

The Microfinance Law
(The Pyidaungsu Hluttaw Law No.13)
The 5th Waxing Day of Nadaw, 1373 M.E.
(30th, November, 2011)

The Pyidaungsu Hluttaw hereby enacts the following Law:

Chapter I

Title and Definition

1. The Law shall be called the Microfinance Law.
2. The following expressions contained in this law shall have meanings given hereunder:
 - (a) **Microfinance** means extending micro-credit to the grass root people, accepting deposits from them, carrying out remittance, carrying out insurance business, borrowing money from local and abroad and carrying out other financial activities.
 - (b) **Microfinance Institution** means local and foreign institutions, partnership firms, companies, co-operative societies, banks and nonbanking financial institutions, formed and registered under the relevant law, which is funded with own capital, charity and grant, and obtain license to operate microfinance business in order to reduce the poverty of the grass root people and to improve their socio-economic life.
 - (c) **Micro-credit** means the loan without collateral to reduce the poverty of grass root people and to improve their socio-economic life.
 - (d) Grass root people mean the public including low-income farmers, labors and vendors who reside in rural and urban area.
 - (e) **Rural Development and Poverty Reduction Working Committee** means the Working Committee on the Rural Development and Poverty Reduction formed by the Office of the President of the Union.
 - (f) **Ministry** means the Ministry of Finance and revenue of the Union Government.
 - (g) Supervisory Committee means the Microfinance Supervisory Committee formed by the Union Government under this Law.
 - (h) **Working Committee** means the Microfinance Development Working Committee formed by the respective Region or State Government and Nay Pyi Taw Council under this Law.

- (i) **Myanma Microfinance Supervisory Bureau** means the Myanmar Microfinance Supervisory Bureau under the Ministry of Finance and Revenue of the Union Government.
- (j) **Management Committee** means the management committee of microfinance institution.
- (k) **Deposit** means the money deposited by the member of microfinance institution which is payable on demand or on any other condition. Such expression also includes the savings.
- (l) **License to Operate** means the license issued under this Law to carry out microfinance activities.

Chapter II

Objective

3. The objectives of this Law are as follows:

- (a) to reduce the poverty of the grass root people;
- (b) to develop social, education, health and economic status of the grass root people;
- (c) to create job opportunities;
- (d) to nurture and cultivate the saving habit;
- (e) to encourage the emergence of new small-scaled businesses;
- (f) to create the extend the cottage businesses;
- (g) to assist the grass root people with other means of earning as well as agriculture and livestock breeding;
- (h) to acquire and disseminate technical know-how from local and abroad.

Chapter III

Formation of the Rural Development and Poverty Reduction Working Committee and Functions and Duties thereof

4. The Office of the President of the Union shall form the Rural Development and Poverty Reduction Working Committee comprising a Vice-President as Chairman and suitable persons.

5. The Rural Development and Poverty Reduction Working Committee shall coordinate, assist and support the Supervisory Committee, working committees in respective Region or State and Nay Pyi Taw for rural development and poverty reduction.

Chapter IV

Formation of the Microfinance Supervisory Committee, Functions, Duties and Powers thereof

6. The Union Government shall form the Microfinance Supervisory Committee comprising the Union Minister of the Ministry of as the Chairman, the Managing Director of the Myanmar Microfinance Supervisory Bureau as the secretary and persons from suitable Government departments and organizations as members.

7. The functions and duties of the Supervisory Committee are as follows:

- (a) implementing the policy and directives relating to the microfinance business adopted by the Rural Development and Poverty Reduction Working Committee;
- (b) laying down the policy and directives relating to the microfinance business to the working committees;
- (c) managing and carrying out the financial support finance to microfinance business in connection with the respective Ministry, Associations, Specialized companies and Banks;
- (d) prescribing rules and regulations which shall be observed by Microfinance Institutions;
- (e) scrutinizing and granting relating to the application the license to operate of microfinance business;
- (f) determining the minimum capital to be contributed by institution which is desirous to carry out the microfinance business according to the type of institution;
- (g) determining the interest rate on deposit, the interest rate on and service fees in accordance with procedures which being exercised by the Central Bank of Myanmar to be in line the market;
- (h) imposing administrative penalties on Microfinance Institution which do not observe the terms and conditions;
- (i) scrutinizing and reviewing the work performance of Microfinance Institutions and reporting and submitting to the Rural Development and Poverty Reduction Working Committee.

8. The powers of the Supervisory Committee are as follows:

- (a) determining the license fees, license fees for microfinance business;
- (b) hiring any person from local or abroad with the approval of Rural Development and Poverty Reduction Working Committee in order to support in performing the functions and duties of Supervisory Committee;
- (c) dealing with the international financial institutions and international non-governmental organizations.

Chapter V

Formation of the Microfinance Development Working Committee and Functions and Duties thereof

9. The respective Region or State Government and Nay Pyi Taw Council shall form the microfinance development working committee comprising suitable persons.

10. The functions and duties of the working committee are as follows:

- (a) managing and carrying out the financial support to microfinance Institutions in connection with the respective Ministry, Associations, Specialized companies and Banks;
- (b) scrutinizing and submitting the applications for carrying out microfinance to the Supervisory Committee;
- (c) supervising the microfinance institutions;
- (d) reporting and submitting the work performances of microfinance institutions to the Supervisory Committee in accordance with the stipulations;
- (e) training and dissemination of knowledge for the sustainable development of microfinance businesses;
- (f) performing duties assigned by the Supervisory Committee from time to time.

Chapter VI

Functions and Duties of the Myanmar Microfinance Supervisory Bureau

11. The Myanmar Microfinance Supervisory Bureau shall carry out the following functions and duties relating to microfinance business:

- (a) scrutinizing the applications to carry out microfinance submitting to the respective working committee;
- (b) prescribing the formats of accounts and forms of report to use in microfinance institution;
- (c) supervising and field-inspecting the microfinance institution
- (d) reporting and submitting the work performances of microfinance institutions to the respective working committee in accordance with the stipulations;
- (e) performing the duties assigned by the Supervisory Committee to the respective working committee from time to time;

12. The Myanmar Microfinance Supervisory Bureau shall also has responsibilities and carry out the works arising out of or in connection with the performance of functions and duties conferred under this Law.

Chapter VII

Establishment

13. The institution desirous to carry out the microfinance shall be institution formed under the Myanmar Companies Act, the Cooperative Society Act, the Law relating to Formation of Associations and any other Law.

14. The institution desirous to carry out the microfinance shall:

- (a) draft the memorandum of association and articles of association;
- (b) form the management committee and manage in accordance with the memorandum of association and article of association;
- (c) be fulfilled with the necessary qualification to be a member of management committee prescribed by the Supervisory Committee in forming the management committee;

15. The management committee of the microfinance institution may delegate its powers to the responsible persons of the relevant microfinance institution.

16. If microfinance institution is desirous to amend the memorandum of association and articles of association, the microfinance institution shall submit to respective working Committee and shall amend only after obtaining the prior approval of Supervisory Committee.

Chapter VIII

License to Operate

17. The institution desirous to carry out the microfinance shall submit the stipulated application attached with the feasibility study including the following facts to the Supervisory Committee through the respective working committee to carry out the business:

- (a) description of location to be carried out microfinance, existence of market and having interest of the community concerned;
- (b) the financial resources required and how they may be acquired;
- (c) expected benefit to be obtained if the microfinance is carried out and the arrangement to manage the benefits;
- (d) management qualification and skill;
- (e) types of microfinance desirous to be carried out.

18. The microfinance institutions shall be categorized as follows:

- (a) non deposit taking microfinance institution;
- (b) deposit taking microfinance institution

19. (a) The non deposit taking microfinance institution shall carry out extending micro-credit by the funds collected by other means which is not deposit from the public, compulsory savings of members whenever the members acquired the micro-credit;

(b) The deposit taking microfinance institution shall carry out extending micro-credit by the funds collected by other means which is not deposit from the public and

compulsory savings of members whenever the members acquired the micro-credit and voluntary saving deposits.

20. The institutions desirous to carry out the microfinance shall:
 - (a) subscribe the paid-up capital in cash;
 - (b) deposit the fully paid-up capital to the accounts of the Myanmar Microfinance Supervisory Bureau at the prescribed Myanmar Economic Bank in the respective Region or State and Nay Pyi Taw. Such paid-up capital shall be entitled to withdraw only the completion of issuing license from the Supervisory Committee.
21.
 - (a) The Supervisory Committee may, after scrutinizing the duly application form and the feasibility study, issue or refuse to the license to operate within thirty (30) days from the date of receipt of application.
 - (b) The license to operate shall be granted without limit duration.
22. A license shall not be granted to the institution desirous to carry out microfinance if, in the Supervisory Committee's opinion, the name chosen the instution might mislead the public regarding the true nature shareholders or activities;
23. The microfinance institution shall deposit the prescribed fees from license to operate within 15 days from the date of receipt of the license to operate the accounts of the Myanmar Microfinance Supervisory Bureau at the present Myanmar Economic Bank in the Respective Region or State and Nay Pyi Taw.
24. The Supervisory Committee shall, in granting or withdrawing a license to a microfinance institution, publish it in the Myanmar Gazette.
25. The microfinance institution:
 - (a) shall commence the business within six months from the date of receipt of the license;
 - (b) shall not transfer the license;
26. If any of the following situations occurs, the Supervisory Committee shall withdraw the license of operate of the relevant microfinance institution.
 - (a) failing, within the period specified, to deposit the amended minimum capital requirements prescribed for the microfinance institution;
 - (b) failing, within the period specified, to restore the minimum capital required due to losses in business;
 - (c) liquidation voluntarily or being liquidated;
 - (d) extinguishing the original legal entity due to the merging with other microfinance institution or due to secession of institution;
 - (e) faulture to compy by-laws and directives issued by Supervisory Committee and respective working committee.

27. (a) If the microfinance institution is desirous to merger with any other microfinance institution or session of its institution, it shall submit and obtain the prior approval of the Supervisory Committee through the respective working committee.
- (b) The microfinance institution which will be emerged due to merger or secession under sub-section (a) shall carry out the microfinance business only when it obtains the license to operate issued by Supervisory Committee.
28. The microfinance institutions shall obtain the prior approval of Supervisory Committee through the respective working committee for establishment of branch offices, changing the location and closing of business

Chapter IX

Functions, Duties and Powers of the Microfinance Institution

29. The microfinance institution may, with the approval of the Supervisory Committee, carry out the following function:
- (a) extending micro-credit;
 - (b) accepting the deposit;
 - (c) carrying out remittance;
 - (d) carrying out the insurance business;
 - (e) borrowing from the local and abroad;
 - (f) carrying out other financial activities.
30. The microfinance institution shall obtain the following legal documents in providing micro-credit;
- (a) the credit application and the submission of the utilization of credit;
 - (b) the records of undertaking of the borrower and guarantors which will be basically supported for the microfinance business;
 - (c) if it is the agreement signed by the person himself who shall obtain the micro-credit and matter collectively decided, the meeting minute agreed on such matter.
31. The microfinance institution shall, in providing micro-credit, carry out in accordance with the terms and conditions prescribed by the Supervisory Committee in order to protect and preserve the long term existence of its business.
32. The microfinance institution shall regularly notify their customers of the terms and conditions associated with their deposits and loans, including the annual rate of interest and the calculation method used. The Supervisory Committee shall determine the intervals at which such declaration shall be made and the forms to be used.
33. (a) The microfinance institution may, subject to compliance with the terms and conditions prescribed by the Supervisory Committee increase its capital by way of establishing of reserves.

- (b) A microfinance institution shall set aside 25 per cent of its profits, as prescribed by the Supervisory Committee, in a general reserve account until this account reaches 100 per cent of paid-up capital. The Supervisory Committee may also require microfinance institutions to make additional provisions against specific assets. Microfinance institution may also make additional provisions on their own initiative.
- 34. The microfinance institution shall be prohibited from engaging manipulative practices in order to obtain an unfair advantage for themselves or third parties.
- 35. The microfinance institution shall comply the provisions of the committee of Money Laundering Law.

Chapter X

Auditing, Reporting and Supervision

- 36. The Auditor shall be appointed to each microfinance institution by approval of Supervisory Committee.
- 37. The auditor of the microfinance institution shall have the following duties and responsibilities:
 - (a) preparing the audit report on the balance-sheet, profit and loss of account after having audited in accordance with the Myanmar Standards on Auditing and assessing and submitting in report whether the financial statements in such report adequately reflect the financial position of the institution and its solvency;
 - (b) notifying the activities which may cause the loss for the business and the defects and requirements of the accounts.
- 38. The microfinance institution shall be required to prepare periodic reports using the prescribed forms, providing sufficient information on their administrative and operational status, solvency, and profitability for an assessment of the stability of and trends in their financial position. The reports shall be prepared in accordance with the prescribed accounting standards.
- 39. The auditor's report and the balance-sheet for the financial year shall be published in the manner as prescribed and approved by the management committee and the shareholders, for public information.
- 40. The microfinance institution shall accept the inspection of the auditors appointed by the Supervisory Committee or inspectors assigned by the respective working committee. In inspecting so, auditors or inspectors may:
 - (a) examine the accounts and related documents, the books and other documents;
 - (b) ask supervisor, administrators, agents, personnel and members of the microfinance institution for information on any matter relating to its organization and operation.
- 41. The Supervisory Committee may have an Audit Committee comprising three members in a microfinance institution. The Audit Committee shall:

- (a) monitor whether the microfinance institution carries out in conformity with the prescribed terms and conditions or not. Moreover, it shall submit to the management committee the matters which it deems fit;
 - (b) give its opinion on the matters which are required by the management committee.
- 42. The Audit Committee shall meet ordinarily once in three months and extraordinarily when convened by the management committee. All members of the Audit Committee shall be present at such meetings and shall be no abstentions from voting. Decisions shall be taken by majority votes of the members.
- 43. The management committee of the microfinance institution may appoint or hire experts to assist the Audit Committee in relation with activities contained in section 40.

Chapter XI

Taking Action by Administrative Means

- 44. The Supervisory Committee shall, if the microfinance institutions, its members, shareholders, administrators, managers and personnel violate any of the provisions of this Law, pass the following administrative penalty:
 - (a) warnings;
 - (b) orders including those restricting the operations of microfinance institution,
 - (c) fines;
 - (d) temporary or permanent termination from duties in the microfinance institution;
 - (e) cancellation of the license to operate
- 45. The Supervisory Committee shall pass administrative penalties contained in section 44 against any person or any legal entity which violates any of the provisions contained in this Law by carrying out the activities prescribed under this Law to be performed only by the microfinance institution.
- 46. The person who is being taken action shall have the full right to defend. In addition, the person being taken action shall have the right of appeal to the Rural Development and Poverty Reduction Working Committee within 30 days from the date the penalty order is received. During the appeal period, the penalty shall be suspended. The decision of the Rural Development and Poverty Reduction Working Committee shall be final and conclusive.
- 47. The administrative penalties passed under this Law shall not preclude taking criminal action or civil action.
- 48. The person who is being passed penalty under section 44 shall compensate immediately to the microfinance institution or to other persons for any damages caused.

Chaper XII

Liquidation

49. The Supervisory Committee may determine the period to restore the normal situation if the situation occurs that may lose the deposits and capital fund of the persons in dealing with such institution as the situation is not in conformity with the minimum requirement to carry out the business of the relevant microfinance institution is not restored to normal within the specified period, the license to operate may be cancelled and my liquidate that microfinance institution in accordance with the stipulations.
50. Before passing the order of liquidation:
- (a) the body formed by the Supervisory Committee or the body formed by the relevant working committee with the approval of the Supervisory Committee shall investigate;
 - (b) the supervisory committee shall be render right to defend to the relevant microfinance institution under sub-section (a).
51. If the relevant body contained in sub-section (a) of section 50 submits that it should be liquidate, the Supervisory Committee shall order to liquidate the microfinance institution.
52. In liquidating the microfinance institution, the Supervisory Committee
- (a) may cause to carry out by handing over the administrative matters of such institution and until the liquidation has been completed by appointing a liquidator or by forming assigning the liquidation body consisting of suitable citizens.
 - (b) shall liquidate the receivable and payable of such institution

Chapter XIII

Prohibitions

53. The members, personnel and auditors of the microfinance institution shall not, without permission under the law, disclose or publish information which they have leaned in the performance of the financial activities and services, or allow such information to be seen or examined by another person.
54. No person shall carry out business of the microfinance institution without a license to operate
55. Any member or personnel of the Supervisory Committee and relevant working committee shall not, without permission under the law, disclose or publish information which they have learned in the performance of the duties, or allow such information to be seen or examined by another person.

Chapter XIV

Offences and Penalties

56. Any member, personnel and auditor of the microfinance institution who violates the prohibition under section 53 shall, on conviction, be punished with fine or with imprisonment for a term not exceeding two years or with both.
57. Any person who violates the prohibition under section 54 shall, on conviction, be punished with fine or with imprisonment for a term not exceeding five years or with both.
58. Any member or personnel of the Supervisory Committee and respective working committee who violates the prohibition under section 55 shall, on conviction, be punished with fine or with imprisonment for a term not exceeding two years of with-both.

Chapter XV

Miscellaneous

59. The member, who is not civil service personnel, included in the Supervisory Committee is entitled to receive the remuneration prescribed by the Union Government or the member, who is not civil service personnel, included in the working Committee is entitled to receive the remuneration prescribed by the relevant Region or State Government and Nay Pyi Taw Council.
60. The microfinance institution shall have the right to carry out under its own seal, as a legal entity having perpetual succession, capable of suing and being sued.
61. Notwithstanding anything contained in the Registration Act, the instruments executed in respect of micro-credit extended by the microfinance institution shall be exempted from registration and from payment of stamp duty under the existing Law.
62. Levying tax on the microfinance institution shall be subject to existing laws.
63. The offences contained in section 56 and section 58 are prescribed as cognizable offences.
64. In taking legal action under section 56, 57 and 58 the prior sanction of the Supervisory Committee shall be obtained.
65. The institutions which performing the microfinance business before the enactment of this law desirous to continue to carry out the microfinance business under this Law shall apply for the license to operate within three months from the date of the enactment of this Law in accordance with the provisions of this Law.
66. The activities carried out to complete liquidation within the stipulated period with the permission of the Supervisory Committee relating to the microfinance business before the enactment of this Law shall not be applied with section 54.
67. For the purpose of carrying out the provisions of this law:
 - (a) the Ministry shall undertake the responsibilities to carry tout the office works of the Supervisory Committee and bear the expenses.
 - (b) the respective Region or State Government and Nay Pyi Taw Council shall undertake the responsibilities to carry out the office works of the Working Committee and bear the expenses.

68. In implementing the provisions contained in this Law:

- (a) the Ministry may, with the approval of the Union Government, issue necessary rules, regulations or by-laws and issue necessary orders, directives and procedures;
- (b) the Supervisory Committee and the respective working committee may issue necessary orders and directives.

I hereby sign under the Constitution of the Republic of the Union of Myanmar

Sd/Thein Sein

The President

The Republic of Union of Myanmar