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Myanmar Highlights

September 2019

YOMA BANK'S DIGITAL CREDIT SOLUTION FOR THE MASS MARKET

On 9 August, Yoma Bank, one of Myanmar's largest private banks, and Experian, a global information services company, announced that they have enhanced Yoma Bank's Smart Credit solution, improving accessibility to unsecured lending for the mass market in Myanmar. This digital service for borrowing, payments and savings will enhance financial access for Myanmar's unbanked population whilst supporting responsible lending. This is the first digital product in Myanmar offering unsecured loans to the mass market. Customers can apply for unsecured personal loans using Yoma Bank's Smart Credit mobile app, with the application processed by Experian's Digital Onboarding platform and approval decisions made by Experian's Decisioning engine. Each approval is based on the customer's financial history and transaction behaviour. The digitalisation of loan applications not only allows loan applications to be completed in a speedy manner, but also facilitates access to credit by Myanmar's geographically diverse population. This online service will complement Yoma Bank's physical presence of 80 branches in Myanmar. (Source: <http://www.mizzima.com/article/yoma-bank-seeks-mass-market-smart-credit-solution>, 10 August 2019)

NEW ALTERNATIVE SECURITIES MARKET REPORTED

It has been reported that the Securities and Exchange Commission of Myanmar ("SECM") together with the Yangon Stock Exchange ("YSX") intend to set up an alternative market, the Myanmar Public Companies Board, for the trading of shares of unlisted companies. This market will serve as a stepping-stone for listing on the Yangon Stock Exchange. Currently, only five companies are listed on the YSX. The SECM has also

announced that foreign investors will be permitted to trade on the YSX by the end of 2019. (Source: <http://www.mizzima.com/article/alternative-market-investors-planned>, 14 August 2019)

LIBERALISATION OF MYANMAR'S INSURANCE INDUSTRY

The Myanmar government has begun liberalising and opening Myanmar's insurance industry to global players for the first time. In April 2019, the government announced that it would permit five foreign insurers to operate wholly-owned units for life insurance in Myanmar, and on 2 August 2019, it announced that six joint ventures between local and foreign insurers in both the life and non-life/general segments would be allowed to operate in Myanmar. It is expected that competition in the insurance industry will intensify, due to the opportunities arising from the low level of insurance penetration (less than 1%) in Myanmar. Both foreign investors and local insurance companies consider that there are significant growth prospects for the insurance market, with the insurance market expected to increase to K1.75 trillion over the next year and to K4 trillion over the next 10 years, according to a survey undertaken by IKBZ Insurance in July 2019. IKBZ Insurance's joint venture with Mitsui Sumitomo Insurance Group Holdings Inc was one of the insurance joint ventures approved on 2 August 2019. The approval was for the general insurance segment that provides automobile and property coverage. IKBZ Insurance aims to significantly increase the number of trained agents, with 200 to 300 bank branches selling insurance products in the next three years. (Source: <https://www.mmtimes.com/news/strong-potential-insurance-growth-competition-expected-be-rife-ikbz.html>, 12 August 2019)

EU TO PROVIDE €8 MILLION FOR ARISE PLUS MYANMAR PROJECT

On 6 August 2019, it was announced that the European Union (“EU”) will provide up to €8 million for the ARISE Plus Myanmar project over a four year period. The project will be implemented by the International Trade Centre (“ITC”) and the Ministry of Commerce (“MOC”). The goal of the project is to enhance connectivity and economic integration between Myanmar and the Association of Southeast Asian Nations (“ASEAN”) in accordance with the ASEAN Economic Community Blueprint 2025. The initiative will help micro, small and medium sized enterprises to take up business opportunities in global markets, including ASEAN and the EU; deals with compliance with Sanitary and Phytosanitary standards consistent with international commitments; and assists Myanmar in developing its trade policy while satisfying its regional and international commitments and addressing non-tariff barriers along value chains. It is expected that the project will promote “equitable and inclusive growth” as well as expand jobs in businesses that focus on exports; diversify Myanmar’s economy through added value and productive industries; increase the transparency of trade rules; and potentially address barriers to entry in the export market that female-led businesses face. (Source: <http://www.mizzima.com/article/eur-8-million-support-inclusive-and-sustainable-trade-growth-myanmar>, 10 August 2019)

MYANMAR CITIZENS BANK AND INTERNATIONAL FINANCE CORPORATION SIGN AGREEMENT

Myanmar Citizens Bank (“MCB”), a public bank listed on the Yangon Stock Exchange, and International Finance Corporation (“IFC”), a member of the World Bank group, signed an agreement for the enhancement of access to finance for small businesses and individuals. Over a two year period, IFC will advise MCB as to how it can transform and modernise its business operations to better service small businesses. The project will develop optimal financial products and distribution channels, modernise branch and sales networks, enhance credit and risk management strategies, and streamline organisational structures. It is expected to enable thousands of Myanmar businesses to gain access to better banking, according to MCB chair U Toe Aung Myint. This is IFC’s third project aimed at developing Myanmar’s banking sector, which is one of the least developed in Asia. According to a 2017 Findex survey, only approximately 7% of small and medium enterprises (“SMEs”) in Myanmar have a line of credit or loan, while 56% of enterprises do not have a savings or checking account, and only approximately 26% of adults in Myanmar have an account at a financial institution. “Complementing the

government’s banking reforms over the past few years, IFC and MCB are building to a more stable and robust banking environment, which will increase investor confidence in Myanmar” stated Vikram Kumar, IFC Myanmar manager. (Source: <https://www.mmtimes.com/news/myanmar-citizens-bank-increase-sme-access-finance.html>, 15 August 2019)

ROLAND BERGER TO CONSULT ON APPROVAL OF FOREIGN BANKS

The Central Bank of Myanmar announced that it has selected German-based Roland Berger Company Limited to provide consultancy services for approving foreign banks and branches to operate in Myanmar, as part of the third phase of Myanmar’s economic liberalisation. The central bank had invited eight consulting companies which have an office in Myanmar to submit a request for proposal, with four companies (Deloitte Touche Myanmar Vigour Advisory, Ltd., PricewaterhouseCoopers (PwC) Myanmar Company, Ltd., EY UTW Advisory, Ltd. and Roland Berger Co., Ltd.) submitting requests on 24 June 2019. Amongst the four consulting companies, Roland Berger obtained the highest points in a 15-point criteria set by the Foreign Bank Selection Group. To date, 13 foreign banks have been permitted to provide corporate banking services in Myanmar. The Central Bank of Myanmar plans to permit foreign banks’ subsidiaries to operate in Myanmar’s retail banking sector, which will provide significant competitive challenges for local banks, but will also expand the finance available to local businesses. (Sources: <http://www.mizzima.com/article/roland-berger-chosen-provide-consultation-services-foreign-banks>, 12 August 2019; and mmbiztoday.com/articles/central-bank-hire-consultant-aid-approving-foreign-banks, 4 June 2019)

ADVANCED RICE MILL OPENED

Myanmar’s agribusiness will be enhanced by the opening of an advanced rice mill in Nay Pyi Taw Yezin on 29 July 2019. South Korea’s Ministry of Agriculture, Food and Rural Affairs provided a grant of US\$3.5 million for the rice mill’s construction which began in the 2016-2017 financial year. The advanced rice mill will provide services such as drying, storing and milling rice for local farmers. The mill will be managed by Myanmar’s Department of Agriculture, and with the capacity to cultivate 300 to 500 hectares of rice paddies in one season, it is expected that the quality rice milled will increase sales and prices. Since 2014, Myanmar and South Korea have been carrying out Salma Ohdon village projects, including the provision of cash and technology, in 110 pilot model villages

in 27 townships of 10 regions and states. (Source: <https://elevenmyanmar.com/news/advanced-rice-mill-inaugurated-in-nay-pyi-taw>, 10 August 2019)

RICE EXPORT REVENUE DECREASES

Myanmar's rice exports decreased by over US\$350 million during the first ten months of Myanmar's 2018-2019 fiscal year million compared to the same period in the 2017-2018 fiscal year. From 1 October 2018 to 2 August 2019, Myanmar exported 1.987 million tons of rice and broken rice amounting to US\$597.369 million, compared to exports of 1.801 tons and US\$950.661 million in the corresponding period in the previous year. During the 2017-2018 fiscal year, Myanmar exported a record of almost 3.6 million tons of rice. Myanmar's major rice export partners are China, the EU and Africa, but reduced demand from China and the EU has resulted in lower export earnings. Currently, rice from only 11 companies are permitted to be exported to China, however Myanmar is currently negotiating with China for the approval of over 40 additional rice export companies, according to Deputy Commerce Minister Aung Htoo. (Source: <https://elevenmyanmar.com/news/rice-export-earnings-decline-by-over-350-m-usd>, 14 August 2019)

RAKHINE STATE ATTRACTIVE TO FOREIGN INVESTORS

Foreign investors continue to consider business opportunities in Rakhine State in Myanmar despite foreign sanctions and international pressure on Myanmar concerning the government's dealing with the political unrest. A positive is that there is better access to electricity in the state which will create greater certainty for existing and new businesses. A major focus of development has been projects associated with China's Belt and Road Initiative. The Kyaukphyu special economic zone ("SEZ") has attracted foreign direct investment ("FDI") into Rakhine State. The Kyaukphyu SEZ's industrial park will support businesses in the aquaculture, livestock and garment industries, while its deep-sea port and facilities will connect Myanmar with a regional network of economies including China, India and ASEAN. In September 2013, the Myanmar government announced the creation of the Kyaukphyu SEZ, and in November 2018, signed a framework agreement with a consortium led by PRC's CITIC Group Corporation Ltd to develop the economic zone. A number of proposals have been submitted, including setting up a prawn farm, facilitating a jetty project on Made Island (at an estimated cost of over US\$100 million) and the construction of a five-star hotel on Ramree Island (at an estimated cost of over US\$38 million). Given the size of the FDI, these projects will be subject to the

approval of the Myanmar Investment Commission ("MIC"). In addition, there has been increasing investor interest in Sittwe, the capital of Rakhine State. Coast KTMG Development Co Ltd has submitted to the MIC a proposal to construct a US\$38 billion 7,000-acre project named New Sittwe Myanmar City 2030, and a Chinese-backed Myanmar company has submitted a proposal to construct a coastal road through the Ponnagyun Industrial Zone. However, land ownership disputes must be resolved before certain projects may proceed, including the New Sittwe Myanmar City 2030. In addition, resource-rich Rakhine State may be attractive to overseas oil and gas companies. According to U Thant Sin Lwin, director general at the Directorate of Investment and Company Administration, "a bit of unrest won't affect the whole of Rakhine State, which consists of seven townships. The violence is contained in Maungdaw. There are many opportunities available in Rakhine if the state government can manage effectively". (Source: <https://www.mmtimes.com/news/despite-unrest-rakhine-state-still-attracting-foreign-investor-interest.html>, 12 August 2019)

GOVERNMENT PROMOTES INVESTMENT INTO THE TANINTHARYI REGION

Tanintharyi Region Government together with the Myanmar Investment Commission will be holding an investment forum in October 2019, in order to promote investment into the Tanintharyi Region, especially in the hotel and tourism, real estate and mining sectors. Foreign investment in the Tanintharyi Region has amounted to approximately US\$2.6 billion. According to government data, the majority of local and foreign investments in the region has been in the hotel and tourism, livestock and fishery, mining and manufacturing sectors. The government is prioritising investments in the hotel and tourism sectors, as such investments facilitate the creation of jobs and will significantly improve the availability of hotels and guesthouses in the region, with tourism being a major source of revenue. In late July 2019, U Thaug Tun, the chair of the Myanmar Investment Commission and Minister of Investment and Foreign Economic Relations and Minister of Hotels and Tourism, encouraged investors to focus on sustainable development and quality when considering investing in the Tanintharyi Region. (Source: <https://www.mmtimes.com/news/tanintharyi-focus-tourism-property-mining.html>, 14 August 2019)

2019 UNION TAX BILL OMITTS GEMSTONES AND JEWELLERY

The special commodities list in the 2019 Union Tax Bill has omitted gemstones and jewellery. The taxation of such products are instead covered in the Myanmar Gemstones Law, which came into force in 2019. Under Myanmar's 2018 tax bill, raw jade for exports were subject to 15% tax, rubies, sapphires and other raw gemstones were subject to 10% tax, and jewellery made from jade, rubies, sapphires and other gemstones were subject to 5% tax. Jade mining is a major industry in Myanmar, producing between US\$3.7 billion and US\$43.1 billion of jade in the 2015-16 fiscal year. Most jade produced in Myanmar is exported to China. According to Myanmar Gems and Jewelry Entrepreneurs Association vice chair U Zaw Bo Khant, a high rate of taxation has contributed to a decrease in sales at emporiums in recent years, with taxation from sales at emporiums decreasing from US\$300 million in the 2013-2014 fiscal year to US\$190 million in the 2016-2017 fiscal year. Further, the high taxation rate has resulted in the increased smuggling of gemstones into China. Although Myanmar registered the sale of US\$1.2 billion of jade on average per year from 2012 to 2016 at government-organised emporiums, China recorded US\$2.6 billion of jade imports over the same period. (Source: <https://www.mmtimes.com/news/gemstones-and-jewelry-omitted-union-tax-bill-2019.html>, 16 August 2019)

RELAXATION OF US VISA REQUIREMENTS FOR MYANMAR CITIZENS

The United States Embassy in Myanmar announced on 12 August 2019 that Myanmar citizens may now apply for a combined B-1/B-2 visa. The single-entry visa permits travel to the United States for business and tourism purposes, and is valid for three months. Last year, nearly 14,000 U.S. visas were issued to Myanmar citizens, a 40% increase from 2015. Over 1,500 Myanmar students travelled to the U.S. for educational purposes in the 2017-2018 school year, an increase of 16% from the 2016-2017 school year. In the first half of 2019, 35,000 U.S. citizens travelled to Myanmar, a 3% increase from the corresponding period in 2018. According the United States Embassy, visitors from the United States constitute the highest number of visitor to Myanmar outside of Asia. (Source: <https://www.mmtimes.com/news/us-eases-visa-requirements-myanmar-citizens.html>, 13 August 2019)

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