

## Insights

# MYANMAR - COVID-19: MYANMAR INTRODUCES VARIOUS RELIEF MEASURES TO MITIGATE THE EFFECTS OF COVID-19

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## SUMMARY

In recent weeks the Central Bank of Myanmar, the Ministry of Commerce and the Microfinance Business Supervisory Committee have introduced certain relief measures as a response to the economic effects of COVID-19. These include reductions in interest rates, an exemption of import licence fees for medicines and the classification of certain goods as “Essential Supplies”.

In recent weeks, Myanmar government and authorities have introduced certain measures to provide relief from the effects COVID-19 has had and is likely to have in Myanmar. In this news alert we outline the recent measures introduced by the Central Bank of Myanmar (the “**CBM**”), the Microfinance Business Supervisory Committee (the “**MSBC**”) and the Ministry of Commerce (the “**MOC**”). Please refer to our news alert: [Myanmar Government introduces tax deferments and establishes a COVID-19 fund](#), published on 7 April 2020 for a summary of the recent measures introduced by the Ministry of Planning, Finance and Industry.

## The Central Bank of Myanmar

It was reported that on 13 March 2020 the CBM sent instructions to local banks to make plans so that they hold sufficient cash in anticipation of increased withdrawals by customers. In order to ease the use of cash, the CBM has also raised transaction limits for mobile banking service providers.

On 24 March 2020, the CBM issued [Directive 4/2020](#) to cut its interest rates by 1 percent, reducing the rate from 9.5 percent to 8.5 percent. Following the reduction, the minimum interest rate for deposits is now 6.5 percent. The maximum interest rates for lending are set at (i) 3 percent above the CBM's interest rate for lending with security; and (ii) 6 percent above the CBM's interest rate for lending without security. This was the second time in March 2020 that the CBM's interest rate was

reduced. On 12 March 2020 the CBM lowered its interest rate from 10 percent to 9.5 percent (under [CBM Directive 1/2020](#)).

Subsequently on 9 April 2020, the CBM temporarily lowered the minimum reserve requirement for banks to 3.5 percent of customers' deposits (from 5 percent) and also directed that when calculating the liquidity ratios, treasury bonds with a term of one year or more shall be included at 90 percent (instead of 50 percent) (under [Directive 6/2020](#) and [Directive 7/2020](#)). Such temporary measures will be in place until 30 September 2020.

## **The Microfinance Business Supervisory Committee**

The MSBC issued Directive 2/2020 on 6 April 2020 which (amongst others) gave an instruction to microfinance firms not to collect interest and principal payments according to strict timeframes and to negotiate payment dates as necessary. The directive by the MSC also stated that from 6 April 2020 to 30 April 2020, branches of microfinance firms are to operate with no more than five employees per branch who are to only deal with certain limited matters and emergency matters.

The MSBC also suspended the following activities from 6 April 2020 to 30 April 2020: issuance of licences, approval for expansion of business areas, opening of new branches, changes of branch and head office addresses, additional financial services and change of shareholders and directors.

## **The Ministry of Commerce**

Under the Essential Supplies and Services Law 2012 ([English version](#) and [Myanmar version](#)) (the "ESL"), the MOC has the power to classify goods as essential supplies and regulate them (including sale, storage and distribution). On 30 March 2020, the MOC (under Notification 21/2020 ([English version](#) and [Myanmar version](#))) classified the following as "Essential Supplies": (i) goods and supplies relating to the prevention, control and treatment of COVID-19; (ii) medicines; and (iii) food products.

The same MOC notification prohibits the increase of sale prices and distribution prices and the hoarding of such supplies with the intention of market manipulation. The penalty for breach of such prohibition (under the ESL) on conviction is imprisonment for a minimum term of six months and a maximum term of three years and a fine not exceeding five hundred thousand Kyats (MMK500,000).

The MOC has also given an exemption of all import licence fees for medicines and raw materials used for medicine with effect from 11 April 2020 (this was announced in [Notification 27/2020](#)).

*BCLP has assembled a COVID-19 taskforce to assist clients with above related issues across various jurisdictions. You can contact the taskforce at: [COVID-19LegalIssuesTaskforce@bclplaw.com](mailto:COVID-19LegalIssuesTaskforce@bclplaw.com). You can also view other thought leadership, guidance, and*

*helpful information on our dedicated COVID-19 / Coronavirus resources page at <https://www.bclplaw.com/en-GB/topics/covid-19/coronavirus-covid-19-resources.html>*

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## MEET THE TEAM



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