Charltons - Myanmar Highlights Newsletter - 15 February 2017

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## Myanmar Economic Holdings to sell Mandalay Brewery to Kirin

The Myanmar-military linked Myanmar Economic Holdings Limited and Japan’s Kirin Holdings Company Limited (**Kirin**) have entered into an agreement in respect to the sale and purchase of Myanmar’s oldest brewery the ‘Mandalay Brewery of Myanmar’. Kirin is expected to establish a local subsidiary to acquire and run the brewery. The Myanmar Investment Commission has yet to approve the proposed takeover and details of the transaction are yet to be made public. Pursuant to the purchase agreement, Kirin, which acquired local market leader Myanmar Brewery Limited in 2015, will control 90% of beer production in Myanmar. Tokyo-listed Kirin is competing against international competitors including Heineken and Carlsberg who have also established operations in Myanmar. Myanmar is one of the few growing beer markets globally. (Source: <http://www.mmtimes.com/index.php/business/24928-mehl-to-sell-mandalay-brewery-to-kirin.html>, 13 February 2017)

## Asian Development Bank and Myanmar’s Ministry of Transport enter into advisory services agreement in respect to infrastructure development

Myanmar’s Ministry of Transport and Communication (**Ministry**) and the Asian Development Bank (**ADB**) have entered into an advisory services agreement in respect to the funding of transport infrastructure in Myanmar through public-private partnerships. Pursuant to the agreement the ADB will provide stra¬tegic and transaction advisory services to support the Govern-ment as it bids to identify and implement transport infrastructure pro¬jects. The improving of transport in¬frastructure is a pri¬ority for the Government as better-quality infrastructure is critical to opening up access to rural markets, and to support basic services such as health and education. According to the ADB only 40% of Myanmar’s road network is paved, and approximately 20 million people - or half of the rural population – lack access to all-weather roads. (Source: <https://consult-myanmar.com/2017/02/07/myanmar-signs-agreement-with-asian-development-bank-to-boost-transport-infrastructure/>, 7 February 2017)

## The Central Bank of Myanmar issues warning in respect to unsecured lending by private banks

The Central Bank of Myanmar (**CBM**) has issued a warning too certain Myanmar’s private banks it believes have been issuing loans to individuals contrary to the security requirements contained in Myanmar’s 2016 Financial Institutions Law (**Financial Institutions Law**). The CBM’s Private Sector Committee is responsible for issuing guidance on and coordinating policies to improve transparency in Myanmar’s financial sector. According to Financial Institutions Law personal loans should be secured by collateral such as real property, or other assets. Unsecured loans should only be granted in very limited circumstances. The CBM has warned that certain Myanmar’s private banks are issuing unsecured loans to individuals connected to those banks or who are associates of those banks’ directors. Myanmar does not have an independent credit rating system; meaning banks have no way of verifying borrowers’ creditworthiness, other than by reference to personal relationships, which means individuals known to bank directors are being preferred when it comes to unsecured loan applications. In 2016, the Myanmar Bank Association signed an agreement with Singaporean firm NSP Holdings Limited to establish a joint-venture credit bureau, however the CBM has yet to enact regulations authorising the establishment of the credit bureau. (Source: <http://www.mmtimes.com/index.php/business/24855-central-bank-turns-the-spotlight-on-loan-favouritism.html>, 7 February 2017)

## Japan to provide Myanmar with US$824 infrastructure loan

Japan and Myanmar have entered into a Memorandum of Understanding (**MoU**) in respect to an infrastructure loan of US$824 million to part-finance five key infra¬structure development projects in Myanmar, including the upgrading of the Yangon-Mandalay railway and the Yangon Regional Water Supply Project. The MoU was signed by Myanmar’s Deputy Minister for Planning and the Japanese ambassador to Myanmar, on behalf of their respective Governments. The loan is for a term of 40 years at an inter¬est rate of 0.01%. US$219 million will be allocated to upgrade the Yangon-Mandalay railway, which is expected to cost approximately US$2.2 billion in total. The 632 kilometer tack between Myanmar’s two largest cities is being modernised to accommodate new trains. It is estimated that by the time the project is completed in 2025, travel times between the two cit¬ies will be halved from 16 hours to eight hours. The Yangon Water Sup-ply Improvement Project will receive US$219 million. The project aims to improve the water supply in Yangon by developing water treatment facilities, improving distri¬bution and reducing the use of underground water sources. The project involves the refit of the Kukkowa and Langonpyin pumping systems which are expected to add an additional 100 million gallons of fresh wa¬ter to Yangon’s water supply by the time upgrades are completed in 2025. The Regional Develop¬ment Project for Poverty Reduction will receive US$210 million, the Cities’ Electricity Distribution System Development pro¬ject will receive US$43 million, and the Agricultural Sector and Rural Development pro¬ject US$133 million. (Source: <http://www.mmbiztoday.com/articles/japan-pledges-824m-loan-five-infrastructure-projects>, 30 January 2017)

## Securities and Exchange Commission of Myanmar testing online trading platform for use on Yangon Stock Exchange

The Securities and Exchange Commission of Myanmar (**SECM**) is testing an online trading platform for use by the Yangon Stock Exchange (**YSE**). Myanmar’s six licenced securities companies are prepared to commence online trading should the SECM decide to proceed following the completion of testing. The six companies licenced by the SECM are AYA Trust Securities Limited, CB Securities Limited, Myanmar Securities Exchange Centre Limited, KBZ Sterling Coleman Securities Limited, KTZ Ruby Hills Securities Limited and Amara Investment Securities Limited. The market capitalisation of the YSE now exceeds US$597 million and it has a trading value was US$3.4 billion, which exceeds that of stock exchanges in Vietnam and Laos after less than one year of trading. (Source: <http://www.elevenmyanmar.com/business/7521>, 22 January 2017)

## Ministry of Commerce and Central Bank of Myanmar cooperating to crack down on unreported export earnings

Myanmar’s Ministry of Commerce (**Ministry**) and the Central Bank of Myanmar (**CBM**) are cooperating to crack down on unreported export earnings. The Government has adopted a multi-pronged strategy to try to counter the volatile U.S dollar-kyat exchange rate, which has prompted widespread complaint from Myanmar’s business community. The CBM and Ministry are particularly focused on export earnings. A significant proportion of foreign exchange transactions are either not processed via the official financial system or are deliberately misreported. The CBM requires all foreign exchange transactions to be declared, but a shortage of US dollars and a volatile exchange rate often means traders do not declare foreign exchange earnings. The CBM has begun to closely monitor and record export earnings processed through Myanmar banks. The Ministry is also coordinating with the Myanmar customs department to verify the freight-on-board value of goods being exported corresponds with the earnings being repatriated. (Source: <http://www.mmtimes.com/index.php/business/24652-commerce-ministry-cracks-down-on-unreported-export-earnings.html>, 23 January 2017)

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