

LEGAL
ALERT

Myanmar
14 November 2018

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Extension of Banking Services by Foreign Bank Branches to Local Companies

The Central Bank of Myanmar (“CBM”) has issued Directive No. (6/2018) (“the Directive”) on 8 November 2018, allowing foreign bank branches to provide financing and other banking services to local companies.

Prior to the Directive coming into force, foreign bank branches were largely restricted in only being able to provide financing and banking services to foreign or joint-venture companies.

In addition, the scope of permitted activities of foreign bank branches were limited to wholesale banking services and foreign bank branches were restricted from offering retail banking services. This restriction from offering retail banking services remains unchanged by the Directive.

The recent liberalisation under the Directive now allows foreign bank branches to provide any form of financing and other banking services permitted by law to local companies or local businesses. By doing so the government is promoting greater access to financing for these local companies or businesses in Myanmar.

It is a welcomed move for the development of the banking sector and the country, which will eventually benefit the overall economic growth by providing greater access to finance for local businesses. However, we believe that notwithstanding the liberalisation, foreign banks will likely adopt a prudent approach and continue to assess credit-worthiness of its potential local company customers in accordance with its international practices and standards.

The Directive may not be welcomed by the local banks, especially the newer start-ups with greater competition in the banking industry in Myanmar. Local banks will have to prepare themselves to compete with foreign bank branches that have better branding and technological power. Further, with the expansion of services by foreign bank branches, they may start to recruit locally trained staff. Local banks may lose their skilled staffs in addition to its customers.

In conclusion, the Directive benefits the Myanmar economy in general by accelerating economic growth, increasing access to finance, intensifying competition, as well as increasing demand for local labour.

If you have any questions or require any additional information, you may contact [Dr Maung Maung Thein](#), [Geraldine Oh](#) or the ZICO Law partner you usually deal with.

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