Myanmar & ASEAN: Preparing for the Next Decade of Growth

Banking Sector Reform in Myanmar: Preparing for integration into AEC

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Economic Development and Financial Sector Reforms

- The government of Myanmar is making the earnest efforts for achieving the inclusive and sustainable economic growth.

- The financial and banking sector reform is the crucial role of the economic development of Myanmar.

- Recent reforms in Banking sector are beginning to take off.
Myanmar Financial Structure

- Banks and Non-bank Financial Institutions
  - Banks comprised of:
    - Central Bank of Myanmar
    - (4) State-owned Banks
    - (22) Domestic Private Banks
    - (42) Foreign Bank Representative Offices and (1) Foreign owned Finance Company
  - Non-bank Financial Institutions
    - (1) State-owned Insurance Enterprise & (12) Private-owned Insurance Companies
    - (4) Private-owned Leasing Companies
    - (1) Myanmar Securities Exchange Co. Ltd
    - (189) Microfinance Institutions
Supervisory Framework

Ministry of Finance (MOF)
- Microfinance Supervisory Enterprise
- Myanmar Insurance
- Securities and Exchange Commission

Central Bank of Myanmar (CBM)
- Banking
- Finance Company
- Mobile Payment Business
- Money Changer
Central Bank Autonomy

- Central Bank of Myanmar Law was enacted in July 2013
- An autonomous Central Bank will be a key component of the sound and well design of the financial sector
- The objectives of Central Bank of Myanmar
  - to promote monetary stability
  - to enhance financial system stability
  - to develop efficient payments and settlement system
Liberalization of Foreign Exchange Operation

- Foreign Exchange Management Law was passed in August 2012 and a managed floating exchange rate was adopted.
- Elimination of multiple official rates was initiated and number of exchange restrictions lifted.
- Initiated the daily foreign exchange (FX) auction since April 2, 2012.
- The interbank foreign exchange market has been implemented since August 5, 2013.
- Private banks enable to offer foreign exchange operations at par with state banks.
New Flexibility for Bank Operations

- Lifted the deposit to capital ratio and additional requirements for branch expansion
- Deposit and lending rate were more flexible within a fixed loan-deposit rate corridor
- Banks are allowed to expand more branch networks
- Restriction on eligible collateral was ease and broaden the collateral
- New products such as hire purchase and ATM cards were further allowed
Expansion of Banking Infrastructure

- As of May 30, 2014, 700 ATMs and 2813 POS in place
- Myanmar Payment Union (MPU) was established on 15 Sep, 2011
- Using debit card and till now 520,000 MPU cards are already issued since September 14, 2012
- Visa and Master card international network were already established
- Permitted China Union Pay (CUP) card since February 23, 2013 MoU with Japan Credit Bureau (JCB) since December 27, 2013
More Independent Monetary Policy

- Central Bank of Myanmar adopts “Reserve Money Targeting Monetary Policy Framework”

- Sets money supply target as intermediate target and reserve money as operating target and uses liquidity forecasting framework

- Monetary Policy Instrument
  - Interest rate, reserve requirement, basic OMOs (discount window facility, deposit/credit auction, sales of government securities, FX auction)
Gradual Liberalization of Banking Industry

- The first group of foreign banks to set up any possible forms
  - locally incorporated 100% wholly owned subsidiary
  - opening of bank branch
  - forming of joint venture bank
- The guidelines and regulations to allow the foreign banks entries are being prepared
- Licensing a new group of special purpose banks, including for housing, microfinance, small and medium-size enterprises
Securities Market Development Initiatives

- The Securities and Exchange Law has been enacted during July, 2013
- Capital Market Development Committee was organized on 1st July, 2008
- ASEAN Secretariat assigned the Daiwa Institute of Research (DIR) for the Technical Assistance
- Phase 1 was implemented from June, 2011 to May 2012 and phase II is being implemented since June, 2013
- JPX, DIR, SET, SECT, KRX are providing TA assistance
Preparing for integration into AEC

- Commitment to realizing the goals of the ASEAN Economic Community (AEC)

- Roadmap for Monetary and Financial Integration of ASEAN (RIA-Fin)
  1. ASEAN Banking Integration Framework (ABIF)
  2. Financial Service Liberalization (FSL)
  3. Capital Account Liberalization (CAL)
  4. Capital Market Development (CMD)
  5. Payment and Settlement System (PSS)
Challenges & Constraints

- Keeping in view the number of financially excluded people
- Myanmar’s financial sector is relatively small
- Money market and capital market are initial stage
- Getting reliable and timely monetary, financial and macro-economic data
- Underdeveloped payment and settlement systems
- Capacity constraint
- Inadequate financial literacy or education
Challenges & Constraints

• Managing the downside risks
  (capital outflows, volatile currency movements, emerging inflationary pressures and tightening financial conditions)

• Commitment to implement appropriate monetary, fiscal, and macro/micro-prudential policies
THANK YOU