

Government of the Republic of the Union of Myanmar

Microfinance Supervisory Committee

Directive No. 2/2014

4th Waning Day of Dabotdwe, 1375 M.E. Nay Pyi Taw

18th February, 2014

1. The Microfinance Supervisory Committee, in exercising the power conferred upon it under sub-section (b) of section 68 of the Microfinance Law, hereby issues this Directive No. 2/2014.
2. Microfinance institutions shall, under the decisions of Meeting No. 1/2014 of the Micro Private Cooperative Credit Development Supporting Committee held on 24.1.2014, exactly comply with the following:
 - a) **Interest collection on the basis of the effective rate:** According to Directive No. 1/2011 of the Microfinance Supervisory Committee, the rate on micro loans is MMK 2.50 per month for MMK 100 and the rate shall not exceed MMK 30 per year. Some microfinance institutions are collecting a flat rate according to the loan period without taking into account that the loan is reduced [when it is repaid in installments], the actual interest thereby exceeding significantly the interest if it were calculated by the effective rate. Therefore, [microfinance institutions must] collect [interest] equally on the basis of the effective rate on the loan.
 - b) **Microfinance institutions shall issue the following information every two month if there are no changes and immediately if there are changes.** The following facts must be issued:
 - i. Type of loan;
 - ii. Amount to be lent according to type of loan;
 - iii. Period to repay according to type of loan;
 - iv. Amount to repay in one installment and number of installments according to type of loan;
 - v. Rate collected according to an installment of payment on loan, statement of total payment according to specified period of payment for the whole amount of loan, effective rate and system of collecting the rates;
 - vi. Fine and other collections if overdue fines are specified;
 - vii. System of collecting compulsory savings and form of calculating the rate on the loan;
 - viii. Are there other fees to be paid for savings?; method of reimbursing the specified savings;

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- ix. When issuing information about savings and loans, statements shall be made not only in the language which is understood by the local people, but also in the Myanmar language so that the document can be inspected by inspectors.
3. The above items shall be amended in accordance with market condition whenever necessary.

Win Shein

Chairman

Microfinance Supervisory Committee

Letter No. KaKa – 1/6 (533 / 2014)

Date: 18th February, 2014