



LINCOLN LEGAL SERVICES (MYANMAR) LIMITED

CONVENIENCE TRANSLATION - ACCURACY NOT GUARANTEED

Replies to questions posed by Authorised Dealer banks during the meeting of the Central Bank and Authorised Dealer banks on 4th April 2022 with regard to the Central Bank's Notification 12/2022

- Q1: Do USD purchased by importers before the issuance of the notification also have to be converted to MMK at the exchange rate of USD 1 = MMK 1,850? Do bilateral USD accounts opened among the banks also have to be converted to MMK? Can funds from these accounts be transferred among the banks? May transactions of importers that already purchased foreign currency proceed within this week before the Thingyan holidays?
- A: Transactions in order to pay in foreign currency purchased by importers before the issuance of the notification may proceed. However, said transactions must have complete documents for the imported goods and Foreign Exchange Regulatory Committee approval must be obtained. Bilateral USD accounts opened among the banks are not required to be converted to MMK since Notification 12/2022 is geared towards customers residing in the country. Banks may transfer to each other from their own accounts.
- Q2: Does all foreign currency that was in accounts before 3rd April 2022 also have to be converted to MMK within 1 working day? This would require the opening of MMK accounts by customers that do not have MMK accounts yet, require the consent of the customers, and there must also be MMK liquidity; this will require much time. Therefore, please inform us of the deadline.
- A: Action should not be taken immediately. Funds coming in after 3rd April 2022 must be converted immediately.
- Q3: With regard to currency SWAPs made between banks and customers, shall such USD also be converted to MMK before the end of the SWAP period? Does the notification also cover SWAP arrangements made between banks?
- A: The USD of customers covered by the currency SWAP does not have to be converted to MMK before the end of the SWAP period. SWAP arrangements between banks are not covered.
- Q4: May a customer transfer foreign currency from the account of a foreign bank into his/her account with a local bank?
- A: This may be done. However, such foreign currency shall be converted to MMK on the date of its arrival.
- Q5: Do fixed deposits in a foreign currency of a customer with an Authorised Dealer bank have to be converted to MMK before the end of the deposit period?



LINCOLN LEGAL SERVICES (MYANMAR) LIMITED

- A: Fixed deposits in a foreign currency of a customer with an Authorised Dealer bank do not have to be converted to MMK before the end of the deposit period. However, interest on such deposit shall only be paid in MMK, and if the fixed deposit is not extended, the deposit shall only be paid out in MMK.
- Q6: Trade financing can only be done in foreign currency as its aim is to assist customers with their foreign currency requirements for exporting and importing. There will be no more trade financing as it cannot be done in MMK. Therefore, can we continue to do it in foreign currency?
- A: Trade financing may be done as previously. However, approval from the Foreign Exchange Regulatory Committee has to be obtained if funds are to be transferred to a destination abroad.
- Q7: According to the notification, all foreign currency in a foreign currency account shall also be converted to MMK within 1 working day. Will the CBM provide liquidity if there is a MMK requirement?
- A: Anything from before 3rd April 2022 does not have to be done within 1 working day and may be done step by step. The CBM can provide required MMK. However, each requirement has to be reported to the CBM.
- Q8: May we continue to keep foreign currency savings deposited with an Authorised Dealer bank to pay back a loan from a foreign bank in Yangon? May we continue to keep foreign currency savings deposited with an Authorised Dealer bank to pay back an offshore loan? May we continue to pay back loans in foreign currency to participating banks in case of syndicated loans?
- A: Foreign currency savings deposited before the issuance of the notification to pay back offshore loans may be maintained. However, the bank shall directly review whether the payment is made according to the repayment schedule and loan agreement approved by the CBM. The repayment (when due) in foreign currency of offshore loans and syndicated loans shall be submitted to the Foreign Exchange Regulatory Committee for approval.
- Q9: Does the notification cover accounts of government departments? Does it cover loans that must be repaid to a destination abroad according to the FE Budget? Does it cover embassy expenses?
- A: These are all not covered.
- Q10: Banks keep foreign currency only based on calculations of inflow and outflow. If foreign currency has to be converted to MMK within 1 working day, the bank will have extra foreign currency (long position). The bank cannot keep this long position for too long. What shall the



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bank do with the long position if approval from the Foreign Exchange Regulatory Committee is not there in time?

A: Will instruct later.

Q11: May a customer purchase USD with MMK to pay back an LC due? If yes, at what exchange rate? If an offshore loan cannot be paid in time, the bank will be in default. May we pay in foreign currency for service charges payable to foreign service providers such as Refinitiv, and salaries of non-resident customers?

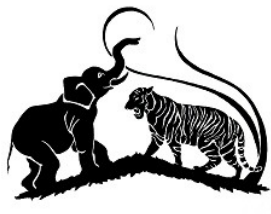
A: The customer may purchase USD with MMK at the exchange rate of USD 1 = MMK 1,850 as specified by the CBM, and the bank may collect a service fee of MMK 3 per USD. Approval from the Foreign Exchange Regulatory Committee shall be obtained if the bank transfers funds to a destination abroad. As to offshore loans, the reply is the same as the reply to Q8. A bank may pay its foreign service providers such as Refinitiv in foreign currency. The notification does not cover non-resident customers of the bank.

Q12: Does the minimum balance in a foreign currency account also have to be converted to MMK?

A: The minimum balance does not have to be converted to MMK.

Q13: May an exporter pay with newly incoming foreign currency for a loan obtained for pre-shipment financing?

A: This has to be submitted to the Foreign Exchange Regulatory Committee.



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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:

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