

The Microfinance Business Law



(The Pyidaungsu Hluttaw Law No.13/2011)
The 5th waxing Day of Nadaw 1373 M.E.
(30th November , 2011)

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The Pyidaungsu Hluttaw hereby enacts the following law:

Chapter I

Title and Definition

1. This Law shall be called **the Microfinance Business Law**.
2. The following expressions contained in this Law shall have meanings given hereunder:
 - (a) **Microfinance business** means issuing micro-credit to the basic class people, receiving deposits from them ,carrying out remittance, doing insurance business , borrowing money from local and abroad and carrying out other financial services.
 - (b) **Microfinance Institution** means local and foreign institutions, partnership firms companies ,co-operative societies, banks and other non-banking financial institutions, formed and registered under the relevant law , which carry out microfinance business with licence to carry out business by contributing the capital, charity and grant in order to reduce the poverty of the basic class people and to improve their socio-economic life.
 - (c) **Micro-credit** means the loan issued without requiring to submit surety, to reduce the poverty of basic class people and to improve their socio-economic life.
 - (d) **Basic class people** means the public including low-income peasants ,labors and vendors who reside in rural and urban area.
 - (e) **Rural Development and Poverty Reduction Working Committee** means the Working Committee of the Rural Development and Poverty Reduction formed by the Office of the President of the Union.
 - (f) **Ministry** means the Ministry of Finance and Revenue of the Union Government.

- (g) **Supervisory Committee** means the Microfinance Business Supervisory Committee formed by the Union Government under this Law.
- (h) **Working Committee** means the Microfinance Business Development Working Committee formed by the relevant Region or State Government and Nay Pyi Taw Council under this Law.
- (i) **Myanmar Microfinance Supervisory Enterprise** means the Myanmar Microfinance Supervisory Enterprise under the Ministry of Finance and Revenue of the Union Government.
- (j) **Management Body** means the management Body of a microfinance institution.
- (k) **Deposit** means the money deposited by the member of microfinance institution that is payable on demand or on any other condition. Such expression also includes the savings.
- (l) **Licence to carry out business** means the licence issued under this Law to carry out microfinance business.

Chapter II

Objective

- 3. The objectives of this Law are as follows:
 - (a) to reduce the poverty of the basic class people;
 - (b) to cause to develop social ,education, health and economic conditions of the basic class people;
 - (c) to create job opportunities;
 - (d) to nurture and cultivate the habit of being economical and saving;
 - (e) to encourage the emergence of new small –scaled businesses;
 - (f) to create and to extend the cottage businesses;
 - (g) to assist the basic class people with other means which may obtain income in addition to agriculture and livestock breeding;
 - (h) to obtain and distribute technologies from local and abroad .

Chapter III

Formation of the Rural Development and Poverty Reduction Working Committee and Functions and Duties thereof

- 4. The Office of the President of the Union shall form the Rural Development and Poverty Reduction Working Committee with suitable persons comprising a Vice-President as Chairman.

5. The Rural Development and Poverty Reduction Working Committee shall cooperate , assist and fulfil the Supervisory Committee and working committees in relevant Region or State and Nay Pyi Taw for rural development and poverty reduction .

Chapter IV

Formation of the Microfinance Business Supervisory Committee , Functions , Duties and Powers thereof

6. The Union Government shall form the Microfinance Business Supervisory Committee comprising the Union Minister of the Ministry as the Chairman , the Managing Director of the Myanmar Microfinance Supervisory Enterprise as the secretary and persons from suitable Government departments and organizations as members .

7. The functions of the Supervisory Committee are as follows:

- (a) implementing the policy and directives relating to the microfinance business laid down by the Rural Development and Poverty Reduction Working Committee;
- (b) providing the policy and directives relating to the microfinance business to the working committees;
- (c) managing and carrying out to support finance to the microfinance businesses by connecting with the relevant Ministry , associations , specialized companies and banks ;
- (d) prescribing the terms and conditions which shall be complied by the microfinance ;
- (e) scrutinizing and granting in respect of the application to carry out the microfinance business;
- (f) determining minimum capital to be contributed by the institution which is desirous to carry out the microfinance business according to the category of the institution;
- (g) determining, in accord with the procedures exercised by the Central Bank of Myanmar, the interest rate on deposit and the interest rate and service fees to be imposed on the loan in order to be in conformity with the market;
- (h) imposing administrative punishment on microfinance institutions which do not comply with the terms and conditions ;
- (i) submitting report to the Rural Development and Poverty Reduction Working Committee after scrutinizing the condition of work performance of microfinance institutions .

8. The powers of the Supervisory Committee are as follows:
- (a) determining the licence fees for carrying out the business, licence fees imposed on the amount of increased capital and annual licence fees for microfinance business ;
 - (b) hiring and using any person from local or abroad with the approval of the Rural Development and Poverty Reduction Working Committee in order to support in carrying out functions and duties of the Supervisory Committee;
 - (c) communicating and carrying out with international financial institutions and non – governmental international organizations.

Chapter V

Formation of the Microfinance Business Development Working Committee and Functions and Duties thereof

9. The relevant Region or State Government and Nay Pyi Taw Council shall form the relevant microfinance business development working committee comprising suitable persons .
10. The functions and duties of the working committee are as follows:
- (a) managing and carrying out to support finance to microfinance business in connection with the relevant Ministry , associations, specialized companies and banks ;
 - (b) submitting to the Supervisory Committee after scrutinizing the applications for carrying out microfinance businesses ;
 - (c) supervising the microfinance institutions ;
 - (d) submitting the report to the Supervisory Committee the situations of performance of microfinance institutions in accord with the stipulations ;
 - (e) training and dissemination of studies for the development of microfinance businesses ;
 - (f) performing duties assigned by the Supervisory Committee from time to time.

Chapter VI

Functions and Duties of the Myanmar Microfinance Supervisory Enterprise

11. The Myanmar Microfinance Supervisory Enterprise shall carry out the following functions and duties relating to microfinance business ;

- (a) submitting to the relevant working committee after scrutinizing the applications to carry out microfinance business;
 - (b) prescribing the formats of accounts and the forms of report to be kept in microfinance institutions;
 - (c) supervising the microfinance institutions and carrying out field inspection;
 - (d) reporting to the relevant working committee the situations of performance of the microfinance institutions in accord with the stipulations ;
 - (e) performing the duties assigned by the Supervisory Committee and the relevant working committee from time to time.
12. The Myanmar Microfinance Supervisory Enterprise shall also take responsibility and carry out the works arising from or in connection with the performance of functions and duties conferred under this Law.

Chapter VII

Establishment

13. The institution desirous to carry out microfinance business shall be the institution formed under the Myanmar Companies Act , the Cooperative Society Act , the Law relating to Formation of Associations and any existing law.
14. The institution desirous to carry out the microfinance business shall:
- (a) draft the memorandum of association and articles of association;
 - (b) manage in accord with the memorandum of association and articles of association by forming the management body;
 - (c) in forming the management body, it shall be fulfilled with the necessary qualification required to be member of the management body prescribed by the Supervisory Committee.
15. The management body of the microfinance institution may delegate its powers to the responsible persons of the relevant microfinance institution.
16. If the microfinance institution is desirous to amend the memorandum of association and articles of association, it shall be amended after having submitted to the relevant working Committee and obtained the prior permission of the Supervisory Committee.

Chapter VIII**Licence to Carry out Business**

17. The institution desirous to carry out the microfinance business shall submit the stipulated application attached with the feasibility study including the following facts to the Supervisory Committee through the relevant working committee:
 - (a) description of location to carry out microfinance business, existence of market and interest of the relevant people;
 - (b) description of how much financial resources are required and how they shall be acquired;
 - (c) benefit expected to be obtained if the microfinance business is carried out and the programmes to manage the benefits;
 - (d) qualification and skill relating to management;
 - (e) categories of microfinance business desirous to be carried out.
18. The microfinance institutions shall be categorized as follows:
 - (a) the microfinance institution that does not accept the deposit;
 - (b) The microfinance institution that accepts the deposit.
19. (a) The microfinance institution that does not accept the deposit shall carry out issuing micro- credit with fund that is not the deposit from the public and collected, obtained by other means and by compulsory savings collected whenever the members draw micro- credit.
 - (b) The microfinance institution that accepts the deposit shall carry out issuing micro- credit with voluntary deposits, fund that is not the deposit from the public and collected,obtained by other means,and the compulsory savings collected by the members whenever they draw micro- credit.
20. The institutions desirous to carry out the microfinance business shall:
 - (a) subscribe the paid-up capital in cash;
 - (b) deposit the fully paid-up capital to the accounts of the Myanmar Microfinance Supervisory Enterprise to the prescribed Myanmar Economic Bank in the relevant Region or State and Nay Pyi Taw. Such paid-up capital is entitled to be withdrawn only after the completion of works for issuing business licence by the Supervisory Committee.
21. (a) The Supervisory Committee may, after scrutinizing the entries in the application form and the feasibility study, issue or refuse to issue the licence to carry out business within 30 days from the day of the receipt of application.

- (b) In issuing licence to carry out business, limitation on its term shall not be made.
22. (a) If the Supervisory Committee considers that the institution that applies for carrying out the microfinance business uses the name that may mislead the public relating to its share-holders or the reality of the business, it shall refuse to issue licence to carry out business.
23. The microfinance institution shall deposit the prescribed fees for licence to carry out business within 15 days from the day of receipt of the licence to carry out business to the account of the Myanmar Microfinance Supervisory Enterprise at the prescribed Myanmar Economic Bank in the relevant Region or State and Nay Pyi Taw.
24. The Supervisory Committee shall, in issuing or cancelling the licence to carry out business for a microfinance institution, publish it in the Myanmar Gazette.
25. The microfinance institution:
- (a) shall commence the business within six months from the day of receipt of the licence to carry out business ;
 - (b) shall not transfer the licence to carry out business.
26. If any of the following situation occurs, the Supervisory Committee shall revoke the licence to carry out business of the relevant microfinance institution:
- (a) failure to deposit the amended and prescribed minimum capital for the microfinance institution within the specified period;
 - (b) failure to fulfil the minimum capital requirement decreased due to business loss within the specified period;
 - (c) liquidating voluntarily or being liquidated;
 - (d) extinguishing the original legal entity due to merging with other microfinance institution or due to secession of its institution;
 - (e) failure to comply with and perform the conditions and directives issued by the Supervisory Committee and relevant working committee.
27. (a) If the microfinance institution is desirous to merger with any other microfinance institution or secession of its institution, it shall submit and obtain the prior approval of the Supervisory Committee through the relevant working committee.
- (b) The microfinance institution that will emerge due to merger or secession under sub-section (a) shall carry out the microfinance business only when it obtains the licence to carry out business issued by Supervisory Committee.

28. The microfinance institutions shall obtain the prior approval of the Supervisory Committee through the relevant working committee for the establishment of branch offices, changing the location of business and closing of the business.

Chapter IX

Functions, Duties and Powers of the Microfinance Institution

29. The microfinance institution may, with the approval of the Supervisory Committee, carry the out the following works:

- (a) issuing micro-credit;
- (b) receiving the deposit;
- (c) remittance of money;
- (d) carrying out the insurance business;
- (e) borrowing money from local and abroad;
- (f) carrying out other financial business.

30. The microfinance institution shall obtain the following legitimate documents in issuing micro-credit:

- (a) the loan application and the submission on how to use the loan;
- (b) the bonds of the borrower and guarantors which will basically support for the microfinance business;
- (c) if it is the agreement signed by the person himself who shall obtain the micro-credit and matter collectively decided, the meeting minute agreed on such matter.

31. The microfinance institution shall, in issuing micro-credit, carry out in accord with the terms and conditions prescribed by the Supervisory Committee for the purpose of protecting and preserving its business to be able to continue to exist in the long run.

32. The microfinance institution shall regularly notify the terms and conditions relating to the deposits and loans, interest rate and mode of calculation for the notice of the persons who communicate in accord with the period and the forms to be used as prescribed by the Supervisory Committee.

33. (a) The microfinance institution may, if it is in conformity with the terms and conditions prescribed by the Supervisory Committee, increase the volume of its capital by establishing reserved funds.

- (b) A microfinance institution shall deposit 25% of net profit to a general reserved account in accord with the stipulation of the Supervisory Committee. Such depositing shall be carry out till it is equivalent to 100% of deposited paid-up

capital. The reserved funds shall be kept in respect of the reserved rights in accord with the directives of the Supervisory Committee. Moreover, reserved funds may be kept again also with their plan.

34. The microfinance institution shall not carry out the wrongful activities in order to obtain unfair advantage for its institution or for other person.
35. The microfinance institution shall comply with the provisions under the Control of Money Laundering Law.

Chapter X

Auditing, Reporting and Supervision

36. In the microfinance institution, the auditor approved by the Supervisory Committee shall be appointed.
37. The auditor of the microfinance institution has the following duties:
- (a) preparing the report on the findings relating to the balance-sheet, profit and loss account after having audited in accord with the Myanmar audit standards and assessing and submitting in the report whether or not the balance-sheets mention the true situation of such business sufficiently and appropriately and whether or not the financial credibility is existed;
 - (b) informing the performances and the defects and requirements of the accounts which may cause the loss for the business.
38. The microfinance institution shall prepare the periodic reports according to the specified period using the prescribed forms. In the reports, it shall contain complete particulars relating to the administrative and functional status, financial credibility and profitability of the business. By doing so, it may cause to assess their financial credibility and the direction of which they are leading. In preparing reports, it shall be in accord with the prescribed accounting standards.
39. The auditor's report and the balance-sheet for a financial year shall be published for public information, in accord with the manner as prescribed and approved by the management body and the shareholders.
40. The microfinance institution shall accept the inspection of the auditors appointed by the Supervisory Committee or inspectors assigned duty by the relevant working committee. In inspecting so:
- (a) it may examine the accounts, related documents, books and other documents of the microfinance institution;

- (b) if may ask persons who supervise the information relating to organization and work performances , administrators , agents, personnel and members.
41. The Supervisory Committee may have an Audit Committee consisting of three members in a microfinance institution . The Audit Committee shall :
- (a) monitor whether or not the microfinance institution carries out in accord with the prescribed terms and conditions .Moreover , it shall submit to the management body the matters as it deems that it should be submitted ;
- (b) give its opinion on matters forwarded to it by the management body .
42. The Audit Committee shall hold the regular session of meeting once in three months normally . The Audit Committee shall hold special session of meeting if it is considered necessary by the management body . In such regular and special sessions of meeting, all the members of the Audit Committee shall attend and shall not be absent from voting. Decisions shall be passed by majority votes of the members of the Audit Committee.
43. The management body of the microfinance institution may appoint or hire expert to assist the Audit Committee relating to the matters contained in section 40.

Chapter XI

Taking Action by Administrative Means

44. The Supervisory Committee shall ,if the microfinance institutions , its members , shareholders , administrators , managers and personnel violate any of the provisions of this Law, pass the following administrative penalty :
- (a) warning ;
- (b) imposing orders including the restriction of work performance of the microfinance institution;
- (c) causing to pay fine ;
- (d) suspending from carrying out duty, temporarily or permanently in the microfinance institution ;
- (e) cancellation of the licence to carry out business.
45. The Supervisory Committee shall pass administrative penalties contained in section 44 against any person or any legal entity which violates any of the provisions contained in this Law by carrying out the activities prescribed under this Law to be performed only by the microfinance institution.
46. The person who is taken action shall have the right to defend fully. Moreover ,the person being taken action shall the right to file appeal to the Rural Development and

Poverty Reduction Working Committee within 30 days from the day of receipt of the order in respect of penalty. During the pendency of the appeal , the penalty shall be suspended . The decision of the Rural Development and Poverty Reduction Working Committee shall be final and conclusive.

47. The administrative penalties passed under this Law shall not prohibit the taking action under criminal proceeding or civil proceeding .

48. The person who is being passed penalty under section 44 shall compensate for the grievances immediately to the microfinance institution or other persons .

Chapter XII

Liquidation

49. The Supervisory Committee may specify the period to reach the normal situation if the situation occurs that may lose the deposits and capital fund of the persons in connection with such institution as the situation is not in conformity with the minimum requirement to carry out the business of the relevant microfinance institution .If the normal situation is not retained within the specified period , the licence to carry out business may be cancelled and liquidate in accord with the stipulations .

50. The Supervisory Committee shall , before passing the order of liquidation :

- (a) examine with the body formed by the Supervisory Committee or by the relevant working committee with the approval of the Supervisory Committee;
- (b) render the right to defend to the relevant microfinance institution in examining under sub-section (a) .

51. If the relevant body contained in sub-section(a) of section 50 submit that it is suitable to liquidate , the Supervisory Committee shall order to liquidate the microfinance institution.

52. In liquidating the microfinance institution , the Supervisory Committee:

- (a) may cause to carry out by taking over the administrative matters of such institution until the liquidation has been completed by appointing a liquidator or by forming the liquidation body consisting of suitable citizens;
- (b) shall clear the credit and debit of such institution.

Chapter XIII

Prohibitions

53. The members, personnel and auditors of the microfinance institution shall not , without permission under the Law, disclose , cause to be seen, cause to inspect or declare information which they have obtained in carrying out their financial activities and services.

54. No person shall carry out business of the microfinance institution without a licence to carry out business.

55. Any member or personnel of the Supervisory Committee and relevant working committee shall not , without permission under the law, disclose , cause to be seen, cause to inspect or declare information which they have learned in the performance of their duties and functions.

Chapter XIV

Offences and Penalties

56. Any member , personnel and auditor of the microfinance institution who violates the prohibition contained in section 53 shall, on conviction , be punished with fine or with imprisonment for a term not exceeding two years or with both.

57. Any person who violates the prohibition contained in section 54 shall, on conviction, be punished with fine or with imprisonment for a term not exceeding five years or with both.

58. Any member or personnel of the Supervisory Committee and relevant working committee who violates the prohibition contained in section 55 shall, on conviction , be punished with fine or with imprisonment for a term not exceeding two years or with both.

Chapter XV

Miscellaneous

59. The member , who is not civil service personnel , included in the Supervisory Committee is entitled to enjoy the remuneration prescribed by the Union Government or the member , who is not civil service personnel , included in the Working Committee is entitled to enjoy the remuneration prescribed by the relevant Region or State Government and Nay Pyi Taw Council .

60. The microfinance institution shall have the right to carry out under its own seal , to succeed and carry out continuously , to sue and be sued.

61. Notwithstanding anything contained in the Registration Act , the instrument signed relating to micro-credit issued by the microfinance institution shall be exempted from registration and from payment of stamp - duty under the existing law.

62. The microfinance institution shall carry out in accord with the existing laws relating to the levying of tax .

63. The offences contained in sections 56 and 58 are prescribed as cognizable offences.
64. In prosecuting under sections 56,57 and 58 , prior sanction of the Supervisory Committee shall be obtained .
65. The institutions carrying out the microfinance business before the enactment of this Law desirous to continue to carry out the microfinance business under this Law shall apply, in accord with the provisions in this Law, to obtain the licence to carry out business within three months from the day of enactment of this Law.
66. The activities carried out to liquidate finally within the specified period with the permission of the Supervisory Committee relating to the works carried out by the microfinance institution before the enactment of this Law shall not be applied with section 54 .
67. To enable to carry out the provisions contained in this law :
- (a) the Ministry shall take the responsibility to carry out the office works of the Supervisory Committee and also incur expenditures ;
 - (b) the relevant Region or State Government and Nay Pyi Taw Council shall take responsibility to carry out the office works of the Working Committee and also incur expenditure .
68. In implementing the provisions contained in this law :
- (a) the Ministry may issue necessary rules , regulations or bye – laws with the approval of the Union Government and necessary orders , directives and procedures ;
 - (b) the Supervisory Committee and the relevant working committee may issue necessary orders and directives .

I , hereby sign under the Constitution of the Republic of the Union of Myanmar.

(sd) Thein Sein

President

The Republic of the Union of Myanmar