LINCOLN LEGAL SERVICES (MYANMAR) LIMITED

The Republic of the Union of Myanmar
Central Bank of Myanmar
Letter No- Ma Va Ba/ FIR/ Bank Inspection Department/ 1(3/2020)

Date- 2020, July 9th

Announcement

Objective – to establish the general principles for Non-Bank Financial Institutions to follow when calculating interest upon loans

1.   The following are the general principles that Non-Bank Financial Institutions have to follow when forming bilateral contracts for loans, calculating interest rates, forming repayment schedules and recollecting fees.

   (a)   After a contract has been written up and the terms have been properly explained to the person taking the loan, a bilateral contract for a loan can be formed if the person taking the loan agrees to the aforementioned terms.

   (b)   The loan amount, the interest rate per annum, the repayment period and the number of installments must be clearly stated within the contract.

   (c)   The repayment schedule, which mentions the loan amount and interest amounts as installments, in accordance to the terms and conditions stated within the loan contract, must be provided together with the contract.

   (d)   When forming the repayment schedule, either "amortization" or "equal principal installment and interest on loan outstanding" methods can be used to collect the loan and interest.

   (e)   The interest must be calculated, according to debt repayment principles, upon the principal loan whereas the interest for each period must be considered upon the total residual loan amount for that period.

   (f)   If a default interest rate is to be collected for missed payments, a per annum rate must be specified on the contract.

(g)   For missed payments, a default interest rate may be collected in addition to the initial interest rate upon the principal. Only the default interest rate can be collected from missed interest payments.

(h)   If commission fees and additional fees are to be taken, they must be clearly stated within the contract.

2.   NFBIs, when lending money, must adhere to the above principles, and violation of said principles will result in serious punitive measures.

3.   Two examples are given as reference for basic principles of interest calculation and for devising repayment schedules.

4.   These principles come into effect starting 15-7-2020.

Soe Thein
Vice Chairman
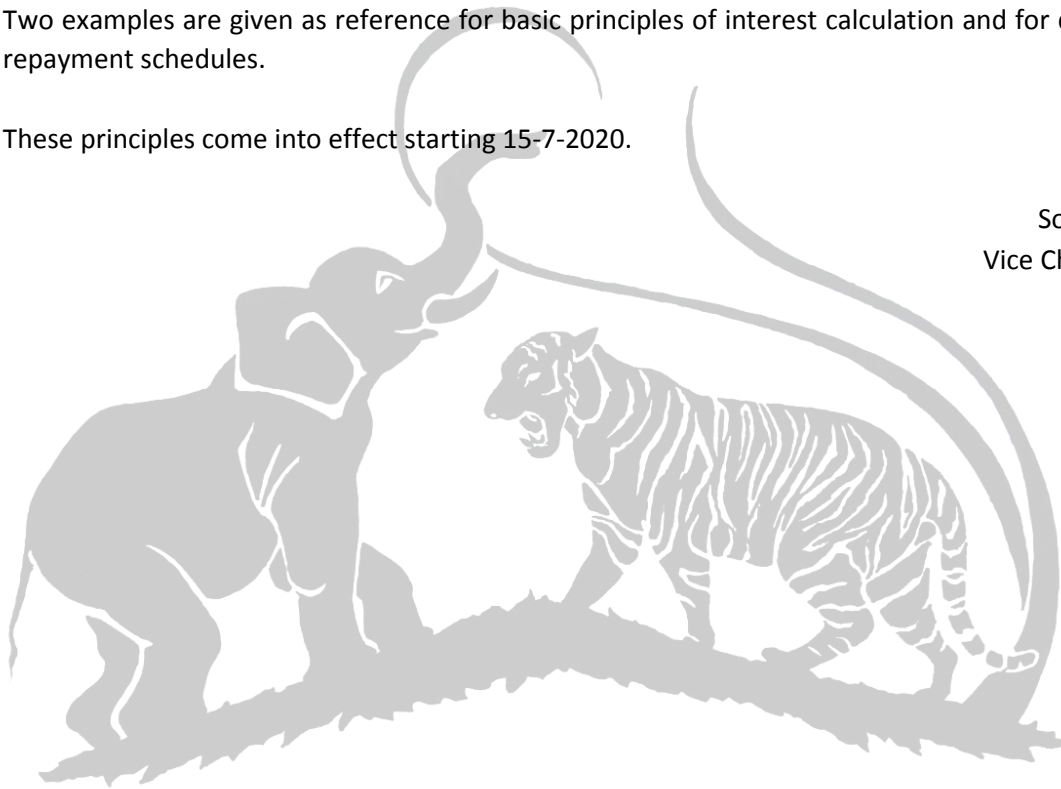
[The following pages are in English in the original.]

(Type I)

Repayment Schedule (Sample)

Borrower Name (Individual/ Institution)   X

Agreement Date   1-8-2020

Loan Amount   K 2,400,000

Interest Rate (per annum)   28%(p.a.)

Grace Period   Nil

Repayment Period   12 Month

Type of Installment (Monthly/ Quarterly/ etc.)   Monthly

Number of Installments   12

No. of Installment	Due Date	Repayment Schedule		
		Principal	Interest	Total
1	1-9-2020	200,000	56,000	256,000
2	1-10-2020	200,000	51,333	251,333
3	1-11-2020	200,000	46,666	246,666
4	1-12-2020	200,000	41,999	241,999
5	1-1-2021	200,000	37,332	237,332
6	1-2-2021	200,000	32,665	232,665
7	1-3-2021	200,000	27,998	227,998
8	1-4-2021	200,000	23,331	223,331
9	1-5-2021	200,000	18,664	218,664
10	1-6-2021	200,000	13,997	213,997
11	1-7-2021	200,000	9,330	209,330
12	1-8-2021	200,000	4,667	204,667
	Total	**2,400,000**	**363,982**	**2,363,982**

Remark

1. This model is just setting for principle of interest calculation and establishing of repayment schedule.

2. This is a model to be used as reference.

3. No need to follow strictly this model.

4. Based on this principle of interest calculation, a modified schedule can be established as necessary.

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(Type II)

Repayment Schedule (Sample)

Borrower Name (Individual/ Institution)	X
Agreement Date	1-8-2020
Loan Amount	K 2,400,000
Interest Rate (per annum)	28%(p.a.)
Grace Period	Nil
Repayment Period	12 Month
Type of Installment (Monthly/ Quarterly/ etc.)	Monthly
Number of Installments	12

No. of Installment	Due Date	Repayment Schedule		
		Principal	Interest	Total
1	1-9-2020	175,617	56,000	231,617
2	1-10-2020	179,715	51,902	231,617
3	1-11-2020	183,908	47,709	231,617
4	1-12-2020	188,199	43,418	231,617
5	1-1-2021	192,591	39,026	231,617
6	1-2-2021	197,084	34,533	231,617
7	1-3-2021	201,683	29,934	231,617
8	1-4-2021	206,389	25,228	231,617
9	1-5-2021	211,205	20,412	231,617
10	1-6-2021	216,133	15,484	231,617
11	1-7-2021	221,176	10,441	231,617
12	1-8-2021	262,300	5,280	231,617
	Total	**2,400,000**	**379,367**	

Note:

Amortization method

$$A = \frac{P\,r(1+r)^n}{(1+r)^n - 1}$$

$$231,617 = \frac{2,400,000 \times 0,023333 \times (1.023333)^{12}}{(1.023333)^{12} - 1}$$

k-231,617 = (Principal + Interest per installment)

A = Payment amount per period

P = Initial Principal

r = Interest rate per period

n= Total no. of payments or period

Remark

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3. No need to follow strictly this model.

4. Based on this principle of interest calculation, a modified schedule can be established as necessary.

About Lincoln Legal Services (Myanmar) Limited

Lincoln Legal Services (Myanmar) Limited provides the full range of legal and tax advisory and compliance work required by investors. We pride ourselves in offering result-oriented work, high dependability and a fast response time at very competitive prices. Please do not hesitate to contact us:

- Sebastian Pawlita, Managing Director
  Phone: +95-9-262546284 (English)
  E-Mail: sebastian@lincolnmyanmar.com

- Nyein Chan Zaw, Director
  Phone: +95-9-790488268 (Myanmar)
  E-Mail: nyeinchanzaw@lincolnmyanmar.com

Office address: La Pyi Wun Plaza, Room 409 (4th Floor), 37 Alan Pya Pagoda Road, Dagon Township, Yangon

Web: www.lincolnmyanmar.com