

**The Government of the Republic of the Union of Myanmar**

**Ministry of Finance and Revenue**

**Office of the Ministry**

**Notification No. 277/2011**

**13<sup>th</sup> Waning of Nataw, 1373 M.E, Naypyitaw**

**23<sup>rd</sup> December 2011**

In exercising the power conferred upon it by virtue of section 68, sub-section (a) of the Microfinance Law, the Ministry of Finance and Revenue hereby issues these procedures relating to microfinance activities.

**Chapter 1**

**Microfinance Supervisory Committee**

**Formation**

1. The Microfinance Supervisory Committee was formed under notification No. 58/2011 dated 22-12-2011 by the Government of the Republic of the Union of Myanmar consisting of 30 members with the Union Minister as Chairman.

**Functions, Duties and Powers**

2. The functions, duties and powers of the Microfinance Supervisory Committee are those stipulated in sections 7 and 8 of the Microfinance Law.

**Business License**

3. The Microfinance Supervisory Committee shall, regarding the issuance of microfinance business licenses, do the following –
  - (a) The Microfinance Supervisory Committee shall issue or refuse to issue the license within 30 days from the day of having received the application, after having scrutinized the information provided by the applicant in the application form and the feasibility study conducted by the institution desirous of operating the microfinance business;
  - (b) If the Microfinance Supervisory Committee has the impression that the institution which applied for the business license uses a name which causes the public to err as to the shareholders and the true situation of the activities, it may refuse to issue the license;
  - (c) The Microfinance Supervisory Committee shall notify the fact in the Myanmar Gazette when it issues or revokes a business license of a microfinance institution;

- (d) The Microfinance Supervisory Committee shall revoke the business license of a microfinance institution if any of the following situations arise –
- (1) Failure to contribute the specified minimum paid-up capital during the stipulated time;
  - (2) failure to refill the paid-up capital if it dropped below the minimum paid-up capital due to the business having generated losses during the stipulated time;
  - (3) voluntary liquidation; liquidation order;
  - (4) disappearance of the original microfinance institution due to a merger or split-up;
  - (5) failure to follow the instructions and directives issued by the Microfinance Supervisory Committee and the Microfinance Development Committee of a Regional or State Government or the Naypyitaw Council.
- (e) If a Microfinance Development Committee of a Regional or State Government or the Naypyitaw Council submits that a microfinance institution wants to merge with another microfinance institution or split up, permission may be granted;
- (f) If a Microfinance Development Committee of a Regional or State Government or the Naypyitaw Council submits that a microfinance institutions wants to open a branch office, move the location of the business or terminate the business, the Microfinance Supervisory Committee may grant permission.

**Allowed activities**

4. The Microfinance Supervisory Committee may allow the microfinance institution to engage in the following activities –
- (a) extending micro-credits;
  - (b) accepting deposits;
  - (c) carrying out remittances;
  - (d) engaging in insurance business;
  - (e) borrowing from a local or foreign lender;
  - (f) carrying out other financial activities.

**Auditors**

5. The Microfinance Supervisory Committee shall do the following concerning the appointment of auditors -
- (a) The microfinance institution shall appoint an auditor who is approved by the Microfinance Supervisory Committee;

(b) The Microfinance Supervisory Committee may appoint suitable auditors to examine the microfinance institution. These auditors may perform the following tasks –

- (1) The accounts of the microfinance institution, the relevant documents, books and other documents may be audited;
- (2) Supervisors, managers, representatives, employees and members of the microfinance institution may be asked to provide data concerning its establishment and business operations.

#### **Formation of the Auditing Committee**

6. The Microfinance Supervisory Committee may form a committee for auditing microfinance institutions consisting of 3 members.

#### **Administrative actions**

7. The Microfinance Supervisory Committee shall, if the microfinance institution, its members, shareholders, administrators, managers or employees violate any of the provision of this law, take the following administrative actions –
  - (a) warning;
  - (b) orders, including orders restricting the operation of microfinance institution;
  - (c) fines;
  - (d) temporary suspension or permanent removal from duties in the microfinance institution;
  - (e) revocation of the business license.
8. The Microfinance Supervisory Committee shall take the administrative actions contained in the above para. 7 against any person or any legal entity who or which violates any of the provisions contained in this law by engaging in activities that may only be performed by microfinance institutions according to this law.

#### **Liquidation**

9. The Microfinance Supervisory Committee may specify a time period during which the microfinance institution must restore the normal situation if customers risk losing deposits and funds due to the microfinance institution not meeting the minimum requirements to carry out microfinance business. If the situation is not restored to normal during this period, the business license may be revoked and the microfinance institute may be liquidated in accordance with the stipulations.
10. Before passing the order of liquidation –

- (a) A body formed by the Microfinance Supervisory Committee or, if approval from the Microfinance Supervisory Committee is obtained, by the Microfinance Development Committee of a Regional or State Government or the Naypyitaw Council shall investigate;
  - (b) The Microfinance Supervisory Committee shall allow the microfinance institution to defend itself.
11. If the body specified in para. 10 above submits that the microfinance institution should be liquidated, the Microfinance Supervisory Committee shall order the liquidation.
12. When liquidating the Microfinance Institution, the Microfinance Supervisory Committee –
- (a) may appoint a liquidator or form a liquidation body composed of suitable citizens to which the administrative matters of the institution are entrusted until the liquidation is complete;
  - (b) shall cause the settlement of the receivables and liabilities of such institution.

#### **Prohibitions**

13. No member or personnel of a microfinance institution shall, unless he is permitted to do so by law, disclose or announce information which he has acquired in the performance of the services, or allow such information to be seen or examined by another person.

#### **Offences and Penalties**

14. Any member or employee of a microfinance institution who violates the prohibition contained in para. 13 shall, on conviction, be punished with the penalty contained in section 58 of the Microfinance Law.

#### **Miscellaneous**

15. Any member, employee or auditor of a microfinance institution or the Microfinance Supervisory Committee and any member or employee of a Microfinance Development Committee of a Regional or State Government or the Naypyitaw Council who violates the prohibition specified above or carries out the activities of a microfinance institution without a license shall be prosecuted. In such matter the Microfinance Supervisory Committee's prior approval must be obtained.
16. The Microfinance Supervisory Committee may issue required orders and directives.

## Chapter 2

### **Formation of the Microfinance Development Committees of the Regional or State Governments or the Naypyitaw Council**

17. Microfinance Development Committees of the Regional or State Governments or the Naypyitaw Council shall be formed under section 9 of Microfinance Law.

#### **Functions and Duties**

18. The functions and duties of the Microfinance Development Committees of the Regional or State Governments or the Naypyitaw Council are those specified in section 10 of the Microfinance Law.

#### **Appointing Inspectors and Assigning Duties to Them**

19. The Microfinance Development Committees of the Regional or State Governments or the Naypyitaw Council shall appoint suitable persons as inspectors who shall examine the microfinance institutions.

#### **Prohibitions**

20. No member or employee of the Microfinance Development Committees of the Regional or State Governments or the Naypyitaw Council shall, without permission, disclose or announce information which he has acquired in the performance of his duties, or allow such information to be seen or examined by another person.

#### **Offences and Penalties**

21. Any member or employee of the Microfinance Development Committees of the Regional or State Governments or the Naypyitaw Council convicted for having violated the prohibition contained in para. 20 shall be punished with the penalties specified in section 58 of the Microfinance Law.

#### **Miscellaneous**

22. The Microfinance Development Committees of the Regional or State Governments or the Naypyitaw Council may issue required orders and directives.

## Chapter 3

### **Myanma Microfinance Supervisory Bureau**

#### **Function and Duties**

23. The Myanma Microfinance Supervisory Bureau shall perform the following duties regarding microfinance activities –

- (a) scrutinizing the applications to be permitted to engage in microfinance business submitted to the respective Microfinance Development Committee;
- (b) prescribing the formats of accounts and forms of reports to be used by microfinance institutions;
- (c) supervising and field-inspecting microfinance institutions;
- (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 Microfinance Supervisory Committee and the respective Microfinance Development Committee from time to time.

#### **Miscellaneous**

24. The Myanmar Microfinance Supervisory Bureau shall also have the responsibilities and carry out the work arising out of or in connection with the performance of functions and duties conferred under this law.

### **Chapter 4**

#### **Microfinance Institutions**

##### **Institutions which can engage in microfinance activities**

- 1. The following institutions formed under a law in force such as the Myanmar Companies Act, Co-operative Societies Law or Organizational Law, may apply for a business license to carry out microfinance activities –
  - (a) domestic and foreign institutions;
  - (b) partnerships;
  - (c) companies;
  - (d) co-operative societies;
  - (e) banks and the non-banking financial institutions.

##### **Management Committee; Memorandum of Association and Articles of Association**

- 2. The following items shall be completed before applying for the business license –
  - (a) Memorandum of association and articles of association must be drawn up;
  - (b) formation of the management committee which is to manage the microfinance institution in accordance with the memorandum of association and articles of association;

- (c) members of the management committee must have obtained the qualifications prescribed by the Microfinance Supervisory Committee as required.
- 3. The management committee may delegate its powers to the relevant responsible person at the microfinance institution.
- 4. The management committee may appoint or hire experts to assist the auditing committee.
- 5. If it is intended to amend the memorandum of association and articles of association, this may be done after prior permission from the Microfinance Supervisory Committee has been obtained.

### **Types of Microfinance Institutions**

- 6. There are the following categories of microfinance institutions –
  - (a) **Non-deposit taking microfinance institutions**

Non-deposit taking microfinance institutions may extend micro-credits from funds collected by other means than soliciting deposits from the public or requesting members to have savings with the microfinance institution when they apply for a micro-credit.
  - (b) Deposit-taking microfinance institutions may extend micro-credits from funds collected by other means than soliciting deposits from the public or requesting members to have savings with the microfinance institution when they apply for a micro-credit, and from funds derived from the voluntary deposit of savings.

### **Types of Activities**

- 7. The following activities may be conducted with the permission of the Microfinance Supervisory Committee –
  - (a) extending micro-credits;
  - (b) accepting deposits;
  - (c) carrying out remittances;
  - (d) carrying out insurance business;
  - (e) borrowing from domestic and foreign sources;
  - (f) carrying out other financial activities.

### **Business Licenses**

- 8. With regard to business licenses, the following points shall be observed –
  - (a) An institution desirous to engage in microfinance activities shall submit the application for a business license together with a feasibility study to the Microfinance Development Committee of the relevant Regional or State Government or the Naypyitaw Council;

- (b) it shall not be transferable;
- (c) An institution having obtained a business license shall commence operations within 6 months from the day of obtaining the license;
- (d) Institutions which validly engaged in microfinance activities before the enactment of the law shall apply for a business license within 3 months from the day of the enactment of the law;

#### **Paid-up Capital**

- 9. The microfinance institution shall follow the minimum paid-up capital requirements prescribed by the Microfinance Supervisory Committee according to the type of the microfinance institution.
- 10. Regarding the paid-up capital, the following points shall be observed –
  - (a) Depositing the minimum paid-up capital according to the microfinance institution type:  
The capital must be deposited in cash. It can be sent by wire transfer from any other bank;
  - (b) The paid-up capital must be deposited in an account of the Microfinance Supervisory Bureau at the prescribed branch of Myanmar Economic Bank in the respective region or state or in Naypyitaw;
  - (c) The paid-up capital may be withdrawn only after Microfinance Supervisory Committee has issued the business license;
  - (d) The microfinance institution may be allowed to increase its paid-up capital by establishing a reserve fund in the prescribed form;
  - (e) A microfinance institution shall place 25% of the net profit in the general reserve account in accordance with the stipulations of the Microfinance Supervisory Committee until there is an amount in the general reserve account equivalent to 100% of the paid-up capital. A microfinance institution may form additional reserves on its own initiative in accordance with the instructions from the Microfinance Supervisory Committee.

#### **Interest**

- 11. The microfinance institution shall follow the stipulations of the Microfinance Supervisory Committee on interest for deposits and loans.

#### **Application fees**

- 12. A microfinance institution shall pay fees for the use of government services as prescribed by the Microfinance Supervisory Committee –



- (a) Application fees for setting up branch offices, transferring the place of business, termination of the business;
- (b) Application fees for changing the type of business.

#### **License Fees**

13. A microfinance institution shall pay the following license fees prescribed by the Microfinance Supervisory Committee –

(a) **Initial license fees**

The microfinance institution shall pay the prescribed license fees within 15 days from the receipt of the business license;

(b) **Annual license fees**

The prescribed annual license fees shall be paid in April for each financial year;

- (c) If the paid-up capital is increased, the license fees increase accordingly.

#### **Extending micro-credits**

14. The microfinance institution shall observe the following points when extending micro-credits –

- (a) The microfinance institution shall request the submission of an application for a micro-credit which must state for what purpose the applicant intends to use the money;
- (b) The microfinance institution shall request an undertaking from the guarantor of the recipient of the micro-credit;
- (c) The microfinance institution shall request the recipient of the micro-credit to sign an agreement and shall request the record of collective decision.

15. The microfinance institution shall, when extending a micro-credit, follow the rules prescribed by the Microfinance Supervisory Committee to ensure the long-term existence of the microfinance institution.

#### **Other Items to Observe**

16. The microfinance institution shall regularly inform about the following particulars –

- (a) The condition relating to deposits and credits;
- (b) The Microfinance Supervisory Committee shall notify the time intervals and forms to be used when communicating the interest and its calculation.

17. The microfinance institution shall not engage in incorrect practices in order to unfairly acquire opportunities for its organization or other persons.

18. The provisions of the Control of Money Laundering Law shall be complied with.

19. The microfinance institution shall use the specified forms for accounting and business performance reports which are to be submitted to the Myanmar Microfinance Supervisory Bureau (Head Office) where they are then kept.
20. The microfinance institution shall submit the business performance reports in accordance with the specifications to the Microfinance Development Committee of the relevant Regional or State Government or the Naypyitaw Council.

#### **Appointing Auditors**

21. The microfinance institution shall appoint an auditor with the approval of Microfinance Supervisory Committee. The auditor shall prepare an audit report on the balance sheet and the profit and loss statement after having audited them in accordance with the Myanmar standard on auditing and assessing and shall report whether the financial statements reflect the financial position of the institution and its solvency. He shall point out activities which may cause losses for the business and defects and requirements of the accounts.

#### **Formation of the Auditing Committee**

22. The microfinance institution shall form an auditing committee in accordance with the instructions of the Microfinance Supervisory Committee. The auditing committee shall –
  - (a) monitor whether the microfinance institution carries out its business in conformity with the prescribed terms and conditions;
  - (b) submit to the management committee the matters which it deems fit;
  - (c) give its opinion on matters which the management committee must know about;
  - (d) meet ordinarily once in 3 months;
  - (e) convene extra-ordinary meetings when required;
  - (f) the members of the auditing committee must be present at such meetings and may not abstain from voting;
  - (g) decide by the majority of the votes of the members.

#### **Undergoing Auditing**

23. The microfinance institution shall undergo auditing by auditors appointed by the Microfinance Supervisory Committee and auditors assigned to this duty by Microfinance Development Committee of the relevant Regional or State Government or the Naypyitaw Council.

#### **Administrative action**

24. If members, shareholders, administrator, managers or personnel of the microfinance institution violate any of the provisions of this law, the following administrative actions may be taken –
- (a) Warning;
  - (b) orders, including orders restricting the operation of microfinance institution;
  - (c) fines;
  - (d) temporary suspension or permanent removal from duties in the microfinance institution;
  - (e) revocation of the business license.
25. A person against whom administrative action is taken shall have the right to defend himself.
26. He shall have the right of appeal to the Rural Development and Poverty Reduction Committee within 30 days from the date on which the order specifying the administrative action is received.

#### **Revocation of the Business License**

27. The business license of the relevant microfinance institution shall be revoked if any of the following conditions arises –
- (a) failure to contribute the minimum paid-up capital to the microfinance institution within the stipulated time;
  - (b) failure to refill, within the stipulated time, the paid-up capital if it dropped below the minimum paid-up capital due to the business having generated losses;
  - (c) voluntary liquidation; liquidation order;
  - (d) disappearance of the original microfinance institution due to a merger or split-up;
  - (e) failure to follow the instructions and directives issued by the Microfinance Supervisory Committee and the Microfinance Development Committee of a Regional or State Government or the Naypyitaw Council.

#### **Liquidation**

28. The microfinance institution may be liquidated if any of the following occurs –
- (a) The microfinance institution does not meet the minimum requirements to carry out microfinance business;
  - (b) Customers risk losing deposits or funds.
29. Before passing an order to liquidate the microfinance institution, the Microfinance Supervisory Committee or, upon approval by the Microfinance Supervisory Committee, the

Microfinance Development Committee of the respective Regional or State Government or the Naypyitaw Council shall investigate. The microfinance institution shall have the right to defend itself.

### **Prohibitions**

- 30. No member, personnel or auditor of a microfinance institution shall, unless he is permitted to do so by law, disclose or announce information which he has acquired in the performance of his services, or allow such information to be seen or examined by another person.
- 31. No person shall engage in the business of a microfinance institution without a business license.

### **Offence and Penalty**

- 32. Anyone who violates the provision under para. 54 shall be subject to the penalties under section 56 of the Microfinance Law.
- 33. Anyone who violates the provision under para. 55 shall be subject to the penalties under section 57 of Microfinance Law.

### **Miscellaneous**

- 34. The Microfinance Institution shall have the right to carry out its business under its own seal, as a legal entity having perpetual succession, capable of suing and being sued.
- 35. Notwithstanding anything contained in the Registration Act, instruments executed in respect of micro-credits extended by a microfinance institution shall be exempted from registration and from payment of stamp duty under the existing laws.
- 36. Taxes shall be levied on the microfinance institution in accordance with the existing laws.

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Ministry of Finance and Revenue

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