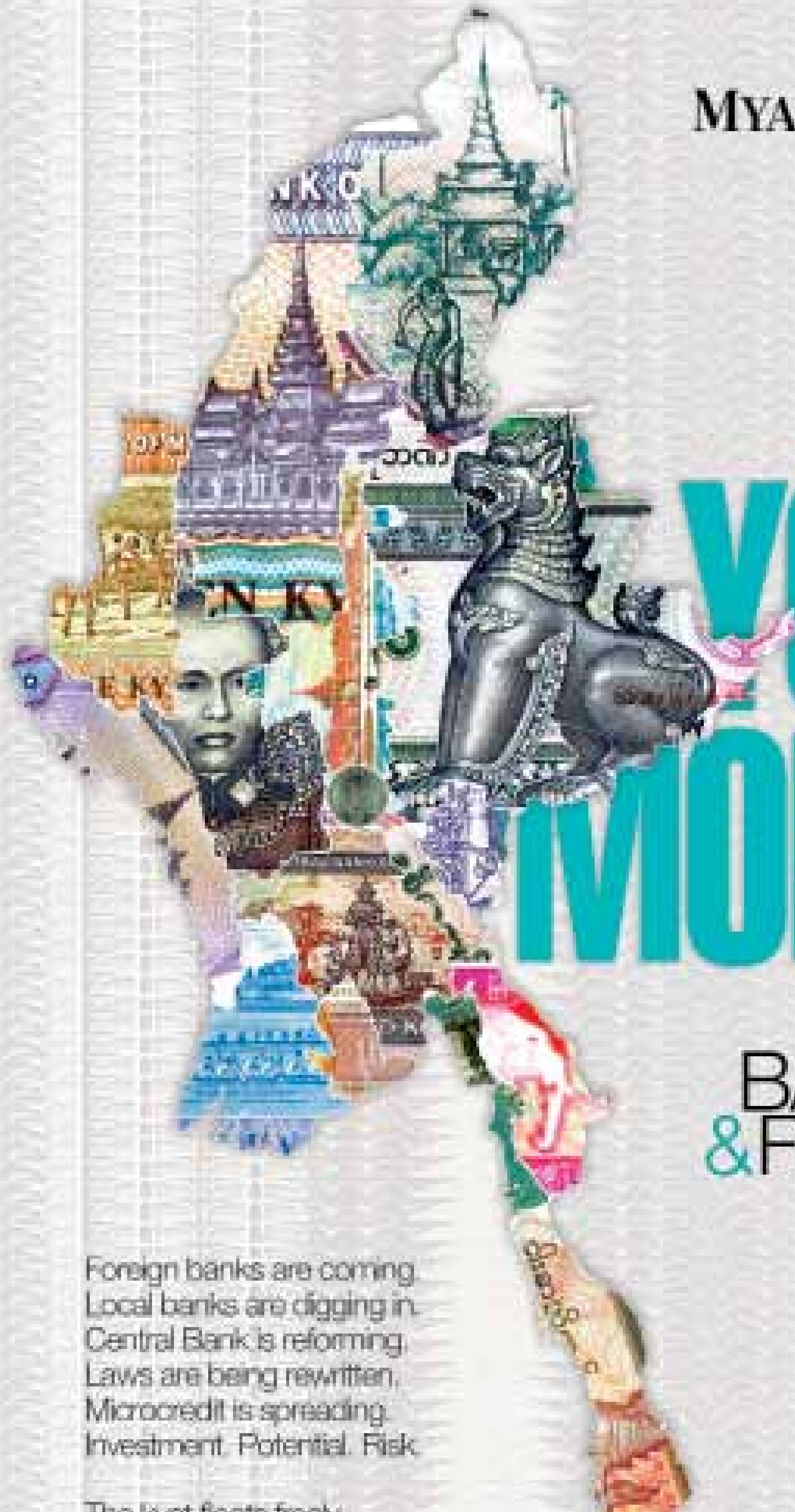
MYANMAR TIMES



YOUR MONEY

BANKING & FINANCE 2014

Foreign banks are coming.
Local banks are digging in.
Central Bank is reforming.
Laws are being rewritten.
Microcredit is spreading.
Investment. Potential. Risk.

The kyat floats freely.
The time has come.

The issue at hand...

Staff writers Wade Guyitt, Myo Lwin, Aung Shin, Jeremy Mullins, Aye Thidar Kyaw, Zaw Htike, Stuart Alan Becker, Mabel Chua, Su Phyo Win, Nyan Lynn Aung, Sandar Lwin, Mya Kay Khine, Tin Yadanar Htun, Leanne Aung, Mon Mon Aye

Contributers Joe Barker-Bennett, Roger Mitton, Lau Sim Yee, U Aung Thaung, Sean Turnell, Edwin Vanderbruggen, Sebastian Pawlita, Yi Yi Mon, Bandi Ram Prasad, William Aung

Editors Myo Lwin, Wade Guyitt

Sub editor Mya Kay Khine Soe

Photography Yu Yu, Boothee, Zarni Phyo, Ko Pyaee, Aung Htay Hlaing, Kaung Htet, Ko Taik, Lwin Maung Maung, Hsu Hlaing Htun, Htin Kyaw

Cover design Ko Htway and Wade Guyitt

Page layout Ko Khin Zaw

For feedback and enquiries, please contact
wadeguyitt@gmail.com, myolwin286@gmail.com

Numbers at a glance


Photo: Yu Yu

1 Central Bank of Myanmar

4 state banks

11 government-backed private banks

11 wholly private banks

42 foreign banks (representative offices only)

5-10 foreign banks to be licensed for branches later this year

189 microfinance institutions (MFIs)

7490 co-operatives

1 state insurer

12 private insurance firms

13 foreign insurance firms (representative offices only)

1842 licensed pawnshops

184 state-owned pawnshops

~400,000 unregulated moneylenders

countless under-the-radar small-scale operators

Sources: Central Bank of Myanmar; *MAP Myanmar Synthesis Note 2014* (citing various sources)

From the editors' desk


WADE GUYITT AND MYO LWIN


KNOWING we were preparing a special supplement on banking and finance, a business-savvy friend of ours recently sent us a humorous email. "I've changed my opinion about banks," he wrote. Turns out he had just returned to his desk after discovering the hard way that his own bank "closes at 2pm on payday". His message ended with a two-syllable word which, for the good of our publishing licence, we won't reprint here.

The comment was in jest – our friend remains a great proponent of banking in Myanmar – but the sentiment is not. Time, as they say, is money, and no one likes having either wasted. Setting off to withdraw a portion of one's monthly pay should be the most rewarding, trouble-free experiences a bank can offer a customer – a validation of one's labour and one's place in the national economy. Finding out one's branch has closed early, on the very day it is most in demand, inspires rather the opposite. It's also a drain on productivity – as is having banks that open Monday through Friday during working hours, meaning customers must take time off work to visit them.

Quibbles aside, though, our friend would be the first to admit that having his pay routed through a bank at all shows a great transition is now afoot across the land. It is true that 95 percent of the population remains unserved by formal financial institutions. But these institutions are now in a period of dramatic change which promises to see their reach – and the benefits they provide – expand astoundingly in the coming years. So it's important to keep momentary frustrations in context.

That's why, for this supplement on banking and finance, we've chosen to present a historical timeline along the bottom of each page, to show how the events of the last 150 years underlie all the issues dealt with above.

Why do people place so little trust in banks? Why is most investment in gold, jewellery, real estate? Why aren't savings habits more developed? It turns out the causes date as far back as the 1800s – and to the whole span of Myanmar's tumultuous history since.

The timeline also shows why, at long last, it is time to look forward. After 150 years of frustration and dashed hopes, progress since 2011 offers unexpected optimism.

Private banks are modernising; foreign banks are entering; microfinance is filling gaps in rural areas – all necessary to meet global standards. And a vibrant, competitive market spells good news for customers. Competition means choice, giving the public the edge over institutions – something too long missing in an over-passive industry.

This does come with caveats, of course. Modernisation is slow; foreign bank engagement will be limited; microfinance needs more capital. We aren't there yet.

But if these commitments keep on strengthening, the results really will bring life-changing benefits to those who need them – not just in Yangon, Mandalay or Nay Pyi Taw but most importantly among the underrepresented rural majority, whose enfranchisement or lack thereof is the real factor in the nation's future.

Along with our first Banker of the Year award, we're excited to provide a look at every one of the 26 banks operating in the country. Many of them were happy to open their books for our readers as never before.

That said, some banks remained cautious. And others may not have received the requests we sent. To any banks left out, we apologise and will be happy to present a full portrait of your organisation in our regular weekly business section in future.

One thing this survey taught us, though, is that finding even basic bank contact details is sometimes a struggle.

And if a newspaper cannot easily contact a bank – not even with internet access, mobile phones, personal contacts to lean on and the weight of the press (hopefully) lending urgency to its inquiry – how can the average individual or business hope to get in touch?

Still, it's not too late. The single piece of advice we would offer to the entire financial sector is this: Start by making yourselves available.

No more closing early on payday (or any other day the public needs you). Make your addresses, phone numbers, emails, faxes and opening hours clearly accessible. Put up websites – even if they list nothing more than the best ways to reach you.

It is a simple start – perhaps the easiest of all the challenges you face in the future – but it may be one of the most important steps you will take in your worthy bids to bring the people of Myanmar into a more stable economic future.

Good luck. We look forward to checking up on you again next year. ■

ABOUT OUR SOURCES

We are extremely grateful to all the experts who consented to interviews or contributed articles. We have also drawn statistics from the following helpful sources.

Central Bank of Myanmar

***Myanmar's Financial Sector: A Challenging Environment for Banks* (GIZ, 2013)**

***Making Access Possible* UNDP report and associated Myanmar FinScope Survey 2013**

***Fiery Dragons: Banks, Moneylenders and Microfinance in Burma.* Sean Turnell (2009)**

Errors and omissions are our own.

HOW WE GOT HERE: A timeline of Myanmar's financial history, 1861-2015

1826

First Anglo-Burmese war brings part of Burma under British Empire. Alongside British troops, Indian moneylenders called Chettiars – members of an ethnic group specialising in finance – arrive. In the coming century, Chettiars would spread as far as British India did, introducing many lending and bookkeeping innovations and employing the hundi system of informal remittance. By 1930 there were 1650 offices country-wide, making them the primary financial movers of Burma under British rule, more important than any official financial entity prior to World War II.

CONTINUES PAGE 4

Five-year predictions

What's to come and how society will change

Joe Barker-Bennett is a consultant at Tun Foundation Bank (which has the same majority owner as *The Myanmar Times*)

Assuming no financial sanctions, an interbank online payment system and the Central Bank quickly deregulating the banking industry (interest rates, loan security requirements and product range), we'll see a banking system similar to other ASEAN countries but with some interesting differences.

A huge reduction in cash. Most payments made online or through SMS phone-banking, with the telcos big players. No credit cards (done by phone). Small branch and ATM networks. The tens of thousands of convenience shops will be the main means to access bank accounts and cash, through SMS banking/mobile money, particularly up-country.

We will end up with about six main local banks, who embrace technology, new products and improved customer service. Banks reluctant or slow to change will be marginalised.

For Myanmar's long-term future the country needs a strong local banking industry, as they best serve the needs of all the local businesses and people. To compete, local banks need time to modernise before foreign banks enter. This policy has been followed in every ASEAN country. If foreign banks enter too soon their technology, capital and "know how" means that they will dominate the banking market. However their focus will be on profitable big foreign and local businesses. Thus banking would be too focused on big business and not enough at SMEs and people. Also this early competition means local banks would be much smaller than otherwise, and less able to serve local needs. ■

Roger Mitton is a Southeast Asia regional analyst based in Bangkok, where he writes a weekly column for *The Myanmar Times*

Remember *Wall Street: Money Never Sleeps*? It won't here either. Money attracts money – as some pretty wacky Caribbean islands have proved – and Myanmar will be no different. It could happen fast.

The financial sector will be much more developed in five years, partly because it is a less demanding sector to get up and running, and partly because international support is already under way.

The limiting factors are the lack of consistent and reliable legislation (such as for establishing a stock exchange) and the time-consuming need to train competent personnel.

Provided there is political stability, banks should reach a high coverage in urban centres and a good spread in many rural areas in five years. It is already starting, and people are incrementally learning to trust local banks.

Only doltish ministers, misguided bureaucrats and corrupt cronies can stop this process continuing. Unfortunately, there are plenty of those around in Myanmar, so perhaps hedge your bets at least till after the elections.

As for social changes, it's not financial services and money that caused problems in the past, but rather the lack of them and all they can do in this dog-eat-dog world. Still, most Myanmar folks are pretty easy-going and not as obsessed with lucre as the Chinese, Singaporeans and Vietnamese are. So the "reappearance" of money and the services that go with handling it should be mostly normalising and positive.

Human nature means some negative effects will follow: soaring consumer credit, wild speculation, corporate gambling etc. But local culture will likely mitigate against such excesses – in the near future at least. ■

Lau Sim Yee is a director at Myanmar Economic Resources International, an independent think tank based in Yangon

Let's look still further ahead. By 2025, smaller private commercial banks would have merged in order to enhance competitiveness and economies of scale. Volume of foreign direct investments would have increased impressively and thus banking operations by foreign banks from key trading partners would have been permitted. However, foreign banks would likely be restricted to catering their clients' operations in order to protect local banks.

A road map to consolidate and transform four state banks into specialised development financial institutions would be put in place but their capacity to channel resources to strategic development sectors would still be limited. Semi-government-owned commercial banks could be consolidated to focus on specialised groups of clients.

The capital market would remain at a rudimentary stage because the regulatory capacity, corporate governance and transparency will still be weak. Inadequate capacity in human resources in terms of professional knowledge and practical experiences is likely to remain one of the weakest dimensions in the financial sector.

All this growth, however, will not necessarily be inclusive, because it might not benefit the poorer segments of society, who will be excluded from accessing it.

In particular, farmers, low-income labourers, small-business owners, and other individuals and households who do not own lands or assets are not likely to have access to credit from formal financial institutions. Credit accessibility will therefore be skewed in favour of wealthier individuals and households who have assets for loan collateral. ■


Photos: Boothee

U Zaw Zaw

Banker with a clear vision

“

His energy and drive mark him out from a conservative field. By any definition that is a mightily impressive performance. We find him to be an inspirational businessman – and, not coincidentally, a man who is open and forthright in sharing his views for the improvement of the industry with his colleagues and the media. That is often a rare quality in Myanmar.

Ross Dunkley, editor-in-chief of *The Myanmar Times*, explains why U Zaw Zaw was the top choice for this year's "Banker of the Year" award

Ayeyarwady Bank

Customers:	**200,000**
Branches:	**74**
ATMs:	**150**
Staff:	**3000**
Capital:	**K65 billion**
Deposits:	**K1 trillion (US$1 billion)**

Ranking by deposits: **3rd**
("Our deposits are now close to CB Bank's. They are 23 years old; we are only four years old.")

Photos: Zarni Phyo

On foreign banks...

Aung Shin, *Myanmar Times*: Let's talk first about the foreign banks' arrival.
U Zaw Zaw, Ayeyarwady Bank: We have been a long way behind other countries. So if the foreign banks are coming to Myanmar for investment, we are going to get better services. I want there to be more flexible ways for both local banks and foreign banks, without any trouble for anyone. The foreign banks are going to be allowed in limited areas of services which our local banks cannot do yet. That's why I have nothing to say.

'I don't aim for this to belong to me, to only be profitable for me.'

How foreign banks will be allowed, under what kind of regulation, is important. Our Central Bank should take on international experience. Rights and regulations are also our country's resources.

One day, our local banks have to reach the regional market. We have to prepare for that. That is why the regulations should be reliable. It won't always be that foreign banks are here to help at the moment we cannot. One day the causes can change.

'I have a policy not to recruit staff who have left other banks. I want to build our own way.'

Right now the government has formed a selection committee for allowing and regulating foreign banks.
These institutions have international advisors such the IMF [International Monetary Fund] and the World Bank.

One thing to consider is whether or not we accept advice from any third party who wants to do business here. We have to accept the most suitable advice – the consultancy that's most advantageous for our country.

Can the Myanmar Banks Association make suggestions?
It can advise. Finally, though, the Central Bank will decide for itself. They have a lot of consultants. And also they have to submit regulations to parliament.

How are local banks taking this? Are they worried?
I can't speak for all local banks. One thing is that we expect regulations to meet the criteria set when we allowed foreign banks. I think Central Bank should have greater capacity to regulate the sector after allowing foreign banks. Right now there are some inappropriate rules relating to local banks. When it has to deal with foreign banks also, the regulations should be more advanced, and that will advance the products and development of the country. Actually there must be competition if we want development. The competition is how we will prepare.

Regulations and policy are the most important things in the banking sector. Those are our resources. If you get something wrong, the whole economy will suffer.

Would Ayeyarwady Bank take on a foreign partner?
It is not clear yet. If they allow foreign banks into the entire banking sector, they might allow joint ventures.

Are you collaborating with any foreign banks?
I have alliance partners. There are a number of MoUs [memorandums of understanding] that have been signed with foreign banks for exchanging information, human resources training. We have opened accounts in worldwide banks and have strategic partnerships with foreign banks too.

On the stock market...

What have you learned after four years with Ayeyarwady?
I like the financial sector very much. It is very, very important to developing the economy as a whole. Banking, insurance, investment, capital – these are four major issues in the economy. If you go to a capital market, it is not just about having a stock exchange. It is important who is going to be listed.

What would listing show?
It's about transparency: accountability, credibility. Then companies pay tax, and they have to show everything. Also you need security, trade share. So who is going to do the whole infrastructure? Who is going to implement the whole system?

'All the local bank owners are like my big brothers.'

You don't think it can happen?
It can happen. But how many can be listed? How can our people be made aware of the market? Of course, it can be done.

Would you list your company in the upcoming stock market?
Of course I want to be. I am very interested in publicity for my company. If you look at Laos or Cambodia, how it has been done there – if it can be trusted, I would do it. I think if you want to go to a stock exchange, the most important thing is becoming a global company, meeting international standards. And also you need corporate governance. Without this, you can't go. If everything is decided by one boss, how it can be a stock exchange? If people trust it, they will buy it. We need independent governance.

EXCLUSIVE

On the domestic landscape...

What are the targets for domestic banks? What are the risks?
Mainly it is all about the economy. The entire sector is high-risk. But it is also very important. One day we may be able to lend to anyone, any business. That means business must be transparent.

Are domestic banks profitable now?
Yes, our banks are making profit. But the volume that we are doing right now is still small. Our banks are still young, at the building stage. The object is to figure out how we can give services to our customers. And how we can enlarge our business to the regional market. I want to have the same infrastructures that regional banks do. And I want to go to a cashless banking system. Now that the country is developing its telecom sector, it helps our banks develop. We can do e-banking.

I want modern banking and I want to support customers and businesspeople with various products. And I am quite happy to support employment here in this country with our banks. In every country, GDP [gross domestic product] and per capita income are important. I'm investing in human resources for the future.

Right now the combined deposits of all domestic banks here match those of just one regional bank.

'There must be competition if we want development. The competition is how we will prepare.'

That's because of our economy. It is still small. You see the trade balance; it is around US$6 billion or $8 billion. Ayeyarwady Bank has only $1 billion; the other regional banks have around $45 or $50 billion. That shows the fiscal amount flowing in our economy.

Some may think local banks do not invest their full attention on banking, and are too wrapped up in other businesses. It is not true. The economy is just really small. The size of local banks is small because of the economy.

Are there enough domestic banks to meet the need?
No, the number of local banks is still quite low. Our banks should be covering the whole country. We can make more business for young entrepreneurs if we have capital investment, technology, ideas and creativity. No one can get rich without deposits at the bank. The Central Bank should promote domestic banks, bringing new reliable regulations to create better opportunities in economic development. On the other side, there are also risks in the economy. Yes, we have to balance this way.

How is the competition among local banks right now?
All the local bank owners are like my big brothers. We are all friendly and helpful to each other.

For me, I have a target of reaching the regional market. I want Ayeyarwady Bank to be able to provide the best service among local banks or foreign banks led by the younger generation. Also, that Ayeyarwady would be public one day. I don't aim for this to belong to me, to only be profitable for me. It should go public after a slow and steady trip.

I have a policy for Ayeyarwady Bank not to recruit staff who has left other local banks. I want to build our own way. I am investing heavily in human resources for higher capacity.

How you see the local competition after foreign banks are allowed?
Two kinds of competition are possible: whether we are going to compete jointly or individually fight each other. It cannot be done like that in the banking sector. For us, we have to look at how and where we can cooperate, what areas we are better than them in.

On the future...

You mentioned that you want banking to be a top priority among your businesses.
Yes, a special thing I have done is corporate governance: I have independent directors, legal advisors and other experts. The bank is more independent. We have a long-term plan.

I do care about banking because it is the most important component in the economy. But it doesn't mean that we care less about other businesses. We need proper management to sustain all of them.

Anything more to tell our readers?
The main point is we are having young leadership in banking. I let them join the senior management program. Management is speedy when it's led by young people.

We have to take as much responsibility as we can wherever we are. The banking sector has to be big. It needs real development but it must be practical. It will be so only when you follow international reform. That is the most important thing. ■

Profile

A young MD to back up his boss

BANKING in Myanmar is notoriously pen-and-paper based. Clerks keep accounts by hand, or use computer systems with limited connectivity even with other branches of the same bank. If a person normally banking in Mandalay travels to Yangon and wants to withdraw money, the Yangon branch has to call the Mandalay branch, which then faxes back the account information, and then the withdrawal is allowed – with an interbank settlement following later.

According to Ayeyarwady Bank managing director U Phyo Aung, Ayeyarwady Bank was the first in Myanmar to take up a better way. A year after its 2010 founding, however, AYA made the transition to a centralised core banking system, where all records are stored electronically at a central point.

Most others, he added, have been slow to follow in adopting the more modern global standard.

"We are not quite interested in focusing on the domestic way of doing the banking business," he said, adding that the bank also boasts the second-most depositors and the third-most branches of Myanmar banks.

Ayeyarwady – often shortened to AYA – is expanding its branch network, but is also increasingly going digital by adding more ATMs, internet banking and making plans for mobile banking in future.

The changes have led to physical difference in the layouts and workflow.

"We started redesigning our branch layout to give less space to cash handling and more space to sit down and sell something, like insurance or cards," U Phyo Aung said.

U Phyo Aung said Central Bank requirements can be restricting, but the bank is looking at ways to offer more services within the current guidelines.

It has started a hire-purchase program, where if a company wants to buy a car and finance it through a loan, the bank will instead buy the car and offer rent-to-own terms to the company, partly as a response to Myanmar's restrictions on collateral. Ayeyarwady would also like to move into areas like wealth management, and is looking at ways to pay interest on deposits on a daily, rather than monthly, basis, particularly for its largest accounts.

Ayeyarwady remains listed on the US blacklist, but U Phyo Aung downplayed difficulties from being on the Special Designated National (SDN) list. He said General Licence 19, released on February 22, 2013, allows individual US citizens and corporations to work with Ayeyarwady.

U Phyo Aung said it is difficult to say when the firm will be removed from the American list entirely.

But he pointed to the bank's collaboration with credit card company Visa as an example if what it's accomplishing in the meantime.

"We can deal with US companies and US citizens in terms of financial transactions," he said.

General Licence 19 also allowed American citizens and corporations to work with U Tay Za's Asia Green Development Bank, as well as state-run Myanma Economic Bank and Myanma Investment and Commercial Bank. An accompanying statement said, "[The] general licence supports the July 2012 easing of US economic sanctions on Burma that authorised new investment in Burma by US persons and encourages additional US economic involvement in Burma." ■

– Jeremy Mullins and Myo Lwin

HOW WE GOT HERE: A timeline of Myanmar's financial history, 1861-2015

1852
Second Anglo-Burmese War. Lower Burma falls to British.

King Mindon founds Royal Mint in Mandalay. In the first formal currency ever issued in the country, gold and silver coins are struck for the kyat using dies cast in Paris and machinery imported from Birmingham, England. Denominations are 1 pe, 1 mu (2 pe), 1 mat (4 pe), 5 mu (10 pe), and 1 kyat (which was par with 1 Indian rupee, the British currency of choice and probably the first paper money used in the country). The reverse of the coins bears the royal peacock seal, leading the British to call them "peacock rupees".

1861
Indian Presidency Bank of Bengal opens Yangon branch.

1869
Suez Canal opens, halving the time it takes to ship to Europe and placing Burma in the perfect geographic spot to supply rice to the Empire.

1876
In most areas in Burma there is no tradition of land ownership in the Western sense.

Burma Land and Revenue Act issued to accelerate agricultural expansion as well as earn income for Empire: Occupiers are allowed to own land after making 12 years of payments.

1885
Third Anglo-Burmese War. All of Burma becomes part of British Empire. Rupee fully replaces kyat.

CONTINUES PAGE 6

Heavyweights

The Definitive List

For the first time, *The Myanmar Times* publishes its list of the most influential people in the high-stakes world of finance and investment

Bank of the Year: Established on July 1, 1994, in Taunggyi by U Aung Ko Win, Kanbawza Bank is part of a vast conglomerate that includes the "Myanmar Billion Group" which has interests in gem trading, mining, trading and distribution, and real estate. The bank continues to build its branch network and is the only financial institution which can truly make claims to being nationwide.

Banker of the Year: U Zaw Zaw, AYA Bank

Top taxpayer: U Aung Ko Win, Kanbawza Bank

Top banks by branches
Kanbawza
CB
AYA
Yoma
AGD
Myanmar Apex

Legal eagles, number crunchers and scholars

Sean Turnell
Australian economist and chronicler of Myanmar's banking and financial system, past and present, he's the author of the only book written on the subject in the last 50 years (*Fiery Dragons: Banks, Moneylenders and Microfinance in Burma*). A key economic adviser to Daw Aung San Suu Kyi, he will become more visible in the times ahead.

Lau Sim Yee
The Malaysian economics professor calls Tokyo his home, but has been exposed to Myanmar's banking sector for more than two decades through senior civil service and banking sector training whilst working for Yohei Sasakawa of the Nippon Foundation and Sasakawa Peace Foundation. Tri-lingual (in Chinese, Japanese and English) he founded an independent think tank with Kim Song Tan three years ago and sits on the board of *The Myanmar Times*.

Kim Song Tan
A Singaporean economist at the National Management University, he is advising the Myanmar Banks Association on banking sector reform and is a consultant to U Thein Tun. He runs a think tank with Lau Sim Yee and sits on the board of *The Myanmar Times*.

Edwin Vanderbruggen
Founder of VDB Loi and one of the sharpest and most insightful foreign legal experts in Myanmar, he has a colourful past but stands out as a talented and precise lawyer. He has worked on some of the largest transactions and investments in Myanmar, and advises in the banking sector and for a number of the "supermajors" on oil and gas interests.

Alessio Polastri
An entrepreneurial Italian lawyer close to Aung Zaw Oo and a CEC member of the UMFCCI, he has quickly built himself a solid reputation since moving here from Cambodia two years ago. Youthful and marketing-savvy, he appeals to both foreign investors and local big business, and is sure to see his practice expand.

Paul Nikitopoulos
A lawyer and banker who is quietly being invited into some of the country's most influential circles, his pragmatic approach is sure to gain favour with the biggest money in town. Rarely appears on the radar screen and sits on the board of *The Myanmar Times*.

(Michael) Min Sein
Long-time maverick lawyer and company adviser who is now an independent director of AYA Bank, he sat on the board of *The Myanmar Times* and continues to represent some of the biggest names in Myanmar business circles. A no-nonsense lawyer with dual qualifications in accounting and law, he is one of the country's top five experts in corporate law.

U Wan Tin
Managing Director of the JF Group, he is one of the most experienced auditors in Yangon, handling some of the biggest names in business.

Richard Buchanan
Although only recently arrived in Myanmar via stints in Vietnam and Thailand, Richard is one of the most sought-after tax experts in Asia and is heading up DFDL's push in Yangon.

Jean Loi
This VDB Loi managing partner is widely recognised as one of the region's most experienced tax specialists. Formerly a tax partner with PricewaterhouseCoopers in Southeast Asia, she has particular expertise in projects related to infrastructure, energy, telecommunications and the financial services industries.

U Win Thin
Founder and partner at Win Thin & Associates (WTA), he has been practising for more than 50 years and has a team of 20 accountants that handle everything from auditing to company licensing to registration to liquidation to winding-up proceedings.

U Aung Ko Win
Owner of Myanmar Airways International and Kanbawza Bank, which has the most bank branches – more than 150 – of any bank in the country, this secretive Shan from Taunggyi is rarely seen publicly, but his influence continues to expand. Owns the top spot as the highest tax-paying individual in the country.

U Thein Tun
Chair and founder of Tun Foundation Bank and chair of the Myanmar Bankers Association, this senior statesman of the business world hardly needs introduction. Having turned $15,000 into a $70 million bank over three decades and having been active in business circles for more than 50 years, he remains a shrewd, tough but likeable businessman. Sitting on an enormous amount of property, he's also the chair and majority owner of this newspaper.

U Zaw Zaw
The chair of AYA Bank, this entrepreneur and banker has holdings across mining and construction, hotels and manufacturing, forestry and real estate. *The Myanmar Times*' "Banker of the Year" for his efforts at expanding his network of branches, from none just four years ago to 75 today, for successfully re-branding his bank and for employing a tactical marketing strategy. He will continue to shine, and appears to be moving toward establishing a retail banking presence, in which he will surely emerge as a market leader.

Dr Aung Tun Thet
President U Thein Sein's economic adviser and a member of his National Economic and Social Advisory Council, Dr Aung Tun Thet has variously served or is currently serving as a member of the Myanmar Investment Commission, as an advisor to the UMFCCI and as a member of the Myanmar Press Council. He has earned status as a professor at the Yangon Institute of Economics and is an intellectual heavyweight who speaks in reassuring terms about the path forward. Sure to be of great influence inside decision-making circles when it comes to money and fiscal reform.

Steven M Grano
The CEO of Myanmar Access is an experienced banker and hedge fund manager – and one of only a handful of CFAs in Myanmar.

U Than Lwin
Right-hand man of U Aung Ko Win and the former Central Bank Deputy Governor, he has been one of the masterminds of KBZ's expansion over the past 10 years and is widely respected in the banking sector.

U Aung Zaw Naing
Son of Aik Htun and managing director of Shwe Taung Development, he is one of the most dynamic young business leaders in Myanmar today. He has numerous large property developments under way and has quickly built shopping centres in prime locations. Having created the Asia Wealth Bank with his father, which quickly became Myanmar's largest bank in the early 2000s, he still harbours ambitions to come back as a mainstream banker.

U Aung Thaung
He and his family are among the wealthiest in Myanmar and have control of the United Amara Bank. He served as the country's Ministry of Industry-1 from 1997 to 2011 and is known for his close ties to former regime leader Sen Gen Than Shwe.

U Khin Maung Aye
The chair of CB Bank is one of the most prominent and aggressive bankers in the sector and has employed aggressive expansion plans. His tie-up with MasterCard and roll-out of ATMs makes him a man of tomorrow. His communications and advertising strategy has gone a long way toward transforming his business.

U Set Aung
The current deputy central bank governor is a Europe-educated civil servant who raced up the ladder, landing as the deputy minister of national planning and economic development and as a presidential economic adviser. Now at the Central Bank, he is leading the push for reform and for bringing foreign banks into the country, where they may do more than just open a representative office. Intellectually precocious, he is managing a solid rise through the ranks, and of all the civil servants he is the one to watch over the coming years.

U Phyo Aung
The managing director of AYA Bank has been in the role for more than a year, working in the service industry before being plucked by U Zaw Zaw to head up AYA. Dynamic and only in his early 30s, U Phyo Aung has been instrumental in executing his boss's orders and is proving to be a capable executive. As a rising star, he can only climb and climb.

U Khin Maung Kyaw
Major shareholder and chair of Rural Development Bank (formerly the Livestock & Fisheries Development Bank), he has lucrative fishing concessions in southern Myanmar and a monopoly on selling diesel in the same zones. Now tied up with the distribution of Mandalay Beer, he is the brother-in-law of Senior General Min Aung Hlaing. An urbane but quiet character, he is one to be watched as his interests will undoubtedly grow alongside the rising influence of the Sen-Gen.

Shigeto Inami
Charged with opening a stock market in Myanmar. Does not appear to be in a hurry.

U Soe Thane
Minister for the President's Office and former Minister of Industry, in his previous career he headed up the navy. With a powerful and forceful personality and a steel-trap mind, he is ambitious about reform. Inside the President's Office he is almost without peer and appears to have his hands in many corners of the fiscal world.

Dr Mg Maung Thein
Deputy Minister of Finance and Revenue, he is a key promoter of capital markets and the establishment of a new stock exchange.

Kevin Murphy
His 10-plus years in Yangon give this former Hong Kong private equity banker an edge over others. Running a talented young team at the boutique firm Andaman Capital Partners, he picks through piles looking for ripe investment opportunities. Now said to be forming an investment alliance with one of the finance world's biggest names.

U Thura Soe Paing
All Myanmar Investment. Teaming up with Dr Sein Maung of First Private Bank, he is rolling out the mobile money vehicle known as MyKyat.

Joe Barker-Bennett
Seasoned commercial banking consultant implementing change at Tun Foundation Bank.

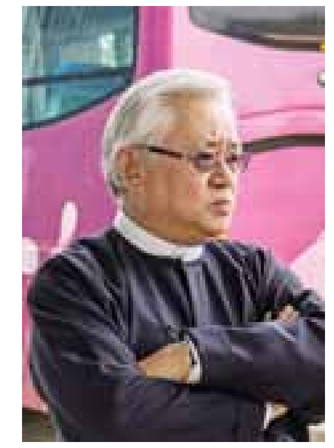
Dr Sein Maung
Chair of First Private Bank, a public bank with 7000 shareholders, Dr Sein Maung is the nation's fourth biggest taxpayer and is a long-time banking stalwart, power broker and organiser, along with U Thein Tun, of the Myanmar Banks Association, where he serves as vice chairman.

U Aung Thura
Swiss-taught finance whiz. It may take time for the domestic market to catch up to his international level of expertise.

Moo Sun
AYA's Chief Operating Officer is a Malaysian Chinese who has worked in banking circles in the region and was the man charged with the rebranding of Ayeyarwady Bank to AYA Bank. Fits well into their management team.

Masahiko Tanaka
Country head of the Japan International Cooperation Agency (JICA), Tanaka oversees billions of dollars in investment bound for Myanmar.

Chit Khaing
Owner of Myanmar Apex Bank, he is a homegrown tycoon and managing director of Eden Group, one of Myanmar's largest conglomerates.



Serge Pun
Always relevant when discussing business in Myanmar, he has successfully taken his Singapore-listed Yoma Strategic to soaring heights, but still struggles for credibility among Myanmar's inner core of financial decision-makers. Essentially a property developer.

U Tay Za
These days, the tycoon is maintaining an extremely low-key public profile – except when climbing mountains – perhaps patiently waiting out the 2015 election before making more substantive moves with his AGD Bank (Asia Green Development). A long-time entrepreneur and friend of the last military government, he is reportedly spending a majority of his time these days in Singapore, leaving the running of his diversified empire to his brothers and sons. Made the claim this year that he was Myanmar's first billionaire.

Marvin Yeo
After struggling with bad timing at the Frontier Fund, he appears to have hit a home run in the form of a $25 million investment fund backed by Dr Sai Sam Htun. A former ADB executive, he has long had ties to Myanmar through *The Myanmar Times*' MD, Ross Dunkley.

'We need more banks'

U Aung Thaung, Central Executive Committee member of the Union Solidarity and Development Party, shares the party line

IN Myanmar, where a target market-oriented economic system is being practised at the moment, banks are essential to encourage corporations to develop. I believe existing banks need to grow and try to have international standards. There are only just over 20 banks with just a small number of branches. I can't say our banking sector has developed, but I can see they are trying to grow. We need more banks in the country. Corporations should widely use banking. If not, banks might find it hard to survive. Only a very small percentage of people are part of the banking system at the moment. I'm aware that they use the banks just for deposits and loans. People should be able to use a banking system with the strong service of an international standard.

It is undeniable that the banks have improved, unlike in the past. However, they are still weak in capital, technology and human resources. The largest capital of a bank in Myanmar is only K1 trillion, which is only US$100 million. Compared to foreign banks, this amount of capital is quite small. The capital of a bank branch in Myanmar is only $2-3 million, which is way too low in terms of the standard.

The banks have to make their greatest efforts to be able to compete with foreign banks by means of technology and human resources. I think the growth of local banks depends on these three sources.

The Central Bank is now an independent organisation. In this time of transition, the journey of the independent standing of the Central Bank is still at the beginning. The development of the Central Bank, which is the main institution relied on by local banks and is their regulator, has become of great importance. Its task of developing financial laws is still in progress, though. Enacting essential laws for this sector is also crucial.

Thanks to the amended Foreign Exchange Regulation Act, the currencies are stable these days. Plans are in place to invite foreign banks with the intention of speedily developing the local banking sector and boosting the state's economy. A foreign bank selection board has been organised, and which criteria they use, what kind of financial services they will allow foreign banks and until when are still under discussion.

I assume we will definitely be provided with assistance of capital, technology and human resources to some extent when foreign banks enter. With their support, I hope the standard of local banks will be promoted. I welcome the effort of Central Bank allowing foreign banks to enter the country.

To conclude, promoting the local financial system to a stronger one which can contribute to the local economy, and developing the domestic banking sector, play a vital role for the country.

– Translation by Myat Su Mon Win

HOW WE GOT HERE: A timeline of Myanmar's financial history, 1861-2015

1897
Government of India alters Burma rupee design to incorporate Burmese lettering.

1900
Burma is by now the richest country in Southeast Asia.

First local bank opens, in Akyab (now Sittwe).

1905
In part to stem the influence of the Chettiars, a formal system co-operative credit is introduced, growing to 4000 societies by 1929, though ultimately failing due to problems of implementation.

1914
Burma Companies Act lays foundations for individuals wishing to set up companies.

1923
Burma becomes a largely self-governing province within British India.

1920s and 1930s
Chettiars are targeted by anti-colonial backlash and their influence declines, despite their important role in building Burma's rice dominance.

Co-operative societies rise, to supplant the Chettiars with a formal credit system, but prove sounder in notion than in implementation. As the Chettiars decline, no adequate substitute remains in their place.

The Depression, which sends countries worldwide into a decade of severe economic downturn, also hits Southeast Asia and Burma. Rice prices are driven downward and farmers struggle.

1937
April 1 – The Government of Burma Act separates Burma from India and establishes an independent parliamentary government. Currency and banking issues remain solely controlled by British-appointed Governor. The Reserve Bank of India (RBI) is assigned to serve as central bank for two countries simultaneously.

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All that glitters…

Economic expert **Sean Turnell** sees hope, challenges ahead


Photo: Supplied

SEAN TURNELL has been a researcher of Myanmar's economy, but particularly its financial system, for nearly 20 years. Formerly a Senior Analyst at the Reserve Bank of Australia, he is based at Macquarie University in Sydney.

Sean has written widely on Myanmar's economy and financial sector, and is a regular commentator on the country in the international press. He has been an adviser on Myanmar to the US State Department and other agencies, to USAID, to Australia's Department of Foreign Affairs and Trade, to the World Bank, and many other international bodies. Within Myanmar, Sean is an adviser to a number of key stakeholders.

In 2009 the Nordic Institute of Asian Studies published Sean's book on the history of the financial sector in Myanmar, *Fiery Dragons: Banks, Moneylenders and Microfinance in Burma*. Sean's current work is concerned with exploring further the problems and possibilities of Myanmar's financial sector in a time of potential transformational change.

ATMs on street corners, shiny new branch openings every other week, debit cards, point-of-sale terminals, foreign exchange counters, internet banking, mobile banking … advances behind the scenes in settlement procedures and back-office functions. Meanwhile, names such as KBZ, CB, Yoma, AYA and AGD jostle for attention amongst the billboards of global brands now littering Myanmar's major towns and cities.

Such are just some of the elements of the new world of Myanmar banking. Driven by reforms instigated by the U Thein Sein government that range from the celebrated "floating" of the kyat to the tweaking of more arcane banking rules and regulations, Myanmar's financial sector appears a very different beast than it was just a scant few years ago.

But is it real? Is it sustainable?

Characteristically, in Myanmar there is no clear-cut answer to this. Many of the reforms, the product of impossibly hard toil by a small number of people within the Central Bank and other places, are genuine and effective. Some are only partially implemented. Some are ignored. Indeed, the reforms are not unlike the banks themselves. Some of Myanmar's banks are becoming the institutions the country will need in the years ahead. Some are struggling to be anything at all. Some should be closed down tomorrow.

National income sources

- 30% farming activities
- 27% money from household
- 18% own business
- 8% piecework
- 5% farm work
- 2% domestic work
- 2% private company
- 2% government
- 2% remittances
- 4% other sources

Source: Myanmar FinScope Survey 2013

Of course, if one is lucky enough to be amongst the 5 percent or so of people in Myanmar who have a bank account, then the range of financial products one can access, the customer services that can be experienced, the convenience that is suddenly possible is unprecedented. If you are a newly minted university graduate, Myanmar's private banks, old and new, offer career paths in previously uncharted areas. For the "banked" in Myanmar, matters are rather better than they have been for five decades.

If, on the other hand, you happen to be part of that cohort of 90pc that are missing out on all of this, you might just wonder what the fuss is all about. The fact remains that, for most people in Myanmar, the idea of using a bank is as remote as the likelihood of having any money to put in one.

What we can say for certain is that, beneath the colour and the movement, Myanmar's banks continue to fail in their most important task. Unlike other industries, banking is not an end in itself. The products banks create cannot themselves provide shelter, food, transportation or entertainment. Banks are intermediaries that exist to service (that is, aggregate and allocate capital to) *other* industries, sectors and individuals. The most sophisticated bank with the best technologies, the greatest methodologies, the most talented staff, the most pleasing and efficient branches will mean nothing if it fails to turn the money it gets from depositors into the capital its borrowers need to invest, innovate and grow.

Yes, it is true that Myanmar's banks have made much progress in recent years, but they are not yet fulfilling this most fundamental function. They are not yet the institutions Myanmar needs to achieve genuinely transformational growth and development.

Various standard measures can be employed to make inter-country comparisons of the extent to which banking systems fulfil their role as creators and allocators of capital. Amongst the most widely used of these is the "private credit to GDP" ratio. For Myanmar this ratio comes out at around 8pc. Cambodia's equivalent ratio is around 25pc, Laos' 27pc, Vietnam's 120pc and Thailand's 150p. Meanwhile, the ratio of bank credit to bank deposits, a measure of the efficiency in which a country's banking system converts savings into loans, is similarly small, at 47pc. This compares to a global average of over 80pc for all countries, and over 60pc for the world's cohort of poorest nations.

> For most people in Myanmar, the idea of using a bank is as remote as the likelihood of having any money to put in one.

The meaning of all of these numbers? Myanmar continues to fall behind its peers in providing the capital its enterprises and citizens need to rejoin the world.

The government's role

Responsibility for the failure of Myanmar's banking sector to perform meaningful financial intermediation does not (mostly) lie with the banks themselves. It is true that some amongst the private banks are moribund, others little more than corporate "cash boxes" and the state-owned banks in an especially parlous state (more on which later). But, if not with the banks themselves, where does responsibility lie?

Primarily we must look to the regulatory set-up in Myanmar that is ill-suited to the establishment, and operation, of a modern financial system. Devised at a time (the late 1980s) when Myanmar had only hesitatingly left behind the policies of state socialism, Myanmar's regulatory framework imposes upon the banks:

- a cap and floor on the interest rates they can charge, and must pay, on deposits and loans. These restrictions often render banking unprofitable, as Myanmar's high and volatile inflation erodes margins;
- a ban on bank's lending for terms of more than one year. Rolling over loans for a couple more years is common practice – but none of this is conducive to long term investment;
- a ban on the granting of uncollateralised loans. Allowable collateral, moreover, constitutes an unnecessarily narrow range of items;
- excessive requirements on collateral margins (a 40% loan-to-collateral valuation ratio is the norm);
- restrictions (albeit recently reduced) on private banks lending to farmers and cultivators.

The biggest impact of these restrictions – and the above are just a subset of the most obsolete and futile – is on the lending side of the banks' activities (which is most important in terms of driving private sector capital formation). The collateral requirements are especially problematic. Not only do they rule out a great many potential borrowers, but they also exacerbate the dominant culture within many of Myanmar's banks that focuses lending decisions on the worth of collateral (in the nature of a pawn shop), and away from true credit assessment. More general problems – in the broader business environment, in borrower capacities, in the lack of secure land and other property rights, in the lack of a reliable court system to enforce contracts, in high inflation, poor infrastructure, widespread corruption – all add to banks' difficulties in making loans to any but selected customers that they know and trust (many of which are components of the conglomerates to which the banks themselves belong).

Accordingly then, and notwithstanding the arrival of new banks and the efforts of some of the others, Myanmar's banking system remains deficient in ways that matter for transformational growth and development. In the absence of private sector lending, the "representative" private bank in Myanmar holds a good proportion of its assets in government bonds (around 40pc is typical) which means that it is the State that is the most important single recipient of bank finance. State socialism may have formally ended in Myanmar decades ago, but even today the State continues to crowd out much else.

State-owned banks

Myanmar has four fully state-owned banks: the Myanma Economic Bank (MEB); the Myanma Foreign Trade Bank (MFTB); the Myanma Investment and Commercial Bank (MICB); and the Myanma Agricultural Development Bank (MADB).

The MEB is a broad banking institution with a large network of rundown branches, lax lending standards, indifferent management, obsolete systems, and it functions primarily as a funding vehicle for state-owned enterprises. It is certain to have significant bad loans on its books and, despite its branch network, would struggle to hold depositors in a competitive banking environment.

Following recent reforms to Myanmar's exchange rate system, the MICB and MFTB have lost much of their previous dominance of formal foreign exchange business. Like the MEB, they would be hard-pressed to survive in a truly competitive financial sector. With their activities hitherto centred on "rationing" funds (especially foreign exchange) and ensuring the implementation of regulation (such as determining "evidence" of foreign earnings), they are likely to increasingly lose market share to their more customer-focused competitors. Merging these institutions into the Central Bank of Myanmar (in the case of the MFTB) and a revitalised and restructured MEB (in the case of the MICB) would seem reasonable options short of simple closure.

The MADB is in no better shape. Long-burdened with sole responsibility to fund the cultivation needs of Myanmar's farmers, the MADB is under-capitalised, under-resourced, and hemmed in by so many restrictions that it abundantly fails in the tasks allocated to it. Reforms to the MADB have taken place in the life of the Thein Sein administration, including lifting the maximum credit it can advance to cultivators to K100,000 per acre. Whilst this is more than four times the amount made available only a few years ago, it continues to count for less than half of average per-acre production costs.

Of course, most farmers in Myanmar have no access to MADB loans at all. To the extent that any credit is available to the overwhelming majority of farmers in Myanmar, it is mostly via friends and relatives, and/or through moneylenders who charge interest rates that average around

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1938
May-June – Following orders that bank notes "of distinctive design" be issued by the RBI (without Burmese involvement), the 5 rupee note is released in May and the 10 rupee note in June, with English, Burmese and Shan writing on them.

1939
July – Burmese rupees issued for 5, 10, 100, 1000, 10,000, denominations, with King George VI on one side and peacocks, elephants, tigers, boats or ox-carts on the reverse. They are legal in Burma only, not India, though Indian rupees continue to circulate in

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10pc a month. Such interest charges (there is wide variation depending upon location, crop, the size of a farm, and prevailing conditions) renders agriculture a marginal activity for all but a few – greatly contributing to rural poverty and, ultimately, landlessness.

Myanmar's existing rural finance "system" requires dramatic reform. Such reforms must include the opening-up of the sector to commercial banks, but they should also encompass the reconstruction and recapitalisation of the MADB. This task should not amount to rocket science, however. Many other countries have faced the need to similarly reform and restructure state agricultural lenders of a similar ilk, and so models of what to do – and what not to do – abound. What seems to be shorter supply in Myanmar at present is the political will to do so.


Photo: Ko Pyaee

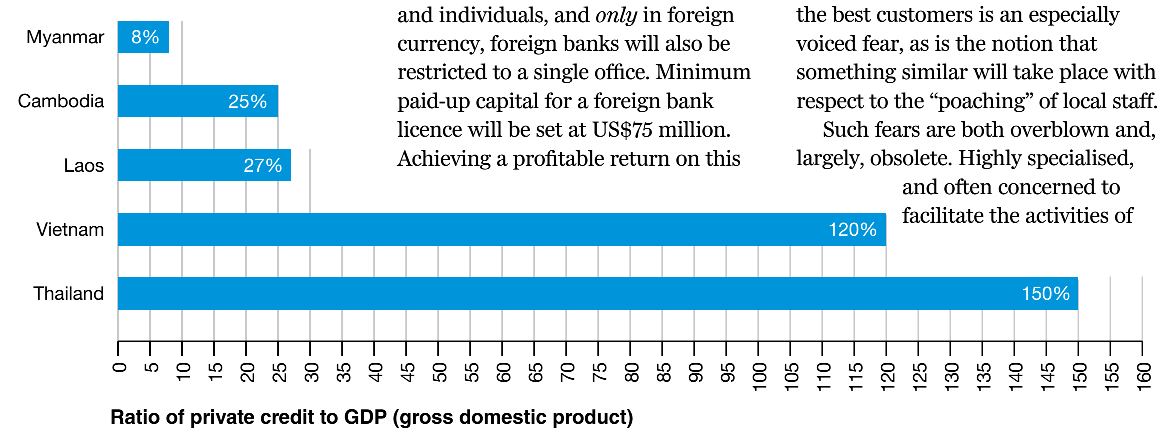
Cultural currency: Touching the right arm near the elbow when paying or passing valuables is a strong Myanmar custom. (The left hand, used for unmentionable things, is held visibly well clear.) Mongolians do the same: Perhaps the Mongol hordes brought it over when they sacked Bagan? The answer is lost to time.

A new Central Bank Law

In July 2013, Myanmar's parliament passed legislation (the Central Bank of Myanmar Law) to grant substantial independence to the Central Bank. A measure widely employed elsewhere especially in transition economies seeking to establish monetary credibility, in the case of Myanmar the notion of Central Bank independence comes about in a context in which historically the CBM has been little more than a money printing operation to fund state spending.

The new Law sets out a number of measures designed to grant independence to the CBM, including: the establishment of a nine-member policy-setting board of directors; the elevation of the status of the governor of the CBM to the equivalent of a minister of cabinet; and creating transparency and accountability in the CBM's operations via the submission to parliament of frequent reports on its activities, as well as monetary conditions in the country broadly. At the personnel level, the CBM has also been reinvigorated to a great extent by some new key appointments, but not least the highly regarded economic reformer U Set Aung.

Of course, in practice, genuine operational autonomy of the CBM will depend not only upon appropriate legislation, but upon the CBM's genuine escape from being the funding vehicle of the government's budget. Put simply, no credible monetary policy can be enacted by the CBM so long as it has to engage in "printing money". The CBM is yet to be liberated in this way, and its purchase of government Treasury Bills remains the "balancing item" in Myanmar's public accounts. In short, for the moment the monetary printing presses roll on.



Foreign banks: one part of the answer

The role that foreign banks might play in Myanmar's future is a matter of much conjecture and controversy. Kept out of the country since 1962 when their long presence in Myanmar came to an end in nationalisation and expulsion, in 2014 a limited number of foreign banks will return. The CBM has made it clear, however, that the activities of foreign banks will be circumscribed. Limited to the provision of wholesale (business) banking services, *only* to foreign firms and individuals, and *only* in foreign currency, foreign banks will also be restricted to a single office. Minimum paid-up capital for a foreign bank licence will be set at US$75 million. Achieving a profitable return on this outlay will be no easy task, especially if, as expected, foreign banks have to adhere to all the other restrictions on banks noted above. In May the 40-plus foreign banks with representative offices in Myanmar were invited to tender for an operating licence, from which five to 10 will be selected in the "beauty contest" to follow. The German consultancy firm Roland Berger, which ran the highly regarded tender process to award Myanmar's mobile telecoms licences, will run the show. The winners are expected to be announced in late September.

The return of foreign banks to Myanmar has generated heated opposition from the existing local banks. Campaigning through the media and other channels, their advocacy hinges around the idea that Myanmar's banks will be unable to compete against the cashed-up and technology-savvy foreigners. The idea that foreign banks will "cherry-pick" the best customers is an especially voiced fear, as is the notion that something similar will take place with respect to the "poaching" of local staff.

Such fears are both overblown and, largely, obsolete. Highly specialised, and often concerned to facilitate the activities of foreign investors, for the most part foreign banks are not in competition with domestic institutions. To the extent that they do seek out domestic firms to lend to, the consensus of recent studies in similar transition environments is that foreign bank borrowers will be young and dynamic firms of the sort that are currently ignored by local banks – the very type of firms, in short, that are the real engines of growth, but often lack the political connections that are the true collateral in many countries, including Myanmar. More broadly, the experience of foreign bank entry elsewhere reveals that, whatever limited cherry-picking takes place, the range of benefits foreign banks bring with them will overwhelm it. Some of these are obvious, some less apparent.

Highly specialised, and often concerned to facilitate the activities of foreign investors, for the most part foreign banks are not in competition with domestic institutions.

Foreign banks bring with them foreign capital. This is no small matter when we acknowledge that capital is something of which Myanmar is chronically short. Foreign capital has proved transformational in the growth experiences of Myanmar's peers, from the Southeast Asian Tigers to China.

Foreign banks bring connections to international markets, customers and supply chains. This has always been true, but the benefit is elevated in the context of 21st-century production and supply chains in which being "linked" is everything.

Foreign banks deliver new products, technologies, techniques (especially in foreign exchange risk management) and the training in these of local staff. In the longer term, this helps the sector grow in scope and sophistication, while foreign bank-trained staff become part of Myanmar's expanded "human capital".

Research into the outcome of foreign bank entry in other transition economies suggests that their impact on local banks is not all negative in any case – indeed, far from it. Forced to compete, local banks respond to foreign entrants by becoming more efficient, compressing margins (charging lower interest on loans/ paying more on deposits) and generally lifting customer service. Profits are squeezed, but local banks' "value adding" to the broader economy is accordingly higher. To their credit, some of the local banks are already responding in this way.

In a similar vein, and in response to foreign bank arrival, local banks are forced to seek out customers beyond the usual narrow range of counterparties that defined their hitherto limited comfort zones. More of the "unbanked" are brought into the formal financial sector, and credit is expanded to firms otherwise unable to get it. In short, the financial sector "pie" is grown larger. Banking does not have to be a zero-sum game.

Originating often from jurisdictions with well-established regulatory and supervisory systems, foreign banks tend to import better prudential standards and other governance practices. Notwithstanding the fears sometimes expressed (including by some of the critics of foreign bank entry in Myanmar now), overwhelmingly foreign banks are a bulwark of systemic stability – especially in environments such as Myanmar's with a history of locally generated financial crises.

Finally, and of deepest importance, is the understanding that foreign banks offer one of the few possible solutions to one of the most intractable of Myanmar's economic problems – the dominance of so-called "crony" businesses. Crony firms in Myanmar, many of which are inefficient rent-seeking entities that are already a brake on the country's economy, are just about the only ones with financial capital. Of course, a few even have their own banks. This structural malignancy creates significant barriers to entry to new and entrepreneurial firms. Recent research on the impact that foreign banks can have on transition countries strongly suggests that younger firms without connections receive more loans, at lower cost, and grow more. The same studies suggest the opposite for the oligarchs – they receive a much smaller piece of the credit pie, pay more for the credit they get, and grow more slowly. This 'dynamic' aspect of foreign bank entry might prove, in the long run, the most profound of all.

Hope and challenges

A functioning financial system is an indispensible prerequisite for transformational economic growth and development. At present, and notwithstanding the recent reforms, Myanmar does not yet have such a system. Creating one is not a short-run project, but important steps to this end, that naturally follow those already made, can be taken immediately.

These include lifting futile and obsolete restraints on local banks, prioritising the transformation of the CBM into an effective vehicle for monetary policy and financial sector supervision, and allowing the broad participation in Myanmar's economy of foreign banks. Meanwhile, the existing state-owned banks should be re-organised, re-capitalised, re-purposed or closed.

Currently awaiting parliamentary debate is a new Financial Institutions of Myanmar Law which will address some of the issues discussed above. Expectations are high. A financial system that once was a model of emulation, which descended into one of easy denigration, awaits to be redeemed into what it can and should be. ■

HOW WE GOT HERE: A timeline of Myanmar's financial history, 1861-2015

Burma as well, and Burmese notes flow to India for RBI exchange there, constantly draining the local supply.

1941
Prior to Japanese invasion 24 commercial "exchange banks" operate in Burma, most headquartered elsewhere, including Lloyds, HSBC, Thomas Cook and Son, Bank of China, National City Bank of New York (now CitiBank)

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BANKING

'Customers were ignored'

U Thein Tun, Myanmar Banks Association chair, talks tough about the sector's failed past and necessary future

Photo: Aung Htay Hlaing

IT'S a period of rapid change for Myanmar banks. The sector is quickly modernising, with institutions installing ATMs and mobile banking, while restrictions and sanctions that have long crippled the industry are slowly being eased. But perhaps the biggest change is yet to come. Foreign banks are set to be licensed to operate in Myanmar, and it's a move that is opposed by many. Business editor Jeremy Mullins submitted questions to U Thein Tun, chair of the Myanmar Banks Association, for his thoughts on recent developments in the banking sector. His response has been edited for length.

For those who don't know, please explain what the Myanmar Banks Association is and does.

The Myanmar Banks Association is an association of all the private and government banks, designed to discuss and address issues of common concern amongst the banks and to represent those interests to the government and Central Bank.

What are the top priorities to improve banking in Myanmar?

Myanmar has been isolated and sanctioned from the world for the last 50-odd years. As a result there has been no reason to invest and modernise the banking industry until now. Essentially they have been run like government departments with the customer service to match. The result is customers were ignored and they had to go to illegal alternatives, such as loan sharks. We need to change that dynamic and bring money and credit back into the formal banking market.

We are now in a race to modernise the banks before foreign banks enter the market – our biggest threat, particularly if let in too early – and to provide internationally recognised banking products and services to our customers as well as quick and excellent customer service. Key priorities are installing modern banking systems, training and developing staff, and expanding our geographical reach and offering customers 24-7 access to their money.

Many people complain it is difficult to get loans from the banks. Is this true? How can the situation improve?

Yes, this is true. The main reason is the lack of funds in the banking system to lend, and the focus of all banks should be about getting those funds into a safe banking environment.

Unusually for a banking system, the only money in it is savings. It is estimated only 5 percent of money is in the banking system. There is virtually no working capital money both for companies and individuals in the banking system. This is because bank customer service has been so poor and time-consuming that it makes more sense to keep cash you will need in case of emergencies or over the next few weeks at the office or at home. If people can get 24/7 access to their money and get quickly served in

6x

Factor by which total deposits in private banks rose between financial years 2007-2008 and 2011-2012, according to the Central Bank of Myanmar
Source: Myanmar's Financial Sector: A Challenging Environment for Banks

banks, and not just at their branch, this money will move into the banking system. Thus banks need to invest in technology, new products and customer service, which will bring that working capital into the bank system.

Also the rapid rise in the price of property has attracted huge amounts of money into it. As supply increases this bubble will burst soon and people will lose money, and that will encourage people to put more of their money into bank accounts rather than property.

The final issue is the Central Bank's overregulation of the banking industry which has discouraged and prevented banks from expanding their range of deposit and loan products that customers want. The main areas of concern centre on regulated deposit and loan rates, which make it virtually impossible for banks to make money on their loan portfolio. If you cannot make a profit, why lend?

The requirement to have 200pc security for all loans, and that security almost exclusively being land, means that only those who are rich can borrow money. Though we understand the Central Bank's concerns about bank solvency after the 2003 crash, these policies to protect banks from making bad loans are discouraging banks from lending money which supports Myanmar businesses and is driving borrowers into the arms of overpriced, unregulated and rather nasty loan sharks, which is the last thing the Central Bank should want.

How is the association preparing for the ASEAN Economic Community? What will the main impacts of the AEC be on Myanmar's banking sector?

The ASEAN Economic Community is overrated and will not be implemented in anything near the format originally proposed. In addition Myanmar has been given greater flexibility and delays in implementation. The reality is that there are too many vested interests and too much nationalism at play throughout ASEAN to allow it to happen. Look at Thailand, for example. They have a highly protected banking industry and laws preventing foreign ownership of Thai banks. Similar issues apply in every country in the region. Thus there is likely to be a big fudge on the issue. ASEAN 2015 will supposedly happen, but nothing tangible will actually change.

What is your stance on foreign banks to Myanmar? Should it happen? If so, when and in what capacity?

Generally we are very cautious about the introduction of foreign banks. Banking is the life-blood of a country. Who do you want to control it, Myanmar or foreigners? All our neighbouring countries have protectionist policies to support their local banking industry. Why? Because they want the banking industry controlled by locals, who are invested in the success of the country, rather than foreigners who are primarily focused on their home country and profits.

This is a really important issue in times of economic uncertainty because foreign banks will freeze and remove money overnight from a country if they choose, because decisions are made in London or Singapore by people who may never have been here and irrespective of what is happening here. That does not matter too much if local banks dominate the market, but if foreign banks dominate the market it has huge implications for the country.

Generally the benefits to Myanmar of allowing foreign banks in now are grossly exaggerated.

It is claimed they will lend to SMEs and reduce the interest rates. They will not lend money to local SMEs as it is not profitable. They will only lend to big foreign companies and some big local conglomerates, thus giving foreign investors a huge advantage. Interest rates are set by Central Bank.

The argument that it will encourage foreign investment is also not true. The reality is businesses invest in a market because they see opportunity irrespective of the banks in the market. Look at the massive investments made by Ooredoo, Telenor, Coke, Carlsberg and Japanese companies, without any foreign banks being here.

Capital will be brought in, but most will be lent to foreign companies.

The main benefit they would be bringing is new technology, products, people, banking skills and experience. However a more appropriate vehicle for this would be to enter Myanmar as a minority shareholder in a joint venture and give them day-to-day management control with overall policy set at board level.

The problem about allowing foreign banks in now is that the local banks are not in a position to compete with them. After years of sanctions – and the banking industry still is under US sanctions – we need time to modernise first to create a fair and level playing field. Foreign banks have capital, technology, know how, people and experience we have not yet developed. The result is that even with restricted licences they will straight-away dominate the banking industry.

We would recommend that the government delays the introduction of foreign banks to allow local banks time to modernise and for at least a minimum of a year after financial sanctions are finally removed.

NEED TO KNOW: MYANMAR BANKS ASSOCIATION

Purpose: To coordinate domestic banking efforts and to liase with international bodies such as the ASEAN Bankers' Association

Members: All local banks

Chair: U Thein Tun, of Tun Foundation Bank

Vice-chairs: U Sein Maung, of First Private Bank; U Theim Wai, of Yoma Bank; U Than Cho, of KBZ Bank

Background: Formed in April 1999, the MBA was chaired by the governor of the Central Bank of Myanmar, with the ministers for finance, national planning and economic development, and home affairs as patrons. In September 2013 with CBM's support the MBA voted for its own board of directors and began making other changes to become independent.

70%

Survey respondents who say they can easily live life without a bank account
Source: Myanmar FinScope Survey 2013

How are local banks preparing for the introduction of foreign banks?

We are all trying to modernise our banks as quickly as possible, with massive investments in technology, people, networks and products customers will want so we can become the preferred banks for Myanmar business and people, but it takes time and it is going to be extremely tough. Remember we only got our Authorised Dealer (Foreign Exchange) licences 18 months ago and the country is still under US sanctions. We want to be the equivalent in Myanmar of the Bangkok Bank, K Bank, Siam Commercial Bank in Thailand, which dominate the market there and put the country first. However letting in foreign banks now will not let this happen. The foreign banks will dominate with the best business, and leave us picking up the scraps.

Some say there are too many smaller banks in Myanmar. Do you agree? Will they all survive?

I would agree, and no, they will not all survive. Those banks that modernise and invest in systems, people and new products will. This will be helped by greater deregulation of the banking industry so that banking can become more profitable, which it currently is not because of the Central Bank interest rate and fee income policies. Those that do not modernise will start making loses and go out of business.

Photo: Kaung Htet

What will be different about banking in Myanmar in five years?

Everything. You will have a modern banking system in place with products and services to rival developed countries such as Singapore, as our technology will be more modern and superior. There will be very little cash around as all banks will be online with each other. You will be able to access your money 24/7 anywhere in the country and overseas. For individuals this will primarily be through phones and SMS banking. I do not see huge branch and ATM networks. Modern technology will enable us to serve customers without needing that expensive infrastructure and consumers will benefit with cheaper loans and better deposit rates.

Given the somewhat difficult history of banks in Myanmar, why should Myanmar people trust them with their money?

It is up to the banks to prove and show that we can be trusted. This we have to do in our actions and the products and services we develop for customers and conservative management of the banks. That will take time, but with a fairly regulated banking industry that will come. Remember too that the Central Bank checks our balance sheets every day and we are very closely monitored to avoid repeating the crash of 2003.

However never forget banking is the life-blood of a country's economy and the Central Bank and government needs to make sure Myanmar develops a strong, profitable domestic banking system for the long-term future of the country and its people and this needs to be a top priority for the government. We cannot continue to have a situation where people have to go to unregulated loan sharks to borrow money, store cash under the mattress and use hundi agents to do payments. This is something only a strong local banking industry can address, and with banks modernising, government support and enlightened Central Bank supervision we should meet that customer need and that is when people will start to trust banks. ■

U Thein Tun is chair of the Myanmar Banks Association. He is also chair of Tun Foundation Bank and of Myanmar Consolidated Media, publisher of *The Myanmar Times*.

Aggregate balances of Myanmar's banking sector, 2008-13 (all figures in million kyat)

	2008-09	2009-10	2010-11	2011-12	2012-13
Cash	1,130,375.52	1,463,407.49	2,332,303.61	2,382,134.35	9,541,469.96
Equity investment	3,353.39	3,369.39	8,363.89	19,273.35	19,426.20
Loans and advances	870,006.27	1,129,831.18	1,925,903.45	3,172,230.65	5,289,043.90
Government securities	485,191.97	926,050.00	1,291,427.30	2,021,972.30	2,579,932.00
Public securities	0	200.00	200.00	220.00	772.80
Bills purchased & discounted	35,162.83	110,737.22	180,623.82	74,014.31	80,285.06
Fixed assets	35,725.55	49,628.52	83,708.75	140,390.35	222,994.68
Other assets	96,702.16	142,017.16	227,628.33	499,368.97	4,597,971.76
AEG	27,586.44	27,791.13	29,334.50	42,748.50	645,213.64
Total	2,684,104.13	3,853,032.09	6,079,493.65	8,352,352.78	22,977,110.00
Paid-up capital	94,281.20	130,808.00	240,457.60	344,492.23	467,204.65
Reserves	27,139.33	35,925.30	51,773.52	76,814.09	121,266.30
Other reserves	25,915.38	28,888.48	42,807.19	61,377.62	1,147,011.81
Profit & loss	1,950.62	3,377.20	6,559.79	12,131.55	14,191.19
Share premium	1,368.47	2,219.55	2,672.50	3,589.39	1,828.29
Deposits	2,186,663.69	3,162,502.84	4,911,005.43	6,961,246.25	13,057,304.48
Borrowing	23,283.10	47,713.56	275,812.13	198,726.62	552,073.10
Bills payable	123,087.88	228,264.31	268,772.75	81,213.49	1,255,136.29
Other liabilities	172,828.02	185,541.72	250,298.24	570,013.04	5,715,880.25
AEG	27,586.44	27,791.13	29,334.50	42,748.50	645,213.64
Total	2,684,104.13	3,853,032.09	6,079,493.65	8,352,352.78	22,977,110.00
Increase in total assets (%) y-o-y	37.65	43.55	57.78	37.39	175.10

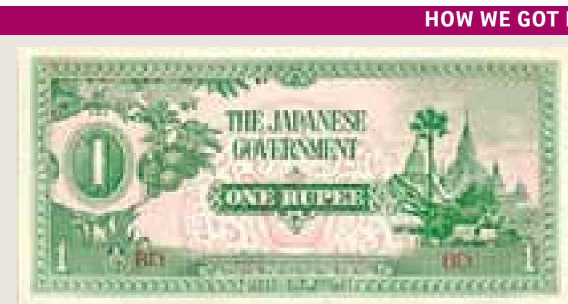
Source: Central Bank Annual Report 2013 (via Myanmar's Financial Sector: A Challenging Environment for Banks)

HOW WE GOT HERE: A timeline of Myanmar's financial history, 1861-2015

1942

March 7 Japan takes Rangoon. Banks had begun making duplicates of records months before; holdings shipped to Calcutta; and a last-minute train evacuates staff and gold bullion up-country in February. One bank director buries gold and jewels underground in Maymyo. Another, having missed the train, walks out to India carrying his. Indian moneylenders also flee.

Japanese military rupees are issued, divided in 100 cents and only in paper form. The following year these are replaced by a short-lived Japanese revival of the kyat.



1945

World War II ends. Japan is driven out of Burma by British and Allies, who refuse to honour Japanese-issued currency, leaving many with worthless paper. The rupee is revived.

1946

January – Foreign banks re-enter and re-open in Burma.

1947

April 1 – Burma Currency Board (shortlived precursor to the Central Bank) is established to mediate exchange of local and foreign currencies, though headquartered in London.

Newly drafted constitution states "the economic life of the Union shall be planned", setting pace for centralised economy with preference for "co-operative and similar economic organizations". Capitalism is seen as hand-in-hand with imperialism.

1948

January 4 – Independence. Civil war puts economic reform on back burner.

Land Nationalisation Act (later revised in 1953) implements constitution's statement that "The State is the ultimate owner of all lands".

CONTINUES PAGE 14

Foreign bank entry

Who will get the nod?

Sizing up the odds, legal expert **Edwin Vanderbruggen** concludes the government's history of rewarding bids with gusto means no one should be counted out just yet

IT'S déjà vu all over again for those who remember the excitement of the 2013 telecom tender. With the Central Bank's evaluation and selection process in full swing, Myanmar is holding its breath: Which of the foreign banks will be the first to receive the coveted licence to carry out at least a number of banking activities in Myanmar?

The criteria the Central Bank of Myanmar (CBM) is using for the selection process are still confidential. So, this contribution is limited to some personal thoughts only. Nevertheless, it is not so difficult to understand from the public record what the government is trying to achieve, and to match that with the pool of interested banks.

On that rather limited basis, here are the big questions when it comes to determining which one of the foreign banks are most likely to be awarded the first licences.

Will the winners be banks that already have a representative office in Myanmar?

CBM officials have earlier indicated in press reports that the first licensees will be selected from the group of 40 or so foreign banks that currently have a representative office in Myanmar. Regardless whether that is indeed formally spelled out in the tender's prequalification rules, I think it is fair to say that most of the banks with a keen interest in starting commercial operations in Myanmar will indeed already have a representative office here. The country's remarkable democratic reforms and opening to foreign investment has not gone unnoticed. Since 2011, when preparations of the new Foreign Investment law were made public, 22 foreign banks have opened an office in Myanmar. So, one way or another we are likely to see the first licences go to banks that already have a presence or, perhaps, other significant involvement in the country.

> One can easily imagine the government wanting to have at least one bank from each country that is a major source of FDI.

Which banks can best facilitate foreign investment?

We know that one of the major objectives of the government is the promotion of foreign investment in the country. So, it is logical to assume that the government also approaches the issue for allowing foreign banks from that perspective. When you read the Foreign Investment Law, the Myanmar Citizens Investment Law and the Foreign Exchange Management Act, all recently enacted, you can easily infer a path to accessing foreign money.

In that regard, which banks would score the highest? There are two aspects to this. First of all, we need to think about banks which are strong in business banking rather than in retail. Which banks, among the list of banks with a representative office in Myanmar, have a strong corporate banking activity? Most of them do, but there are a few banks on that list which have a different focus.

Secondly, is the bank strong in countries that are, or may become, major sources of FDI for Myanmar? From that perspective, FDI statistics for the pre-2012 period put banks from China and Thailand right at the top. More recent statistics of the Directorate of Investment and Company Administration place Singapore, Japan and Korea in leading places. Statistics are always a bit skewed – for example, a lot of investment is channelled through Singapore rather than originating from Singapore. And one thing does not exclude the other. One can easily imagine the government wanting to have at least one bank from each country that is a major source of FDI, so that investors from that country have a bank to go to. In that sense, one could argue that banks with a strong presence in ASEAN, Japan and China may have a bit of a leg up over some of the others. That being said, the EU and Australia are potential major sources of FDI. Standard Chartered Bank and ANZ Bank are strong in these regions among those on the list of representative offices.

Foreign bank entry

Which banks have experience with greenfield market entry in frontier markets?

In the 2013 telecom tender, the government paid much attention to selecting operators who already had experience in emerging markets, who understand a new market such as Myanmar. It would be eminently logical for the government to use these criteria again. Not all the banks on the list of representative offices have a significant presence in emerging markets, or have greenfield experience. The Singaporean banks on the list, for example, have a presence in the large ASEAN countries such as Indonesia, Malaysia and Thailand and some have a presence in China, but their number of branches and their corporate banking profile in those countries differs quite a bit. Maybank from Malaysia is well known for its investment banking with larger regional corporates, and can also boast successful branches in the more pioneer-like countries such as Cambodia, Laos and Papua New Guinea.

Does size matter?

It is hard to tell how much weight the government will put on any one of the various ways a bank's size can be measured. If we're talking about market capitalisation, the Bank of Tokyo-Mitsubishi UFJ Ltd, ICBC, ANZ Bank, Standard Chartered Bank, Sumitomo Mitsui Banking Corporation and Mizuho Corporate Bank are among the largest on the list of banks that already have a representative office in Myanmar. Alternatively, one of the most common ratios used in the industry is the Common Tier 1 capital ratio (CET1). If that is taken as a standard, historically Singaporean banks are particularly strong in this sense. For example, OCBC and DBS have a CET1 of 14.5 percent and 13.7pc respectively as at December 2013. But possibly the size of a bank's international network will carry more weight than its CET1. In that regard, Standard Chartered and ANZ which are present in 70 and 31 markets respectively, including in emerging countries, would likely score well –should they submit a proposal.

5-10

Foreign banks to be granted a licence to operate in Myanmar

Who are the favorites?

As was the case in 2013 with the telecoms, Yangon is once more ablaze with rumours about possible favourites among the foreign banks. The three largest Japanese banks – namely The Bank of Tokyo-Mitsubishi UFJ, Sumitomo Mitsui Banking Corporation and Mizuho Corporate Bank – are, through sheer size and native access to one of Myanmar's major rising FDI sources, in a strong position. Among those three, Mizuho Corporate Bank's presence in Myanmar is of a later date than that of the other two banks, which might be a factor. Still, we think all three can be counted as favourites. The big three Singaporean banks and Malaysia's Maybank all have subsidised a presence in Myanmar since the early 1990s. Now that the time has finally come for that investment to pay off, it is not difficult to imagine them putting forward an aggressive proposal. For this reason we must count them as favourites. ANZ Bank and Standard Chartered Bank also make the list because of their size, international coverage and experience in emerging markets. ICBC, a massive Chinese bank with an extraordinary financial basis, is sometimes mentioned as a natural choice in connection with FDI from China, which remains significant.

Go big or go home

But favourites don't always run the table. In 2012, few people predicted that Ooredoo would win a telecom licence, but they did. Why is that? In my experience in Myanmar, there is one factor more persuasive than any other, provided bidders meet the government's minimum threshold for technical excellence and financial track record. This factor is, I believe, more likely to determine the outcome of a tender than the bidder's financial strength, technical savvy and international experience. That factor is the bidder's willingness to go all in, to go further than his competitors in a market with important uncertainties.

To win in Myanmar, then, it's basically "no guts, no glory". We have seen this with telecom, airports, oil and gas, and SEZ development. The bidder who is willing to commit more capital and resources than the competitors, to hire more staff, to take on more risk is very often the one most likely to win. In that sense it is fair to say that, regardless of size, network or past experience, most banks with a presence in Myanmar have a chance to receive a licence.

But who will seize that chance? This is hard to gauge, especially since banking is usually a risk-averse profession. Who among the banks has a board that is supportive of a gutsy business plan in a highly unpredictable regulatory environment?

We are about to find out. ■

Edwin Vanderbruggen is a partner with VDB Loi, a leading Myanmar legal advisory firm.

	FOREIGN BANKS WITH LOCAL REPRESENTATIVE OFFICES	LICENCE ISSUED	COMMENCEMENT	ORIGIN	REPRESENTATIVE OFFICE	CONTACT
1.	DBS Bank Ltd	Nov 10, 1992	March 29, 1994	Singapore	502 Sakura Tower, 339 Bogyoke Aung San Street, Kyauktada, Yangon	01-255 407; fax 01-255100, www.dbs.com.sg
2.	United Overseas Bank Ltd.	Nov 10, 1993	Aug 2, 1994	Marshall Islands	48 Aung Teza Street, Mayangone, Yangon	01-667818; fax 01-544126; www.privatebanking.com
3.	Oversea-Chinese Banking Corporation Ltd.	Feb 8, 1994	Nov 15, 1994	Singapore	1202 Sakura Tower, Yangon	01-255409; www.ocbc.com
4.	Malayan Banking Berhad (MAYBANK)	Aug 12, 1994	April 11, 1995	Malaysia	26, Thanlwin Rd., Bahan Tsp, Yangon	01-524950; www.maybank.com
5.	Bangkok Bank Public Company Ltd.	Oct 24, 1994	Aug 18, 1995	Thailand	Chatrium Hotel Royal Lake Yangon, Lobby Floor, 40 Natmauk Road, Tamwe Township.	01-549922, 01-549933; fax 01-549977; tossatis.bangkokbankyangon@gmail.com
6.	National Bank Ltd.	July 6, 1995	July 16, 1996	Bangladesh	26 (A), Pyay Rd., 7th Mile, Bahan Tsp.	01-666177
7.	Brunei Investment Bank (BIB)	Sept 18, 1995	July 1, 1996	Brunei	305, U Wisara Road, Bahan Township.	(673) 2383649; fax (673) 2380154; helma.hamid@bicb-brunei.com
8.	First Overseas Bank Ltd.	April 30, 1996	May 15, 1996	Bahamas	69, 003 (G/F), Yuzana Tower, West Shwegondaing Rd., Bahan Tsp.	01-558658~9; fax (1 242) 327-4776
9.	CIMB Bank Berhad (New Licence for Name of Merger)	Feb 19, 2008	Feb 19, 2008	Malaysia	1008 Level 10, Sakura Tower, Kyauktada Township, Yangon.	01-255430; fax +01-255430
10.	Sumitomo Mitsui Banking Corporation(New Licence for Name of Merger	April 18, 2001	April 18, 2001	Japan	Rm# 717-718, Traders Hotel, 233, Sule Pagoda Rd., Pabedan Tsp.	01-242828
11.	The Bank of Tokoyo -Mitsubishi UFJ,Ltd(New Licence for Name of Merger)	March 17, 2006	March 17, 2006	Japan	Rm# 403-404, IBC Centre, Pyay Rd., Hlaing Tsp.	01-664416, 01-664462
12.	Bank for Investment and Development of Vietnam	March 1, 2010	April 3, 2010	Vietnam	Address: 629/631, Pyay Road.	01-505400, 01-503603
13.	AB Bank Limited	Dec 10, 2010	June 6, 2012	Bangladesh	Address: 9, Thuhawaddy Gandamar Lane.	01-572701; www.abbl.com
14.	Industrial and Commercial Bank of China Ltd	Sept 16, 2011	Dec 2, 2011	China	No. 601A, 6th Floor, Sakura Tower.	no data
15.	Mizuho Corporate Bank Ltd	Jan 19, 2012	April 6, 2012	Japan	380, (7th Flr.), FMI Centre, Bogyoke Aung San St., Pabedan Tsp.	01-243009; miemiedkb@mptmail.net.mm
16.	Siam Commercial Bank Public Company Ltd	April 23, 2012	Dec 23, 2012	Thailand	102, Inya Road, Kamayut Township	no data
17.	MARUHAN Japan Bank PLC	May 7, 2012	July 28, 2012	Japan	97B, Kaba Aye Pagoda Road.	01-501301
18.	Krung Thai Bank Public Company Ltd	June 14, 2012	Dec 20, 2012	Thailand	46, Kaba Aye Pagoda Rd., Bahan Tsp.	01-548861; www.ktb.co.th ktbyangonrep@gmail.com
19.	United Bank of India	June 19, 2012	Dec 5, 2012	India	Room No. 805, La Pyayt Wun Plaza 37, Alanpya Pagoda Road, Dagon, Yangon	01-387636, 09-73130482; www.unitedbankofindia.com; royangon@unitedbank.com
20.	KASIKORNBANK Public Company Ltd	July 18, 2012	Jan 9, 2013	Thailand	No.313/315, U Wisara Road, Sanchaung Township, Yangon,	01-524285, 01-500727, 01-514868 kbankyangon@gmail.com; kasikornbank.com
21.	Hana Bank	Sept 20, 2012	Nov 7, 2012	South Korea	Room 202, 3 Wingabar Lane, Shwe Gon Daing	09-448537341; www.hanabank.com
22.	Woori Bank	Oct 25, 2012	no data	South Korea	no data	no data
23.	ANZ Bank	Dec 6, 2012	April 5, 2013	Australia	1807, 18th Floor Sakura Towers, 339 Bogyoke Aung San Road	01-255205; rajesh.ahuja@anz.com, www.anz.com
24.	Vietin Bank	Dec 12, 2012	no data	Vietnam	(Rm 601), 6th Flr, Pearl Condo E, Kaba Aye Pagoda Rd., Saya San Ward, Bahan Township	www.vietinbank.com
25.	Korea Development Bank	Dec 27, 2012	June 12, 2013	South Korea	no data	no data
26.	Standard Chartered Bank	Dec 27, 2012	Feb 5, 2013	United Kingdom	Unit No 6H, 6th Floor, Centrepoint Towers, Kyauktada Township, Yangon, Myanmar	09-5166635; www.sc.com
27.	Shinhan Bank	March 13, 2013	April 9, 2013	South Korea	No. 48, Ward 10, Kabar Aye Pagoda Road, Mayangone T/S, Yangon, Myanmar	www.shinhan.com.en
28.	Industrial Bank of Korea	March 14, 2013	April 23, 2013	South Korea	no data	www.eng.ibk.co.kr
29.	First Commercial Bank (New Licence for Change of Management Office)	March 18, 2013	April 30, 2013	no data	339, Bogyoke Aung San Road, Ward (1), Sule Pagoda Road, Kyauktada Township, Yangon	www.firstcommercialbank.com
30.	E.SUN Commercial Bank, Singapore Branch	April 1, 2013	July 17, 2013	Taiwan	no data	www.esunfhc.com
31.	Bank of India (BOI)	May 7, 2013	no data	India	no data	www.bankofindia.com
32.	Kookmin Bank	June 4, 2013	no data	South Korea	no data	www.kbfng.com
33.	Export-Import Bank of India	June 14, 2013	Sept 9, 2013	India	no data	www.eximbankindia.com
34.	Export-Import Bank of Korea	Dec 16, 2013	Jan 20, 2014	South Korea	no data	www.koreaexim.go.kr
35.	Eastern Bank Limited	no data	no data	Bangladesh	no data	no data
36.	Bank of Ayudhya Public Company Limited	no data	no data	Thailand	51C Kabar Aye Pagoda Road, Yangon	no data
37.	RHB Bank Berhad	no data	no data	Malaysia	no data	no data
38.	Commercial Bank of Ceylon PLC	no data	no data	Sri Lanka	no data	no data
39.	State Bank of India	no data	no data	India	no data	no data
40.	Cathay United Bank	no data	no data	Taiwan	no data	no data
41.	State Bank of Mauritius	no data	no data	Mauritius	no data	no data
42.	Bred Banque Populaire	no data	no data	France	no data	no data

Photo: Kaung Htet

Central planning

An interview with Daw Khin Saw Oo, deputy governor of the Central Bank of Myanmar

AYE THIDAR KYAW
ayethidarkyaw@gmail.com

What are the criteria for allowing foreign banks to operate?

Assessment will highlight three main criteria: prudential, capabilities and market development. We will consider international ratings, capacity and extent to which they can support the growth of our economy and financial sector.

What status will they have?

Our first thought was joint-venture banking, which provides technology, human resource development and financial resources, so our domestic banks would develop accordingly. However, there is no comprehensive legal framework for JV bank formation or equity participation, so we had to drop this idea.

Another option is branches or subsidiaries. We think allowing foreign banks to open branches is more dynamic, as shown in the experiences of other Asian countries in earliest stages of opening their banking sectors. Therefore, foreign bank branches with limited banking services will be allowed in the early stage.

We also have plans to gradually liberalise restrictions on foreign banks, but need to wait until domestic banks become stronger. And to protect the domestic banks the CBM will allow foreign banks to do only wholesale banking such as corporate banking for their foreign corporate customers.

Some have criticised what they say is a lack of transparency in selecting the board and setting rules and regulations. Thoughts?

The CBM has met many times with the Myanmar Banks Associations and other stakeholders. The Central Bank of Myanmar Law of 2013 empowers the CBM to issue licences. That is the sound reason for the Authority to organise a selection committee with relevant persons, comprising CBM management and representatives of the Ministry of Finance and the Attorney General's Office.

Since local banks' foreign banking services are still in early stages, some are worried. Why is now the time to let in foreign banks in?

Domestic banks have been allowed to conduct foreign banking for over one-and-a-half years, but sanctions on the financial sector eased only in the past year, enabling them to conduct business with banks in a foreign country just recently. However, domestic banks have been developing their capacity-building by employing foreign and local experts.

On the side of ASEAN Banking Integration Framework, which is a part of the 2015 ASEAN Economic Community, our country alone is left behind. As we are going for ASEAN banking integration and globalisation, I think now is the right time. I would even say we are a bit far behind.

Some have said foreign banks will offer offshore loans for foreign investment projects but not directly to local businesspeople.

A lot of foreign investment is coming to the Special Economic Zones and other investment areas. Domestic banks cannot provide sufficient funds to them as they lack developed financial resources. But foreign banks can offer this to their clients. Japanese investors, say, can access financing from Japanese banks for their investment in Thilawa SEZ.

What loan regulations will there be?

Foreign bank branches in Myanmar will be required to comply with the prudential regulation issued by the Central Bank, the same as is assigned to domestic banks. If a loan is made in foreign currency, the interest rate would reflect the international market rate and will be monitored by the CBM. Moreover, most of the financial support offered by these banks will be project financing for foreign investors, long-term loans for which they have practice and experience already.

Are foreign bank licences a first step toward CBM autonomy?

After the CBM becomes autonomous, we will primarily focus on the effective implementation of monetary policy and the performance of other CBM functions such as foreign exchange management, exchange rate stability and managing international reserves of the State. We will also focus on the development of the financial sector, which includes the development of domestic banks and allowing foreign banks to enter and support the growing economy. ■

HOW WE GOT HERE: A timeline of Myanmar's financial history, 1861-2015

The British-imposed Indian rupee is replaced by Burma's own currency (also called rupee), with one Burma rupee equal to 16 pe and each pe equal to four pya.

1949
Coins are introduced for pe and pya denominations, with a chinthe lion-dragon on the back.

1952
Korean War boosts rice prices, swelling coffers. Country shifts to program of "democratic socialism", rejecting private foreign ownership and reclaiming control through centralisation.

Drafted in part by US consultants contracted by Prime Minister U Nu, the Pyidawtha Plan, or "royal pleasant country", aims to shift focus away from "colonial extractive economy".

July 1 – Union Bank of Burma Act disbands BCB, establishing the Union Bank of Burma as central bank. The kyat (=100 pya) replaces the rupee at par, with chinthe designs on back. Coins also later introduced for K1 and pya denominations.

Following Indonesian model, a system of state-owned pawnshops begin, to prevent overcharging from private pawnshops. Three years later, State Pawnshops Management Board Order permits government to assume all private pawnshop licences as they expire, in part as a way to drive out Chinese money-lenders.

1953
June – State Agricultural Bank set up to extend credit through system of village and district banks, using "joint security" and programs of compulsory savings (both ideas are central to today's microfinance loans). Repayment rate from 1953 to 1962 is 98.7pc.

1954
June 1 – State Commercial Bank formed. The next year all government institutions are ordered to bank with it exclusively

1956
Coins introduced for 1, 5, 25, 50 pya and K1. In the decades ahead they would be periodically re-designed and eventually phased out as cost of living rises.

CONTINUES PAGE 16

Photo: Zarni Phyo

Pun-dit

Serge Pun gives his take on banking's future

MYO LWIN
myolwin286@gmail.com

HOW do you see the future of the banking sector in Myanmar?
I think it's opening up. It's in the very early stage of what we call banking reform. You can see very positive steps that the Central Bank has taken. So this year we will probably see the inclusion of foreign banks in our banking sector. But overall I think the banking sector's role in the economy has now been recognised as critical and crucial. If we don't get the banking sector going, we won't be able to get the economy going. That realisation by the appropriate authorities has really made a big difference.

Do you think that the government is really convinced of this fact?
Oh, yes, I think so. I think our Central Bank, our Ministry of Finance, our president all realise that getting the banking sector reformed and really playing its role in the economic growth is crucial. Without it, it won't happen.

With the coming influx of the foreign banks, what do you think about the situation of local banks?
You know, I think the authorities are very conscious of the fact that opening up the banking sector to foreign banks is a very needed imperative step. However, it cannot be done at the expense of marginalising the local banks. To that effect, I think they have considered many measures to ensure that the local banks are not marginalised. I'm quite confident that they will get it right.

Do you think local banks are ready to compete with foreign banks?
Well, the local banks are always ready to compete, but I think that the local banks require a bit more time to grow. I mean, after all, they're all very young, infants in the context of banking. Plus they have been subject to a lot of restrictions in the past. Therefore they have not really grown to the extent that they should have. It's only in the last two years that the local banks have been given enough space to grow. So we need the time.

What do you think about people's general impressions about banks? Normally, we prefer to keep our money under the mattress.
It's changing. It's changing. I mean, as the banks play their role, the role that they should play in the economy, the perception of the people toward the banks will also change. It was not that the banks did not want to play the role. It was that they were not allowed to play the role. If you recall, in the 1990s our banks were doing very well. In 2003 to 2010, the banks were not really allowed to operate as banks should. That's the reason.

What are the challenges for the local banks at the moment?
I think the local banks need to reform. They need to be more diligent in their governance, risk assessment, risk control. They need to comply with more stringent criteria, like how they manage their banks, particularly in risk assessment and risk management.

How do you see the economy?
I'm very positive the economy will be good.

How do you think the economic sanctions from the West are affecting the banking sector?
Well, there are some effects but I don't think at this moment that sanctions are playing a very big role in inhibiting our growth. I think to the extent that most sanctions are lifted, we will see more growth.

What would you like to suggest to the government in terms of policy or implementation?
I've made all my suggestions already. I don't make them public. ■

Foreign bank entry

Will bringing the outside in push the inside out?

AYE THIDAR KYAW
ayethidarkyaw@gmail.com

THIS year, 10 of the 42 foreign banks with representative offices here – mostly Southeast Asian, with others from China, Japan and South Korea, and the majority licensed in 2012 and 2013 – will be granted licences to open full branches. Successful foreign banks will require a minimum paid-up capital of US$75 million. A final decision on which banks are chosen is expected in September, according to Central Bank. Until then, foreign and domestic banks are left pondering what this will mean.

U Win Myint, secretary of parliament's Bank and Monetary Affairs Development Committee, suggested that the entry of foreign banks could shake up more than just the private domestic incumbents. "I don't think these SE [state enterprise] banks will be necessary in future," he said.

The nation's four state-owned banks – Myanma Economic Bank, Myanma Foreign Trade Bank, Myanma Investment and Commercial Bank and Myanma Agriculture and Development Bank – operated foreign banking, trade and other specific sectors for many years before commercial banks were allowing to offer those products. Now times have changed.

"MFTB and MICB cannot get much profit," U Win Myint said. "MEB has even lost money, we heard."

He said the government is well aware of the shake-up foreign banks will bring. On one hand foreign banks can introduce fully modernised international-standard systems, he said, but on the other hand they will most likely poach employees from domestic banks by offering higher salaries than local banks can afford to pay.

As the foreign bank licensing issue is confidential among CBM senior officials, even those in competition are having a hard time getting information on the procedures, according to bank sources.

One foreign bank in contention is Sumitomo Mitsui Banking Corporation. SMBC opened a representative office in Yangon in 1996, was issued a new licence in 2001 following a merger, signed an agreement with Kanbawza Bank in 2012 to provide technical assistance, and is currently providing an educational training program for domestic banks through the Myanmar Banks Association (MBA).

Chief representative of SMBC Yoshiyuki Morii told *The Myanmar Times* that Central Bank seems to be trying to define a newly drafted Financial Institution Law to allow cooperation between local and foreign banks, and to make sure the sector operates in line with regional and international markets.

Of those without accounts

- 63% say "not enough income"
- 25% say "not enough balance"
- 9% say "don't get how they work"
- 6% say "can't meet min balance"

Source: Myanmar FinScope Survey 2013

The existing law from 1990 is not enough to set specific procedures such as how foreign banks can operate in a domestic market, he said.

"The most important policy for Central Bank to issue should be transparency and fairness."

In other countries where foreign banks have stepped into local markets, some have used joint ventures in the early period, to ease growing pains and protect the home side.

Mr Morii said this sometimes can be challenging, however, as domestic banks would then be required to put a great deal of capital into the joint venture arrangement according to the share ratio, which is often difficult for smaller local partners to manage. Furthermore, domestic banks may experience difficulty providing additional capital for some big projects initiated by the foreign partner, he added.

The primary interest of foreign banks is to serve as a base for increasing foreign investment, Mr Morii said.

"Our main purpose here is to support and attract foreign investment to Myanmar. If foreign investors establish factories, they would require huge financing. This is unlikely to be supported by domestic banks due to lack of capital, especially in foreign currency."

"I really appreciate the process that invites foreign banks to the local market," Mr Morii said. "We hope there will be sufficient policies for us to contribute to the development of local society."

Mr Morii said allowing foreign banks to establish local branches will assist the development of local economy and society. SMBC, for instance, plans to offer project financing loans for infrastructure development in cooperation with domestic banks.

"There is a huge requirement for building and improving infrastructure in this country, which requires huge foreign loans. We will also try to offer offshore from our foreign branches, if the case is needed," he said.

However, SMBC does not plan to offer SME loans directly. The bank will support this important sector via domestic banks and a credit guarantee scheme, to be introduced here soon.

As for the smaller banks, who worry they may disappear underfoot, Mr Morii said some may need to consider focusing on some specific industrial areas like construction or agriculture, or becoming regionally focused to carve out a niche in the marketplace.

Domestic mergers may also be a way forward: Some major Japanese banks consist of many formerly smaller independent banks combined as a group, Mr Morii said.

For local enterprises, the biggest hope foreign banks bring is in loans. Many are suffering with high interest rates and tightfisted offerings.

For example, if a property has a K100 million market value, banks will assess wholesale value as K80 million and just offer 35pc of that.

In addition, though credit insurance – which guarantees borrowers to the bank – has yet to come out, they hope interest rate on loans from foreign banks will be significantly lower than what they can get from domestic banks, and more in keeping with rates elsewhere.

However, an official at Central Bank said the interest rate is unlikely to fall immediately, with Myanmar's inflation rate sitting at about 7pc.

In any case, Mr Morii said foreign banks may at first prefer off-shore loans to citizens wanting to do business here rather than domestic loans, as their priority is to gear up investment flow into the country.

He added, however, that any loans issued must sensibly directed. He singled out real estate as a potentially unproductive avenue of capital flow.

"Central Bank needs to analyse the allocation of these loans to make sure they are effective. They should not be long-term, and not be withdrawn easily. ■

ZAW HTIKE
zawhtikemjn1981@gmail.com

Photo: Kaung Htet

The full account

Officials from the largest two private banks put the current situation into context

U THAN Lwin is senior consultant to Kanbawza Bank and a retired vice governor of the Central Bank of Myanmar. U Pe Myint is managing director of Co-operative Bank. Interviewed separately, their responses have been edited together to tell this story.

The first bank opened in this country almost 115 years ago – in 1900 in Sittwe, Rakhine State, under wealthy Rakhine tycoon U Ye Kyaw Thu. Permission had been granted by the India under the British Empire – which back then Burma was still part of. Whatever objections can be made to the country's colonised position in the first half of the 20th century, it did leave a legacy of systematic, strong banking following independence in 1948. By 1963, 14 foreign banks operated; the Central Bank managed the country's monetary policy soundly; and many staff benefitted from Western training and education, creating a strong work force.

U Than Lwin, senior consultant, Kanbawza Bank: "Today there are many elderly banking practitioners in the private banks. At KBZ, we have one employee who is over 80, who worked in this business in the colonial age. But the new generations today have not come out properly. And the Central Bank needs skilled guys at every level."

In 1963, however, private banks were nationalised by the military government under General Ne Win. Banking – like everything else – fell into a rut.

U Pe Myint, managing director, Co-operative Bank: "For 50 years until 2011, the Myanmar banking business did not develop properly, and had no other banking services except saving and lending. Nothing was developed. Banks were slightly more than pawn shops."

U Than Lwin, KBZ: "We were left behind the others for about 50 years. To be able to implement our plans to develop, we need more capital."

After socialism fell in 1988, a new military government took root and a struggling market economy emerged. Semi-governmental banks began in the early 1990s, while private banks were allowed in 1999, following promulgation of the Financial Institution Law, but in 2003 a massive banking crisis knocked the industry on its heels.

U Than Lwin, KBZ: "After the 2003 bank crisis, many restrictions were put on the banking business and slowed its development. It was very difficult just to open a branch office. In those days, until 2011, it was very difficult to develop."

Photo: Ko Taik

In 2010, the same year the country transitioned to civilian government, four new large private banks – Asia Green Development, Ayeyarwady, Myanmar Apex and United Amara – were given licenses. The new guns shook up the industry.

U Pe Myint, CB: "The officials from the four new banks are quite advanced and modernised guys. And they are very eager for development and can afford to extend their business properly. There are also some conservative banks, without adequate capital. So local banks would, I think, be divided into two groups, the advanced and the conservative … Only the four new giants and KBZ, CB and Global Treasure Bank have been trying hard to move forward. The rest are weak and some banks have not been able to start computerised business."

No matter how eager or well-funded any one player is, however, the industry as a whole finds itself well behind those of its neighbours.

U Pe Myint, CB: "CB Bank can offer only 43 kinds of banking services, while foreign banks can offer over 100 kinds. Even Thailand's banks can offer about 100 kinds of services. Local banks, including CB, are not in a position to expand their kinds of services above 60."

U Than Lwin, KBZ: "Though our bank, KBZ, can be said to be the largest with capital of about US$150 million – three or four times of the capital of other leading local banks – it is just a tiny regional-level bank if you compare us to banks in other countries. In other countries, even regional-level banks have the capital of about $400-500 million."

Some roadblocks, experts say, are technological.

U Pe Myint, CB: "We still need to fill many gaps, including IT. Developing the banking sector depends on the online network. In Myanmar MPT [Myanma Posts and Telecommunications] provides only 2Mb/second for us. In Singapore, banks are offered online networks with speeds of about 22Mb. They can transfer their accounts very quickly. But here in Myanmar we have to wait just to do small things, as our connections are very slow."

U Than Lwin, KBZ: "We do not even have modern banking technology."

Other hurdles are regulatory. A new Myanmar Financial Institution Law has been amended and submitted to the parliament but has not yet been not promulgated. The Central Bank of Myanmar is more independent than in times past, but remains under the Ministry of Finance, and its role remains a crucial piece of the puzzle.

U Pe Myint, CB: "To develop private banks, the monitoring Central Bank also needs to be brought forward. It should not worry about losses when implementing development – we need to dare to take risks. We should not be conservative. For example, we at CB Bank want to open a branch in Thailand. But if Central Bank does not permit it, we cannot do anything."

U Than Lwin, KBZ: "Central Bank plays the main role in banking business development. The banks will develop depending on how much openness the Central Bank implements."

With foreign banks on the doorstep, Central Bank has said it plans to protect local banks. Still, many are worried about how they will fare.

U Than Lwin, KBZ: "Nowadays, in Japan, Singapore, Malaysia, banks have united with one another to be stronger. But here in Myanmar, many licences for setting up a new bank have been permitted and there has come to be so many banks. But no single bank can achieve international standards. At this strength, we cannot compete with foreign banks. We should think about uniting with each other because we need capital for making development … Being united with the foreign banks would also be better for the local banks. If we have to compete with them, how we can do that? But Central Bank will have to think about that.

Despite an unprecedented period of development for banking in Myanmar, the future remains uncertain. But one thing is certain – the pressure is immense.

U Pe Myint, CB: "As for CB Bank, we are going to prioritise development rather than profit. We, local banks, have to think whether we will stay behind or top others in ASEAN. Now that Myanmar is chair of ASEAN, we have to go forward. If not, everybody will look down on us."

U Than Lwin, KBZ: "We want to take many steps forward. We want to be advanced, not only locally but also regionally. We want to expand into many more services in the short-term, but we still need to do so many things, including cultivating the new generation of staff … We private banks require skilled staff to expand our business. Not only private banks but also Central Bank needs skillful staff and skilled practitioners … One thing I would like to express is that though we want to do so many things, we can implement only according to our limitations. We need to take time." ■

HOW WE GOT HERE: A timeline of Myanmar's financial history, 1861-2015

1958
October 28 – Following instability during protracted civil war with ethnic groups, Ne Win takes power in coup to rule as "caretaker" government, until surrendering power in April 1960 to U Nu once more

1961
October – Industrial Development Bank opens

1962
March 2 –Military coup under General Ne Win and his "Revolutionary Council Government" ends oarliamentary democracy era. 1947 constitution is suspended.
April – "The Burmese Way To Socialism" is outlined in a tract of same name

Currency production is shifted out of Britain, where it had been carried out during colonial and parliamentary democracy periods, to the then-also-socialist East Germany.

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Profiles

A look at two private banks

JEREMY MULLINS AND MYO LWIN
jeremymullins7@gmail.com, myolwin@myanmartimes.com.mm

The public face of First Private Bank

DOMESTIC banks are often opaque institutions. Control tends to rest with one large main shareholder, with strong links to conglomerates or branches of the government.

But First Private Bank (a public company) has pursued a different model since opening its doors in 1992. Established as a public company it allows Myanmar citizens to buy shares on an over-the-counter basis. It now claims some 6700 shareholders, none of whom own more than 2 percent of the institution.

"I want to avoid a situation where a handful of guys control the bank," said U Sein Maung, chair of First Private Bank.

After graduating with a PhD from America's New York University in 1964, U Sein Maung spent 20 years with the Myanmar Ministry of Finance before deciding to enter the private sector.

"I wasn't so happy with the level of bureaucracy [at the ministry]," he said. "I felt I could not show my talents. So during the crisis in 1988 I decided to resign and I started setting up this bank."

First Private Bank (FPB) claims the first banking licence of its kind in Myanmar, and was always conceived of as a public bank.

Public companies have become something of a Myanmar trend in recent years, with many private firms making the transition to a public company for a variety of reasons. However, oversight is slim and Myanmar public companies are not compelled to have more than seven shareholders. A large number do not regularly sell shares and are circumspect with their public disclosures, differing dramatically from many international publically listed companies.

U Sein Maung calls them "public companies in namesake only", but added FPB has always embraced a small-scale shareholder-driven model.

"Public companies are very difficult to organise and to operate but you have other advantages," he said, pointing to the access to capital that comes from having new shareholders. The firm has rapidly increased its authorised capital in recent years to K100 billion (US$100 million), after originally starting with K1 billion. FPB has consistently paid large dividends of between 13 and 26 percent, which has helped attract would-be shareholders, he said.

Shares have also appreciated significantly. They initially sold at K10,000, but current shares are being sold at K19,000. The firm also vets interested parties in an effort to restrict shareholders to long-term investors with clean money.

"We don't sell to any Tom, Dick or Harry," he said. "We want them to invest in the bank for the longer term, not just speculate."

Control over shareholders is at the root of U Sein Maung's deciding whether to list on the planned Yangon stock exchange. Claiming the bank could easily meet the yet-to-be-produced listing criteria, he said the main advantage to listing is access to capital, but that is not a problem for First Public given large public interest in its shares.

"What I'm worried about is that you lose control once you join the stock exchange," he said, adding that shares will change hands without the bank's knowledge and speculators could try to control the bank by buying all the shares on the stock market. He said his focus is on running a bank that returns value to its shareholders and provides strong service to his customers.

Unlike many of its peers, FPB has not pursued ambitious expansion plans, and has been slow moving into online banking and ATMs. U Sein Maung said the added costs of ATM networks, software and staff training are hard to justify when maintaining high dividend payments are a priority, but added the bank will look to leapfrog to mobile banking.

Central Bank restrictions, he said, on interest and deposit rates also cut into profitability.

FPB may generate much of its income from areas like remittances and service-based fees, but U Sein Maung said that increased liberalisation would help the bottom line.

The Central Bank requires Myanmar banks pay 8pc on deposits, and demand maximum interest of 13pc – though it has been asked to reduce this figure to 12pc. But the bank can only lend on 70pc of its deposits as the other 30pc are tied up due to Central Bank liquidity and reserve requirements, meaning the spread between deposit and interest rates becomes quite thin.

"We are hoping the Central Bank liberalises these restrictions gradually," he said.

Asked about his personal approach to banking and to life, 78-year old U Sein Maung said he aims to provide service to others.

"I used to tell my friends I am a conscientious family man and a dutiful citizen and a good chairman," he said.

But with the Myanmar banking landscape set to change rapidly in the coming years, U Sein Maung said the bank's future is foremost in his mind.

"I think about it 24-7. I may be at the office from 9 to 5 or 6, but I think about it 24-7." ■

New start at Yoma

YOMA Bank is one of Myanmar's oldest continuously operating private banks, but – like the country itself over the past two decades – it has seen many changes in fortune since its founding.

Chaired by prominent local entrepreneur Serge Pun, Yoma Bank was left with a restricted licence after the 2003 banking crisis rattled the sector in Myanmar. But in 2012 Yoma was allowed by the Central Bank of Myanmar (CBM) to restart full operations, leaving it with a "clean slate" to rebuild much of its business, according to Hal Bosher, special adviser to the chair and CEO.

"I'm more inward looking today than I am outward [looking]," Mr Bosher said in an interview at his office in Yangon's FMI Centre. "Now that will change. Over the coming months, we'll have a bigger brand, but it's all about a medium-term approach."

The bank is focusing on building its foundations first, he said.

"It's more about people, training and systems, before going off and repainting the branches and advertising. We don't want to tell people we're something that we're not."

Founded in 1993, Yoma really started to take off around 1996, Mr Bosher said, eventually becoming one of Myanmar's largest private banks.

But the 2003 banking crisis shook up the whole sector, and also saw the demise of two of the nation's largest private banks, Myanmar Mayflower and Asia Wealth.

Yoma proved more resilient, but its licence was restricted, preventing it from lending or accepting deposits. The bank turned to generating revenue mostly through fee-based services such as remittances.

"Staff took a significant salary cut, and like Myanmar, Yoma Bank went through a difficult time," said Mr Bosher.

Things began to change for Yoma in August 2012, when the Central Bank of Myanmar reinstated its full licence.

"The bank was in "pretty bad shape" at that point, Mr Bosher said, but company officials recognised opportunity. Since then it has restarted activities like deposits and lending that are at the core of most other financial institutions, and in many ways the company feels it is now working from a clean slate, in spite of being one of the country's oldest banking brands.

"At that point our chairman thought our bank was behind ... and I think then he decided he wanted to take another direction with Yoma Bank. He wanted it to be of international standard [yet a] local bank," he said.

The bank is now preparing for a full relaunch, aiming at a high standard in anticipation of changes coming to the sector. Yoma has over 50 branches, and it is mulling further branch expansion in the right places, as well as planning to introduce a core banking system and mobile and internet banking, as are many of Myanmar's banks.

Other than Mr Bosher, a Canadian who previously worked with the World Bank in frontier markets, all the employees are Myanmar – though many have spent time abroad. Mr Bosher said international banking standards will become the norm in Myanmar, likening it to a law of nature.

"You can be annoyed by gravity all you want, but it's still there. You will still wake up in the morning and fall out of bed. And I think that's the same thing with the banks. The banking system will modernise and you need to prepare for it the best you can," he said.

One motivation for change is the need to further integrate with international institutions.

"Financial markets are interdependent," he said. "Myanmar cannot exist on its own and [neither] can its banks."

Mr Bosher said he is sympathetic to the concerns of local banks worried about foreign bank entry, but added there should be a balance between the benefits the foreign banks can bring and protecting the local banks.

Still, with the country's banking assets totally only about 15 percent of its GDP - compared to near 100pc in most developed countries - "the race has yet to start, let alone be won," Mr Bosher said.

While crediting the central bank and government, he said will take many years for expectations to be realised. "We need to calm down, live a little bit and let the whole thing come together."

Mr Bosher added that he personally plans to be here in ten years and see it happen.

"I want the best for the country and best for the financial sector. I just hope it works out." ■

HOW WE GOT HERE: A timeline of Myanmar's financial history, 1861-2015

1963

February 13 – After nationalising the Burmah Oil Company's assets in January, Ne Win proclaims that "Henceforth, no more private industry would be allowed" of any sort. A run on banks ensues.

February 23 – Nationalisation of banks announced. Fourteen foreign and 10 local banks – from the Central Bank of India through the Upper Burma Bank – are renamed People's Bank No 1 through People's Bank No 24, with foreign banks given the lower numbers and local banks the higher. Military officers are appointed general managers. Foreign banks are paid the level of capital they originally brought to the country when establishing, but not reimbursed for earnings since. Certain banks are assigned certain areas of specialty (No 1 credit, No 2 savings, etc). Deposits can hold only one account in one bank; cannot deposit over K10,000 per month or K50,000 per year; cannot make over two withdrawals per week; must make minimum withdrawals of K5; and cannot take out more than 10pc of account at once.

May – Ne Win tells attendees at a village meeting to "Work hard and put up with austerity for a couple of years".

CONTINUES PAGE 20

MyanmarTimes Bank survey 2014

Complete information on all 26 of the nation's banks

Sources: Surveys mailed to banks; bank websites; the Central Bank of Myanmar; Myanmar's Financial Sector: A Challenging Environment for Banks (GIZ, 2013)

State (4)

Myanmar Agricultural Development Bank

Contact

Main branch 26-42 Pansodan Road, Kyauktada, Yangon
Phone 01-250426

Services (as of end 2012)

Branches 206
Employees 3357
Customers holding accounts 1.87 million

Loans portfolio

March 2010 K20.4 billion
March 2012 K116.27 billion
Acres financed 12.4 million (2011-12)

Assets

2011-12 K116.3 billion

Operations

Licensed June 1953 (joined People's Bank 1975)
Controlling interest Ministry of Agriculture
Background Formerly Myanmar Agricultural and Rural Development Bank, this is the largest state-owned bank in terms of loans and the official financing source for farmers, who must join 5-10 others to guarantee each loan. In 2012, 88pc of loans were concentrated on paddy farmers, at K100,000 per acre for paddy production and K20,000 for production of farm crops at 8.5pc interest (a subsidised rate; market is 12pc).

Myanma Economic Bank

Contact

Main branch 26 Thiri Kyaw Swar Street, Nay Pyi Taw
Website www.mebank.com.mm

Services (as of June 2014)

Branches 307

Operations

Licensed 1975
Controlling interest Ministry of Finance
Background Originated from State Commercial Bank (SCB) founded in 1954. Acts as agent of Central Bank for treasury banking and maintains state economic enterprises, government departments accounts and state pensions. In July 2013 the Union Auditor General's Office announced MEB has been operating at a loss since 1990 due to disbursing loans at low interest rates to state projects. Used K79 billion of state's budget in FY 2012-2013.

Myanmar Foreign Trade Bank

Contact

Main branch 80-86 Mahabandoola Park Street, Kyauktada, Yangon
Phone 01-370994
Website mmftb.com/english/index.php

Services (as of June 2014)

Customers holding accounts 80,000 (2012)

Operations

Licensed 1975
Controlling interest Ministry of Finance
Background Only bank to specialise in international banking prior to MICB's establishment in 1990. All government departments and state economic enterprises keep their foreign exchange accounts with this bank; also some private companies and individuals, particularly sailors.

Myanmar Investment and Commercial Bank

Contact

Main branch 170-176 Bo Aung Kyaw Street, Botahtaung, Yangon
Phone 01-280395

Operations

Licensed 1990
Controlling interest Ministry of Finance
Background Offers investment development and commercial banking facilities to local and foreign investors, partnership firms, joint ventures limited companies, organisations, sole proprietorships, exporters.

Photo: Yu Yu

Semi-government (11)

Construction and Housing Development Bank (CHD)

Contact

Main branch 60 Shwedagon Pagoda Road, Dagon, Yangon
Phone 01-371338, 01-371978
Hours 9:30am to 4:30pm

Services (as of June 2014)

Branches 4
ATMs 4
Employees 317
Customers holding accounts 2568

Assets

2013-14 K16.482 billion

Finances

Authorised capital K100 billion
Paid-up capital K50 billion

Operations

Managing director U Win Zaw
Licensed July 12, 2013
Controlling interest Ministry of Construction

Co-operative Bank (CB)

Contact

Main branch 334-336 Strand Road at 23rd Street, Latha, Yangon
Phone 01-372641, 01-372646, 01-372655; ATM hotline 01-377539
Website www.cbbankmm.com
Email contact@cbbankmm.com

Services (as of June 2014)

Branches 85
ATMs 179
Employees 3000 (March 2013)

Assets

2011-12 K563 billion
2012-13 K825 billion

Operations

Chair U Khin Maung Aye
Managing director U Pe Myint
Licensed August 3, 1992
Controlling interest Ministry of Co-operatives
Businesses affiliated with controlling interest Many, including hotel business Kaytumadi Trading, Golden Myanmar Airline, Microfinance Bank; Citizen Business Insurance Company
Background Third-largest bank by total assets. Co-operative Farmers Bank and Co-operative Promoters Bank merged with Co-operative Bank in 2004. Though supported by the Ministry of Cooperatives, the ministry does not own shares, nor does CB specialise in cooperatives. Major shareholders are U Khin Maung Aye, plus his Citizen Business Private Company.

Innwa Bank

Contact

Main branch 554-556 Merchant Road at 35th Street, Kyauktada, Yangon
Phone 01-254642, 01-254642, 01-254645, 01-254646
Website www.ablmm.com

Services (as of March 2013)

Branches 33

Assets

2011-12 K245 billion
2012-13 K260 billion

Operations

Licensed May 15, 1997
Controlling interest Myanmar Economic Corporation, affiliated w/Ministry of Defence
Businesses affiliated with controlling interest Dagon Brewery, Myawaddy Television, building materials; mining in Mogok and Monghsu; Aung Myintmo Min Insurance Company

Myanmar Microfinance Bank

Contact

Main branch Sayar San Plaza, New University Avenue at Sayar San Road, Bahan, Yangon
Phone 01-8604047~49
Website www.mmbbank.com.mm
Email contact@mmbbank.com.mm

Operations

Managing director U Zaw Win Naing
Licensed July 2, 2013
Controlling interest Ministry of Co-operatives

Myanmar Citizens Bank

Contact

Main branch 383 Mahabandoola Street at 37th, Kyauktada, Yangon
Phone 01-245938, 01-28319,01-245934, 01-245936
Website www.mcb.com.mm
Email admin@mcb.com.mm
Regular opening hours 9:30am to 3pm, Mon-Fri

Services (as of May 2014)

Branches 13
ATMs 3
Employees 472
Customers holding accounts 56069

Assets

2011-12 K40.89 billion
2012-13 K81.66 billion
2013-14 K105.30 billion

Finances

Authorised capital K75 billion (May 2014)
Paid-up capital K18.27 billion (May 2014; including Ministry of Commerce's K3.21 billion)
Total loans outstanding K62.17 billion
Total deposits K85.31 billion

Operations

Chair U Toe Aung Myint
Managing director U Myint Win
Licensed May 25, 1992
Controlling interest Ministry of Commerce

Why should we choose your bank?

"The safest and most stable bank for saving and loans, MCB is one of the pioneering bank with over 20 years of solid track record. We are professionally run publicly traded bank managed by diverse board members from successful businessmen to Myanmar government through Ministry of Commerce. MCB is also a leader in innovation for banks of the same sizes in international banking and payment cards, and mobile banking."

Myawaddy Bank

Contact

Main branch Plot B-1 near Thiriyadana Super Market, Hotel Zone, Nay Pyi Taw
24-26 Sule Pagoda Road, Kyauktada, Yangon
Phone 01-370558, 01-370559, 01-370562

Assets

2011-12 K732 billion
2012-13 K870 billion

Operations

Licensed January 1, 1993
Controlling interest Union of Myanmar Economic Holding, affiliated w/ Ministry of Defence
Businesses affiliated with controlling interest Trading, hotels and tourism, banking, buses and taxis, iron and steel, cement, cigarettes, brewing, paint, garments, jade, precious stones, and jewellery; Aung Thisa Oo Insurance Company
Background Second-largest bank. "A" shares owned by Ministry of Defence; "B" shares held by serving or retired military personnel and related organisations.

Nay Pyi Taw Sibin Bank (Nay Pyi Taw City Development Bank)

Contact

Main branch 25/26 Yazathingaha Road, Ottarathiri, Nay Pyi Taw

Operations

Licensed February 28, 2013
Controlling interest Nay Pyi Taw City Development Committee

Rural Development Bank Ltd

Contact

Main branch Plot 2, Thiriyadanar Super Market, Nay Pyi Taw
526-532 Merchant Street, Kyauktada, Yangon
Phone 01-391250

HOW WE GOT HERE: A timeline of Myanmar's financial history, 1861-2015

1964

May 17 – Demoniitisation: Starting at 7pm all holders of K50 and K100 notes are required to hand them in to collection centres. The law proclaims holders of over K4200 will be taxed as "indigenous and foreign capitalists" for having "unfairly accumulated the people's money", then given "amnesty or light sentences", while "the innocent or honest savers and the poor" are given equivalent values in return. People turn away from cash and toward savings in gold or jewellery.

1965

People's Bank of Burma takes over note production, issuing new designs.

CONTINUES PAGE 22

Operations

Managing director U Aye Kyaw
Licensed June 6, 1996
Controlling interest Ministry of Livestock, Fishery and Rural Development
Other background information Formerly the Development Bank Ltd.

Small and Medium Industrial Development Bank (SMIDB)

Contact

Main branch Plot 2, Ottarathiri, Nay Pyi Taw
102/104 Pansodan Street, Kyauktada, Yangon
Phone 01-657602~3, 067-417123~4
Fax 01-657604
Website www.smidb.com.mm
Email midb01@mptmail.com.mm
Regular opening hours 9am to 3:30pm

Services (as of June 2014)

Branches: 13 (6 more planned 2014-16)
ATMs: 4 (5-7 coming in 2013-14)
Employees: 441 (March 2013)
Customers holding accounts: 17,976 (2013-14)

Assets

2011-12 K118 billion
2012-13 K182 billion
2013-14 K163 billion

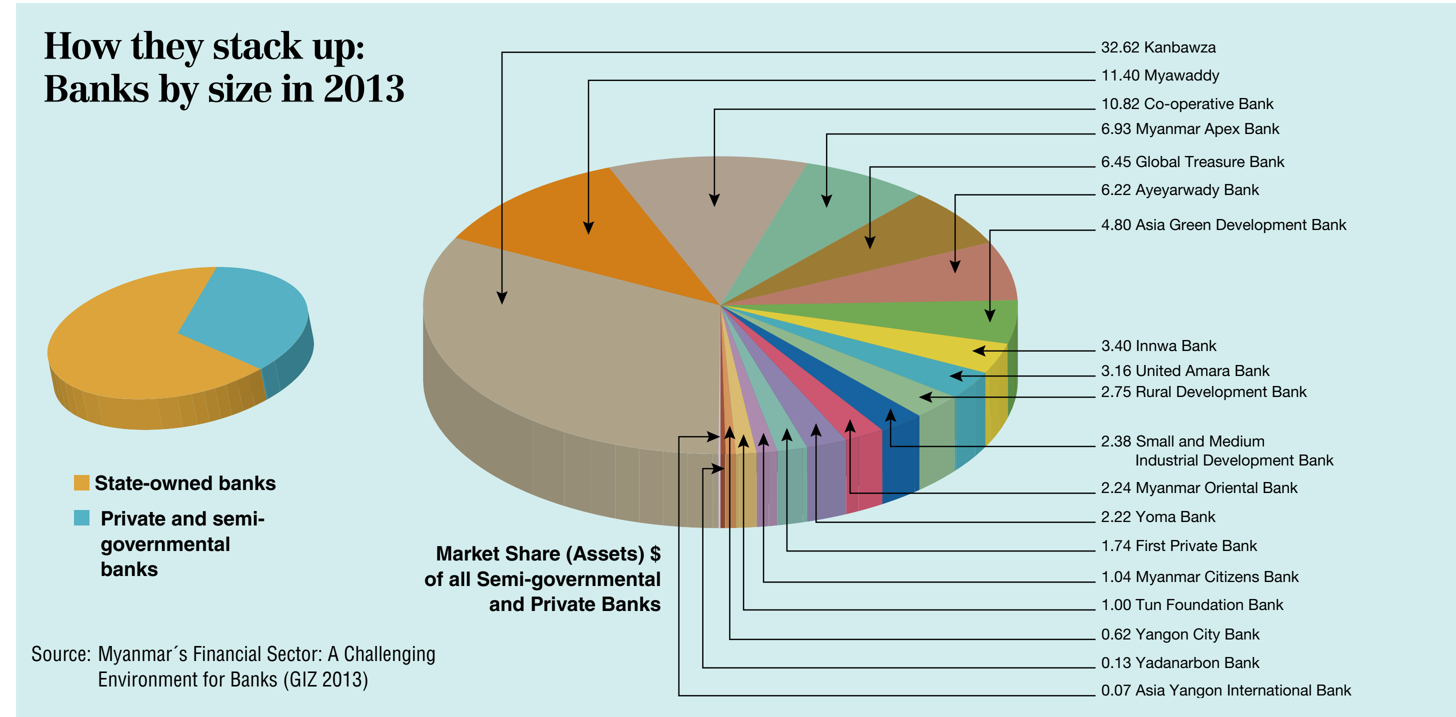
Finances

Authorised capital K50 billion
Paid-up capital K26 billion (2013-14)
Total loans outstanding K86 billion (2013-14)
Total deposits K111 billion (2013-14)

Operations

Chair 1 Minister for Industries U Maung Myint
Chair 2 U Than Tun
Managing director U Tin Maung Htay
Licensed January 12, 1996
Controlling interest Ministry of Industry
Background Originally Myanmar Industrial Development Bank; turned to SMEs as national reforms began. In November 2012 and July 2013 SMIDB borrowed K5 billion in credit from Central Bank and lent it to 62 domestic SMEs at 8.5pc annual interest for three years to boost economy.

How they stack up: Banks by size in 2013



Source: Myanmar´s Financial Sector: A Challenging Environment for Banks (GIZ 2013)

Yadanabon Bank

Contact

Main branch 58/A, 26 Street, Bayint Naung Street, Mandalay
Phone 02-60330, 02-31262
Email yadanarbonbank.mdy@gmail.com
Hours 9:30am to 4:30pm

Services (as of June 2014)

Branches 1
Employees 69
Customers holding accounts 5815

Assets

2011-12 K11.07 billion
2012-13 K10.75 billion
2013-14 K12.45 billion

Finances

Authorised capital K7 billion
Paid-up capital K4 billion
Total loans outstanding K6.5 billion
Total deposits K9.99 billion

Operations

Chair Mayor U Aung Moung
Managing director General Manager U Mg Mg Gyi
Licensed August 27, 1992
Controlling interest Mandalay City Development Committee

Why should we choose your bank?

"Knowledge gained by experience becomes instinct. The people of today well know where to go, who to trust, with whom to deal for their daily financial matters. They should choose our bank because we are reliable and trustworthy, hospitable, and issue loans swiftly and efficiently."

Yangon City Bank (Sibin Tharyaryay)

Contact

Main branch Settyon Street and Banyerdala Street, Mingalar Taung Nyaunt, Yangon

Operations

Licensed March 19, 1993
Controlling interest Yangon City Development Committee

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Private (11)

Asia Green Development Bank (AGD)

Contact

Main branch 168 Thiri Yatanar Shopping Complex, Zabuthiri, Nay Pyi Taw
519 Pyay Road, Kamaryut, Yangon
Phone 01-523912, 01-523903
Website www.agdbank.com

Services (as of June 2014)

Branches 48
Employees 2300

Assets

2011-12 K209 billion
2012-13 K366 billion

Operations

Chair U Tay Za
Managing director U Ye Min Oo
Licensed July 2, 2010
Controlling interest Htoo Group of Companies
Businesses affiliated with controlling interest
Air Bagan; Htoo Wood Products Company Limited (logging and exporting timber); Htoo Trading Company (construction, property development, agriculture, transportation, shipping, mining, hotels, and tourism operations); First National Insurance International Company.

Asia Yangon International Bank

Contact

Main branch 319-321 Mahabandoola Street, Botahtaung, Yangon
Phone 01-245825, 01-245889, 01-375606
Fax 01-245865
Hours 9:30am to 4:30pm

Services (as of June 2014)

Branches 10
Employees 114
Customers holding accounts 6543

Operations

Chair U Myo Paing
Managing director U Ko Ko Lay
Licensed March 17, 1994
Controlling interest U Myo Paing

Why should we choose your bank?

"Myanmar people are very simple, therefore we do our banking business in a simple way. Our head office and district branches are situated in very accessible places. Therefore, customers should choose our bank for deposits, loans, remittance and other banking services."

Ayeyarwady Bank (AYA)

Contact

Main branch Block LLL-L72, Thiri Yadanar Shopping Complex, Dekkhinathiri, Nay Pyi Taw
Ywama Curve, Bayint Naung Road, Hlaing, Yangon
Phone 01-531067~9
Website www.ayabank.com/
Email info@ayabank.com.mm
Hours Mon-Fri, 9:30am-3pm

Services (as of June 2014)

Branches 73
ATMs 124
Employees More than 3000
Customers holding accounts: About 250,000

Finances

Authorised capital K75 billion
Paid-up capital K55 billion
Total loans outstanding 60pc of total deposit
Total deposits Above Kl trillion

Operations

Chair U Zaw Zaw
Managing director U Phyo Aung
Licensed July 2, 2010
Controlling interest AYA is an independent entity

Why should we choose your bank?

"AYA is a full investment and development banking business. The first to implement Centralised Core Banking System, AYA is continuously striving to offer the best financial services and products in the market. In March 2014, AYA Bank launched "World Travel Visa Card" partnering with VISA. In September 2A13, AYA Bank achieved "Best Private Bank in Myanmar" award at the World Finance Banking Awards 2013. AYA Bank also became the participant of the United Nations Global Compact (UNGC) initiative in August 2012 and continues to initiate various CSR activities."

First Private Bank

Contact

Main branch 619-621 Merchant Road at Bo Sun Pat Street, Pabedan, Yangon
Phone 01-252412, 01-251747, 01-251748, 01-246786
Website www.fpbbank-myanmar.com

Finances

Authorised capital K30 billion
Paid-up capital K15.55 billion

Operations

Chair U Sein Maung
Licensed May 25, 1992
Controlling interest Public limited company

695

Total private bank branches, July 2014
Source: Ministry of National Planning

Global Treasure Bank

Contact

Main branch 654-666 Merchant Road, Pabedan, Yangon
Phone 01-682761, 01-682762

Services (as of May 2013)

Branches 60

Operations

Licensed February 9, 1996
Controlling interest: Livestock and Fisheries Association (formerly)
Background Formerly known as the Myanmar Livestock and Fisheries Development Bank until a May 2013 rebranding.

Kanbawza Bank

Contact

Main branch 615-1 Pyay Road, Kamaryut, Yangon
Phone 01-538075, 01-538076, 01-538078, 01-538080
Website www.kbzbank.com/
Email kbzinfo@kbzbank.com
Regular opening hours 9:30am to 3pm, Mon-Fri (closed gazetted and public holidays)

Services (as of June 2014)

Branches 253 including mini-branches (as of June 20, 2014)
ATMs 181 (June 20, 2014)
Employees 10,488 (May 31, 2014)
Customers holding accounts 1,058,317 (April 30, 2014)

Assets

2011-12 K1774 brillion
2012-13 K2508 billion
2013-14 K4199 billion

Finances (as of June 20, 2014)

Authorised capital K125 billion
Paid-up capital K113 billion
Total loans outstanding K2.66 billion
Total deposits K4.00 billion

Operations

Chair: U Aung Ko Win
Senior Managing Director: U Than Cho
Licensed June 8, 1994
Controlling interest KBZ Bank is part of KBZ Group of Companies.
Businesses affiliated with controlling interest
The KBZ Group of Companies is a conglomerate with a diverse range of separate entities in industries such as aviation, insurance, agriculture, mining, manufacturing, infrastructure maintenance, tourism, hotels, trading, healthcare as well as KBZ Football Club. Widely known KBZ companies include Myanmar Airways International (MAI), Air KBZ and IKBZ Insurance.
Background Largest private bank. Founded as a local bank in Taunggyi, Shan State, it relocated to Yangon in 2000. Winner of multiple awards, including highest taxpayer two years in a row; The Banker magazine's Bank of the Year, Myanmar 2013; World Finance magazine's Best Commercial Bank, Myanmar 2013; Best Banking Group, Myanmar 2013.

Why should we choose your bank?

"KBZ is the 'Strength of Myanmar'. Our continuous strive for superior customer service, dominance in channel & product, and understanding customers are key differentiators, promoting confidence to all stakeholders. Customers can rest assured we comply with local and international standards. KBZ honours the best of Myanmar's traditions while retaining the values of a family-run business."

Myanmar Apex Bank

Contact

Main branch Block 10, Asint Myint Zay, Yaza Thingaha Road, Ottarathiri, Nay Pyi Taw
Website www.mabbank.com

Services (as of June 2014)

Branches 42
ATMs 38
Employees 2478
Customers holding accounts 129,264

Assets

2011-12 K275 billion
2012-13 K529 billion

Finances

Paid-up capital K36.11 billion

Operations

Chair: U Chit Khaing
Licensed July 2, 2010
Controlling interest U Chit Khaing
Businesses affiliated with controlling interest Eden Group of construction companies; Aye Tha Yar Golf Resort in Taunggyi; numerous hotel complexes in tourist spots nationwide; restaurants; petroleum and diesel

Myanmar Oriental Bank

Contact

Main branch 166-168 Pansodan Road, Kyauktada, Yangon
Phone 01-246594, 01-246595, 01-246596
Website www.mobbankmm.com

Operations

Chair U Mya Than
Managing director Daw Kyi Kyi Than
Licensed July 26, 1993
Controlling interest Daw Kyi Kyi Than (majority shareholder)

Tun Foundation Bank

Contact

Main branch 230 Mahabandoola Road at Bo Myat Tun, Botataung, Yangon
Phone 01-9000-880
Website www.tunfoundationbankmyanmar.com
Email contact@tunfoundationbankmyanmar.com
Hours 9:30am to 3pm, Monday to Friday

Services (as of June 2014)

Branches 17 (10 more planned)
ATMs 4 (more Planned)
Employees 450

Operations

Chair U Thein Tun
Managing director U Shwe Hla
Licensed June 8, 1994
Controlling interest U Thein Tun
Businesses affiliated with controlling interest
Many, notably MGS Group of Companies, including MGS Beverages Co, Ltd, producing numerous local soft drink branks; local distributor for Pepsi and Carlsberg; director of Golden Myanmar Airlines; also chair of Myanmar Banks Association and majority shareholder of Myanmar Consolidated Media (publisher of The Myanmar Times)
Background Shareholders devote majority of profits to charity, mostly health- and education-related.

Why should we choose your bank?

"The Bank is undertaking a major modernisation, including the state-of-the-art Oracle Flexcube Core Banking product with internet and SMS phonebanking. The overall strategy is to be a leading provider of cash management, new products and services to meet the future needs of our customers with quality customer service to match."

United Amara Bank

Contact

Main branch Block 2, Asint Myint Zay, Yaza Thingaha Road, Otterathiri, Nay Pyi Taw
126 Latha Road, Latha, Yangon
Phone 01-8603009~18
Website www.unitedamarabank.com
Email prd@unitedamarabank.com
Hours 9:30am to 3pm

Services (as of June 2014)

Branches 29 (43 by March 2015)
ATMs 70
Employees 1700 (March 2014)

Assets

2011-12 K113 billion
2012-13 K241 billion
2013-14 K385 billion

Finances

Authorised capital K75 billion
Paid-up capital K40 billion
Total loans outstanding K193 billion (March 2014)
Total deposits K333 billion (March 2014)

Operations

Chair U Ne Aung
CEO U Than Win Swe
Licensed July 2, 2010
Controlling interest IGE Group of Companies
Businesses affiliated with controlling interest
UNOG Pte Ltd, which deals in oil, gas and mining (also UNOG Co Ltd and United National Oil & Gas); timber firm MRT Co Ltd; infrastructure development company FCGC; upscale hotels; agricultural products; newspaper the Trade Times.
Background Group has been in existence since 1994.

Why should we choose your bank?

"Directors and management come from a background of managing successful businesses; key management staff have several years of strong banking experience. We offer a growing network at convenient locations to serve customers better, and a strong menu of products for both the retail and corporate segments. Deposit products cover a wider range from children's to seniors' accounts. Conservative governance assures customers of a 'Safe, Sound and Trustworthy' bank."

Yoma Bank

Contact

Main branch 1 Kungyan Street, Mingalar Taung Nyunt, Yangon
Website www.yomabank.com

Services (as of June 2014)

Branches 50 (July 2013)
Employees 2000

Operations

Chair: Serge Pun (aka U Theim Wai)
Licensed July 26, 1993
Controlling interest Majority owner Serge Pun; 30pc FMI Group (chaired by Serge Pun)
Businesses affiliated with controlling interest: SPA Myanmar (financial services; real estate; automobile; retail; agriculture; manufacturing and trading); Yoma Strategic Holdings; Pun Hlaing International Hospital; Pun Hlaing Golf Estate; Star City; FMI Centre
Background One of the largest private banks prior to the Myanmar banking crisis in 2003, after which it was restricted to domestic remittances, Yoma became the second-largest private bank in terms of branch network. Full banking licence reinstated in August 2012. ■

HOW WE GOT HERE: A timeline of Myanmar's financial history, 1861-2015

1967-69
People's Bank of the Union of Burma Act nationalises 15 foreign and 10 local banks and merges them.

1970
Remaining state-owned banks are merged with People's Bank of Burma. No more private banks until 1992

1970
People's Banks No 1-24 and pre-existing state-owned banks are merged into one entity, the People's Bank of the Union of Burma, following a Chinese model, to encourage socialism. Various pre-socialist banking laws are repealed. In 1972 this single bank entity is renamed the Union of Burma Bank.

1972
Currency production is brought in-country for first time, at a printing plant established in Wazi (in what is now Magwe Region), where currency, lottery tickets and national identification cards are reportedly still printed today.

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YOUR MONEY The Myanmar Times BANKING & FINANCE 2014 25

MANDALAY

Portrait Kanbawza Bank

with U Thet Ko Ko Myo, deputy general manager

Branches and ATMs
We have opened over 80 branches in upper Myanmar and we will continue to open more in the future. Most of our branches have an ATM. We are planning to install new ATMs at all our branches and in public areas for the convenience to all our customers. KBZ now has over 180 ATMs at banks across the country, at most of the Mandalay branches plus standalones in shopping centres, hotels, airports, hospitals etc. You can withdraw only kyats from our ATMs. If you are international card user (Visa, MasterCard, CUP or JCB), ATMs will automatically convert your currency into equivalent kyat. But customers can hold kyat or foreign currency accounts (ie US dollars, Singapore dollars or euros).

Online and credit
We have plans for internet banking (online banking, mobile banking, e-banking) in the future and have already launched e-commerce. We will launch Visa and MasterCard prepaid cards very coming soon. Credit cards may come in the future.

Loans
We provide two types of lending services to our customer: loans or overdraft; and hire purchase. Overdraft is the most popular type of lending service in our bank. The interest rate for loans and overdraft is 13 percent per annum and the applicant does not need to pay any extra charges to apply. Hire purchase is a service provided by KBZ Bank. By means of hire purchase, goods can be purchased in installments.
The Brighter Future Foundation which is founded by KBZ does micro-finance, but it operates separately from KBZ Bank. We (KBZ Bank) are interested in micro-finance operations if definite rules and regulations come out.

The banking sector
In 2014-15, the banking sector will definitely be developing. We expect to have more comprehensive regulation for new products such as trade financing, internet banking, mobile banking, foreign banking etc. At the same time, we hope the government (Central Bank of Myanmar) will be relaxing the rules and regulations in the future. ■

Portrait United Amara Bank

with Daw Wah Wah Win, senior manager

Branches and ATMs
United Amara Bank has 29 branches in total with 12 in upper Myanmar. Of our 70 ATMs nationwide, Mandalay is served by five in our branches and four in public areas. UAB plans to open new branches and ATM services elsewhere as well, including Kyaukpadaung, Magwe, Myin Chan, Lashio and so on. Our customers can have Myanmar kyat or US dollar accounts, though our ATMs dispense kyats only.

Online and credit
We offer internet banking and have plans for Visa credit cards in the future.

Loans
Our most popular types of loans are working capital facilities to traders, SMEs and industries. The interest rate is 13 percent and the loan period is 1 year.

The banking sector
Banks are growing and competition is strong. Still, many areas require changes: prudential guidelines to implement to follow Basle Accounting standards, developing the inter-bank money market, Payment & Settlement Systems, allowing loan products, extending loans above one year, allowing deposit to take more than one year, introducing T-bills for short-term and medium-term (three months to 12 months), and market-driven interest rates on loans. ■

United Amara branches in upper Myanmar

No.	Branch	City	ATM
1	Nay Pyi Taw	Nay Pyi Taw, Nay Pyi Taw Division	
2	Saing Tan	Mandalay, Mandalay Region	Yes
3	Kywe Se Kan	Mandalay, Mandalay Region	Yes
4	Diamond Plaza	Mandalay, Mandalay Region	Yes
5	84th Street	Mandalay, Mandalay Region	Yes
6	19th Street	Mandalay, Mandalay Region	Yes
7	12th Street	Mandalay, Mandalay Region	
8	Meikhtila	Mandalay, Mandalay Region	
9	Taunggyi	Taunggyi, Shan State	Yes
10	Muse	Muse, Shan State	Yes
11	Pakokku	Pakokku, Magwe Region	Yes
12	Monywa	Monywa, Sagaing Region	Yes
13	Monywa mini-branch	Monywa, Sagaing Region	
14	Chin Dwin Yadanar Zay	Monywa, Sagaing Region	

Rapid economic growth forecast

Mandalay Bureau Chief Stuart Alan Becker takes the pulse of the city's financial promise

IN addition to being the cultural capital of Myanmar, where the Bamar culture evolved along the Ayeyarwady River valley over the course of 1500 years, Mandalay has geographical connectivity with the whole of resource-rich Upper Myanmar, and provides a hub of supply and transshipment.

Evidence of economic growth is obvious in this city of more than a million that stretches out for miles, with thousands of new buildings under construction and heavy, often dangerous road traffic continuing late into the evening. But alongside the buzzing motorcycles that characterise all large Asian cities except Yangon, there's something else that sets Mandalay apart: big smoking trucks, rumbling to and from China.

Mandalay is home to a significant population of ethnic Chinese people, including Kokang and Panthay. Hokkien, Taishanese and Yunnanese dialects can be heard on the streets, and Chinese traditions have embedded themselves here. But it would be a mistake to lump all Chinese into one group, because newcomers from China are physically, socially and behaviorally distinct from the ethnic Burman-Chinese families who have been here for hundreds of years.

Located only 264 kilometres (164 miles) southwest of China's Yunnan Province, Mandalay's layout is easier to navigate compared to Yangon's, with fewer hills and numbered streets laid out at right angles, making directions easy to follow.

At least 400,000 ethnic Chinese people live in the administrative division called Mandalay Region, 70,000 of whom reside in Mandalay city itself, according to official figures. With so many ethnic Chinese choosing to register as Myanmar, however, many think the actual number is much higher.

If you go down to the Zaycho Market, Mandalay's oldest and most famous, located just a few blocks down 26th Street from the southwest corner of the palace moat by the clock tower, you'll see the entire area bristling with economic activity: shops selling mobile phones, solar panels, clothing, schools, construction companies and industrial suppliers, all with increasingly sophisticated signage and décor. It is already a tremendous evolution from only eight years ago when I first explored Mandalay and points north in 2006.

According to a new study by a group of entities including the United Nations Capital Development Fund (UNCDF) called Making Access Possible, or MAP, fewer than 5 percent of Myanmar's adults have bank accounts. The MAP study says "the majority of citizens rely on unregulated providers" operating in the "informal sector" – borrowing money at much higher interest rates than banks and MFIs in the "formal sector" would offer.

Already rich with these unregulated providers of finance in the informal sector, Mandalay will surely transform in the coming years as state-owned banks such as the Myanma Economic Bank evolve – driven by the better customer service offered by private banks. They'll become much more competitive than they currently are.

When I walked into the Mandalay branch of the government-owned Myanma Economic Bank on June 17 and asked the manager to answer some questions, he immediately contacted Nay Pyi Taw headquarters, where his superiors instructed him to answer no questions, not even simple ones about the number of branches and ATMs they had.

By contrast, when we asked similar questions to private banks in Mandalay, we did get some answers, as you can see by our interview with one of the managers at KBZ Bank. (They did, however, have to check with head office in Yangon.)

Both cases illustrate Mandalay's relationship, and the banking sector's relationship, with the rest of the country: In private companies, head office gives direction from Yangon. In state-owned cases, direction comes from Nay Pyi Taw.

My visit notwithstanding, the state-owned banks – just like the state-owned media, all of which had little concept of customer service in past years – are now transforming rapidly, a process that will only continue to accelerate. These transformational tendencies make 2014 an exciting year to be in Myanmar, and Mandalay in particular: Everything's changing fast.

One thing to remember when one speaks about the "informal sector", however, is people's tendency to keep wealth hidden from the eyes of the government. Once you deposit money in a bank, the government can easily find out about it. But many of the players here in Mandalay, who kept their wealth hidden during the scary days of the "Burmese Way to Socialism", have learned wealth-concealment lessons that aren't easily unlearned.

That's why a lot of Mandalay's businesspeople would rather keep their money in bundles of cash hidden in their homes or stored in gold, jade and real estate so they never have to show the bank, and hence the government, how much money they have.

Another phenomenon in Mandalay that illustrates this wealth-hiding tendency is the behavior of the revenue collectors. These government tax collectors are known to dress in deliberately shabby clothing and ride deliberately rattle-trap motorcycles and bicycles – not only because they are disliked fairly intensely by the businesspeople, but because in a social sense, they don't dare be seen to flaunt any kind of wealth accumulation, so strong is the public opinion against them.

A famous case a few months ago of a group of revenue collectors spending millions of kyat at a karaoke bar during one evening of weakness – and then subsequently being prosecuted – illustrates just how important people feel it is to conceal wealth, especially if it is somehow ill-gotten. But it also shows how, these days, those doing illegal things are the ones who most need to hide.

Still, the tendency to keep wealth concealed will continue to keep the informal sector afloat for the near future, even as more and more private banks and MFIs sprout up. ■

Inside Myanmar Economic Bank in Mandalay. Photos: Stuart Alan Becker

MDY banks

AYA Bank

No.	Address	Phone
1	26th Street, between 83rd and 84th streets, Chan Aye Thar San	02 64935, 64938, 64937
2	30th Street, between 77th and 78th streets, Chan Aye Thar San	02 74865, 74863, 74864
3	Yangon-Mandalay Road, Kywe Se' Kan, Pyigyitagun	02 59013, 59032, 59047
4	19th Street, between 80th and 81st streets, Aung Myay Thar San	02 30891, 30892, 30893
5	26th Street, between 64th and 65th streets, Chan Aye Thar San	02 67001
6	80th Street, between 30th and 31st streets, Chan Aye Thar San	02 67126
7	30th Street, between 71st and 72nd streets, Chan Aye Thar San	02 67091
8	26th Street, between 84th and 85th streets, Aung Myay Thar San	02 67050
9	Ground floor, Diamond Plaza, between 32nd and 33rd streets and 77th and 78th streets, Chan Aye Thar San	02 67614

C B BANK

No.	Address	Phone
1	Corner of 28th and 78th streets, Chan Aye Thar San	02 69901, 69903, 69916
2	26th Street, between 84th and 86th streets, Chan Aye Thar San	02 66891, 66892, 66894
3	32nd Street, between 83rd and 84th streets, Chan Aye Thar San	02 39106, 35920, 39351
4	Za - 51 25, 62nd Street, Chan Mya Tharsi	02 82191, 82192, 82193
5	Ground Floor, Diamond Plaza, between 32nd and 33rd streets and 77th and 78th streets, Chan Aye Thar San	09 402671031

KBZ BANK

No.	Address	Phone
1	80th Street, between 28th and 29th streets, Chan Aye Thar San	02 23741, 30747, 30749
2	First floor, north building, Zeycho Chan, Aye Thar San	02 30019, 39354
3	Corner of 34th and 78th streets, Chan Aye Thar San	02 61658, 61657, 71457
4	80th Street, between 31st and 32nd streets, Chan Aye Thar San	02 30147, 31309, 34077
5	84th Street, between 42nd and 45th streets, Maha Aung Myay	02 76450, 76451, 76453
6	35th Street, between 82nd and 83rd streets, Maha Aung Myay	02 30625, 30631, 30632
7	Yangon-Mandalay Road (by Khin Saw Mu Petrol), Maha Aung Myay	02 72402, 72403
8	41st Street, between 86th and 87th streets, Maha Aung Myay	02 76489, 76490, 76491
9	62nd Street, between Manaw Hari and Sein Pann streets, Chan Mya Tharsi	02 80155, 82145, 82146
10	30th Street, between 71st and 72nd streets, Chan Aye Thar San	02 74821, 74831
11	28th Street, between 83rd and 84th streets, Chan Aye Thar San	02 30759, 30760, 30761
12	26th Street, between 62nd and 63rd streets, Chan Aye Thar San	02 66459, 73693, 74686
13	83rd Street, between 20th and 21st streets, Aung Myay Thar San	02 30703, 30704, 30705
14	Corner of 10th Street and Yangon-Mandalay, Pyigyitagun Road, Pyigyitagun	02 59980, 59981, 55982

UAB UNITED AMARA BANK

No.	Address	Phone
1	19th Street, between 86th and 87th streets, Aung Myay Thar San	02 40846, 24833, 24836
2	Ground floor, Diamond Plaza, between 32nd and 33rd streets and 77th and 78th streets, Chan Aye Thar San	02 24825, 2837
3	Corner of 37th and 84th streets, Maha Aung Myay	02 76601, 76602, 76603
4	12th Street, between 79th and 80th streets, Aung Myay Thar San	02 75670, 75673
5	Corner of 6th Street and Yangon-Mandalay Road, Pyigyitagun, Pyigyitagun	02 75670, 75673
6	26th Street, between 87th and 88th streets, Aung Myay Thar San	02 24810, 24824, 24812

YOMA BANK

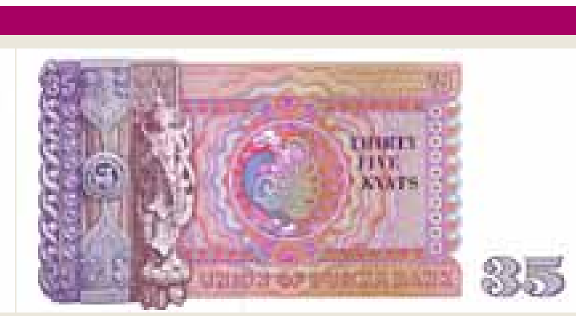
No.	Address	Phone
1	Corner of 9th Street and Yangon-Mandalay Road, Pyigyitagun	02 70748, 70746, 70749
2	26th Street, between 86th and 87th streets, Chan Aye Thar San	02 35647, 35648, 39211
3	83rd Street, between 27th and 28th streets, Chan Aye Thar San	02 31697, 39357
4	84th Street, between 39th and 40th streets, Maha Aung Myay	02 76182, 76183, 76184
5	78th Street, between 32nd and 33rd streets, Chan Aye Thar San	02 39468, 39469, 39460

HOW WE GOT HERE: A timeline of Myanmar's financial history, 1861-2015

1974
January 3 – Country renamed "Socialist Republic of the Union of Burma". Revolutionary Council makes way for Pyithu Hluttaw (People's Assembly). Ne Win governs as ruler of Burma Socialist Programme Party. Socialist constitution replaces system of 36 districts with system of divisions (now called regions) for majority Bamar group territory and states (for other large ethnic group territory).

1975
Single bank splits into a central bank (the Union of Burma Bank) and three others with specific areas of responsibility, governed jointly by the UBB and the Ministry of Finance and Planning.

1985
November 3 – Second demonitisation: Denominations of K100 and K50 (both having been reintroduced without fanfare after their 1964 demonitisation) and K20 are, after this date, no longer legal tender. Maximum amount for reimbursement: K5000. New notes – K25, K35 and K75 – are introduced in their place.



1987
Burma requests and is granted United Nations "least developed county" status.
Sept 5 – Third demonitisation: K25, K35 and K75 notes are taken out, after less than two years of issue. No compensation is provided at first; later maximum K100 is allowed for trade-in, allegedly to let students return home from school – or, as some say, to get them away from political instability in Rangoon.
Sept 22 – New bills enter market: K45 and K90. Many believe it is because

CONTINUES PAGE 26

TAXES

Celebrating top taxpayers

MABEL CHUA
MabelKChua@gmail.com

BACK in 2011, when the transition to civilian rule and the influx of foreign investment was just getting started, a less well-known tradition took root. While some call it one more case of the rich congratulating the rich, proponents argue that it is rather about celebrating civic duty and responsible business practices, and therefore helps to build a more democratic, law-abiding nation.

That tradition is, of course, the annual celebration of the nation's top taxpayers. The inaugural event in 2011 was a lavish ceremony; the next year a hardcover book was issued to commemorate the honorees.

This year, the Internal Revenue Department honoured top taxpayers back in May, giving out golden, World Cup-like trophies: the Excellent Performance Award for Tax-Paying. The accompanying hardcover release, Top 500 Taxpayers: 2012-2013 Assessment Year, spans 400 glossy pages, covering the categories of income tax and commercial tax along with full-page advertisements for the top 100 along with a reference guide to tax payment at the back.

99%

Percentage of industries in Myanmar which are small and medium-sized enterprises (SMEs)
Source: Myanmar's Financial Sector: A Challenging Environment for Banks

In the book's introduction, Internal Revenue Department Director General U Min Htut says the department "would like to thankfully acknowledge the excellent performance of each and every taxpayer on the list of top taxpayers and hopes that they will continue their good deeds in the emergence of a new Myanmar". The book also quotes section 389 of the constitution: "Every Citizen has the duty to pay taxes to be levied according to the law."

If the awards and associated hoopla seem to blur the line between following the law and doing a public service, it is mainly because people in Myanmar have not made a habit of paying taxes in the past. Much income happens informally, off the books; even large, well-known companies are notorious for employing "creative" accounting to maximise profits. And all of this means less income for the state, its infrastructure and social services.

To change this, the government decided to reward those who do pay by promoting their positive example. By doing so, it has created an official, easy-to-parse public listing of companies who pass at least one measure of corporate trustworthiness. If nothing else, it gets people talking – about who is already there, as well as who is not.

Director of the Internal Revenue Department Daw Khin Yamone Aung told *The Myanmar Times* that the list is entirely objective.

"There are no restrictions as to which companies are eligible for the top 500 list," she explained. "It does not matter if the company is owned by locals or foreigners, nor if the company manufactures products that are beneficial to the government or not."

kyat

186671

Average income for those with a bank account
Source: Myanmar FinScope Survey 2013

She said the book, given out free to companies rewarded as well as other government departments, "serves as an approval seal. It guarantees that the names in here have a clean history of tax payment annually."

Hopefully, she said, the recognition benefits both the companies and the economy, "so that foreign and local investors can acknowledge the companies that are dutiful to the government".

But taxpaying isn't just for the rich, Daw Khin Yamone Aung added. "In order to build a more democratic nation, every single citizen has a duty to pay tax, which is used to further develop several areas such as infrastructure, healthcare and education."

She said there is a positive correlation to be drawn between the amount of tax received and the developments seen in the nation. But is the government treating these companies like charitable donors, given that the ceremony at which they are recognised also rewards non-tax-related achievements?

Not so, she said: Tax-paying is not exactly like a donation, and the list is meant to acknowledge those who are both succeeding in business and paying their required taxes, therefore helping drive the economy legally and inspiring others to similar success.

"The changes will not happen overnight but rather in the long run," Daw Khin Yamone Aung said. "Therefore, the department is doing its best to acknowledge companies and individuals that comply to the regulations in the hope of encouraging smaller companies to expand their businesses to pay more tax and eventually to be mentioned in the book."

So is there competition for the top slot? Or just to be more profitable?

"It's like competing to be valedictorian in class," Daw Khin Yamone Aung answered. "Companies cannot pay more or less than what they actually earned. It's just like exam results in a way." ■

President U Thein Sein bestows awards on the nation's top taxpayers at a ceremony in May. Photo: Hsu Hlaing Htun

Banks ranked among the top 500 income tax payers for 2012-13

1. Kanbawza Bank Ltd
6. Co-operative Bank Ltd
12. Small and Medium Industrial Development Bank Ltd
15. First Private Bank Ltd
17. Rural Development Bank Ltd
20. Myanmar Apex Bank Ltd
41. Myanmar Oriental Bank Ltd
47. Yangon City Bank Ltd
54. Myanmar Citizens Bank Ltd
72. Ayeyarwady Bank Ltd
89. Tun Foundation Bank Ltd
365. Asia Green Development Bank Ltd

Top commercial tax payers, 2012-13

1. Myanmar Brewery Ltd.
2. Rothmans of Pall Mall Myanmar Pte., Ltd.
3. Dagon Beverages Co., Ltd.
4. International Beverages Trading Co., Ltd.
5. Myanmar CP Livestock Co., Ltd.
6. City Mart Holding Co., Ltd.
7. Premier Coffee Co., Ltd.
8. Yathar Cho Industry Ltd.
9. Max (Myanmar) Manufacturing Co., Ltd.
10. Straits Greenfield Ltd. (Sedona Hotel - Yangon)
11. U Khin Maung Latt + 1
12. Trader Yangon Co., Ltd
13. The First Automotive Co., Ltd.
14. Elite Tech IT Services Co., Ltd.
15. Global Alliance Co., Ltd.
16. Diethelm & Co., Ltd.
17. CP Yangon Co., Ltd.
18. Denko Trading Co., Ltd.
19. Royal Lake Hotel Co., Ltd.
20. U Tun Win
21. Htar Wara Company
22. Triple 'A' Cement Int, Co., Ltd.
23. Myanmar Posco Steel Co., Ltd.
24. New Day Energy Co., Ltd.
25. Pinya Manufacturing Co., Ltd.

Top income tax payers, 2012-13

1. Kanbawza Bank Ltd.
2. Myanmar Brewery Ltd.
3. Int'l Beverages Trading Co., Ltd.
4. Myanmar CP Livestock Co., Ltd.
5. Shwe Taung Development Co., Ltd.
6. Co-operative Bank Ltd.
7. Max (Myanmar) Construction Co., Ltd.
8. Dagon Beverages Co., Ltd.
9. Shwe Me' Co., Ltd.
10. Asia World Co., Ltd.
11. Diethelm & Co., Ltd.
12. Small & Medium Industrial Development Bank Ltd.
13. Htoo Construction Development Group Co., Ltd.
14. United Pharmaceutical Co., Ltd.
15. First Private Bank Ltd.
16. Diamond Star Co., Ltd
17. Rural Development Bank Ltd.
18. Elite Tech IT Services Co., Ltd.
19. Yathar Cho Industry Ltd.
20. Myanmar Apex Bank Ltd.
21. CP Yangon Co., Ltd.
22. A1 Construction Co., Ltd.
23. Benhur Trading Co., Ltd.
24. Asia Energy Trading Co., Ltd.
25. High Tech Concrete (Technology) Co., Ltd.

HOW WE GOT HERE: A timeline of Myanmar's financial history, 1861-2015

of superstitious meanings of number 9. Whatever the reason, the changes make everyone work on a new column of the times table – and make the kyat totally untrustworthy as a savings vehicle.

1988

August – Student uprising leads to national revolt; subsequent crackdown leaves roughly 3000 dead. Ne Win subsequently resigns.

Sept 18 – State Law and Order Restoration Council, or SLORC, takes over in a coup, ending BSPP rule and

CONTINUES PAGE 28

Tax advice for expats

Everything you always wanted to know but were too afraid to ask

Income tax bands, as of April 1, 2014	
K1 to K2,000,000	0pc
K2,000,001 to K5,000,000	5pc
K5,000,001 to K10,000,000	10pc
K10,000,001 to K20,000,000	15pc
K20,000,001 to K30,000,000	20pc
K30,000,001 and above	25pc
Family exemptions, resident or not	
If married	K500,000
For each child under 18	K300,000
Other exemptions	
Basic living allowance	20pc of salary (up to K10,000,000)

SEBASTIAN PAWLITA AND YI YI MON

INCOME taxes in Myanmar are extracted by employers from the salary paid to employees. If you earn salary income only, you don't need to file an annual return yourself – your employers will cover this when they file their annual salary statement to the tax department within 3 months of the end of tax year, meaning prior to June 30 (Myanmar's fiscal year starts on April 1 and ends on March 31 of the following year). Employees should find their net salary is reduced accordingly, with their tax payments being held back. You can also ask your employer to see the "certificates of advance payment" issued by the tax office. So long as the deductions are being done correctly, you can rest easy tax-wise.

If you earn certain non-salary income, however, you must also file a personal income tax return by this same date and may have to make quarterly advance payments. If this applies to you, you'll need to register with the tax office and obtain the required forms from them. To determine whether this applies to you, it may be helpful to speak to a tax specialist.

Resident taxpayers

You are a tax resident if you reside in Myanmar for 183 days or more during a fiscal year. Foreign employees of a company operating under the Foreign Investment Law (ie a so-called "MIC company") are taxed as resident, irrespective of their length of stay.

Resident taxpayers (as well as non-resident Myanmar taxpayers) are taxed on their worldwide income, though at different tax rates.

For resident taxpayers, the 2014 Union Tax Law, which came into effect on April 1, increased the tax rate for salary income to between 0 percent and 25pc (up from 20pc), depending on the annual taxable income (see chart). The highest rate kicks in if the annual taxable income is more than K30,000,000 (around US$30,550). The exemption income band has also changed, from K5,000,000 to K2,000,000.

There is no concept in Myanmar tax law that employees could deduct business expenses such as specialist literature or a computer used for work but paid for by the employee. However, resident taxpayers may deduct 20pc from their annual salary (to a maximum of K10,000,000) as a "basic allowance", an additional K500,000 if they are married and K300,000 for each child they have. All these allowances are available to expats resident in Myanmar, even if their spouse and/or children live abroad.

The tax law also increased the monthly social security contributions from April 1. The maximum amounts of contribution are now K9000 for the employer and K6000 for the employee.

88%

Survey respondents who say dying while owing money will be bad for one's future lives
Source: Myanmar FinScope Survey 2013

If your time in Myanmar as a resident taxpayer comes to an end because you are moving elsewhere or returning to your home country, before you leave you'll want to get certificates of taxes paid. Speak to your employer to arrange this with the tax office. What you'll be in for in your home country, however, will depend on how that home country taxes income earned in Myanmar. This depends on a lot of circumstances, amongst others whether the home country taxes its citizens irrespective of their place of residence, how residence is defined in the tax laws of the home country and whether there is a double taxation agreement. Again, you may wish to speak to an advisor, here and on your return home, to help you work out these details.

Non-resident foreign taxpayers

Non-resident foreign taxpayers are only taxed on their income from Myanmar sources. The tax rate is 35pc and there are no allowances.

However, non-resident foreigners very often do not have to pay income tax in Myanmar. Their salary is typically paid by a foreign company abroad. This means that this income is not sourced from Myanmar (the tax authorities do not seem to mind that the foreigner worked in Myanmar in order to earn it). If the foreigner does not extend his or her stay so as to become resident and does not have other income from Myanmar sources, he or she is not obliged to pay income tax here.

Sometimes, an employer pays benefits in kind, eg in the shape of free housing. Such benefits in kind are also taxable income. The tax base is the amount at which the benefits are valued in the labour contract.

Not all benefits are taxable, though. In many Western countries, the private use of a company car triggers complicated questions and an annoying obligation on the part of the employee to keep a driver's log.

In Myanmar, however, the tax authorities do not seem to consider the "mixed use" of a company car to be a taxable benefit.

Theoretically, a foreign company sending an employee to Myanmar has withhold salary for income tax just as companies do here, if the employee stays in Myanmar for 183 days or more during a fiscal year (if the foreigner stays for a shorter period, he or she is typically not obliged to pay income tax in Myanmar). However, this is not possible in practice. The foreigner therefore has to take care of his or her income tax matters himself. ■

Sebastian and Yi Mon are consultants with Polastri Wint & Partners Legal & Tax Advisors. They can be reached at sebastian@pwplegal.com and yimon@pwplegal.com

Everyone from shopkeepers to restaurants to supermarkets sometimes can't make exact change. In those cases, you may find yourself with a bit of candy instead. Since coins aren't around anymore, these little sugary treats meet the need – and give you a little something to sweeten up your day.

Photo: Staff

HOW WE GOT HERE: A timeline of Myanmar's financial history, 1861-2015

the socialist era.

"Socialist Republic of the Union of Burma" renamed "Union of Burma".

"Proper evolution of the market-oriented economic system" is the second of four economic objectives printed in government newspapers daily – though the fourth cautions that "The initiative to shape the national economy must be kept in the hands of the state and the national people".

A number of important laws follow over the next few years, including Union of Myanmar Foreign Investment Law (1989); State-Owned Enterprise Economic Enterprise Law (1989), Private Industrial Enterprise Law (1990), and the repeal in March 1989 of the Law of Establishment of the Socialist Economic System (1965).

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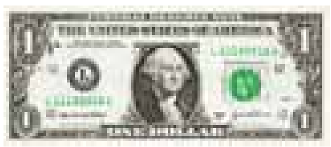
INVESTMENT

Photo: Aung Htay Hlaing

Washington vs the chinthe

Buying or selling US dollars, banks and licensed money changers aren't allowed to set their rates more than 0.8 percent, or K7, above or below what Central Bank announces as the reference rate for the day.



VS

OK MoneyChanger

Bo Aung Kyaw Road

Buy rate:	K968
Central Bank reference rate	**K973**
Sell rate:	K976

July 10, 2014

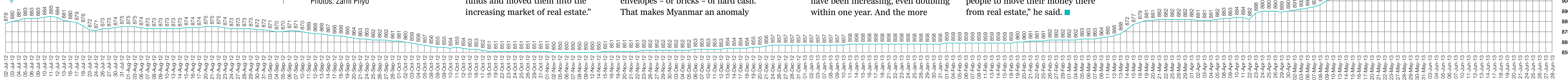
"We get the rates from Central Bank since our shop is licensed. We don`t know where the unlicensed money changers get the rate but the Central Bank rate is the most reliable. The Central Bank gives out the rate and the banks and the money changers like us play on that rate. The people on the street do not have the exact rate and I don`t think they're reliable. There are still people who change money on the street but I think they are not safe."

For many years there were two exchange rates. Between 2001 and 2012, the official government rate varied between K5.75 and K6.70 per US$1. The unofficial rate, which followed the whims of the black market, varied between K750 and K1335, with US-to-kyat rates decreasing during peak tourist season when dollars flooded the market.

Starting April 2, 2012, the Central Bank shifted to a floating currency, in which the official value changed as the market required. It started at K818 and gradually showed an increase, with the sharpest incline happening April-June 2013. The rate peaked at K988 in February 2014.

Below are two years of exchanges. Remember that a higher number means less purchasing power for the kyat.

US dollar exchange reference rate. Source: Central Bank



Trading speculation for savings

Banking reform has shifted interest from gold, cars and dollars – and real estate will be next to fall

ZAW HTIKE
zawhtikemjn1981@gmail.com

THE attention now is on Myanmar's transition to democracy, the last great national shift came following the tumultuous events of the 1988 uprising: out with the centrally planned economy initiated in 1962 under the so-called "Burmese Way to Socialism", and in with the first inklings of a market economy under the military regime. As a result, starting in the 1990s, a new class of person emerged: those with savings.

"When the market economy started," independent economist and longtime market observer U Hla Maung told *The Myanmar Times*, "a new class of people appeared who didn't have strong connections in business and government circles but chanced to have some amount of money from importing and exporting business."

This era also saw the rise of another new group: the super-successful businesspeople who pulled away from the pack and are now known as tycoons or, less charitably, cronies.

And whether middle-class or wealthy, anyone with a little extra left at the end of each month began to pour their savings instead into speculative markets: US currency, automobiles, gold and real estate.

Two main factors pushed both groups to look to speculation rather than bank investment, U Hla Maung said. Inflation was one: After the market economy began, it rose sharply, making it more sensible to tie one's wealth to things of solidity.

But another factor was secrecy: Neither the very wealthy nor the average earner put much faith in their government or financial institutions, and felt it was best to keep a low profile lest they draw attention to themselves.

"There was a time when the government traced those who save money in the banks," said U Hla Maung. He said some even chose to hide their money without investing in anything.

U Se Tun, joint secretary of the Myanmar Rice Federation, echoed the comments.

"There was even a time when interest rates on bank savings were lower than inflation in Myanmar. As far as I remember, inflation was about 20 percent per year in those days. So nobody wanted to save their money in banks rather then investing in the markets of gold, car and US dollar."

He added that the situation continues today.

"People invest more in the rapidly increasing real estate market, which is very profitable. So who would save their money in the banks?" he said.

The government recently announced Myanmar's current inflation rate at just under 6pc, while the World Bank and the IMF have put it at nearly 7pc. With bank interest rates for savings at 8pc a year, experts say that's not a very attractive spread.

"After the present government took power, the bank interest rate was reduced from 12pc annually to the current rate of 8pc," U Hla Maung said. "Those who had saved money in the banks withdraw their funds and moved them into the increasing market of real estate."

Photos: Zarni Phyo

Historically, he said, some other countries such as Japan have taken the opposite tack, increasing their interest rate offerings to help build their economy and generate more capital for investment.

Though the proportion of total funds which has been invested in banks remains much lower than in other countries, that is showing signs of changing as of last year, according to U Pe Myint, managing director of Co-operative Bank. He said salary deposits are helping to steer the change.

"Some local giants have started to pay staff their salaries through the banks, and it has started to push the staff to start to use the banks," he said.

U Hla Maung said that one reason even educated workers have avoided the banks is that businesses have tended to pay salaries directly, using envelopes – or bricks – of hard cash. That makes Myanmar an anomaly compared to its neighbours with more well-developed financial sectors, he said. "In Singapore and Malaysia, all businesses use the banks."

While in the 1990s the primary alternatives in Myanmar were gold, automobiles, US dollar currency and real estate in Myanmar, recent trading policies under the post-2011 government led to the collapse of the first three, leaving only the real estate market to thrive. With capital from the others now being directed solely to property and housing, prices have gone, well, through the roof.

That's attracted interest from those who would not normally think twice about real estate, U Soe Tun said, making the gains exponential.

"Those who do other business have also come to invest in this market at the same time. The prices of lands, apartments and houses have been increasing, even doubling within one year. And the more momentum prices rise, the high the number of investers. And the more people invest in real estate, the more the price rise."

Experts say this cycle has led land in Myanmar to become among the most expensive in the world.

More public companies are one way to cool down the real estate boom, U Hla Maung said, as it will lead people to shift their investments away from land and property speculation and into shares of businesses.

"The liquidity ration in a share-trading market is much higher than that in real estate," he said.

And if Myanmar can – successfully and properly – set up the Yangon Stock Exchange, which is expected to begin in 2015, it will create a more balanced investment environment, he added.

"I think it will gradually push people to move their money there from real estate," he said. ■

Several times bitten, forever shy

SU PHYO WIN
AND WADE GUYITT
suphyo1990@gmail.com
wadeguyitt@gmail.com

IN a country where only about 5 percent hold bank accounts, statistics usually focus on the divide between rich and poor or urban and rural. But there's another divide as well that's more difficult to analyse: generational.

Statistics from FinScope, gathered from a survey of 5100 people, reveal that young people make up a smaller-than-proportional percentage of bank account holders: Those 18-44 comprise 52 percent of the survey group, but hold only 38pc of bank accounts; those 45 and above comprise 45pc of the survey group but hold 63pc of accounts.

Roughly speaking, it makes sense that bank account ownership should increase: Once one acquires a bank account – usually as a young adult upon taking up one's first job – one continues to hold it. If that were the case in Myanmar, the banking race would be about which bank can claim customers first and then continue to hold on to them for the long haul, while also luring other banks' customers away with better products or services.

But here, banks in general face a public image problem. Part of their makeover must therefore involve addressing the concerns of those who have banked before, unsatisfactorily. They must win back who have strayed, not just from their own bank but from banking in general.

And those with long memories have plenty to recall when it comes to the failures of formal financial institutions.

"It's not only once that I have lost all my savings," said one 89-year-old man from Sanchaung township in Yangon. "It is more than three times."

The 2003 banking crisis is the most recent of major economic implosions. Triggered by loans which overextended capital, many independent investment houses – unapproved by Central Bank - collapsed, and rumours soon swirled that major banks would too.

The government did little to calm the situation. "The people are forewarned that if the banks are affected due to the rumours maliciously spread by destructive elements, the country will also have to bear the consequences," General Khin Nyunt, then third in command, announced. A bank run promptly followed.

The resulting liquidity crisis left withdrawals curtailed. A news blackout was imposed, and police had to dispel crowds in front of some banks. Stones were reportedly thrown at a bank in Thingangyun township. Those with outstanding loans were ordered to pay them back in a matter of days as a short-term way to stabilise bank holdings.

Previous crises in 1964, 1985 and 1987 had been government-run, caused primarily by demonitisation. Seeing similar problems repeated in private institutions left trust in the financial sector shattered.

For those who lived through these event and previous events, the memories still sting.

"I don't trust any place more than my home. I will never save money in the bank. Instead I will collect gold. And I recommend my descendents follow my way," the 89-year-old said.

And with examples like these, many descendents are indeed following their parents' or grandparents' ways.

A survey of a number of people in their 20s revealed the younger generation sees the banks primarily as a route to short-term savings for a particular goal, rather than a safe place to keep money for their old age. They say having currency in hand leads them to spend it, so they deposit it to put it out of their minds. But once they achieve the required amount for the purchase they've been saving for, they withdraw it immediately.

Some use their accounts to save for their wedding. Some are targeting costly consumer goods like laptop computers. Either way, they said, they just think of bank as a piggy bank.

U Aung Naing, a retired headmaster, specifically mentioned the banking sector's history when explaining his reasons for avoiding them.

"Private banks once experienced bankruptcy," he said, "and state-owned banks have too many steps to save or withdraw money. It takes too much time.

"So people just buy gold and jewels to save at home."

In the FinScope survey, 62pc of respondents reported they were not saving at the time, while only 28pc said they currently have savings. Of those who save, 16pc said they did so using "secret places at home" – the single highest category. Saving in the form of gold tied for second. Investing in livestock came in third.

Of course, it's also important to note that such fears are nothing new – through the country's history, a trusted banking system has been the exception rather than the norm. In Sean Turnell's history of banking in Myanmar, Fiery Dragons, he describes a report from the Governor of Burma's Office in 1920 which describes the public relations problems banks faced at that time: "The colonial government was at pains to point out the advantages of saving money via a cooperative society rather than 'hiding it in the ground', or using it to buy gold and jewellery. The latter methods of 'saving' were, of course, time-honoured and widely practiced in Burma."

The more things change, it seems, the more they stay the same. ■

HOW WE GOT HERE: A timeline of Myanmar's financial history, 1861-2015

1989
Burma is renamed Myanmar

1990
National elections are held but results are denied as military continues "caretaker" rule. US imposes sanctions.

Fourth state bank, Myanmar Investment and Commercial Bank, is set up to stimulate growth of industry and production.

Military-run congolomerate Union of Myanmar Economic Holdings Limited (UMEHL) is set up.

July – Central Bank of Myanmar Law is passed to establish modern monetary policy.

Myanmar Agricultural and Rural Development Bank Law is passed to tackle rural credit shortage. Financial Institutions of Myanmar Law is passed, defining four state banks' roles but also allows private banks for first time since 1963, as well as foreign bank representative offices but no foreign bank direct transactions.

The roadmap predicts eventual joint ventures to introduce foreign bank operations, and later foreign banks operating independently, though those processes would not proceed under SLORC/SPDC rule.

1992
Private bank licences are issued for first time.

1993
Primary government treasury bond market established (secondary market for on-trading bonds still lacking).

Foreign exchange certificates (FECs) established in 1, 5 and 10 denominations to limit circulation of US currency. Mandatory exchange on entry for tourists at one-to-one rate of US$200 (later $300 in March 1994). Local citizens can also bank FECs, but face a 10pc "service fee" and can only withdraw in kyat. The compulsory exchange would end in August 2003 and the FECs themselves would be discontinued in 2013.

CONTINUES PAGE 32

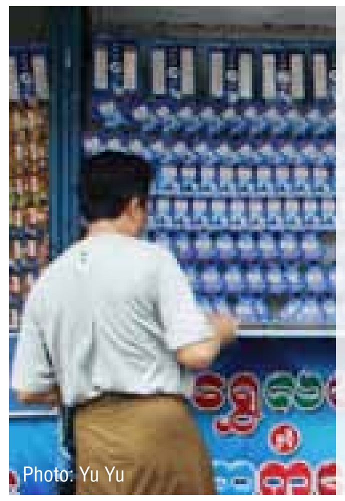


Photo: Yu Yu

Pay-off

Fame, fortune and how Thailand's coup has affected Myanmar's lottery

NYAN LYNN AUNG
29.nyanlynnaung@gmail.com

AS modern electronic music plays, spotlights swirl about the stage, casting beams of colour through the hazy fog emanating from a smoke machine. Then, all at once, the lights go out – and when they come on again the crowd applauds wildly. A group of men are carrying an elegant woman on a palanquin to the centre of the stage, where they set her down.

She's not a movie star or celebrity, but this is her 15 minutes of fame. She's won first prize in Myanmar's only legal lottery: K150 million, or around US$150,000.

The aung bar lay (state lottery) department operates under the Ministry of Finance. Tickets can be bought starting from the first day of each month. Lucky winners take home prizes ranging from K150 million down to K500,000.

Introduced in 1938 under British rule, and continuing even under socialism, the aung bar lay is the only form of gambling in this country that is legal.

"If anything, aung bar lay is a form of gambling that is supported by the government officially," said U Thein Naing, director of Myanmar Aung Bar Lay Branches Department Yangon.

If it's a gamble for the buyer, it's a guaranteed moneymaker for everyone else. The government sells each ticket to wholesalers for K200, and authorizes them to resell the tickets to venders for K220. By the time they reach the market, the prices have been usually inflated again: The going rate seems to be K1500 for a series of five (136 percent of the K1100 wholesale rate), or twice that for a series of 10.

Of the K200 it charges for each ticket, the government will set aside 60pc (K120 each) toward that month's prizes, while 40pc (K80 each) will be collected as tax, U Thein Naing said. With around 30 million tickets sold each month – an average of roughly one for every two people of the country – that means the aung bar lay generates K2.4 billion per month, or a staggering K28.8 billion per year. At nearly $30 million annually, that's a lucrative revenue generator, and a useful way to offset the costs of the nation's infrastructure in a place where tax avoidance is rife.

"When a player purchases a lottery ticket, a portion of that money is automatically sent off to the government in the hope of supporting projects to improve the livelihoods of the public," U Thein Naing said.

However, the gambler plays the game to get money rather than merit. And in that spirit, many have turned to another, more addictive pursuit: a form of illegal, informal lottery, called two digit or three digit.

In two digit, players gamble on last two digits of the Thai stock market. The results come through in a matter of hours, so it's a compulsive pursuit. The three digit variant involves betting on the last three digits of the Thai winning lottery pick, which happens every 15 days.

This latter format is currently on hiatus, however: Following the military coup in Thailand, there's no longer a lottery to bet on.

Still, vendors say these variants have decreased interest in aung bar lay, with total tickets sold dropping during April, May and June. Earlier in the year the department announced that they would reduce the number to tickets sold by 6 million, with each of the 30 letters in the Myanmar alphabet issued on 81,818 tickets.

In regain people's interest, U Thein Naing said, the government is looking at ways to lure players back to aung bar lay.

"We are trying to extend the amount of prizes more. People are more interested in the lottery to get small prizes such as K50,000, K100,000 awards, even if they miss out on the biggest prizes. They will be able to catch small awards if they have the same 3 or 4 numbers as show on the ticket," U Thein Naing said.

He said the government isn't authorised to make changes to the prize offerings now – whether adding more small prizes or increasing the size of the top prizes – but said he thinks this will happen in the future.

People may be satisfied with a small win, but they still dream of the big one.

"This kind of huge amount can change an average woman's life for sure," said Ma Thida Wine, 25, who has a baby boy. "If I got lucky with a K50 million award, I could stay at my own home sweet home."

Ma Thida Wine said she buys tickets each month, "as many as I can", which usually totals to about K5000 worth.

But she also said she doesn't think of it as a wager.

"I don't play gambling, which is the 'two or three digits' game. I am not interested in it,' said Ma Thida Wine.

Money won from the lottery is considered non-taxable income, and there's no need to hide its origins, which is not always the case with those who profit from illegal activities. There have been rumours that businesspeople wanting to exchange large quantities of black money to white money will buy a winning ticket from the winner, paying above the value of the prize but thus gaining "clean" money.

Unclaimed prizes are returned to the government, though that's becoming rarer as communication improves, U Thein Naing says. Winner numbers are announced by the head branch office in Yangon, and newspapers, tv, online and sellers all pass along the news.

So what do most people do with their windfall? Invest it in the property market, of course. ■

Stock exchange means opportunity

A Mumbai-based expert looks at the possible benefits of what a new exchange can bring

BANDI RAM PRASAD
Bandi.RamPrasad@gmail.com

MYANMAR is all set to get a stock exchange. Come October 2015, the brand-new Yangon Stock Exchange – borne out of collaboration between the Myanma Economic Bank, the Daiwa Institute of Research and the Japan Exchange Group, with Japan International Cooperation Agency (JICA) extending technical assistance for a state-of-the-art regulatory and surveillance system – is set to begin operations. Expected to harness opportunities for investment, the entry of a stock market could fuel growth in the economy and deepen the financial markets. Sceptics might dismiss this as yet another pipe dream, but in case of Myanmar it could made be different.

The current state of the financial market in Myanmar is very low and limited. Efforts to set up a stock exchange have limped along since 1996. The bond market is meager at US$2.7 billion, most of which is in short-term maturity held by banks. The stock market consists of just two stocks traded in the OTC (over-the-counter) market. This leaves enormous scope for capital market development, and with such prospects for growth, domestic and international investors will be more than happy to build up this sector.

Two regional examples

Between 1980 and 2005, there are about 60 countries that set up stock exchanges but very few were able to find success. Near to home, exchanges in Cambodia and Laos that began a couple of years ago so far do not present a picture of optimism.

On the other hand, stock markets have brought in enormous benefits to major economies in the Asia region including India and China. As recently as the early 2000s, both these countries had very limited and shallow markets. However, 15 years of progress in creating a regulatory structure that compares with the best in the world; extensive market infrastructure, technology and supporting ecosystem; stringent compliance standards; reforms in accounting and audit, greater amount transparency and disclosure; promotion of financial literacy and investor education, etc – all this has transformed these into markets which are widely respected and well-regarded by both international and domestic investors. Though starting from a small base, both these countries have emerged with more than $1 trillion market capitalization, with exceptionally high trading volumes and a hugely expanded product base.

The natural question is, which example will Myanmar follow? A lot depends on the strategy that accompanies the process of stock market development.


Potential customers discuss the purchase of shares. Photo: Staff

Stock exchange 101

Stock markets are an important source of economic growth and efficiency. The sequence is quite simple. Traditionally, businesses depend on banks for finance, where burden of interest and collaterals along with limits on the loans could restrict the potential for growth. Stock markets, however, provide platforms to raise risk capital, in which investors expect returns in the form of dividend and price appreciation. If companies do well, so do the returns.

This is facilitated by another important function of stock markets: to provide liquidity to shares, through a platform for trading shares of listed companies. Stock exchanges thus provide a cost-effective avenue to raise risk capital and an efficient platform for price discovery and trading that could help the economy in several ways. Companies and businesses could raise capital to pursue growth, expansion and profitability, with investors becoming a part of this growth and wealth creation.

Successful stock markets usher in great transformation. Historically, in the early days of development, many new ideas, inventions and infrastructure in the United States and Europe – think railways, roads, bridges, communications, technology and so on – were funded by stock markets. There is no reason why stock markets cannot fulfill this function in Myanmar.

Benefits to the market

Another boon of stock market development is that it encourages companies to manage business and operations in accordance with global norms of governance, management and transparency, and to focus on aspects such as regulatory compliance, transparency and disclosure which are otherwise often lacking in developing countries.

A stock market will unleash enterprise and entrepreneurial development that could trigger hidden potential in a country. Simultaneously it could bring much-needed changes in payment systems, integration between banking and capital markets, increased opportunities for retail and institutional investors and an added avenue for the international investors. All these could make the growth process robust and refined with a positive impact on the economy and the public good.

Globally stock markets have been major drivers for bringing transparency in corporate governance and market conduct. Companies all over the world recognise and realise that being more open and transparent by listing in stock markets could add more wealth and value for themselves and lead to greater welfare of investors. In the initial stages, then, it is important that suitable guidance and handholding is extended for companies in Myanmar on the benefits of public listing.

A concerted effort in capacity building is crucial to successful market development. In addition to the setting-up of the regulatory institution and the stock exchange itself, suitable infrastructure and relevant process development is warranted in areas such as dematerialisation and depository services; clearing and settlement; share transfer and custody services; investment and merchant banking; financial accounting; rating services; financing of securities markets operations; and investor grievance redressal mechanism including measures of protecting and compensating the investors in case of default etc. Simultaneously, research investor awareness and financial literacy and education are equally important.

A well drafted road map with specific timelines to achieve key milestones and supported by a qualified and committed team to steer the plan through an effective course of action is therefore vital, as is engaging with stakeholders and holding wide-ranging consultations to bring all the key sectors and constituents onboard.

The good news for Myanmar

Why does Myanmar have good prospects for a successful stock exchange? Its place and position. It is in the midst of fast-growing Asia, is a part of the ASEAN Community which it currently chairs, and therefore has easier access to well-developed market infrastructures, products, processes and procedures in the neighboring countries. The economy is growing at over 7 percent a year with good prospects ahead. It is on course for democratic processes and the opening-up of the economy. All these are quite positive signals to domestic and international investing communities.

In specific areas of market development, Myanmar could also explore the benefits of bilateral relations. For instance, Myanmar and India have a long history of commercial relations. Way back in the 1930s, Indian exchanges of Mumbai and Kolkata provided quotes for stocks of select British and American companies which traded in the Rangoon Stock Exchange, which operated between the 1930s until being interrupted by war in 1941, and from the late 1950s to the early 1960s when it was interrupted by the turn to socialism.

India and Myanmar share a long land border of roughly 1600 kilometres (1000 miles), a maritime boundary in the Bay of Bengal, a Treaty of Friendship signed in 1951 and a growing bilateral trade volume which last year stood at $2 billion. Continuing cordial relations are all positive indicators to pursue further cooperation in market development, as is the presence of a large Indian population now resident in Myanmar as a result of relations going back to colonial times.

Generally cities with a history of business and trade tend to get into faster mode of growth in capital markets. It happened with cities such as Hong Kong, Shanghai and Mumbai, and Rangoon was no less important as a major trading centre on the past.

BR Pearn's History of Rangoon includes a quote from Michael Symes, the Irish soldier, diplomat and politician, which profiles the commerce of this city in 1795: Rangoon, he said, 'exhibits a motley of assemblage of merchants, such as few towns of much greater magnitude can produce; Malabars, Moguls, Persians, Parsees, Armenians, Portuguese, French, and English, all mingle here and are engaged in various branches of commerce'.

A new Yangon Stock Exchange looks to recapture this past glory. ■

Need to know: Pawn shops

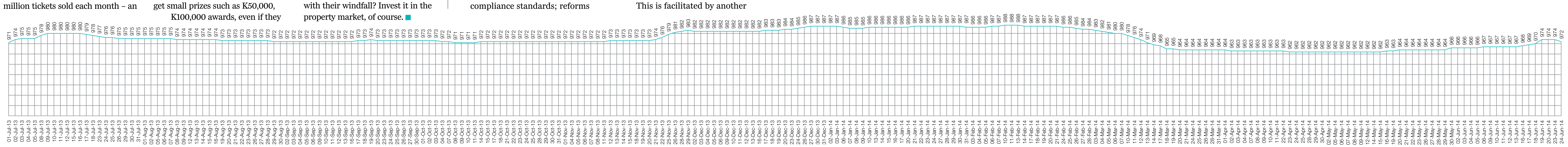
Interest rates: 24-120% per annum

Pawn shops have long been a major source of short-term emergency cash in Myanmar's economy. In colonial times many were run by those of Chinese ethnicity, and following the war all were nationalised as the government moved to reclaim control of the economy, whether from colonial institutions or those of non-Burmese ethnicity.

Pawn shops target those living hand-to-mouth: People borrow to bridge temporary unexpected gaps, hoping to get by until they can scrape together a bit more money, or to finance unexpected situations like medical care or funerals. Collateral includes the usual things like gold, jewellery and watches but also can also extend to more ordinary items such as articles of clothing; the loans equal 50-65pc of the "forced-sale" value of the item.

In Yangon, where licence fees run K5-20 million, the repayment period is fixed by YCDC at four months and 10 days. In rural areas the periods vary, and licence fees to operate a pawn shop range between K300,000 and K500,000. ■

Sources: Fiery Dragons, Sean Turnell; Myanmar's Financial Sector: A Challenging Environment for Banks



HOW WE GOT HERE: A timeline of Myanmar's financial history, 1861-2015

1994
Myanmar Accountancy Law passed.

1995
Asia Wealth Bank begins operations; prior to crash of 2003 and subsequent de-licensing it would be largest of not only private banks but all banks operating. This and some other banks were alleged to have connections to drug money – another major bank of the time, Myanmar Mayflower Bank, was reportedly known by some as "Poppy Flower Bank" before it was shut down – and money-laundering. Other banks – Myawaddy, Cooperative and others – operate with government backing

November – First ATM, at Mayflower Bank (now defunct).

1996
Myanmar Stock Exchange formed.
US sanctions expanded; EU sanctions implemented.
Asia Wealth Bank issues country's first credit cards.
UNDP microfinance program permitted.

1997
SLORC renames itself the SPDC, or State Peace and Development Council.
Myanmar Economic Corporation (MEC) set up.

2001
Asia Wealth Bank (now defunct) offers first online banking.
Financial Action Task Force on Money Laundering, a G7 and OECD body, gives Myanmar "non-cooperative" status, meaning member countries were restricted in financial dealings as transactions could be proven not to be connected to opium production.

2002
May - Law to Control Money and Property Obtained by Illegal Means promulgated as attempt by government to respond to international criticisms of banks being complicit in narcotics money-laundering, requiring all cash transactions above K100 million to be reported.
Myanmar Institute of Banking (MIB) founded as a quasi-department within MBA, providing banking training mainly from entry to middle-management levels.

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How we got here: Insurance

Pre-1964
Sector vibrant with up to 80 foreign insurance companies and 4000 agents

1952
Local company Burma National Insurance Company nationalised to make state-owned Union Insurance Board

1959
All life insurance businesses state-monopolised under the Union Insurance Board

1964
Socialist government abolishes private insurance companies

1969-1976
Insurance business activities centralised under Insurance Division of People's Bank of the Union of Burma

1975
Union Bank Law decentralises banking functions; insurance business outsourced to newly formed Myanmar Insurance (MI)

1993
Myanmar Insurance Law empowers MI to engage in all insurance business activities (reinsurance business, determination of various insurance rates, etc)

1996
Insurance Business Law empowers Ministry of Finance-controlled Insurance Business Supervisory Board (IBSB) to scrutinise and decide on applications for business license of an insurer, underwriting agent or insurance broker, and to determine their capital and limits of investment

2013
June 12 – With 0.5% of population insured, MI's 40 offices and roughly 1500 staff begin facing competition from private sector, with IKBZ and Grand Guardian Insurance first local private insurers to start operations. IBSB allows nine private insurance policies: life, group life, fire, motor, fidelity, cash-in-transit, cash-in-safe, snake-bite, and sportsman life. No health insurance is allowed
Foreign insurance companies – mainly from Japan – open representative offices in Myanmar

2015
Foreign investors likely allowed to enter insurance market

2018
The US insurance company MetLife expects Myanmar market for life insurance premiums to reach almost US$1 billion, up from $1 million in 2012

Of adults without insurance

- 52% say "never thought about it"
- 38% say "don't need it"
- 12% say "can't afford it"
- 10% say "don't know where to go"
- 9% say "don't know how it works"

Source: Myanmar FinScope Survey 2013

Money market vacuum opens door for black market

SANDAR LWIN
sdlsandar@gmail.com

JUST as Myanmar's market economy is still at a very early stage of development, so too are the necessary preconditions for the development of a money market. Large volume of domestic and international trade, leading to high demand for and supply of short-term funds? Favourable conditions for foreign investment? Price stabilisation? Political stability? These are all only starting to get under way.

Private commercial banks, who should be key participants in a money market, are mostly only a few years old. They can issue a very narrow selection of credit instruments, so the sub-markets of the money markets for each kind – such as treasury bonds, banker's acceptance, bills of exchange – are not yet developed.

The most established sub-market is treasury bonds, with the government issuing three kinds – two-year, three-year and five-year maturities, bearing interest rates of 8.75, 9.0 and 9.5 percent respectively. Over K1 trillion worth are being sold annually.

But private institutions are not yet allowed to handle them. According to the Myanmar Securities Exchange Center, while there are the buyers for government treasury bills there are no resellers to allow trading.

Similarly, while private banks issue certificates for timed deposits of three-month, six-month and one-year maturities, with interest rates varies from 8 percent to 10 percent, trading activities are not yet developed there either.

So a gap emerges. Without a money market to provide high liquidity, businesses lack easy means of solving liquidity problems and short-term fund shortages. This is to the detriment of the economy as a whole, and encourages black-market dealings.

In the trading sector, some valid official documents like goods delivery orders (DOs) and foreign currency that would otherwise enter into the banking system are being traded illegally.

Let's look at the agriproducts trade – the second-largest trading sector after natural gas. Myanmar's export of beans and pulses was second-largest in the world prior to 2012 – and delivery order trades were similarly large, up to K35 billion each day. But lack of trading regulations led to fraud, and DO trading was outlawed that same year, with only direct trading of goods allowed.

But it doesn't mean DO trades have stopped, just that they've been pushed underground.

With no legal way to trade equivalencies of goods and money, solving short-term money needs comes down to a matter of trust. For the average person, that means pawning gold or borrowing money. Without security, however, interest rates are unbelievably high: 30pc per month. Maturities are generally negotiable and can vary from three months to one year, with compound interest kicking in after one year.

Most loans are made through the black market, without government registration, in order to avoid interest rate regulations. And as a result the risk management methods of creditors are quite shocking.

The borrower, on receiving the loan, will find the first month's interest already deducted. And if they default, they're in trouble – threats and abuse are the only solution for most loan sharks.

Only the most aggressive can survive in this illegal small-scale money market.

Since 2011, Myanmar has been receiving technical assistance from the Asian Bond Market Initiative program to help reform the money market situation.

But Ryota Sugishita, executive director of the Asian Business Research Department and head of the Japanese consultant team hired by the ABMI, told *The Myanmar Times* that the government bond market is a long way from having sufficient trades to evolve into a secondary money market.

"The trading activities in the government bond market are not active at this point so to make it active I think we need a lot of effort. It will take some time. If we talk about Japan's experience, it took many, many years," he said.

That's bad news for all – but especially those who are finding themselves turning toward the black market once again. ■

Financial planning

Peace of mind? Try three income types

WILLIAM AUNG
william@excellentchoice.com.mm

THREE categories of income combine to build savings: earned income, portfolio income, and passive income. Like a three-legged stool, however, you need all three to have sound planning for old age: Rely on just two and retirement will be a precarious balancing act.

Earned income
This is what most people in Myanmar come under: Simply put, you do a job and get paid in return. Earned income can include salaries, wages, tips, commissioners, and bonuses.

But this is also the hardest route to earnings. It doesn't matter what kind of job you do or what position you hold, you have to participate either physically or mentally, giving up your time, skills and energy. And if you can't work, you can't earn.

In many countries, most people don't save enough for their future. But in Myanmar many people don't make enough to cover even daily needs. Too many unfortunate people have little or no opportunities for building savings. For those peoples, day-to-day survival alone is critical.

Portfolio income
This is generated from investments, such as dividend-paying stocks, mutual funds or bonds. It is an easy way of earning money, since you don't need to labour for it. You just make a good investment and collect the returns.

Nonetheless, people worldwide often miss or don't see the benefit of investing in stocks, mutual funds, or bonds market to generate income. And in Myanmar the capital market still has far to go. The biggest question people are asking is who to trust and where to place their confidence. Many sound investment opportunities are far out of reach for most.

Passive income
This means continued regular income from a source that requires little if any ongoing work once set in motion. Rental income, as well as royalties from patents or license agreements, fall into this category.

Buying a house – or, as is most common in Myanmar, an apartment or condo – and then renting it out is a common money-earner in urban areas now that real estate has skyrocketed. But the success of this investment also puts it out of reach for all but a lucky few who bought in early.

All of the above?
The best option, of course, is not any one of these option but all of them in combination.

With the Yangon stock exchange scheduled to open next year, new investment opportunities for Myanmar citizens will see portfolio income options expanding.

But like passive income through real estate, this may remain open to only an already-wealthy few. To avoid having the entire population depending on earned income only, the government needs to look at ways to help citizens put earned income to good use.

For instance, pensions and life insurance should form the basis of sound financial planning as integral parts of long-term security that can be derived from earned income. Yet almost the entire population lacks both these things.

With no pension plan available for the self-employed or those working in the private sector, most are unaware of how important pension plans are. The government must create a private pension plan to encourage retirement savings.

Likewise, private insurance companies have been open for a year now but seem to be drawing little interest as their products are not understood or attractive to most. Premiums are expensive even for middle-class Myanmar citizens, and the industry needs to work at creating products tailored to local needs.

In the end, financial planning means meeting your life goals through the proper management of your financial resources. This includes your earning, spending and current financial situation, including day-to-day cash-flow management, choosing and managing investments, retirement, estate planning, insurance needs and so forth. Planning to balance your lifestyle and money management is impossible without tracking all these together.

While the nation is thinking about its long-term financial planning, it also needs to help steer individuals into long-term financial planning too. ■

Born in Yangon, William Aung now lives and practises financial planning in Vancouver, Canada, as a technical trader and spot currency trader in the insurance and financial industry.

Don't bank on it

Savings groups are no fun, MT reporter Mya Kay Khine finds

IF there's one thing Myanmar people love, it's a lucky draw. So it's no surprise that a combination lucky-draw-and-money-saving system has long been popular in workplaces here, whether in wet markets, where it's said to have started, or in offices or other social groups.

Normally monthly, but in some places daily, a group of like-minded participants each deposit an agreed amount to the care of one (hopefully trustworthy) person (the "banker"). Then they each draw a number, which indicates the order in which they will claim the combined amounts. So the person drawing number 1 gets the first month's pot, number 3 gets the third month's, and so on. Earlier numbers are exciting, later numbers much less so.

The lucky draw aspect adds some excitement – excitement for early numbers, less so for later – but in truth neither early nor late numbers earn money. Instead, it's really about when your deposits will be returned, whether early or later on.

Provided everyone pays in the whole period for each new claimant, you should end up with exactly what you could have saved if you'd just kept the same amount to yourself. But what you gain is an incentive to save rather than frittering the amount away on smaller things. And when the investment "comes due" you can use the lump fund to finance something expensive.

For many in Myanmar, where only 5 percent have access to banking services, these community lotteries are as close as they'll come to investment schemes. They're also a way to get a lump sum of cash without worrying about paying interest to moneylenders.

I remember participating in a money-saving group in 2009. There were 40 people involved and we each contributed K1500 daily for a year. When our turn came around, we each got K600,000 in a lump sum. I drew number 3 and got the full amount – a very pleasant experience. And I didn't mind making my daily payments to support the people who drew later numbers than mine.

In 2012 I got involved in the group again. After my happy experience last time, I decided to save twice as much, or K3000 daily, and contribute two shares' worth. But out of 40 participants, I drew numbers 38 and 40. I didn't worry much about this, but my elder sisters saw it as a bad open and told me I was in for trouble.

They were right. I paid my double shares 37 times, and when my number 38 arrived at last and I went to collect my pay-out, the "banker" told me that some people, having already got their money, had stopped depositing. Instead of K600,000 I only got K300,000, and the banker said she would track down the rest for me.

Then number 40 came. I went to pick up my K300,000 still owed for number 38 plus my full K600,000 for number 40. But the banker told me 40 was even worse than 38: None of the others had come to make their payments.

I told her I wanted the money as soon as she could get it. She approached other people who didn't

2%
Respondents to a national FinScope survey using savings groups; by contrast, 1% used private banks

pay, to get money. Finally she had rounded up 10 people's money and gave it to me. Later on she continued to make some payments here and there: I got K50,000 some months and K20,000 other months. But finally she stopped paying me. She must have been taking the money herself, because when I asked to speak to the other people in the group she wouldn't let me.

By October 2012 I had to face the bad truth: I had lost a total of K500,000. After that, I don't believe in money-saving groups anymore.

Still, not everyone has had bad experiences. Ma Tin Tin, who lives in Bahan, has saved with groups four times and is currently in another.

"I don't think I could save money myself at home because I spend whatever I have," she said. But with the group she can manage her finances better.

"Currently I rent a house and I have to save for advance payments, which always rise twice year-to-year. When I get the bulk money, I spend it on my advance rent payment."

In her current draw, she says, she's number four out of 10. This time they have their sights set on something new. "My husband is a taxi driver. He hires his taxi from someone else. So we aim to buy a car. If we have good luck, we can get an earlier number and will have the money in bulk without having to take a loan from others."

Ma Tin Tin said she's never met with tricksters, though she's heard of them.

"I guess they become greedy when they see large amounts of money," she said. "We can't guess whether a person is honest or not. If we want to get money in bulk, we have to take a risk like this."

Ko Toe Kyi of Pazundaung first got involved in a money-saving group back in grade 8. "If we save in banks, we will have to go to bank and wait. We have to stand in line, at least for a while, to get our money. If everyone can be trusted, this system is better than the bank," he said.

But trust, as I found out the hard way, is the key point. And it's not just the other group members you're relying on – it's also the banker.

Ko Aung Tun Linn lives in Taunggyi. Three years ago, when he lived in Yangon, both he and his money saved his money in a group.

"But the banker ran away and we lost hundreds of millions," he said. "Some lost thousands of millions," he said.

Now, with the World Cup is being held, some of my colleagues have turned to another collective way to earn a big payout, with a pool in which 16 people deposit K5000, each person picks two teams at random until all 32 teams have been claimed, and then the person whose team wins the championship gets the entire amount. It's less about savings and more about winning, and while some say it's gambling, others say it's just a bit of fun.

Whatever the term may be, seems the chances are better than with the money-savings groups – unless you know everyone involved. ■

Funny figures

Socialism came at a high cost, MT editor Myo Lwin remembers

SOME of my younger colleagues laugh when I talk about how much money I made and how much things cost in Yangon 30 years ago. And while it makes for a good story now, at the time it was no laughing matter.

In the 1980s, when Myanmar practiced socialism and was ruled by military dictators, it was quite hard to get a job. There were no private companies running businesses to employ graduates. After finishing up at Rangoon Arts and Science University (as Yangon University was called then), my friends and I had to rely on government service. Most could expect to become a lower grade clerk, with a salary of K3.25 a day, or about K125 a month.

We had to register with one of the labour offices and renew that labour registration card once a month. Jobs were that scarce.

In 1981, after interning for one month at the state newspaper *Working People's Daily* (now the *New Light of Myanmar*), I got hired on as a proof-reader. My salary was K210 a month, or K7 a day. Back then a meal – rice, pork curry, a small bowl of soup, fish paste and vegetables – cost a mere K1.

Despite the low salaries, the responsibilities of a reporter or an editorial assistant on duty were huge. Working for a government paper, we knew our jobs were on the line every day.

When I worked my way up to night duty editor, part of my job was to decide how to distribute copies when there was a problem in the finished printed paper. I'd check one out of every few thousand issues as they came off the line. If there was a minor typo or bad ink-setting in a story involving the person in the third or fourth tiers of the government, we would send the printed copies to far-flung areas, keeping them away from big cities. Then we'd fix the problem and continue the run. But if there was a mistake, however small, in the printing of a story about General Ne Win, we wouldn't let a single copy arrive in the market. Instead we'd fix the error and have to reprint from the start once more.

The Ministry of Information paid a night duty editor K5 for each shift you took on. Our yearly bonus was a nice longyi imported from India worth K70 – one-third of my monthly salary. A cup of tea or coffee was K0.5, five cigarettes cost K1, a helping of chicken biryani cost K3.

Today, a meal at a roadside shop costs K500-K800, a cup of tea is K250, a cigarette is K100, a chicken byriani is K1500. That's roughly 500 times higher, within the past 30 years.

Salaries have not increased proportionately, though. At state newspapers now, the monthly salary of a proof-reader is K90,000, which is not bad as it has increased nearly 500 times. An editor earns K140,000 and a senior reporter makes K110,000 a month. But a chief editor's salary is K180,000 – much less than 500 times the K1300 it was back in the 1980s. It's more like 140 times.

In the 1980s, a bus ride from downtown Yangon to Thuwunna was K0.5. But it is now K200. That's 400 times higher – and so compared to three decades ago, riders would have, comparatively, 20 percent less money left over from every ride.

From the day I joined the government service as a proof-reader at the *Working People's Daily* until 11 years later when I left, salaries rose perhaps K10 or K25 annually. But the inflation over that same period left most of us in government service unable to feed ourselves, let alone our family.

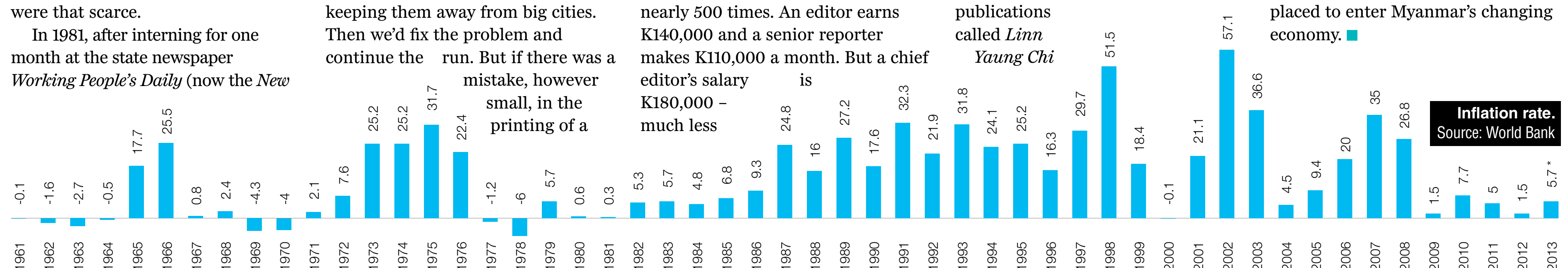
Some tried to do other work on the side. For instance, we got K50 for a story written in English. But the US embassy was giving K600 for a translation of a story for their publications called *Linn Yaung Chi* and *Mosaic.*

By the early 1990s the government had let some foreign companies in. Some were resigning their state jobs to take up work with these joint-venture businesses.

Despite the challenges of the job, I was hesitant to resign. But I had to, simply for financial reasons: I couldn't afford to keep working there any longer.

At first my supervisor wouldn't allow me to go, even though I explained the situation. I had to go above his head and ask someone higher-up before I was allowed to leave.

The year I left, 10 of my colleagues also resigned, for the same reasons. But not long after we all got better-paid jobs at private companies. As socialism had by then finally faded away, our experience working at an English-language daily left us well-placed to enter Myanmar's changing economy. ■



HOW WE GOT HERE: A timeline of Myanmar's financial history, 1861-2015

Late 2002
The first-ever private sector banking crisis begins. After the informal money sector collapses due to overextending its rates of return on loans, runs on the banks follow and the meager liquidity support offered by Central Bank is unable to prevent what becomes a major economic crash leading into 2003.

2003
National financial crisis boils over. Some banks penalised by government in aftermath. Ironically, the kyat gains strength in black market exchange, as non-banked money becomes a suddenly valuable commodity.
November – FATF, then US and EU, further restricts international transactions with Myanmar banks, due to possible money-laundering complicity. AWB and Mayflower are singled out especially. After AWB and Mayflower are shut down (and later the Myanmar Universal Bank is absorbed into Myanma Ecconomic Bank), the private bank landscape looks significantly different, with other banks later rising to take top slots.

2005
November – Nation's capital shifted from Yangon to Nay Pyi Taw.

2006
June 3 – Central Bank moves to Nay Pyi Taw.
October – FATF removes Myanmar from its "non-cooperative" status list.

2007
August 15 – "Saffron Revolution" uprising begins. Touched off by SPDC's removal of fuel subsidies which caused fuel prices to increase as much as 66pc and CNG bus fuel to rise fivefold in less than a week, as well as longer-term rises in the costs of basic goods like rice, eggs and cooking oil, the protest involves students, activists and the general public but took its name from the monks who got involved August 18. The resulting crackdown brings international condemnation. US, Canada, Australia and others impose tightest possible sanctions, while EU steps up measures as well

Kyat drops to K1300 to $1 on black market (official exchange rate remains K6 to $1).

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PAYMENTS AND LOANS

Mobile banking pushes toward financial inclusion

Who's getting in?

TIN YADANAR HTUN
AND JEREMY MULLINS
yadanar.mcm@gmail.com
jeremymullins7@gmail.com

The short answer is: nearly everybody. Yet a few companies are particularly worthy of being highlighted.

Myanmar Mobile Money, Innwa Bank
Under the umbrella of the army-run Myanmar Economic Corporation, Myanmar Mobile Money is the first to open in the country. Launching in January, it claims about 20,000 customers and 450 agents signed up, though has not yet fully launched. It operates off of Innwa Bank's mobile banking licence.

AYA iBanking, Ayeyarwady Bank
The firm claims to be the first to operate banking over the internet, beginning its AYA iBanking system in June 2014. Ayeyarwady, which often brands itself as AYA, also claims to be the first to have moved to a centralised core banking system, and has more upgrades on the way, according to its managing director U Phyo Aung.

First Private Bank
One of Myanmar's oldest private banks, First Private aims to start its mobile banking service in the next few months. While the bank has been more cautious in its approach to investing in technology, officials have said mobile phones offer a chance to leapfrog. First Private general manager U Myint Zaw said the service will be available on CDMA, WCDMA and GSM phones, without requiring internet access. The name, the bank said, is still undecided.

CB Easi Mobile Banking, CB Bank
The firm started its mobile banking service in June. It requires internet access but otherwise can be used at any time, said CB assistant general manager Daw Ohn Mar Aye. The service can be used to pay bills – including with Visa and Mastercard – as well as monitor exchange and deposit rates, and transfer funds between accounts. It can also be used in foreign countries.

M Banking 360, Myawaddy Bank
Army-run Myawaddy Bank opened its M Banking 360 service in July. Current users can only perform simple enquiries such as checking balances, but there are plans to extend the service to allow transfers and other services, said a company official.

The telcos
Although company representatives of Ooredoo and Telenor did not return requests for comment on mobile banking, they are thought to be interested in launching services in Myanmar. Both have been active in the sector in other countries: Ooredoo launched its Mobile Money mobile banking service in its home market of Qatar in 2010, while Telenor in 2008 acquired a majority stake in a Pakistan microfinance institution while launching its Easypaisa branchless banking service in the country in 2009.

The rest
Mobile banking is a hot topic, and many other banks besides those highlighted have declared intentions to do internet or mobile banking. A number of private companies are also looking to enter this space in the coming months. *The Myanmar Times* looks forward to chronicling their successes, and near-successes, in next year's edition of the banking and finance special supplement.

JEREMY MULLINS
jeremymullins7@gmail.com

BANKING and mobile phones are two of the hottest sectors in Myanmar, so it should come as no surprise there is plenty of interest in what's happening at their intersection.

Much has been made of the potential for the domestic financial sector to leapfrog into the future by moving directly to mobile banking. Proponents say it could assist banks with offering financial services particularly to the poor and rural-dwellers by avoiding the high costs of building a large, expensive branch network. Yet even the optimists caution the move to mobiles will take some time.

"Mobile banking will ultimately catch on - indeed, longer term, it will surely be the hope for financial inclusion throughout Myanmar," said Sean Turnell, a Myanmar-focused economics professor at Macquarie University in Sydney, Australia.

"In the shorter term the rhetoric will be greater than the results on the ground, but this is to be expected."

Banking and payments using mobile phones are trumpeted as a way to move the unbanked into formal financial sector in Myanmar. One factor is the expected spread of mobile phones. Mobile phone penetration in Myanmar is among the lowest in the world at around 10 percent. However, with the introduction of Ooredoo and Telenor mobile coverage in the coming months and an anticipated expansion of Myanma Posts and Telecommunication's coverage and lowering of SIM prices, penetration rates look set to increase rapidly, particularly among the 37.5 percent of the population a recent World Bank survey said is living in poverty in Myanmar.

Another factor is the reluctance of banks to set up brick-and-mortar branches in areas that would likely be unprofitable. An estimated 95pc of the population is unbanked, while only about 15pc of total GDP is formally banked – compared with over 100pc in many developed markets. However, reaching these unbanked, often lower-margin customers in Myanmar through building traditional bank branches will take years and may ultimately prove unfeasible. Promoting banking through mobile phone could allow financial institutions to skip the high costs of opening branches while still providing extensive service to the unbanked.

Edwin Vanderbruggen, senior partner at legal and tax advisory VDB Loi, said there are some areas in mobile banking and payments that will almost assuredly be successful, while other areas will require some time to develop.

Peer-to-peer transfers are among the most immediate uses that could take off, he said. For instance, transferring US$50 from Yangon to a relative in Shan State could be done easily by mobile phone-based services.

However, other areas such as retail purchases using mobile phones are "an open question", he said.

In the near future, Myanmar consumers could be buying movie tickets, paying utility bills and receiving their salaries over their phones, but it will all take some time to develop.

"Of course it's not all going to happen tomorrow, but there's a lot of growth potential," he said.

Though still in their infancy, such services could in future be delivered in a number of ways. The Central Bank of Myanmar issued rules governing a bank-led mobile banking model in December 2013, but has not released separate regulations for a non-bank-led model. Often called mobile payments, a non-bank-led model allows firms other than banks – such as mobile operators – to take the lead, and in other countries often does not require individual bank accounts for each user.

Still, firms with licences under the current bank-led rules have only just begun setting up shop.

Myanmar Mobile Money (MMM) was the first mobile banking firm to begin operating in the country, but it only opened its doors in January – and has still not fully launched.

The firm is under the military-run Myanmar Economic Corporation (MEC) umbrella, and is using the mobile banking licence granted to Innwa Bank, another MEC firm, in January, though MMM offers a mobile payment-type system, according to U Aung Aung Cho, general manager of MMM planning department.

Following the mobile payments model, its transactions initially stated that every user needed a bank account, U Aung Aung Cho claims MMM has received Central Bank permission to allow its users to operate without formal bank accounts; instead the firm will deposit all the funds together at an in-trust account at Innwa Bank, which can

A screenshot of Myanmar Mobile Money's website.

> 'We think it's just about the cheapest in the world.'
> – **U Aung Aung Cho,** Myanmar Mobile Money

users aren't required to have bank accounts, he said. Instead, MMM users can sign up by sending an SMS, but must approach a MMM company agent to load money for use. The actual cash goes to agents and ultimately to a general in-trust Innwa bank account, but users are credited with the same amount in digital currency to their e-wallet, in the same way scratch cards mobile top-ups work. Users can then use MMM services, such as making domestic remittances. The service can be accessed through either offline SMS or USSD available on nearly all handsets, or a mobile app requiring internet access and a smart phone, to complete transactions.

The company's agents are often small shops that operate other businesses but offer MMM services as well. Unlike users, agents are required to have bank accounts, and operate under a three-tiered hierarchical structure depending partly on the amount of capital they put into the businesses.

Although the law governing these be easily monitored by the Central Bank of Myanmar, he said.

This move will help in transitioning from hard cash to money held digitally on mobile phones, according to U Aung Aung Cho.

"People have been doing everything with the physical cash," he said. "We are trying to persuade them they can do it with e-cash from their mobile wallets."

MMM offers several services, including cash in, cash out, person-to-person transfers, mobile phone top-ups, disbursement of salary from employers to workers and support to microfinance through disbursing and repaying loans, though aims to add more in the months ahead.

It is planning future tie-ups, and has already agreed on a deal with one bus company allowing MMM users to purchase tickets digitally.

"We are trying to integrate into other business lines, but we are not in a hurry," said U Aung Aung Cho. "We are going step by step."

The firm has received approval from the Central Bank allowing customers with accounts below K50,000 to simply sign up digitally, but if the amount is higher they need to visit agents and fill out a form with information including their NRC number.

It has been test-running with a claimed 20,000 users and about 450 agents ahead of a full launch with a marketing campaign planned for later this year. One piece of feedback has been the need to keep fees small, said U Aung Aung Cho.

"We cannot take much profit from these services, cannot overcharge," he said.

Fees are charged based on services used. Transferring between $1 and $50 to another user costs K80 in service fees, while transfers at the upper limit of $500 cost K400, he said.

"We think it's just about the cheapest in the world," he said.

Myanmar Mobile Money soft-launched in January, but is far from being the only firm interested in this space. Myawaddy Bank, which is under the umbrella of military-run Union of Myanmar Economic Holdings Limited (UMEHL), received permission to launch mobile banking earlier this year, and the first semi-government and private banks have more recently begun receiving their licences.

Still absent from the list of approved providers, however, are the telcos. Although officials from Telenor and Ooredoo did not return requests to discuss mobile banking, Central Bank of Myanmar vice governor U Set Aung said the Central Bank intends to license mobile operators to offer services of their own.

"Non-bank-led mobile payment [licences] will be granted to Mobile Network Operators once they are ready," he wrote in an email.

These competing mobile banking services may take some time to start up. U Aung Aung Cho said MMM was the earliest adopter, and has been spending the time making sure its systems are right before a full launch later this year. Because of the lead time, he claimed he is not particularly worried about competitors in the short term.

Still, he reckons there is ultimately room for up to five or six mobile banking and mobile money companies in Myanmar.

Mr Vanderbruggen of VDB Loi said the earliest adopters have something of a head start, as there is a race for mobile banking providers to sign up the partnerships and the hundreds of agents that will be necessary for the services to function across the country. Those pursuing the non-bank-led model may be at a disadvantage, as they have not yet seen the official rules they must operate under, he said.

"Every day counts. Waiting for six months on additional information for a non-bank-led model may just be six months too long," he said.

"You already have guys signing up agents right now, giving them a head-start."

He said many of the planned business tie-ups are awaiting further clarification particularly on non-bank-led models, while others are looking to see how such areas as liability for losses and ownership structures work out.

Although there's still a lot to do to develop the industry, Mr Vanderbruggen said officials have done well promoting use of the new technologies.

"There's still a lot of catching up to do," he said, "but it's remarkable how speedily the Central Bank is trying to facilitate financial inclusion through e-money." ■

Potential users need convincing

LEANNE AUNG
AND MON MON AYE

THE experts are near unanimous: Some form of mobile banking will take off here.

The opportunity, after all, is easy to identify: About 95 percent of people are unbanked, often in rural areas with poor infrastructure links, yet the mobile phones are coming, and with them the potential to use mobile handsets to vastly extend banking services.

While the technical and legal aspects are being sorted out, however, the potential users themselves still need to be persuaded to trust the service operators and turn their hard cash into e-money.

One area where Myanmar people see possibilities for a mobile phone service is in remitting money home.

Ma Mya Thidar Win, a cashier at Oriental House restaurant in Mandalay City, regularly sends money home to family in Mandalay Region's Chauk City.

Currently she sends her money home by friends or by bank remittance services. Yet banks can be expensive and unwieldy, and friends can be unreliable.

"If we can send money by phones it will be useful," she said. "We could save time and be less busy."

Like many, Ma Mya Thidar Win has heard that mobile banking and mobile payments may be possible, but knows little about the details.

Yet others pointed to the challenges that a formal banking sector, including mobile banking, have in really taking off.

Ma Su Nge, a 25-year-old office worker, told *The Myanmar Times* she lost her savings when a bank she deposited at when bankrupt, making her reluctant to trust them again.

"Since then I lost trust in the banks," she said. "The system may have changed, but I still don't have the courage to open a bank account."

Ma Lynn Htet, 20, another Yangon office worker, regularly sends money home to Mandalay once a month. She uses bank remittances at present because of their safety and speed:, saying it takes only 20 minutes to transfer.

Still, most approached by said they had only a hazy grasp on the concept.

"What? Mobile banking?" said U Thein Htun, 30, a manager. "Oh yeah, I've heard about it but I don't really know what it is."

He added he would wait and see how it went, wanting to learn more before getting involved – though he admitted he could see the potential. ■

Photo: Aung Htay Hlaing

(Very) small business

Running a rent-free restaurant

MYA KAY KHINE
mya.simplefly@gmail.com

FOR 20 years, the smell of tea and fried rice on Upper Bo Aung Kyaw Street at 7am has meant breakfast is ready at Ma Ni's teashop. Catering to everyone from the business and office workers to groups from the nearby school to the car washers from just a few hundred metres up the road, it's a real neighbourhood place – all the more so because it's set up on public land.

Tea-shop tally

On the menu	
Cup of tea	K300
Coffee	K200
Fried rice with egg	K500
Fried bread	K500
Milk-soaked bread	K300
Butter bread	K250
In the ledger	
Shop rent K0	(a "small amount" to YCDC)
Daily costs	K20,000
Daily profits	K30,000-K50,000
Housing rent K0	(owns apartment)

"We don't need to pay any rent. So we keep all the net profits of what we sell. We just need to pay a small amount of money to YCDC. This is better than hiring a place." Ma Ni says.

Her shop is one of countless "unofficial" businesses which operate on the roadside, colonising sidewalk space. Her brother-in-law ran it originally, and after he passed away two decades ago Ma Ni and her siblings have come to work here each day, walking over from their apartment just around the corner. The family of six owns that property, so they don't need to worry about meeting rent, keeping monthly expenses low.

"We all work together and live together. One of my elder sisters is married. Her two sons and my brother have their own jobs. We three siblings run the shop. They pay the family for food. And I support the family with K5000 a day. After taking away expenses for food and the shop from our income, we three share the left profit at the end of the month." Ma Ni said.

Arrangements like this mean some street stalls end up outlasting brick-and-mortar establishments, precisely because of the costs of the security that provides.

U Myint Naing runs a food stall right next door to Ma Ni's. Originally from Monywa, Sagaing Region, he says the weather made it difficult to farm there. By 1987, he says, "My life in the village was so hard that I came here," and began selling mohinga and salad "as a peddler". Back then, he says, "I just needed about K30 or K40, but now it costs about K100,000" to buy everything he uses.

The father of six children, U Myint Naing sends K60,000 back home each month for his wife and children. One child has graduated, three are in school and two have stopped attending. He says his monthly remittance is enough to pay their fees at home. "Of course, it wouldn't work here," he adds.

He didn't use to work during monsoon season, but this year he is.

Food-stall finance

On the menu	
Salad	K300
Salad with fish or bean crisp	K400
In the ledger	
Shop rent K0	on the street
Daily costs	K12,000
Daily profits	K2,000-K8,000
Housing rent K0	can't afford

He's also brought one of his daughters to Yangon to help for the first time.

"We now live in staff housing at Yangon Railway Station in Mingalar Taung Nyunt township, so we don't have to pay rent. I've lived there for 15 years," he said.

"It won't be easy to hire a place for my shop. I also can't afford to rent an apartment to live." ■

– Translation by Myat Su Mon Win

HOW WE GOT HERE: A timeline of Myanmar's financial history, 1861-2015

2008
May 2 – At 12:00 UTC, Cyclone Nargis makes landfall in Ayeyarwady Region. It eventually kills over 100,000 and leaves the delta – and rice crops – decimated. International community brings help but criticises government for not allowing aid workers and supplies inside.
May 10 – In a nationwide referendum (cyclone-hit areas are polled later), a new constitution is passed by an overwhelming percentage, though scepticism arises over voting numbers.

2009
ASEAN Comprehensive Agreement. Myanmar agrees to open to regional foreign banks by 2015

2011
March 30 – U Thein Sein sworn in as president; civilian government takes office.
Auditor General of Union Law passed. Myanmar Payment Union (MPU), a Central Bank initiative, is formed to reform payment system, sets up ATM network.
October – Private banks allowed to open foreign exchange counters.
November 30 – Microfinance Law legalises microfinance operations, introduces interest rate caps.

2012
US, UK, EU sanctions eased; World Bank gets involved; Visa, MasterCard, Western Union arrive
April – Foreign Exchange Management Law lifts restrictions on transactions on exports and imports of goods and services.
August 10 – Foreign Exchange Management Law introduces managed float system.
November 2 – Foreign Investment Law allows 5-year tax holiday with various reliefs and customs duty relief; non-nationalisation and non-suspension of the business; land use up to 70 years (50+10+10); repatriation of profits and capital brought in.

2013
January 27 – World Bank and Asian Development Bank clear $900 million debt via a bridge loan from Japan Bank for International Cooperation; Japan, Norway and others also agree to forgive loans. President later announces over $6 billion in old foreign debt has been cleared, the first step on way to Myanmar leaving behind UN "least developed country" status, and making way for new aid that will kickstart economic growth.
March – Abolishment of FECs announced.

CONTINUES PAGE 38

SINGAPORE

Hundi remittance lives on

Overseas workers looking to send money home continue to trust old ways, in spite of more modern alternatives becoming available

AYE THIDAR KYAW
ayethidarkyaw@gmail.com

PENINSULA Plaza serves as a home away from home for Singapore's large Myanmar diaspora. Up to 150,000 Myanmar people live in the Lion City, with many relocating there for the increased economic opportunity.

Located about 10 minutes' walk from the downtown City Hall MRT station, Peninsula Plaza is a hive of activity most days of the week. Myanmar people meet at restaurants to enjoy a taste of home, taking the chance to slow down what can be a hectic life in Singapore.

Yet the plaza gets particularly crowded just after payday at the end of each month. Then, Myanmar workers, flush with their earnings, congregate to meet agents in the informal "hundi" network to transfer some funds to friends and family back home.

The hundi system – an informal exchange in which paying someone in one location allows a payment to be made by an agent in a distant location and the difference settled between the agents later on – was developed in India to move money around the subcontinent. The word itself derives from a Sanskrit word meaning "bill of exchange"; the *Oxford English Dictionary* records evidence of its usage as far back as 1619. Today it continues to fill the gaps that modern banks haven't yet covered.

Ko Thein Linn works for M&E Engineering in Singapore on a Spass visa for mid-level skilled technicians. Although he is the type of Myanmar expatriate that banks seek to attract for formal money remitting services, he says he still uses the traditional hundi system.

Ko Thein Linn checks exchange rate website naungmoon.com for the rates before sending money home. Hundi agents charge slightly higher exchange rates and make money off the spread, as opposed to banks which profit by charging fees.

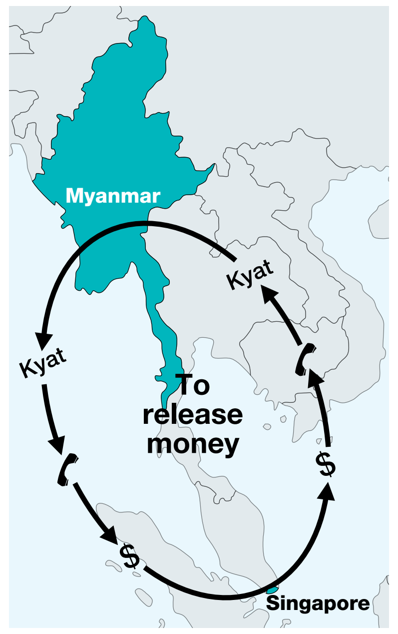
Myanmar expatriates say the hundi system is also attractive because it is simple and flexible. There is no need to open a bank account, generally no upper limit on amounts, and the money is often delivered right to the recipient's door in Myanmar.

"All my friends and I use hundi although we have heard about bank remittance options," said Ko Thein Linn. "Hundi is convenient and cheap.

"All of us would like to use more formal channels, but we don't have a lot of information about banks and hear there is a lack of infrastructure in our domestic [Myanmar] banks," he added.

Singapore is not the only site of widespread use of hundi. Thailand and Malaysia are both home to significant Myanmar diasporas, and both also make use of hundi.

The Central Bank of Myanmar allowed domestic banks to begin offering remittance services in 2012.



million
$566
Estimated official remittance flowing into Myanmar in 2012, according to the International Organization for Migration
Source: Myanmar's Financial Sector: A Challenging Environment for Banks

About 13 domestic banks currently provide formal channels to remit money through services such as Western Union, 2C2P, Xpress Money and Moneygram, often focused on places with large Myanmar populations such as Dubai, Malaysia, Singapore and Thailand.

The move came partly as a response to a high-profile theft in Peninsula Plaza in 2011, when a hundi store owner allegedly ran away with S$60 million entrusted to him.

One 31-year old accountant told *The Myanmar Times* that it is important to choose a hundi agent based on a friend's recommendation.

"I go to a local hundi shop [in Singapore] rather than going to the Peninsula," she said.

Although the services to formally remit money are being established, hundi is still popular with thousands.

U Zaw Linn Htut, deputy managing director of Kanbawza Bank, said Myanmar's banks need time to compete with hundi, which has been the main method of remittance for 50 years.

"People choose to use informal channels because it is cheap, and delivered on a door-to-door basis which banks cannot do," he said.

Building up formal remittance channels will require further education of its benefits, and the risks of informal channels, he said.

"Customers need to know the banking system leaves official records, and it can also help customers if they want to buy a house through installments or make long-term purchases," he said.

Government officials have also looked at ways to upgrade bank remittance services.

Minister for Labour U Aye Myint said in an early May press conference that there are plans to get more workers to remit money through formal channels.

One option is to develop mobile money services. Several banks, such as Innwa and Myawaddy, have set up mobile money transfer services inside Myanmar, and negotiations with foreign banks are under way to allow international remittances, according to a Central Bank official who requested anonymity.

"They need to link with foreign banks. I hear banks from Thailand and Singapore are negotiating to cooperate [with Myanmar banks]," he said.

"Bank services will grow stronger in Myanmar. We can connect rural areas through mobiles, solving this lack of infrastructure through cooperation with new telecoms companies," he said.

Inbound remittances from Myanmar citizens abroad total about US$8 billion annually, according to the official. He said about 50pc of remittances occur through formal channels, mostly attracted by the records.

Although there is pressure to formalise remittances, many say the informal system has its advantages too.

Ma Juliet is a business consultant in Myanmar who uses formal banking channels. She said she would prefer to use hundi if there were no need for official records of the transactions.

"It takes several hours to withdraw money from a branch [in Myanmar] as their offices are far from my house," she said.

Many of Myanmar's diasporas seems to agree.

Future remittances may all happen electronically through banks and mobile phones, but for now the informal shops in Singapore's Peninsula Plaza show few signs of slowing down. ■

A village microfinance committee tallies accounts. Photo: Htin Kyaw

Small loans, big change

Microfinance may be the economic miracle Myanmar needs – if only it can keep up to demand

WADE GUYITT
wadeguyitt@gmail.com

PEOPLE in town, they are very rich," says Ko Min (not his real name), who helps organise a small microcredit organisation in Shan State. "People in the countryside, they are very poor."

It's precisely among the very poor – usually in the countryside, usually women – that microfinance is most necessary, and most effective.

Microfinance simply means extending instruments of banking to those who are outside the reach of regular institutions. In its most common form, microcredit, this involves issuing small loans to those who cannot afford collateral and would not qualify for credit at ordinary institutions. But savings plans are also an important, albeit less talked-about, part of microfinance, and help give communities long-term security.

Villagers nearby where Ko Min lives, he says, used to borrow from banks at 3 percent monthly interest, he says, or – when banks turned them down as unsafe risks without collateral – from Chinese moneylenders at 10pc. The interest sometimes left them further in debt than when they started.

Thanks to Ko Min's microfinance institution (MFI), however, families nearby now access loans at 1.5pc interest. The loans are affordable, making them safe bets for borrowers. But at the same time the need to pay motivates them to put the loans toward something long-term.

One woman with a blind daughter converted part of her home into a shop so she could make a living without leaving her child's side.

Another woman, widowed, fixed up her husband's tools so she could take up his old job to support her children.

A third woman, single, bought two second-hand sewing machines and started her own business, saving enough money so she could study Law and eventually leave home to take a position at a firm.

Ko Min's organisation has a few hundred of these stories, one for each loan they've offered. Education is the primary motivating factor in most loans, and by using microcredit to stir local industry it contributes to long-term, second-generation economic growth.

And since he and the lending committee research what the loan will be used for – for instance, helping ensure the sewing machine an applicant wants is in good repair before she borrows money to buy it – the risk of lending is low. Ko Min reports over an over-99pc rate of return, typical for the microcredit model.

Microfinance, Ko Min says, has changed his whole idea of how to solve the problem of poverty. When Myanmar people want to help out the poor, they are accustomed to "make a donation once and that's it", he says. But microfinance isn't about charity. It's about extending the benefits of banking – a place to save, a chance to borrow – to those who have so far been excluded from it, and then seeing how those people will grow once they're given the same economic resources as those of the middle and upper classes. At its heart, it's about investment in the vast energy and ability of those whom society has profoundly overlooked as a source of industry and initiative: the poor.

The most successful model of microfinance can be traced to Grameen Bank – Bangladesh's so-called "Bank of the Poor" – and its founder Mohammed Yunis. In the wake of a 1974 famine, Yunis gave a small loan for a few dozen families to start small businesses, believing that loans, rather than charity, would help them most because it would encourage transformational activity.

The model spread. By 1983, Grameen Bank was founded as a fully authorised lending institution, centred around the idea that collateral – the usual requirement for those pursuing loans – is precisely what those who are most in need of credit don't have. Instead, groups of people serve as collective guarantors for loans: This "social collateral" pushed borrowers to make good use of the loans. The bank also found women made better credit risks, being more reliable and having more room for growth.

By 2006, the year Grameen and Yunus shared the Nobel Peace Prize, over US$5 billion in loans had been given out.

The United Nations Development Programme began offering microfinance operations in Myanmar on the Grameen model for the first time in 1997. (Grameen itself administered one of the UN's projects, under a build, operate, transfer agreement until 2002.)

One problem for the fledgling microfinance sector generally, however, was a lack of legal framework under which MFIs could operate. MFIs were not covered under the 1990 Financial Institutions of Myanmar Act. From the UN down to the smallest organisation, microfinance was – like much else that happened in the country – illegal but condoned.

"MFIs in Burma do not have legal status," economist Sean Turnell wrote in *Fiery Dragons*, his pre-reforms history of economics in Myanmar, "and whatever standing they have is dependent upon the whim of the country's military regime and the esteem of their founding NGOs."

Today microfinance is notable as a sector in which ownership, investment and capital can all come from abroad. Back then, however, this was a riskier proposition for some small-scale organisations.

Ko Min's organisation, for example, in the early years depended primarily on money raised abroad by Jane (not her real name), a foreigner with no connection to the country except a desire to help.

For this article, Jane requested that the identities of her, her local partners and their organisation remain anonymous, as for years they were among those operating without a permit and she said she did not want any recrimination to result for those still working in-country.

"I started to give away money to people who needed. My uncle, who worked in Asia a lot, said to me, 'You can continue giving away your money, but you better let it come back.' Burma was on the blacklist so importing things was not a good idea, and I am not a selling type of person. So [Ko Min] and I thought of microcredit."

Like Ko Min, microfinance moved her away from donations and toward the model of constructive loans instead.

"And it works. With five women together in a group this gives support and they do pay back."

The first loan came from Ko Min and a friend. Jane added her own money when she learned of what they were doing, then started raising money at home, fundraising through a network of donors.

"Travellers started to give me $50 because they wanted to help out but did not know where or how."

Making semi-yearly trips, she brought in the money she had raised in her luggage, handing it over to Ko Min and others who then put it into use in the community.

Asked if she has any particular success stories she is proud of, she says simply, "I find it difficult to hear the stories of the women. I start to cry."

But she is also quick to downplay her role in the dramatic changes the organisation has enabled. "There are many small co-operatives. I'm doing nothing more than cooperating with the local parties … I'm working with them and they are doing everything."

As rudimentary as these sorts of models were in the early days, they were working. In 2003, the UNDP recommended that the establishment of a framework for microfinance – in other words, letting microfinance grow, officially – would represent "the single policy change with the most impact on rural poverty".

That policy change came in November 2011. Giving previously unregulated organisations a place within a regulated system, the Microfinance Law opened the door for those who don't qualify for bank loans to access credit, making it one of the unsung developments of the U Thein Sein government.

The law says microcredit loans must be charged at 2.5pc flat interest per month. Savings must return a minimum of 1.25% flat interest per month.

Since December 2011, over 189 microfinance licences have been issued, in five categories: donor-funded NGOs; donor-funded INGOs; local MFIs operating for profit; co-operatives that have registered as MFIs; and foreign-owned MFIs. Groups that were formerly outside the law are allowed to establish themselves officially. A shareholder-run bank, the Myanmar Microfinance Bank, was established July 2, 2013, offering loans at half the current interest rate.

In the biggest shake-up in this growing sector, on June 4 of this year the UNDP transferred all responsibility and assets to the Pact Global Microfinance Fund (PGMF), its implementing partner since 2006.

"This is a case of a project that has successfully closed after 17 years which will continue to provide dividends to more than half a million people after UNDP exits," says Igor Bosc, UNDP senior programme advisor.

"This exit is also in line with UNDP's new Country Programme, through which UNDP works in three broad areas – local governance, environmental governance and democratic governance. UNDP will however continue to work in the microfinance sector by supporting policy development."

PGMF uses textbook microfinance theory – small loans, lending groups, mandatory savings, credit mostly to women. It's called "solidary lending methodology", the INGO's local general manager U Maung Maung says.

"To have access to credit a small group of five members has to be formed. Loans are without collateral and members can invest in whatever microenterprise they believe will improve their income."

Assuming five family members per household, U Maung Maung says, PGMF alone could be serving about 5% of the total population of the country.

U Maung Maung says the program, which maintains a 99pc repayment rate, is built primarily on trust.

"Explaining social collateral is not that difficult, but to practise it and maintain group solidarity takes time. They have to form the small group by themselves with like-minded people, knowing each other, then the trust among them can be built without difficulty."

He says success depends on the facilitator, the strength of the staff and how well (and how often) she can explain group solidarity. Trust can also increase over time, he adds, but only "if the institution understands the hardships faced by the clients and initiates the appropriate services they require".

The model also benefits from attention to gender roles in the community: There are reasons, U Maung Maung says, that 98pc of borrowers end up being women.

"Because the household heads – mostly men – engage in main income-earning businesses, women staying at home could start additional income-earning businesses such as raising chickens, pigs, goats or establishing grocery shops or hawking that would earn some extra money to uplift their living conditions."

But it's not just that men are already working: The chance that women will misuse money has been shown to be smaller, he said, with much lower risks of gambling or alcohol.

"Impact studies in 2007 and 2011," U Maung Maung says, "stated that microfinance is uplifting the living standard in terms of food security, better housing conditions, growth of investment and business, longer periods of children's education etc. That is in very brief."

While U Maung Maung said PACT welcomed the 2011 law, he also pointed out that the regulators are necessarily new to microfinance.

Indeed, governance is scattershot: Banks in microfinance are supervised by the Central Bank; cooperatives by the Ministry of Cooperatives; and MFIs by the Myanma Microfinance Supervisory Enterprise (MMSE), originally formed to oversee pawnships in 1952 but having undergone many changes of name and purview since then.

Some have also argued that the law's cap on loans at K500,000 limits aid if SMEs are big enough to need such funds but too small for regular credit institutions.

Mostly, however, the concern about microfinance in Myanmar is that there's not nearly enough of it. Lending with small amounts of interest means growth for MFIs – and hence microfinance generally – remains slow.

Microfinance has changed his whole idea of how to solve the problem of poverty.

While the UNCDF has pegged demand for microfinance in Myanmar at around $1 billion, in October 2013 the MMSE reported that the 116 MFIs then licensed held a combined loan portfolio of $118 million – not quite 12pc of demand.

"Without significant political reforms in Burma," Turnell wrote in 2006, "microfinance will more than likely continue the dismal tradition of financial institutions in the country – of a good and well intentioned idea, gone wrong in application."

The reforms, fortunately, have come. The problem now is how to catch up to the need. ■

Making a pact:
The PACT Global Microfinance Fund
(all figures May 2014)

Active in 51 townships in Yangon, Mandalay, Sagaing, Magwe and Ayeyarwady regions as well as Shan State

610,604 active customers

98pc are women

570,822 clients with microcredit loans

K93 billion in total loans issued

ViCOs (village credit organisations) decide who gets loans, and must remain separate from NGOs and govt

Six categories of loans: business; extra; agricultural; MSE; social (for education, health and sanitation); wholesale

39pc of borrowers invested in livestock and fishery; 28pc in trading; 26pc in agriculture; 3pc in services; 2pc in production; and the remaining 2pc in other business

K500 mandatory savings required biweekly for all customers

15pc annual interest paid on savings

HOW WE GOT HERE: A timeline of Myanmar's financial history, 1861-2015

May – CBM signs Memorandum of Understanding (MoU) with Tokyo Stock Exchange to establish stock exchange in Myanmar by 2015.
July 12 – Central Bank of Myanmar Law (revised) separates CBM from Ministry of Finance, granting it autonomous power to implement monetary and exchange rate policies.
July 31 – Securities Exchange Law moves to establish a stock exchange, securities exchange companies, and counter markets for the accumulation and allocation of financial resources; also to reduce speculation in securities which fuels inflation
August 5 – Interbank foreign exchange market opens.
November – Financial Institutions of Myanmar Law revision aims to install more efficient banking system.

2014
A new Banking and Financial Institutions Law reaches the final stage of drafting.
Process begins to allow 5-10 foreign banks to operate later in year.

2015
ASEAN Free Trade Agreement (AFTA) set to link region's economies.
Yangon Stock Exchange to launch.
National elections to be held.

A word on sources
This timeline could not have been assembled without the invaluable history of Myanmar's economy, Sean Turnell's *Fiery Dragons: Banks, Moneylenders and Microfinance in Burma* (2009). Anyone interested in a fuller portrait of the events described is strongly recommended to consult it.

Also helpful were the reports *Afford Two, Eat One: Financial Inclusion in Rural Myanmar* and *Making Access Possible*. A number of other resources contributed information used in particular entries.

Images of bank notes and coins are free-to-use Creative Commons images taken from online.

Anyone interested in viewing a complete set of images of post-independence currency can do so easily at the website of the Central Bank of Myanmar.

The Myanmar Times would like to express its gratitude to its sources – and to its sources' sources – for their diligent research. Any errors or omissions in this timeline are *MT*'s own. – Wade Guyitt

Copper 1/4 pe (1/80th of a kyat)
King Mindon's pressing, 1865

ထွန်းဖောင်ဒေးရှင်းဘဏ်လီမိတက်
TFB
TUN FOUNDATION BANK LIMITED
SAVINGS DEPOSIT
CURRENT DEPOSIT
FIXED DEPOSIT
LOANS AND OVERDRAFT
TUN DEBIT CARD SYSTEM
Remittance from Singapore to Myanmar
INTERNATIONAL TRADE FINANCE SERVICES
- FOREIGN CURRENCY ACCOUNT OPENING
- INTERNATIONAL REMITTANCE SERVICES
- TRADE SERVICES
LETTER OF CREDIT (LC/TT)
Import L/C & T/T
- Letter of Credit Opening/Issuance
- Import Bills under L/C
- Shipping Guarantee
Export L/C & T/T
- Export Letter of Credit advising
- Export Letter of Credit negotiation
MoneyGram
"၁၀ မိနစ်အတွင်း ငွေအရောက်ပို့ပေးသည်"
TUN FOUNDATION BANK