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MYANMAR TO ALLOW FOREIGN BANKS TO ONCE AGAIN OPEN BRANCH OFFICES

After more than five decades, foreign banks will again be able to open up branch offices in Myanmar as part of the government's financial reforms aimed at developing the country's banking sector. At present, there are 43 foreign banks with representative offices in Myanmar (See graph below).

But they are restricted from conducting any type of financial activities in the country. Their activities are limited to such things as collecting data, studying the local financial scene, and marketing. This will change, however, as Myanmar now plans to issue up to ten foreign bank branch licenses later this month.

FOREIGN BANKS WITH REPRESENTATIVE OFFICES IN MYANMAR

DBS Bank Limited	United Overseas Bank Limited
Vietin Bank	ANZ Banking Group Limited
Oversea-Chinese Banking Corp. Limited	Korea Development Bank
Malayan Banking Berhad (MAYBANK), Malaysia	Standard Chartered Bank
Bangkok Bank Public Company Limited	Shinhan Bank
National Bank Limited	Industrial Bank of Korea
Brunei Investment Bank (BIB)	First Commercial Bank
First Overseas Bank Limited	E. SUN Commercial Bank, Singapore
CIMB Bank Berhad	Bank of India (BOI)
Sumitomo Mitsui Banking Corporation	Kookmin Bank
The Bank of Tokyo-Mitsubishi UFJ Limited	Export-Import Bank of India
Bank for Investment and Development of Vietnam	Mizuho Corporate Bank Limited
Arab Bangladesh (AB) Bank Limited	The Export-Import Bank of Korea
Industrial and Commercial Bank of China Limited	Eastern Bank Limited
Siam Commercial Bank Public Company Limited	Bank of Ayudhya Public Company Limited
Maruhan Japan Bank PLC	RHB Bank Berhad
Krung Thai Bank Public Company Limited	Commercial Bank of Ceylon PLC
United Bank of India	State Bank of India
Kasikornbank Public Company Limited	Cathay United Bank
Hana Bank	State Bank of Mauritius
Woori Bank	BRED Banque Populaire
AEON Credit Service Company	

Source: Central Bank of Myanmar (Aug., 2014)

In 2011, the Central Bank of Myanmar ("CBM") began liberalizing and allowing private banks to do foreign exchange currency transactions. Then, in 2012, the CBM floated the nation's currency, the kyat, which better facilitated international trade, especially agricultural exports. As of 2013, however, the nation's 24 banks still had combined

assets of only \$23 billion dollars.

The Myanmar government has long recognized the need for the involvement of foreign banks and foreign investment to help modernize the nation's financial system. As a growing economy, Myanmar desperately needs access to capital.

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ABOUT US

BNG Legal is a leading regional law firm providing comprehensive legal services to foreign and local clients in Cambodia and Myanmar.

Registered with the Bar Association of the Kingdom of Cambodia, our legal professionals combine international standards with local expertise.

We differentiate ourselves by coupling a deep understanding of the local business environment with international professionalism and integrity.

We facilitate business, investment and trade between Cambodia, Myanmar, and the rest of the world through innovative and cost-effective legal services.

Superior knowledge of local protocol, local procedure, and local people is necessary for any business to succeed.

Conducting daily business in Cambodia and Myanmar, BNG Legal is up to date with the newest procedures and requirements, helping clients efficiently and successfully complete any project.

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Young entrepreneurs and agriculturalists need access to long-term credit in order to open new business and farms. Foreign banks would be the logical place to look for a supply of much needed capital. Local banks, however, have pushed back hard against the CBM's suggested reforms in the foreign bank licensing law. Indeed, a strong parliamentary committee has formed to oppose foreign banks operating in Myanmar altogether. And while the effort to forbid foreign banks from operating in Myanmar under any circumstances has failed, the strong lobby efforts have resulted in a very restrictive bank licensing law.

The most recent iteration of the new law limits foreign banks to making loans to foreigners and domestic banks only, forbidding them from making loans directly to locals. The Myanmar government expects foreign banks to participate in the local market indirectly; for instance, by entering into joint ventures with domestic banks, or by lending them money, so they in turn can continue to finance domestic corporations. Foreign banks are also restricted to participating in foreign currency transactions only without the ability to offer their expertise and services

in foreign currency hedging, which is generally considered one of the main benefits of working with a foreign branch office. Further restrictions, such as the requirement for each branch to make a minimum \$75 million in capital investment have further detracted from interest in the branch licensing scheme. In fact, while the government had specially pre-selected 30 foreign banks with representative offices in the country and invited them to submit a bid for one of the available branch office licenses, only 25 of the 30 pre-selected foreign banks submitted a bid as requested with several conspicuous absences from the bidding roster.

One of the most conspicuous absences from the bid submission process was Standard Charter Bank, a financial institution with a long history in Myanmar which, moreover, had been bullish on Myanmar and its re-entry to the nation's financial market. South Korea's Woori Bank and Hana Bank represent two other foreign banks that were conspicuously absent from the bidding process. The only Western bank to submit a bid was Australia's ANZ Bank. (See chart below).

FOREIGN BANKS SUBMITTING BIDS TO OPEN BRANCH OFFICES IN MYANMAR

ANZ Bank	Australia
ICBC	China
Maybank	Malaysia
RHB Bank	Malaysia
CIMB	Malaysia
State Bank of Mauritius	Mauritius
BRED	France
State Bank of India	India
OCBC	Singapore
DBS	Singapore
United Overseas Bank	Singapore
BIDV	Vietnam
Kookmin Bank	South Korea
Shinhan Bank	South Korea
Cathay United Bank	Taiwan
E.SUN Commercial	Taiwan
First Commercial Bank	Taiwan
Bangkok Bank	Thailand
Krung Thai Bank	Thailand
Siam Commercial Bank	Thailand
Kasikornbank	Thailand
Mizuho Bank	Japan
Bank of Tokyo-Mitsubishi UFJ	Japan
Sumitomo Mitsui Banking Corporation	Japan

Source: Central Bank of Myanmar (Aug., 2014)

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With foreign bank branches finally providing service in country, foreign investors and traders will no longer need to use foreign banks based abroad in order to finance their operations in Myanmar. Moreover, the presence of foreign banks will help build a more efficient banking sector by introducing international practices and standards. And thus, investors can expect access to more stable sources of funds and to higher quality financial services. On the other hand, however, some foreign investors may question the advantage of in-country banking where the branches are restricted from providing basic services like currency hedging. The strong protectionist lobby efforts of local banks have resulted in some very severe restrictions for foreign branches.

An overarching concern about Myanmar's transition towards a democracy and a market economy has been the fear that the country could slip from a military-backed dictatorship to an oligarchy where the economy calcifies into a crony-dominated environment. The CBM could have done more to allay such concerns by allowing foreign bank branches to operate with more of an expanded mandate in Myanmar, but the hope is that further financial reforms will be forthcoming as Myanmar continues to develop its financial system.

On October 2, 2014, the Central Bank of Myanmar announced that nine foreign banks had been awarded branch licenses, with Japanese banks receiving a third of the licenses: Bank of Tokyo Mitsubishi (Japan), Sumitomo Bank (Japan) and Mizuho Bank (Japan) Industrial & Commercial Bank (China), ANZ Bank (Australia), Bangkok Bank (Thailand), Maybank (Malaysia), UOB (Singapore) and OCBC Bank (Singapore).

Additions to Our Team

Ms. Keopichchenda Long

Legal Advisor

Ms. Keopichchenda Long is a Legal Advisor in the Corporate & Commercial Practice Group at BNG Legal. She holds a Master's Degree in Corporate Law and International Affairs from the University of Jean Moulin Lyon III. She also holds two Bachelor's Degrees: Bachelor Degree in Private Law from the University of Lyon II and a Bachelor Degree from the Royal University of Law and Economics in Law under a joint program with Lumière Lyon II University in Cambodia. She also participated in academic certificate programs in Vietnam on scholarships.

Prior to joining BNG, Keopichchenda interned at the Ministry of Justice and at CREAD (Centre de Recherche Appliqué en Droit).

At BNG Legal, she specializes in Corporate Law and contract law.

Keopichchenda speaks Khmer, English, French and basic Vietnamese.

Mr. Thavsothaly Tok

Legal Advisor

Mr. Thavsothaly Tok is a Legal Advisor of Intellectual Property Practice Group at BNG Legal. He holds a Master Degree of Commercial Law from Transnational Law and Business University, Republic of Korea, and a Bachelor of Law from the Royal University of Law and Economics of Cambodia.

Prior to joining BNG Legal, he worked for HML law firm, where he was responsible for corporate registration, immigration, due diligence, trademarks and legal research. Previous to this, he worked for a Cambodia micro finance company.

At BNG Legal, he specializes in commercial law, intellectual property law, and contract law.

Thaly speaks Khmer and English.

Cambodian Law Update

Sub-Decree No. 227 on Amendment of Article 7 of Sub-Decree No. 75 dated August 20, 1999 on Formalities to authorize nonimmigrant foreigners to check in-out and reside in the Kingdom of Cambodia

This Sub-Decree increases the fee for two types of Visa for nonimmigrant foreigners to check in, check out and reside in the Kingdom of Cambodia. Under new Article 7 in this Sub-Decree, different types of visa will be charged as follows:

- | | |
|--------------------------|-----------------|
| • Diplomatic visa A | Free of Charge; |
| • Official visa B | Free of Charge; |
| • Courtesy visa C | Free of Charge; |
| • Tourist visa T | US\$30; |
| (Former Fee: US\$20) | |
| • Passing through visa D | US\$15; |
| • Ordinary visa E | US\$35; |
| (Former Fee: US\$25) | |
| • Special visa K | Free of Charge. |

The fee fixed in the above must be come into effect on 01 October, 2014. With this regards, all relevant Ministries and Institutes must publish these fees to take their action effectively.

