

Government of the Republic of the Union of Myanmar

Microfinance Business Supervisory Committee

Directive No. 3/2014

5th Waning Day of Thadinkyut, 1376 M.E. Nay Pyi Taw

13th October, 2014

1. The Microfinance Supervisory Committee, in exercising the power conferred under sub-section (b) of section 68 of the Microfinance Law, hereby issue this Directive No. 3/2014.
2. In Microfinance Institutions, under the decisions of Meeting No. 5/2014 of Micro Private Cooperative Credit Development Supporting Committee and Meeting No. 1/2014 of Micro Finance Business Supervisory Committee held on 4.8.2014, Maximum Loan Size, permitting the right to get loan locally/internationally, permitting the Microfinance the right to use Mobile Payment System and Equity Financing are specified as follows:
 - a) **Maximum Loan Size:** Maximum Loan Size of Microfinance Institutions shall rise to kyat 5 million from kyat five hundred thousand. Such loan shall precisely comply with the followings:
 - i. Business shall be carried to lend out 50 percent of total amount of loan and not less than 50 percent of total number of member in rural area, and 50 percent of total amount of loan and not greater than total number of member in urban area;
 - ii. Loan relating to the buying of Luxury Item shall not be allowed;
 - iii. Only one person is allowed for loan in a family;
 - iv. Loan shall be carried out step by step from basic to increase by building trust;
 - v. Loan shall be allowed systematically after scrutinizing the information relating to loan such as the actual payment of loan by the member and getting the loan from other organizations.
 - b) **Permitting the Microfinance Institutions for the right of getting loan locally/internationally.** Microfinance Institutions have the right to get loan in accordance with the following specifications:
 - i. Local Microfinance Institutions shall, in getting loan, comply with the followings:
 - aa) shall get the loan only from Myanmar Economic Bank;
 - bb) loan shall not allowed exceeding Debt to Equity 5:1;
 - ii. Foreign Microfinance Institutions shall, in getting loan, comply with the followings:
 - aa) getting loan from Local Banks and Finance Institutions shall not allow;
 - bb) getting loan only from foreign legal Finance Institutions which have the right to give loan shall allow;

- cc) Although Debt to Equity 5:1 of Microfinance Institution is allowed, in getting loan, the loan exceeding US\$ 3 million shall not allowed;
 - dd) the remark of the Central Bank of the Republic of the Union of Myanmar shall be obtained and submitted if the loan is getting from the foreign legal Finance Institutions.
 - iii. Local/Foreign Microfinance Institutions shall, in submitting for the right of getting loan, prescribe completely the followings:
 - aa) loan agreement;
 - bb) finally audited financial report of auditor;
 - cc) debit and credit statement and profit and loss statement which are equal with final situation;
 - dd) admission that getting loan shall be used actually in Microfinance Business;
 - ee) evidence that the institution the loan getting from it is the legal Finance Institution (this clause doesn't need to be followed if the loan is getting from Myanma Economic Bank)
 - c) **Permitting the Microfinance Institutions the right to use Mobile Payment System.** Microfinance Institutions shall, in carrying out Microfinance Business, be allowed the right to use Mobile Payment System (except local/foreign currency transferring business). The following specifications, in using Mobile Payment System, shall be followed:
 - i. The Central Bank of the Republic of the Union of Myanmar and Ministry of Communication, Information and Technology shall be applied firstly if Mobile Payment System is desire to be used in Microfinance Business;
 - ii. Directive No. 4/2013 relating to Mobile Banking and issued by the Central Bank of the Republic of the Union of Myanmar shall be followed exactly;
 - iii. Microfinance Business Law, procedure and directives shall be followed exactly;
 - iv. Plans to solve and carry out not to affect the benefit of the members by lack of knowledge of the members about Mobile Payment System and weakness relating to technology shall be managed;
 - v. Directives relating to Mobile Payment and issued from time to time by the Microfinance Business Supervisory Committee, Private Micro Credit Business Development Supporting Committee and Finance Supervisory Department shall be followed exactly. Information shall be asked for and inspected from time to time and it shall be carried out.
 - d) **Equity Financing.** Local/foreign organizations which desire to carry out Equity Financing in Local Microfinance Institutions shall be allowed in accordance with the existing law.
3. The above specifications shall be amended in accordance with market condition as it is necessary.

*CONVENIENCE TRANSLATION – for further
information, contact info@pwplegal.com*



Win Shein

Chairman

Microfinance Business Supervisory Committee

Letter No. KaKa – 1/6 (434 / 2014)

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Distribution

Chairman, Microfinance Business Development Working Committee, every Region and State

Every member of Microfinance Business Supervisory Committee

Every institution which is desire to carry out Microfinance Business

Nay Pyi Taw Council, every responsible person of Region and State, Finance Supervisory Department

By order

(Win Aung)

Secretary

Microfinance Business Supervisory Committee