portfolio. | |
| 7.4 | Can a Pawnshop receive funding of portfolio from abroad? | No specific regulation on this. The Foreign Exchange Management Regulations require Central Bank approval prior to bringing in any offshore loan. Capital remittance, for example for investing in more equity in Myanmar does not require any approvals. If the Central Bank changes its policy and starts regulating pawnshops, it could place specific restrictions on funding from abroad, to our knowledge there is no precedent of a pawnshop obtaining offshore funding, it | r48 Foreign Exchange Management Regulations 7/2014 |

| # | Question | Answer | Reference to Related Laws, Regulations, Bylaws and legal precedents | |
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| | | is not clear if there would be any difficulty in getting such approval. | | |
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| 8 | Legislation | | | |
| | <p>How can one local company (for ex Pawnshop) receive funding from another local company (100% by foreigners, established in Myanmar)</p> <p>Loan? Trust agreement?</p> <p>As I know only loans from abroad are under the regulation of Central Bank.</p> | <p>They can enter into a loan agreement with a resident lender. However if this part of the business of doing a banking business the lender needs to be a licensed financial institution, if this just a business to business loan then such a license is not required.</p> | | |
| 8.1 | Can the owner of Pawnshop assign legal representative (e.g, by POA) to act on behalf of Pawnshop? | <p>This is not regulated, by the YCDC Pawnshop Agreement. If the licenced pawnshop is a corporate entity then the board of directors may authorise an individual to sign on behalf of the company. If the pawnshop licence was granted to an individual, then that individual can authorise a legal representative through a power of attorney. In accordance with the Registration Act 1909 the power of attorney will need to be signed in front of the registrar at the Deeds Registration Office.</p> | <p>Myanmar Companies Act 1914 s32 Registration Act 1909</p> | |

| # | Question | Answer | Reference to Related Laws, Regulations, Bylaws and legal precedents | |
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| 8.2 | Are there any known legal precedents of court cases against Pawnshops? | Disputes are generally settled outside of court due to the small value of goods involved. | | |
| 8.3 | What is the list of documents of documents those are used by Pawnshops in their everyday work? What is the format and the content of those documents (Pawn Credit Contract, Collateral Record Book)? Are there any requirements by Regulator to those documents? | YCDC Pawnshop Agreement Receipt book | | |
| 9 | Peer to Peer Lending | | | |
| 9.1 | Is there any legal ban to borrow money from person to person? | No there is no legal ban on person to person lending in Myanmar. Individuals can engage in lending as long as their activity does not constitute a regulated activity under a Myanmar law. The Financial Intuitions Law regulates any person wishing to conduct a banking business. Banking business is defined as a commercial banking business or a development banking business which is carried out as a business. P2P banking would generally not be considered a business, however, if a company engages in lending through a P2P platform as a business, then it may be considered as undertaking a banking business and may be regulated by the CBM. | S2(d)Financial Intuitions Law 20/2016 | |
| 9.2 | Can any local people give money to any another local people? | No there is no general restriction on Myanmar citizens lending to another. Note that the lender is lending as | Financial Intuitions Law 20/2016 | |

| # | Question | Answer | Reference to Related Laws, Regulations, Bylaws and legal precedents | |
|-----|---|--|---|--|
| | | part of a business then the lender may need to be licenced under the Financial Institutions Law. | | |
| 9.3 | Can any foreigner give money to any local people | There is no general restriction on foreigners giving money to Myanmar Citizens. Please note that if this money is being provided in the form of an offshore loan, prior Central Bank of Myanmar approval is required. | r50 Foreign Exchange Management Regulations 7/2014 | |
| 9.4 | Is any interest cap on this kind of loans? (by civil code, and by justice law) | Financial Institutions regulated under the Financial Institutions law may have the maximum interest rate set by the Central Bank of Myanmar, this is set by internal notification and is currently 13% per annum for banks. This rate can vary for different type of financial institutions, but does not apply non-regulated lending. The general provisions under the Usurious Loans Act allows a court to examine a transaction and change the terms if it believes that the interest was excessive. When determining whether the interest rate is excessive, the court will look at the risk involved as well as other payments made, such as fees, fines, expenses, premiums, renewals. | Usurious Loans Act 1918 | |

| | Sending / receiving money | | | |
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| | Possibility to withdraw cash from company bank account. Restrictions? | Yes you can use your capital for such a purpose | | |
| | did i need to have any documents to prove my expenses? | There is no legal requirement, however, the auditor will likely require proof if you want to mentioned this amount as expenses | | |
| | is any limit, how much money can i withdraw ? | No, there is no legal limit as long as it is consistent with your director's duties to the company. You can withdraw only up to USD 5,000 per day and only up to USD 10,000 per week. If you allow the bank to convert the dollars you want to withdraw into kyats, you can withdraw an unlimited amount. You can also transfer an unlimited USD amount to another local bank account. It is just cash withdrawals in USD that is restricted. | | |
| | Possibility to receive money from the individual foreigner customer from abroad to company's bank account. Restrictions? | No restriction on transfer/payments from/to abroad | | |
| | Our business is financial consulting and financial intermediation. I have an individual customer from Vietnam (private person), we signed a contract for | Must submit service agreement or bill payments or invoice Transaction period is within 2 to days | | |

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| | the provision of our services, and customer should pay me the money. Can this customer (private person), pay money to my company using bank account? | | | |
| | is there a financial monitoring in local banks? | Yes the monitor all remittances of money offshore and report to the Central Bank of money being brought onshore. | http://tinyurl.com/zzr95m2 section 47(b)) | |
| | What is an amount of the transaction to be reviewed by financial monitoring in bank or central bank? | Not based on amount, rather on purpose of transaction. Any loan, including private loan requires prior approval. Money transactions in excess of Ks. 100,000,000 (approx. USD 85,000) have to be reported to the anti-money laundering department of the Central Bank | | |
| | What are the AML rules? | http://goo.gl/3vVGZu | http://goo.gl/3vVGZu | |
| | Possibility to receive and transfer money from individual foreigner from abroad for an individual foreigner who live in Myanmar. Using individual bank account. Restrictions? | There are no restrictions on inward remittances. However, your bank will automatically inform the anti-money laundering department of the Central Bank if your friend sends you more than Ks. 100,000,000 (approx. USD 85,000). | | |
| | Possibility to receive and transfer money from individual foreigner from abroad for an individual local who live in Myanmar. Using individual bank account. Restrictions? | It should be possible, but tax advice should be sought to see if any tax will be applied. | | |
| | Possibility to bring the cash | Can bring in unlimited amount, but have to declare any | | |

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| | in Myanmar for foreign visitor any limit? | amount in excess of USD 10,000 at customs. must show proof documents | | |
| | Possibility to receive and transfer money from one particular individual from abroad for the same individual foreigner who live in Myanmar. Using individual bank account. Restrictions? | Yes, can do without any restrictions. However, the local bank automatically informs the anti-money laundering department of the Central Bank if a transfer is in excess of Ks. 100,000,000 (approx. USD 85,000) | | |
| | I want to send my money back to Singapore . from my personal account in Myanmar bank to my personal in Singapore bank. can I do it without any restrictions? | No, cannot. You can only transfer money out of the country if you have a reason for it (e.g. payment of an invoice from a service provider overseas | | |

REVIEW OF ASSIGNING \ BUYING-SELLING DEBTS

| | Assigning \ buying-selling debts | | | |
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| | Is there a possibility to Pawnshop to assign some their debts / credit portfolio to another company, which has no any licenses? | Yes | Currently there is no reason why an individual or company cannot assign loans. | |
| | CASE: Pawnshop give loan to | Not if the there is a transfer of the debt obligation as then the new company will hold the loan which would | | |

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| | <p>somebody. I am another company. I want to buy this debt. Can I do it?</p> | <p>require a licence.</p> | | |
| | <p>As I understand law, I can buy this debt without having any license, because a license must have a primary lender. So - Anyone can buy any debt</p> | <p>No, an assignment of an income stream is different from buying debt. If there is an assignment then the party that benefits from the debt obligation remains to be the pawnshop, the assignee only has a right to receive the income stream from the pawnshop.</p> | | |
| | <p>I have company "2", and I bought few debts from the company "1". To prove in court that I was really the current owner of the debt, I have to show a contract of assignment between me (company 2), and the company "1». Am I right?</p> | <p>You are not the owner of the debt you will have a right to the income stream from the repayment. The pawnshop would remain the owner of the debt. This is not a structure that has been tested in Myanmar and there would be uncertainty as to how the court determine the claim.</p> | | |
| | <p>possibility to private person to assign some their debts to private person. I am individual \ private person. I give my money to another individual. We sign loan contract or trust agreement. I want to sell this debt \ to cede the debt. Can I ?</p> | <p>There is generally no restrictions on assigning debt. Just note that once it looks like you are engaging in a banking business it might be required to be licensed under the Financial Institutions Law.</p> <p><i>? Note that stamp duty is required on any assignment.</i></p> | | |
| | <p>possibility for private company to assign some their debts to another private company.</p> | <p>Currently there is no reason why an individual or company cannot assign loans.</p> | | |

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