IFC MOBILE MONEY SCOPING
COUNTRY REPORT: MYANMAR
Country overview - Myanmar

<table>
<thead>
<tr>
<th>Key indicators</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>CURRENT BANKING and MOBILE MONEY SITUATION</td>
<td>3 MNOS, 24 PRIVATE BANKS, 4 STATE-OWNED BANKS</td>
</tr>
<tr>
<td>POPULATION (total)</td>
<td>53 million (estimate)</td>
</tr>
<tr>
<td>POPULATION WITH A MOBILE PHONE</td>
<td>33 million</td>
</tr>
<tr>
<td>% of POPULATION WITH AN ACCOUNT AT A FORMAL FINANCIAL INSTITUTION</td>
<td>20.6%</td>
</tr>
<tr>
<td>% UNDER THE POVERTY LINE</td>
<td>19%</td>
</tr>
<tr>
<td>LABOUR FORCE (Total)</td>
<td>30 million</td>
</tr>
<tr>
<td>LITERACY RATE</td>
<td>93%</td>
</tr>
<tr>
<td>MOBILE NETWORK OPERATORS</td>
<td>MPT (45%), Telenor (38%), Ooredoo (18%) (4th operator Mitel starting operations in 2018)</td>
</tr>
</tbody>
</table>
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Regulations
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Development challenges

Underdeveloped domestic markets and low labor productivity and skills

- 73% of working age people are informally employed
- 80% of the population rely upon low-productivity activities for a living

Agricultural and seasonal jobs prevalent among the poor

- 12% of primary school-age children are out of school
- 44% of secondary school-age adolescents are out of school

Constrained agriculture productivity and the threat of climate change

- 70% of poor people live in rural areas and depend on agriculture for their livelihood
- 19% of the total available land covered by agriculture
- Agriculture output per worker is 1/3 lower than the East Asia and the Pacific average, due to lack of mechanized services, irrigation, and fertilizers

Poor infrastructure constrains access to markets

- Only 1 in 12 people have access to electricity and 1/3 of electric power produced gets lost during transmission and distribution
- Performance on trade logistics and shipping performance of the World Bank Logistics Performance Index ranks 113 out of 160 countries, 144
- 78% of registered roads are unpaved
- 140 hours to export compared to an average of less than 60 hours for East Asia Pacific

Conflict and peace process

- Since 1948, Myanmar has struggled to bring national peace and end armed conflict with local communities
- Conflict in the northern state of Rakhine is causing major humanitarian crisis, more than 500,000 Rohingya Muslims have fled the state to Bangladesh
- All ministries have been asked to develop a post-conflict response plan
- Ensuring equal access to services to all population is key to sustain peace and stability

Source: WBG Systematic Country Diagnostics and Country Partnership Framework
History and political overview

• A British colony for more than a century, first as part of India and then as a separate entity, Burma declared independence in 1948, a year after the assassination of nationalist leader General Aung San, father of opposition leader Daw Aung San Suu Kyi. Ethnic strife characterized the country from the outset.

• In 1962, a military coup led by General U Ne Win took place, and the new council was formed (almost only by military members). The new constitution of 1974 established an isolationist policy over the country, with a socialist economic program that nationalized Burma’s major enterprises. The grim economic situation as a result of the disastrous economic policies made the country a fertile ground for black market, as well as corruption and food shortage.

• Tensions escalated to the mass protests of 1988, where at least 3,000 were killed by the military. Aung San Suu Ki gained prominence as the leader of the National League of Democracy (NLD), the main opposition party. As Ne Win resigned, an even more repressive military junta took power in September 1988. In 1989, Aung San Suu Ki was arrested and spent more than 15 years in detention. While the NLD in the 1990 elections won the majority of the votes, the military junta refused to give up power and imprisoned or exiled the NLD members. Aung San Suu Ki received the Nobel Peace Prize in 1991 while in house arrest.

• In 2007, as a result of the sudden removal of fuel subsidies and the consequent spike in prices, the Saffron Revolution took place, backed by Buddhist monks. The regime’s legitimacy took a further blow when it blocked international community disaster relief efforts for the Cyclone Nargis.

• After the manipulated elections of 2010 that saw the victory of the military-backed Union Solidarity and Development Party (USDP), the junta dissolved in 2011 and Thein Sein was elected as president. The economic and political reforms that took place in 2011 and 2012 and that liberalized key sectors such as telecoms, energy, healthcare, finance, allowed Myanmar to restore ties with global powers. In 2012, the World Bank earmarked US$245 million in credit and grant funding for the country, marking the first international lending for the nation in over 25 years.

• In current days, violence on the self-identifying Rohingya Muslim minority in Myanmar’s Rakhine State has triggered deep concerns globally. UN has started investigation. EU sanction may be triggered, which will significantly impact foreign aids to the country if happens. US Government officially said in October 2017 that they will consider a range of further actions over this. WBG announced in mid-October the delay of a US$200 million loan to Myanmar until the situation is improved.
## Myanmar economic overview

### Key indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>53 million</td>
</tr>
<tr>
<td>Age distribution</td>
<td></td>
</tr>
<tr>
<td>0-14 = 25.77%</td>
<td></td>
</tr>
<tr>
<td>15-24 = 17.73%</td>
<td></td>
</tr>
<tr>
<td>25-54 = 43.54%</td>
<td></td>
</tr>
<tr>
<td>55+ = 12.96%</td>
<td></td>
</tr>
<tr>
<td>Median age</td>
<td>28.6 years (2016 estimate)</td>
</tr>
<tr>
<td>GDP (Gross Domestic Product)</td>
<td>US$75.7 billion (2017 estimate)</td>
</tr>
<tr>
<td>GDP (PPP)</td>
<td>US$342.2 billion (2017 estimate)</td>
</tr>
<tr>
<td>GDP per capita</td>
<td>US$6,500 (2017 estimate)</td>
</tr>
<tr>
<td>Unemployment rate</td>
<td>4%</td>
</tr>
<tr>
<td>Urban/rural split</td>
<td>35% urban, 65% rural</td>
</tr>
<tr>
<td>Poverty rate (% of population living below US10 a day)</td>
<td>92% of the population</td>
</tr>
<tr>
<td>Literacy rate</td>
<td>Total: 93% (M 95.2%; F 91.2%)</td>
</tr>
<tr>
<td>% of people who are formally financially included</td>
<td>20.6%</td>
</tr>
<tr>
<td>Mobile phone owners</td>
<td>33 million</td>
</tr>
<tr>
<td>Internet penetration</td>
<td>26%</td>
</tr>
</tbody>
</table>

### Implications

- Very young nation: >42% of the population is below 25 years old
- >8% GDP growth rate expected in 2017
- Current mobile connections represent 93% of the population (includes multi SIM)
- Country mobile coverage currently at 70% expected to reach 90% by 2022
- Market potential for Myanmar is high given low levels of bank account penetration, high levels of mobile penetration, especially smartphones (80% of the country’s phones are smartphones), a young population, and promising urban/rural split
- Mobile money industry very nascent and fragmented, with 20+ players
- Potential to join AFI (Alliance for Financial Inclusion) and adhere to the Maya declaration in 2011 to commit to concrete financial inclusion targets
Myanmar GDP

### GDP and GDP per capita

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP (US$)</td>
<td>56.76b</td>
<td>62.8b</td>
<td>69.14b</td>
<td>77.89b</td>
<td>75.7b (est.)</td>
</tr>
<tr>
<td>GDP growth (annual %)</td>
<td>8.4%</td>
<td>8.7%</td>
<td>7%</td>
<td>8.1%</td>
<td>7.7% (est.)</td>
</tr>
<tr>
<td>GDP per capita (US$)</td>
<td>1,113</td>
<td>1,221</td>
<td>1,333</td>
<td>1,490</td>
<td>1,687</td>
</tr>
<tr>
<td>GDP per capita growth (annual %)</td>
<td>0.9%</td>
<td>9.7%</td>
<td>9.17%</td>
<td>11.7%</td>
<td>13.22%</td>
</tr>
</tbody>
</table>

### Key Takeaways

- GDP growth settled to 5.9% as of March 31, 2017, below expectations and below the previous year.
- Economic activities continued to decelerate in the first half of 2017 due to floods, temporary halt in constructions, slower agricultural production and the suspension of new investment approvals by the Myanmar Investment Commission (MIC).
- Fiscal deficit and trade deficit are widened at 4.1% and 5.2% of GDP, respectively. Inflation and credit growth remain strong, notwithstanding some recent moderation.
- Inflation (8%) has been fueled by money supply from CBM purchase of G-sec; while credit growth continued 34% y-o-y, with certain concentration in trade and construction sectors.

### GDP composition by sector (2016)

- The **agricultural sector** is recovering from the bad weather of 2016 that caused severe flooding. Crop production is benefitting from high demand and strong international prices for agricultural commodities. Main products include: rice, pulses, sesame, beans, groundnuts, sugarcane, fish and fish products, hardwood. 70% of the workforce is employed in the agricultural sector.

- The **industry sector** continues to grow thanks to higher investments, both public and private, in garment and other light manufacturing. As of 2016, the estimated industrial production growth rate was 12.2%. 7% of the workforce is employed in the industrial sector.

- The **services sector** is enjoying a big growth coming from tourism and telecoms. As of 2003, 23% of the workforce was employed in the services sector.
Macro-economic Overview

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# Myanmar financial regulatory bodies and their responsibilities

<table>
<thead>
<tr>
<th>Regulatory body</th>
<th>Responsibilities</th>
<th>Players impacted</th>
</tr>
</thead>
</table>
| Finance and Regulatory Department (FRD)    | FRD sits under the Ministry of Finance and regulates the country’s microfinance sector, as well as state-owned banks, private insurance companies and state lottery enterprises.                                                                                                                                                                           | • State-owned banks    
|                                             |                                                                                                                                                                                                                                                                                                                                                                                                           | • MFIs               
|                                             |                                                                                                                                                                                                                                                                                                                                                                                                           | • Private insurance companies  
|                                             |                                                                                                                                                                                                                                                                                                                                                                                                           | • State lottery enterprises  |
| Central Bank of Myanmar (CBM)              | • Primary objective of the CBM is **price stability in the country** and inflation control  
• CBM shall **strive monetary and financial system stability** while promoting efficient payments and clearing mechanisms to support the government’s economic policy  
• acting as a banker to the government,  
• is the sole authority to issue domestic currency;  
• Can allow establishment of a credit information bureau to gauge the credit worthiness of a borrower.                                                                                                                                                                      | • DFS providers  
|                                             |                                                                                                                                                                                                                                                                                                                                                                                                           | • Credit bureaus  
|                                             |                                                                                                                                                                                                                                                                                                                                                                                                           | • Banks               |
Economic reforms and regulatory milestones since 2011

2011
- Enactment of Microfinance Business Law (November 2011)
- Adoption of a managed floating exchange rate (April 2012)
- Revision of the foreign investment law (November 2012)

2012
- Establishment of an autonomous Central Bank of Myanmar (June 2013)
- Anti-money laundering law, counterterrorism law, foreign exchange management regulations, securities and exchange commission of Myanmar formed
- First MFS license awarded to Wave Money, a JV between Yoma Bank and Telenor (October 2016)

2013
- Yangon stock exchange foreign banks entry

2014
- Release of the regulation on mobile financial services by the CBM (March 2016)

2015
- Launch of Yangon Stock Exchange (YSX), JV between Myanma Economic Bank (51%), Daiwa Institute of Research (30.25%) and the Japan Exchange Group (18.75%) (December 2016)

2016
- MFS license awarded to OK$ and Ooredoo (September 2017)
- Release of new banking regulations (July 2017)

2017
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Financial Inclusion - Overview

**FACTS**

- According to the Global Findex 2014, only 20.6% of adults (>15yo) in Myanmar have an account at a formal financial institution.

- Of them, 28.6% are male, while 17% are female, suggesting that men are 40% more likely than women to be formally financially included.

- Intuitively, only 21% of those who are formally financially included live in rural areas, while 79% of them reside in urban areas.

- There were 3.7 commercial bank branches per 100,000 adults as of 2015

**IMPLICATIONS**

Pervasive mistrust in banks makes DFS a viable alternative to enable financial inclusion. Also, high rates of mobile penetration make the mobile phone the right vehicle to bring financial services to the unbanked.

Main consumer-side barriers include lack of awareness and understanding of DFS, very low levels of financial literacy, heavy reliance on cash.

The existence of a tiered KYC model makes DFS appealing also to those who don’t have an ID.
# Financial system stakeholder overview

## Banks
There are 4 state-owned Banks, 24 Private Commercial Banks, 13 Foreign Bank branches ~1700 ATMs

## Credit Bureaus
On March 31, 2017 the Central Bank of Myanmar published guidelines concerning the creation of a credit bureau, which spelled changes for license applications. To date, the Myanmar Banks Association and a Singapore-based company which has been operating a credit bureau have applied for a license on April 26.

## Mobile Financial Services (with MFS license)
- 2 MNO-led - Wave Money (Telenor and Yoma) and M-Pitesan (Ooredoo and CB bank)
- 1 third party - OK$  
- Bank-led - 8 private banks obtained the license to offer mobile banking services

## DFS players
- Wave Money
- M-Pitesan
- myKyat
- MMM-Easypay
- 663
- TrueMoney
- Red dot
- MyWalletPlus
- Myantel/Wing
- Oojibo
- OK$
- ONGO
- MAB m-Banking
- MyPay
- MyanPay
- 2C2P
- Everex
- MPSS
- AGD pay

## Insurance
- 1 state-owned insurance company
- 12 private insurance licenses given in 2013

## Leasing Companies
- 17 Finance companies

## Remittance Service Providers
- Western Union
- Express Money
- Money Gram
- May Bank
- International Money Express
- Singapore Post

## Microfinance Institutions (MFIs) and Banks (MFBs)
- 1 Microfinance Bank
- 168 licensed Microfinance Institutions. Of them, only 12 belong to the 1st tier
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Overview of banks in Myanmar

**BANKS**

**Government-owned**

1. **100% Government Owned**
   - **STATE OWNED:**
     1. Myanma Agricultural Development Bank
     2. Myanma Economic Bank
     3. Myanma Foreign Trade Bank
     4. Myanma Investment and Commercial Bank
   - **MUNICIPALITY OWNED:**
     1. Nay Piy Taw Sibin Bank
     2. Yadanabon Bank
     3. Yangon City Bank

2. **<100% Government-Owned**
   - **PRIVATE**
     1. Rural Development Bank
   - **PUBLIC NOT LISTED**
     1. A Bank Ltd
     2. Construction and housing development bank

**Non-Government owned**

**PRIVATE**
1. Myawaddy Bank Ltd. (Gov't guided)
2. Innwa Bank Ltd. (Gov't guided)
3. Asia Yangon Bank Ltd.
4. AYA Bank Ltd.
5. Kanbawza Bank Ltd.
6. Myanma Apex Bank Ltd.
7. Myanmar Oriental Bank Ltd.
8. Shwe Rural and Urban Development Bank Ltd.
9. Tun Foundation Bank Ltd.
10. United Amara Bank Ltd.
11. Yoma Bank Ltd.

**PUBLIC NOT LISTED**
1. A Bank Ltd
2. Construction and housing development bank

**PUBLIC LISTED**
1. Myanma Citizens Bank

**INTERNATIONAL BANKS**
1. ANZ (Australia)
2. Bangkok Bank (Thailand)
3. Bank of Tokyo-Mitsubishi UFJ (Japan)
4. Industrial and Commercial Bank of China (China)
5. May Bank (Malaysia)
6. Mizuho Bank (Japan)
7. Overseas Chinese Banking Corporation OCBC (China)
8. Sumitomo Mitsui Banking Corporation (Japan)
9. United Overseas Bank UOB (Singapore)
11. Shinhan Bank (Korea)
12. E. Sun Commercial Bank (Taiwan)
13. State Bank of India (India)
Regulatory framework for banks

- **Financial products allowed:**
  - ✓ Commercial loans, development loans and overdrafts
  - ✓ Time, savings, demand and call deposits
  - ✓ Saving certificates
  - ✓ Hire-purchase; leasing
  - ✓ Debit cards, credit cards and co-brand cards
  - ✓ Mobile banking and internet banking
  - ✓ Foreign banking
  - ✓ Domestic and international remittances

- **Total loan portfolio** (all non-state-owned banks, FY 2015-2016): MMK 12,344 billion
- **Total deposits** (all non-state-owned banks, FY 2015-2016): MMK 17,509 billion
- **Loan to deposit ratio** (all non-state-owned banks, FY 2015-2016): 70.5%
- **Central Bank rate**: 10% p.a.
- **Minimum bank deposit rate**: 8% p.a.
- **Maximum bank lending rate**: 13% p.a.
- **Loan period**: usually one year
- **Loan amount**: 30-60% of forced-sale value of the collateral of land and buildings, 80% for gold
- **Collaterals**: land, buildings (not apartments), gold and jewelry, deposits and exportable crops* (rice, beans, pulses, and sesame)
- **Subsidized loan schemes:**
  - ✓ JICA two-step loans to SMEs through six banks (SMIDB, MAB, AYA, CB, MCB & KBZ): 8.5% p.a.
  - ✓ Agricultural loan from MADB: 8.5% p.a. until May 2014, 5% p.a. from June 2014 to May 2016 and 8% p.a. effective from June 2016
Geographical distribution of bank branches

As of June 2016, 1,890 bank branches were operating in Myanmar. This suggests that there are 3.7 bank branches per 100,000 people. Most bank branches per person can be found in the Yangon Region, where there are 6.4 bank branches per 100,000 people. The Rakhine State and the Ayeyarwaddy Region are least served, with only 2.3 bank branches per 100,000 people. Two state-owned banks - MEB and MADB - represent about 1/3 of the total number of bank branches (570), which tend to be in rural areas. Private and semi-governmental banks, on the other hand, are more likely to be concentrated in urban areas.
## BANKING SECTOR - Top 5 Private banks

<table>
<thead>
<tr>
<th>Bank</th>
<th>Total assets: MMK</th>
<th>Total liabilities:</th>
</tr>
</thead>
<tbody>
<tr>
<td>KBZ Bank</td>
<td>8693b</td>
<td></td>
</tr>
<tr>
<td>AYA Bank</td>
<td>2913b</td>
<td></td>
</tr>
<tr>
<td>CB Bank</td>
<td>2061</td>
<td></td>
</tr>
<tr>
<td>Myawaddy Bank</td>
<td>1305b</td>
<td></td>
</tr>
<tr>
<td>Myanmar Apex Bank (MAB)</td>
<td>1194b</td>
<td>n/a</td>
</tr>
</tbody>
</table>

### KBZ Bank
- Total assets: MMK 8693b
- Total liabilities: n/a
- Branches: 400
- ATMs: 545
- POS: 1194

KBZ is short for Kanbawza bank. Kanbawza is the traditional name of Shan State, in Northern Myanmar. KBZ Bank was established in July 1994, and initially catered to the population of Shan State.

### AYA Bank
- Total assets: MMK 2913b
- Branches: 225
- ATMs: 980
- POS: 255

AYA stands for Ayeryawaddy Bank. AYA bank was established in July 2010. The bank is authorized to work as an investment or development bank for the domestic market.

### CB Bank
- Total assets: MMK 2061
- Branches: 183
- ATMs: 525
- POS: 929

CB bank stands for Cooperative bank. CB Bank was established in August 1992 and launched the first ATM network in Myanmar in Nov 2011.

### MAB was established in July 2010 and it offers domestic and international banking services.
## BANKING SECTOR - State-owned Banks

<table>
<thead>
<tr>
<th>Bank</th>
<th>Total assets</th>
<th>Total liabilities</th>
<th>Branches</th>
<th>ATMs</th>
<th>POS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Myanmar Economic Bank (MEB)</strong></td>
<td>Total assets: MMK 8b</td>
<td>Total liabilities: n/a</td>
<td>Branches: 34</td>
<td>ATMs:</td>
<td>POS:</td>
</tr>
<tr>
<td><strong>Myanmar Agricultural and Development Bank (MADB)</strong></td>
<td>Total assets: Total liabilities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Myanmar Investment and Commercial Bank (MICB)</strong></td>
<td>Total assets: Total liabilities:</td>
<td></td>
<td>Branches: 229</td>
<td>ATMs:</td>
<td>POS:</td>
</tr>
<tr>
<td><strong>Myanmar Foreign Trade Bank (MFTB)</strong></td>
<td>Total assets: MMK 2913b</td>
<td>Total liabilities:</td>
<td>Branches: 1</td>
<td>ATMs:</td>
<td>POS:</td>
</tr>
</tbody>
</table>

**Successor of State Commercial Bank, established in 1954 and provided a wide range of commercial services such as saving deposit accounts, fixed deposits, credit facilities, FOREX services, etc.**

**Successor of State Agricultural Bank (1953), provided banking services in rural areas. Mandated to support the development of agricultural, livestock and rural enterprises.**

**Established in 1990, provides financial services to the private sector. Service provided include current and fixed deposit account, savings deposit account, internal remittances, loans and international banking services.**

**Established in 1990, is the successor of the Foreign Department of the State Commercial Bank, which focused on International Trade. It has a correspondent network of 260+ banks in 50+ countries.**
Total assets of banks in Myanmar

% of assets owned by Private and Government-owned Banks in Myanmar

<table>
<thead>
<tr>
<th>Private bank</th>
<th>Assets (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>KBZ</td>
</tr>
<tr>
<td>2</td>
<td>AYA</td>
</tr>
<tr>
<td>3</td>
<td>CB</td>
</tr>
<tr>
<td>4</td>
<td>MWD</td>
</tr>
<tr>
<td>5</td>
<td>MAB</td>
</tr>
<tr>
<td>6</td>
<td>YOMA</td>
</tr>
<tr>
<td>7</td>
<td>UAB</td>
</tr>
<tr>
<td>8</td>
<td>GTB</td>
</tr>
<tr>
<td>9</td>
<td>AGD</td>
</tr>
<tr>
<td>10</td>
<td>MOB</td>
</tr>
</tbody>
</table>

The top 3 banks control >60% of the country’s banking assets
BANK SNAPSHOT: KBZ Bank

General information

- KBZ is the top private bank in Myanmar, controlling 42% of the assets for private banks.
- KBZ is short for Kanbawza bank. Kanbawza is the traditional name of Shan State, in Northern Myanmar. KBZ Bank was established in July 1994, and initially catered to the population of Taunggyi, in the south of Shan State. In 1999 it started its expansion to the rest of the country.
- KBZ Bank has more than 491 branches across Myanmar, about 980 ATMs and over 190 currency exchange counters.
- In November 2011, the Central Bank of Myanmar granted an Authorized Dealer License (ADL) to KBZ Bank to operate foreign banking business.
- In February 2010, KBZ bought an 80% share in Myanmar Airways International, and the following year they launched Air KBZ, one of 4 privately owned domestic airlines in Myanmar.
- KBZ Foundation, the “Brighter future Myanmar foundation”, was founded in 2008 after the cyclone Nargis to help those affected by the disaster. To date, KBZ has allocated over US$103 million in charitable giving, sponsorships and community development projects.

IFC engagement

None to date
General information
- MOB began operations in 1993, and started leasing practices in 1995
- To date, MOB has MMK320b in total assets, 40 branches across the country, 13,000+ retail customers and 1,200+ corporate customers, 63 correspondent banking relationship worldwide; and ongoing relationships with E-Sun Bank, IFC, GIZ, etc.
- Apart from its core banking business, MOB formed a subsidiary leasing company called Oriental Leasing Company Limited (OLCL), proving mortgages to customers. MOB owns 99% of OLCL share capital.

IFC engagement
- MOB is an IFC investee
AYA Bank

General information

AYA received its banking license in July 2010 and began operations in August 2010. It is authorized to operate as investment or development bank for domestic market. Approved banking activities include:

- Borrowing or Raising of money
- Lending or Advancing of Money either secured or unsecured
- Receiving Securities or Valuables for Safe Custody
- Collecting and Transmitting money and Securities
- Providing International Banking Services such as international remittance, payment and trade services

Since its inception, the bank has grown steadily with the number of branches increased progressively to (152) branches nationwide and customer deposits grew healthily to MMK 2.5 trillion as at March, 2016, suggesting increased trust in the sector by customers.

IFC engagement

None to date
BANK SNAPSHOT: CB Bank

General information

The Cooperative Bank was established in 1992 as a private company. In June 2004, it merged with Co-operative Farmers Bank and Co-operative Promoter Bank. It then became a public company and received license to operate as a commercial and investment bank.

In late 2012, it was one of the first banks in Myanmar to be selected by Western Union as an agent for international transfers. In November 2012, it was one of three private banks in Myanmar that signed licensing agreement with Visa, Inc. CB Bank had also signed a similar agreement with MasterCard in September 2012.

In December 2012, CB Bank signed an MOU with Bank of Tokyo-Mitsubishi (“BTMU”) through which BTMU seeks to support foreign companies entering into Myanmar and provides technical assistance to CB Bank in such areas as trade finance and foreign exchange.

IFC engagement

None to date
BANK SNAPSHOT: MC Bank

General information
MCB was established in 1991 under Special Company Act, and in August 2016 became a public bank, listed on Myanmar Stock Exchange. It currently provides retail and corporate banking services, as well as international banking services, such as remittance services, and provides trade finance (import/export license payment) services.

MCB aims to be a leading bank in Myanmar in international banking and trade finance activities. It has currently established correspondent bank relationships and maintained NOSTRO Accounts with UOB, OCBC, DBS, Commerz Bank, ICBC, May Bank, Kasikorn Bank, Siam Commercial Bank and Krung Thai Bank and have RMA relationship with 47 banks. By connecting with correspondent banks, MCB is currently providing Foreign Currency Current Account opening, Export/Import Settlements, Cash disbursement, Bank Guarantee, Account Transfers and Foreign Exchange Market activities to our customers.

MCB has offered the Acquiring services for Visa, MasterCard since 2014 and issued "Citizen Card", branded of MasterCard. MCB has partnered with Money Gram, IME, Transfast, Merchtrade to offer inbound money transfer services. MCB started its Mobile Payment Services (663), to offer service to unbanked and rural areas, in July, 2015.
MCB is also a founder of the Myanmar Payment Union (MPU) with an aim to reduce cash handling within the country, to increase inter-bank banking services between member banks, to upgrade payment systems, to enable use of international cards within the country, and enable domestic banks to link up to the international network. MCB has launched “MCB MPU Card” which enables card-holders to make domestic payment at automated teller machines and point of sale systems.

IFC engagement
None to date
BANK SNAPSHOT: YOMA Bank

General information
- Yoma was established in 1993. Following the 2003 financial crisis, Yoma’s banking operations were restricted to domestic remittances for almost 10 years. In 2012 Yoma regained its full banking license.
- To date, Yoma ranks as the fourth largest private bank in Myanmar by deposit size and sixth by asset size. As of March 2017, Yoma had MMK 1,592b in total assets and MMK 95,19b in total shareholders’ equity. Yoma achieved an ROI of 0.64% and and ROE of 11%
- Yoma is known for its remittances service. The bank’s focus is to become the leading SME bank in Myanmar.
- In November 2014, Yoma and Telenor decided to work together to serve Myanmar’s unbanked, by agreeing to create the joint venture Wave Money.

IFC engagement
- IFC worked with Yoma from June 2013 to October 2017.
Current challenges to the banking sector

1. Implementation of Financial Institutions Law and other regulations

While the advent of the FIL and the MAC was much needed and demonstrates the progress of Myanmar’s banking sector, the effective and coordinated enactment and enforcement of these laws is needed.

2. Workforce skills development

Currently, the banking sector suffers from a lack of qualified staff. This can be attributed to the long period of isolation of the country, as well as to the poor availability of education and training possibilities. As a result, entrant employees often lack the fundamental knowledge to work in the banking sector.

3. Development of technology and infrastructures

Building IT infrastructures for the modernization and digitalization of banking, while necessary, is proving challenging for local banks. This is likely due to the fact that finding suitable partners, as well as training IT and staff is both time-consuming and requires heavy investment.

4. Gaining of public trust

Public trust in the banking sector has been severely undermined by a series of demonetizations and the banking crisis of 2003 which led to the closure of 3 banks. While in recent years people have become more keen on banking, there remains a cautious behavior. For instance, >90% of the deposits in banks are demand deposits, suggesting that people are not willing to save money in the bank for an extended period of time.
>14% of Myanmar’s GDP was not deposited in a bank in 2014

Currency in and outside banks in Myanmar

![Bar chart showing currency in and outside banks for Myanmar, Cambodia, Laos, Thailand, and Malaysia in 2014. The x-axis represents the countries, and the y-axis represents the percentage of GDP. The bars are divided into two sections: blue for currency outside banks and gray for currency inside banks. The chart highlights the percentage of GDP not deposited in banks for each country.](chart.png)
Top barriers to business in Myanmar

Of the top 10 barriers to business in Myanmar, 4 of them are related to financing (in blue)

% of respondents who reported the following as the main barrier to business in Myanmar (base: 3000)

- Working capital
- Electricity supply
- External financial access
- Access to capital
- Interest rates
- Political instability
- Access to space
- Technology
- Skilled labour
- Corruption

Working capital: 15%
External financial access: 16%
Access to capital: 17%
Interest rates: 17%
Political instability: 21%
Access to space: 21%
Technology: 21%
Skilled labour: 21%
Corruption: 22%

% 0 5 10 15 20 25
Collateral and guarantee, and loan procedure are the key barriers in financing

Collateral and guarantee was reported as the main barrier to financing in Myanmar by 61% of respondents.

% of respondents who reported the following as the main barrier to financing in Myanmar (base: 3000)

- Disclosure requirements
- Credit rating
- Short loan term
- Interest rate
- Small loan size
- Loan procedures
- Collateral and guarantee
Source of financing

80% of respondents use their personal savings and personal loans to finance their businesses

% of respondents who reported the following as their main source of financing their business (base: 3000)

- Personal savings: 69%
- Personal loans: 4%
- Retained earnings: 3%
- Commercial banks: 3%
- State development banks: 3%
- Money lenders: 10%
- Others: 10%
Informal money lenders

Informal lending has been a business in Myanmar since it was under the British colonial rule. Informal lenders often offered also bills of exchange for advancing credit or remitting funds - the so-called hundi system, which will be explained later on. Informal money lenders seem to operate as individuals, and tend to lend money within their social status. Those who lend informally have filled a gap in Myanmar’s financial system, by providing credit to the unbanked.

### INFORMAL LENDING FACTS

**Interest rates:**
Between 30% and 100% per annum for collateralized loans
Between 60% and over 200% per annum for uncollateralized loans

**Repayment period:**
Depends on the size and collateralization of the loan. Usually small loans have shorter repayment periods

**Loan amount:**
Depends on the social status - for instance, it is common for lenders to lend a few hundred thousand kyats for laborers and 50m+ kyats for middle class

**Collateral items accepted:**
Gold, jewelry, apartments, land and buildings
Accessing credit

How the population of Myanmar accessed credit (2013 survey)

- Not borrowing: 53%
- Bank loan: 13%
- Informal loan: 18%
- Loan from family/friends: 11%
- Formal non-bank loan: 5%
Macro-economic Overview
Regulations
Financial Sector
MFIs

Telecom Sector
Digital Financial Services Landscape
Regulatory framework for MFIs

- **Minimum paid-up capital:** 100 million MMK (~USD73,300) for non-deposit taking licenses and 300 million MMK (~USD220,000) for deposit taking licenses
  - Deposit taking MFIs require a minimum of 300 million MMK in total equity, minimum 3 years of experience in carrying out microfinance activities and have made profits for at least 2 consecutive years

- **Maximum single loan amount** an MFI can lend is 10 million MMK (~USD7,000)

- **Interest rate cap** stands at 30% over loan and 15% over deposit (or savings) per annum. Interest rate caps can restrict access by making it unprofitable to serve small or remote borrowers.
  - The interest rate of informal money lenders is ranging from 60% to 120% depending on collateral and relationship, and registered pawn shops are charging from 24% per annum for the loan with gold collateral. At the same time, the government agencies are providing micro-credit at low interest rates (i.e. The Department of Cooperatives at 15% per annum and Myanmar Agricultural Development Bank at 5% per annum).
  - CGAP estimates that the operation cost of a microfinance business is ranging from 17% to 27%. With the interest cap, the profit margin is too small to break even.

- While in 2014 a directive specified that **50% of MFI clients should be in rural areas**, a new directive issued in 2016 **no longer specifies a percentage**. The 2016 directive reads: “MFIs may carry out their microfinance activities in urban and rural areas based on their business model. However, operating in rural areas is encouraged. MFIs operating in urban areas are not allowed to enjoy the advantages offered to those in rural areas.” This is an attempt of the government to enforce the microfinance institutions to serve the rural market which make up 70% of the population.

- The local MFIs **can borrow from the Myanmar Economic Bank and Myanmar Microfinance Bank** which are both regulated by the Financial Institution Law. Those banks ask for land and building as collateral and provide a loan at around 40% of the collateral value, while the international MFIs can borrow up to 3 million USD from international funders
Overview of Myanmar MFIs

Breakdown of MFIs operating in Myanmar

- Local company: 67%
- International company: 14%
- JV: 2%
- Local NGO: 14%
- International NGO: 3%

As of November 2017, 173 licensed MFIs are operating in Myanmar, 6 of which are deposit-taking.

The majority of MFIs clients are women, according to anecdotal evidence shared by some MFIs.

As the current regulation is not ideal for MFIs, in 2013 the Myanmar Microfinance Association (MMFA) was created to represent the interests of Myanmar’s MFIs in front of the government.

**MMFA classification of Myanmar MFIs**

**Group 1 (Assets > 10b MMK)**
- 18 MFIs with 81% of all assets
- Solvency Ratio = 52%, ROA = 2.34%, Cost to Income = 59%

**Group 2 (Assets between 1 and 10b MMK)**
- 38 MFIs with 16% of all assets
- Solvency Ratio = 67%, ROA = 1.06%, Cost to Income = 103%

**Group 3 (Assets < 1b MMK)**
- 107 MFIs with 3% of all assets
- Solvency Ratio = 84%, ROA = 0.47%, Cost to Income = 92%
Macro-economic Overview
Regulations

Financial Sector
DFS players

Telecom Sector
Digital Financial Services Landscape
Regulatory framework for DFS providers

Applying for an MFS license

A mobile network operator or non-bank financial institution desirous of engaging in mobile financial services must set up a company “solely for the purpose of carrying out mobile financial services” with a “minimum capital” of MMK 3 billion which must then apply to the Central Bank for a registration certificate to provide mobile financial services. The application requires a no-objection letter from the Ministry of Communication and Information Technology (now: Ministry of Transport and Communications) in case of a mobile network operator and a no-objection letter from the “primary regulator of that entity” (i.e., the Central Bank itself) in case of a non-bank financial institution.

Operations allowed

DFS operations allowed under the current regulation are as follows:
- Disbursement of in-bound foreign remittances
- Cash-in and cash-out (C/I, C/O) using a mobile account through agents, bank branches, ATMs, and mobile operator outlets
- Person-to-business payments (e.g. utility bill payments, merchant payments, MFI loan repayment)
- Business-to-person payments (e.g. salary disbursement, vendor payments, MFI loan disbursement)
- Government-to-person payments (e.g. pension, subsidies)
- Person-to-government payments (e.g. tax)
- Person-to-person payments (transferring funds from one registered mobile account to another registered mobile account).

To date, 8 out of 24 private banks in Myanmar are allowed to offer MFS
Regulatory framework for DFS providers (cont’d)

Distribution network

• The mobile financial service provider may appoint agents (individuals or companies) and must provide comprehensive information with regard to the agents to the Central Bank, e.g. the due diligence policy and procedures for choosing the agent and a risk assessment report.

• Mobile financial service providers are barred from imposing exclusivity clauses on the agent; they are liable for the actions of their agents.

KYC requirements

Tiered KYC system:

• “Level 1” limit for an individual customer: Submission of the national registration card, driver’s license or passport “if necessary”. Cumulative transaction limit per day Ks. 50,000; cumulative transaction limit per month Ks. 1 million; maximum account balance Ks. 200,000.

• “Level 2” limit for an individual customer: Verifying the SIM registration against the mobile network operator’s database or submission of the national registration card, driver’s license or passport. Cumulative transaction limit per day Ks. 200,000; cumulative transaction limit per month Ks. 5 million; maximum account balance Ks. 1 million

• “Level 3” limit for a business customer: Submission of the business registration certificate and identification requirements for opening bank accounts. Cumulative transaction limit per day Ks. 1 million; cumulative transaction limit per month Ks. 50 million; maximum account balance Ks. 10 million

Cash out limit is MMK200,000/day
Overview of DFS players

4 main classifications:

1. Account service provider
   - Wave Money
   - M-Pitesan
   - OK$
   - MMM-Easypay
   - Myantel/Wing
   - TrueMoney

2. Payment infrastructure
   - MyWalletPlus
   - Oojibo
   - MyKyat
   - ONGO
   - MyPay
   - 2C2P
   - MyanPay
   - MPSS
   - Everex

3. Switch
   - CNP

4. Collection network
   - Red dot
WAVE MONEY

- Wave Money is a joint venture between Telenor (51%) and Yoma Bank (49%) and it’s the first player to get a license to offer mobile financial services in the country. Currently, Wave Money is only available to Telenor SIM card holders but it’s planning to open up to other MNOs.

- The main services offered by Wave are cash in and out (C/I and C/O), airtime top-up, and money transfer, which currently happens over the counter (OTC) mainly.

- Wave is also working with UNCDF in the development of a gaming app that is meant to teach women about financial literacy.

- From a marketing perspective, Wave Money is raising awareness through traditional above-the-line campaigns (ATL) via radio, TV ads, and below-the-line marketing efforts (BTL) such as the Yellow Wave road show programme during the launch period to educate and sign up customers.
DFS players
Account Service Provider

**M-PITESAN**

- M-Pitesan is Ooredoo’s mobile money service. It’s 99% owned by Ooredoo, and partners with CB-Bank
- Launched on September 20, 2017, it is available to Ooredoo customers only
- All transactions to M-Pitesan registered customers, including cash in and cash out, are free of charge (for the moment)
- Currently focusing on ATL marketing and OTC operations
- The Chief M-Commerce Officer is Jacques Voogt, one of the architects of the Vodacom M-Pesa service in Tanzania
OK$:
- Oldest Mobile Money service in Myanmar - it was launched in 2012 under the old regulation, and obtained an MFS license on Sept 5, 2017.
- OK$ is a subsidiary of Consumer Goods Myanmar (CGM), a 22-years old FMCG and billboards advertising agency with 44 products in the local market.
- OK$ currently offers airtime top up (Telenor, Ooredoo, MPT), P2P, B2B, and B2P transfers, airtime top ups, Bill pay, Payment for public transport (ferries, bus, trains), travel tickets (intercity buses; partnership with Star Ticket’s online bus ticketing platform), and movies, Salary transfers (no transfer limits for G2P, B2P, or B2B, but P2P transactions are limited by CBM regulation).
- OK$ leverages CGM’s 8,000 distributors as OK$ agents, and claims to have 640,000 registered customers who perform an average of 40,000 transaction daily (this include agents) of an average transaction value of 10,000-30,000 MMK.
- OK$ allows customers to link e-wallets directly to the client’s bank account (claims to be working with every bank in Myanmar), which allows for phone top ups and cash in/cash out.
- Doesn’t charge transaction fees or C/I and C/O fees, but earns money on the interest float, as well as from advertisement.
MYANMA MOBILE MONEY/EASYPAY

- Myanmar Mobile Money (MMM) launched in 2013 under MEC-Tel, which has a joint venture with Viettel (Vietnamese MNO) to be the fourth mobile network operator of Myanmar in 2018.
- MMM offered mobile-based cash in and cash out services and salary disbursements using MEC-Tel agents. MMM was primarily working with the military for salary disbursements.
- MMM and is now partnering with EasyPay to launch an e-wallet/OTC/ e-commerce solution together with Innwa Bank.
- It has 2,800 agents nationwide.
- As a standalone entity, EasyPay, which is owned by MiTel and Creative Web Solutions, offered bill pay; B2B transfers; e-commerce payment; and it authorizes, settles, and manages Direct Debit Bank Accounts for AGD Bank clients.
TRUEMONEY MYANMAR

- TrueMoney Myanmar was launched in 2012 as a branch of TrueMoney, a subsidiary under Ascent Group, a Thai company, sponsored by AliPay. TrueMoney operates in other ASEAN countries, like Thailand, Cambodia, Indonesia and the Philippines.

- TrueMoney Myanmar offers domestic and international remittances, bill pay and airtime top-up. In October 2016 TrueMoney is operating a remittances corridor from 250 sites in Thailand to 681 sites in Myanmar.

- Competitive transfer fees make TrueMoney Myanmar an attractive alternative to Western Union (50 Baht vs 200 Baht).

- TrueMoney Myanmar works with a biometric ID system that uses fingerprints for recognition

- AGD bank works as TrueMoney Myanmar exclusive partner, although the service is offered to other banks as well

- To date, TrueMoney Myanmar features 3,000 agents, which are mostly grocery stores and mom&pop store owners. Only registered, tax-paying businesses can be agents.
Myantel (now Mingalabar Holdings) and Wing

- Myantel (a Singapore-registered Myanmar company) and Wing Cambodia entered a joint venture in April 2017 to provide remittance services for Myanmar migrant workers in Thailand
- The transfer fees are competitive: ~$1, which is less than TrueMoney’s fees ($1.4) and Western Union fees ($5.6)
- Myantel recently rebranded as Mingalabar Holdings
2C2P

Payment service provider operating in Myanmar since 2013, with operations also in Thailand, Singapore (HQ), Malaysia, Indonesia, Laos, Hong Kong, Philippines, Cambodia, Vietnam and the US.

2C2P provides payment processing technology (called Payment Gateway) for Visa, MasterCard, AMEX, JCB, UnionPay, Diners Club, Discover; MCB, KBZ, and all Myanmar airlines; ABC and 1-Stop convenience stores’ e-wallets; and enables MPU’s e-commerce switch

- 123 - an automated online payment service for unbanked customers via OTC payment that works on ATMs, convenience stores, e-commerce and mobile and internet banking apps. 123 has 23,000 payment locations in Myanmar
- Easy Bills - the 2C2P technology for bill pay, and customers can pay bills using their credit or debit cards or their mobile
- QWIK - P2P payment platform made available via Facebook
- Business Payment Card - BCP is dedicated to businesses and allows them to pay suppliers by generating a unique virtual card that linked directly to the real card number, pre-loaded to match the exact amount due to the counterparty
EVEREX

- Everex is a blockchain credit and money transfer platform.
- The first pilot began in September 2016 with over 100 migrant Myanmar workers transferring wages from Thailand to Myanmar using Everex. The total amount transferred was 850,000 THB (eqv. $24,000), with an overall cost to sender of 0.5%. Longest time from fiat to fiat exchange: 1 hour
- The business-wallet technology for migrant workers and tourists is based on Ethereum for crypto-cash (backed by fiat currency in order to avoid volatility from crypto-currencies). Open-sourced two Blockchain tools: Chainy (Proof of existence/content) and Ethplorer (Ethereum token and transaction viewer)
- In August 2017, Everex partnered with Singapore-based microlender Micro Money to digitize MicroMoney’s 400,000 customers loan repayments.
MyPay

- MyPay is a social media-based payment service. Users can cash in and cash out at agent points and
- MyPay partnered with the mobile wallet provider Cellum, as well as MySquar (a mobile app company)
- Through MyPay, users can send money via WeChat, Facebook and Viber. MyPay allows also payments via NFC and QR codes, and represents a potential payment platform for Myanmar users to Western Union, MoneyGram, and Xpress Money
- As of August 2017 the MyPay app was not yet available. Products that will be offered include: P2P transfer to registered MYPAY users, E-commerce, Bill pay, Cash in and cash out
Connectnpay

- Connect’n’pay is a joint venture between Myanmar’s MCC Group and Singapore’s Leo Tech, launched in February 2014 and offers bill pay and tax payment services
- Launched MyWalletPLUS, an app-based payment service for bill payment
- Digitizes government data bases for Myanmar Electric Power Enterprise, MPT, and the local government entity YCDC
- Partnership with CB to access mobile banking customers
- Partnership with AYA to integrate its online, phone, and OTC services with CNP’s network
- Generates 10 million bills each year and reduced billing cycles from 62 to six days
- From May to December 2016, recorded more than 40,000 transactions worth K6.45 billion (about US$4.98 million) on its platform. To make the transactions possible the company had to help digitalize the data bases of state enterprises, such as the Yangon Electricity Supply Corporation.
RED DOT

- Red Dot is an agent network offering airtime top-up and bill pay using a POS, as well as services such as stock management and store operations for merchants.

- They have >14,500 stores working with them nationwide primarily in Yangon, Nay Pyi Taw and Mandalay.

- Retailers have virtual balances of top-up, which deplete as customers buy credit. The terminals print receipts with instructions on how to top up.

- Partnering with Ooredoo to expand their M-Pitesan network of agents.

- Partnering with AYA Bank.
## Additional players (not interviewed)

### 2C2P/MCB: Citizen Card
- Reloadable prepaid card accepted by global MasterCard-accepting merchants
- Launched in January 2015 by 2C2P and Myanmar Citizens Bank
- Targets retail, travel, and tourism sectors
- Mobile app manages transactions with real-time monitoring and online support

### MyWalletPLUS
- App-based payment service, primarily for bill payments
- Launched by CNP

### ONGO
- App-based payment service
- Founded by Ronoc Asia, which operates in frontier markets and the fintech space.

### 663 Mobile Money
- Mobile money provider developed by Myanmar Citizens Bank
- Provides merchant payment, P2P money transfers, bill pay, and cash in/out at agents
- 543 agents in 12 cities

### AGD Pay
- Mobile money application for AGD debit cardholders
- Transfer amounts: min. 100 Ks - max. 10,000,000 Ks; no transfer fees & earn 8.6% interest
- Services: Money transfer, cash out, 24 hour ATM withdrawal, scan QR code and pay

### myKyat
- Mobile money app launched in January 2015 by Frontier Technology Partners and First Private Bank
- Agents: 126 + all First Private Bank branches
- Services: Money transfer, cash-in/-out, phone top up, bill pay

### MyanPay
- Online payment service provider managed by Myanmar Soft-Gate Technology Co., Ltd
- Personal Account allows users to pay for e-commerce, transfer money, and donate online
- Business Account allows the same features as the personal account plus payment services for online business

### OOjiBO
- Singapore startup launched in November 2014; first application in Myanmar, now present in Thailand and Indonesia
- Provides: Money transfer, retail & e-commerce payments, interest bearing accounts, remittance, cash-in/-out, debit/credit card, bill pay, phone top-up
## Payment Service Providers

- In January 2017, CBM authorized four Payment Service Providers to operate domestically without co-batching with MPU in response to PSPs’ requests (not due to a change in policy)
- Electronic payments are at an early stage of development: the first ATM was installed in November 2011 and penetration remains low (<1,700 ATMs nationwide vs. Vietnam’s 17,330 ATMs for 90m population (2016))
- Debit cards were first offered to clients of MPU-member banks in 2012, and credit cards were first offered in early 2015, but only approximately 3,000 point of sale terminals exist country-wide (Vietnam has over 240,000 POS), making credit cards irrelevant and difficult to use

<table>
<thead>
<tr>
<th>Country</th>
<th>Payment Provider</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Myanmar</td>
<td>MPU</td>
<td>Partnerships: AYA, AGD, CB, KBZ, UAB banks</td>
</tr>
<tr>
<td></td>
<td></td>
<td>AYA Bank: JCB-MPU co-brand card (international &amp; domestic use)</td>
</tr>
<tr>
<td>Japan</td>
<td>JCB</td>
<td>AYA Bank: JCB-MPU co-brand card (international &amp; domestic use)</td>
</tr>
<tr>
<td>US</td>
<td>MasterCard</td>
<td>Partnership with CB Bank</td>
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<tr>
<td>China</td>
<td>UnionPay</td>
<td>Debit and credit services to CB Bank</td>
</tr>
<tr>
<td>US</td>
<td>Visa</td>
<td>Partnership with AYA, CB, and KBZ banks</td>
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<tr>
<td></td>
<td></td>
<td>4,000 active acceptance points</td>
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<td></td>
<td></td>
<td>18,000 cards in market</td>
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<td></td>
<td></td>
<td>Max. 70 applications accepted per day</td>
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</tbody>
</table>
### Additional Value Added Service players

<table>
<thead>
<tr>
<th><strong>Miaki</strong></th>
<th><strong>Musoni Software</strong></th>
<th><strong>Oradian</strong></th>
<th><strong>mFino</strong></th>
</tr>
</thead>
</table>
| As a subsidiary of Miaki Bangladesh, Miaki Myanmar offers value added services on cooking recipes, health services, agricultural information, news, etc. via SMS, IVR and call centers | Sister organization of Musoni Microfinance, provides the core banking functionality for microfinance institutions, as well as technology for automated SMS based payment reminders and tablet apps for loan officers | Core banking system designed especially for the microfinance industry. Active in the Philippines, they are now trying to expand into Myanmar | Offers technology solutions for:  
- Payments and commerce,  
- Mobile financial services  
- Digital banking |

<table>
<thead>
<tr>
<th><strong>Next Billion</strong></th>
<th><strong>Koe Koe</strong></th>
</tr>
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<tbody>
<tr>
<td>Next Billion is a social enterprise that provides portable cinema kits to rural agent networks for educational purposes through feature films</td>
<td>Tech company creating VAS targeting primarily health (MayMay is a maternal health app, HMIS is a health management information system, POPO is a search engine for doctors, clinics and labs) and government services (MYANKHON is a service to digitize taxes for the local government)</td>
</tr>
</tbody>
</table>
Macro-economic Overview
Regulations
Financial Sector
International remittances

Telecom Sector
Digital Financial Services Landscape
Financial flows - International remittances

% of Myanmar international migrants by destination

- Thailand: 71%
- Malaysia: 5%
- China: 3%
- Singapore: 3%

REMITTANCES AND THE HUNDI SYSTEM

Myanmar recorded remittances totaled US$ 3.1b in 2014, according to World Bank data. Access to banking services remains constrained by the irregular status of migrants, documentation requirements, and unfamiliarity with services. In spite of the advent of remittance giants like Western Union and MoneyGram, the Myanmar remittances market still remains dominated by the hundi system, which is deemed cheaper, more convenient for those living in rural areas and with more favorable exchange rates.
Informal ways of remitting money - the Hundi system

**THAILAND**

- **Cash Payment**
- **ATM**
- **Bank Branch**

**MYANMAR**

- **Home-delivery**
- **Agency**
- **Bank Branch**

**Sender**

**Recipient**

**STEP 1**
Remittance senders in Thailand transfer money to agents through:
- Payment in cash (delivery or pick-up)
- Deposit into agent’s bank account (via ATM or bank visit)

**STEP 2**
Money is remitted cross-border by agents through:
- Account-to-account transfer
- Border trading
- Cash transport

**STEP 3**
Recipients in Myanmar retrieve money through:
- Home-delivery by agents
- Pick-up from agents
- Pick-up from local bank branch
International remittances in the Mekong region - overview

- Remittance recipients in the Mekong region receive money from Thailand, Malaysia or Singapore.
- In Myanmar, 2.9 million people are recipients of international remittances, the highest number in the region. In Lao PDR and Cambodia there are 0.5m and 0.9m respectively.
- Cumulatively, 4.3 million recipients in Myanmar, Lao PDR and Cambodia receive US$17 billion in formal remittances.
Profile of a typical remittance recipient in Myanmar

- Woman
- Rural
- Married
- +44 years old
- Receives money informally
- Uses money for daily consumption purposes
- Doesn’t save, and if she saves she does so through informal channels
- Doesn’t have access to formal financial services
International remittances players

WESTERN UNION
- Remit money to the following domestic banks:
  - FPB
  - Yoma
  - MOB
  - KBZ
  - GTB

XPRESS MONEY
- MCB
- SMIBD

MONEY GRAM
- MCB
- TFB
- AGD
International remittances players (cont’)

May Bank

Remit money to the following domestic banks:
- KBZ
- CB
- AYA
- AGD
- MEB

IME (International Money Express)

- MCB
- TFB
- AGD

Singapore Post

- TFB
- KBZ
- CB
- AGD
Macro-economic Overview
Regulations
Financial Sector

**Telecom Sector**

Digital Financial Services Landscape
Overview

- Myanmar remains one of the last underdeveloped telecommunication markets in Asia, but this gap is being bridged quickly with a focus on mobile services and exploding growth in that sector. Myanmar’s mobile market has experienced very rapid growth from 2013 to 2017, driven by the entry of 2 new players in the market (Telenor and Ooredoo). This has dramatically increased market competition, driving down cost of voice and data, as well as the cost of SIM cards.

- A new player (Mitel) obtained the license to operate and is expected to enter the market in 2018, further driving a price war among MNOs to gain market share, thereby driving down prices for customers. As the market is close to reaching maturity, a significant slowdown in growth is predicted over the next five years to 2022.

- The fixed broadband market remains highly underdeveloped, mainly due to the dominance of the mobile platform and an unwillingness by operators to invest in fixed broadband infrastructure.

- Mobile broadband has experienced very strong growth over the past few years, driven by rapid growth in the mobile sector. Strong growth is predicted over the next five years, although it will happen at a slower rate due to increasing maturity in the market. The limited footprint of the nation’s fixed line networks and the limited access to PCs has kept fixed broadband penetration low, but created huge demand for data services on smartphones.
Regulation for the telecom sector in Myanmar

- Telecoms in Myanmar are regulated by the Myanmar’s Ministry of Communication and Information Technology (MICT)

- The Telecoms Reform Law of 2013 replaces the Myanmar Wireless Telegraph Act od 1934 and the Myanmar Telegraph Act of 1885 and introduces a new licensing regime for the provision of telecommunication services.

- The objectives of the new licensing regime are as follows:
  - Promote competition and liberalization in the Telecom Sector in Myanmar;
  - Ensure transparency in market entrance;
  - Establish technology and service neutral approach to licensing;
  - Ensure non-discriminatory treatment of similarly situated licensees
## Rights and obligations of licensees

### Licence duration & renewal
- **15 years**
- Regulator shall renew licence on same or substantially similar terms and for same duration, if licensee has substantially complied with all applicable legislation, regulations, rules, decisions and terms & conditions of licence

### Transfer or assignment
- Prior to transferring control, a licensee must apply in writing to the Regulator and obtain prior written approval

### Modification
- Regulator may modify a licence at the request, or with the consent of licensee

### Suspension or termination
- Regulator may suspend or terminate a licence, following an enforcement proceeding, if it determines that the licensee has failed to comply with any duties of the Telecom Law relating to anti-competitive conduct, any decision made by the Regulator involving a dispute resolution

### Surrender
- Licensee may only surrender with the prior written approval of Regulator

### Fees
- Fees shall include initial licence fee, annual regulatory fee, renewal fee & other
- Licensee's failure to pay any fee due to the Regulator within 30 days shall pay interest, retroactively
- Regulator may initiate enforcement action
## Telecommunication services license fees

<table>
<thead>
<tr>
<th></th>
<th>NFS(I) License</th>
<th>NFS(C) License</th>
<th>NS License</th>
<th>AS License</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Application/Registration Fee</strong>*</td>
<td>MMK 10,000,000</td>
<td>MMK 2,500,000</td>
<td>MMK 5,000,000</td>
<td>MMK 2,500,000</td>
</tr>
<tr>
<td><strong>Initial Fee</strong>*</td>
<td>MMK 50,000,000</td>
<td>MMK 12,500,000</td>
<td>MMK 25,000,000</td>
<td>MMK 10,000,000</td>
</tr>
<tr>
<td><strong>Annual Regulatory Fee</strong></td>
<td>2% of relevant revenues</td>
<td>0.5% of relevant revenues</td>
<td>1% of relevant revenues</td>
<td>0.5% of relevant revenues</td>
</tr>
<tr>
<td><strong>Fee to Provide Additional Services</strong></td>
<td>MMK 5,000,000</td>
<td>MMK 1,250,000</td>
<td>MMK 2,500,000</td>
<td>MMK 1,250,000</td>
</tr>
<tr>
<td><strong>Renewal Fee</strong></td>
<td>MMK 50,000,000</td>
<td>MMK 12,500,000</td>
<td>MMK 25,000,000</td>
<td>MMK 10,000,000</td>
</tr>
</tbody>
</table>
# ICT facts

## Mobile phone facts

- 3 MNOs (MPT, Ooredoo, Telenor) + 1 entering the market in 2018 (Mytel)
- Cost of a SIM card went from US$1,500 in 2011 to US$1.5 in 2017
- 50.56m mobile connections, suggesting 93% mobile connections as a percentage of the total population (please note multi-SIM behavior)
- 99% of mobile connections are pre-paid
- 80% of Myanmar phones are smartphones

## Internet facts

- As of January 2017, Myanmar counted 17m internet users, representing 26% of the country’s population
- This suggests that 1 in 4 people in Myanmar is an Internet user
- Internet users in Myanmar increased by 97% in 1 year
- The mobile phone is the main access point to the Internet (70%)
- Fixed broadband is very low in Myanmar and, as such, 55% of mobile connections are used for broadband
Mobile phone subscriptions - Year on year outlook

Number of people (millions)

Telenor and Ooredoo enter the market
Internet penetration - South-East Asia

- Myanmar: 26%
- Laos: 26%
- Vietnam: 53%
- Cambodia: 45%
- Thailand: 67%
- Malaysia: 71%
- Singapore: 82%
- Brunei: 86%
- Indonesia: 51%
- Timor-Leste: 33%

Global Average: 50%
Regional Average: 53%
Internet usage - Year on year outlook

% of the population using internet

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>0.22</td>
</tr>
<tr>
<td>2009</td>
<td>0.22</td>
</tr>
<tr>
<td>2010</td>
<td>0.25</td>
</tr>
<tr>
<td>2011</td>
<td>0.98</td>
</tr>
<tr>
<td>2012</td>
<td>4.00</td>
</tr>
<tr>
<td>2013</td>
<td>8.00</td>
</tr>
<tr>
<td>2014</td>
<td>11.52</td>
</tr>
<tr>
<td>2015</td>
<td>21.73</td>
</tr>
<tr>
<td>2016</td>
<td>25.07</td>
</tr>
</tbody>
</table>
Mobile Network Operators - Overview

4th MNO launching in 2018

- JV between Vietnam’s Viettel and Myanmar’s MECTel (5m subscribers, previously provided CDMA SIM cards for MPT), paid $300m for its 15-year license, launching in 2018
- Targeting rural areas, particularly those inaccessible to Telenor and Ooredoo
- 2G, 3G, and 4G services
- Will create more competition in the market
Mobile Network Operators - MPT

• 23 million subscribers
• 45% market share
• State-owned company, with partnerships with foreign companies such as Sumitomo and KDDI

MPT is Myanmar’s biggest telecom service provider
MPT offers 2G, 3G and limited 4G services
MPT claims 96% country wide coverage

As of October 2017, MPT applied for an MFS license and they plan on launching their DFS in Q1 2018

• MPT seems quite active on Corporate Social Responsibility, regularly organizing tree planting activities, encouraging their staff to donate blood, providing funding for viable water projects throughout the country (“Clean and sustainable water program”)
According to Telenor, one of the company’s main goals is to provide the benefits of mobile communication to as many people as possible, as it will increase opportunities for society’s growth and development.

As such, Telenor works on CSR projects aimed at working with selected partners to develop and scale digital and physical services that have a positive impact on the society.

Telenor’s CSR activities include, but are not limited to, Health, working with Marie Stopes International; Digital Literacy, through the Lighthouse project; Weather and Disaster management, working on the Network Activities Group; and Safe Internet, working on the parental guide promoting a safe use of the internet.

Mobile Network Operators - Telenor

- 19 million subscribers
- 38% market share
- Private company, part of the Telenor Group (Norway)

Telenor is Myanmar’s second biggest telecom service provider

- It offers 2G, 3G and limited 4G services
- Telenor paid <$500m for its 15-year license, began operating in 2014

Together with Yoma, it created the joint venture Wave Money, which obtained in Oct 2016 the MFS license to operate

Wave Money is primarily used OTC and in Yangon
As part of their CSR activities, Ooredoo Myanmar invests in social and economic projects, which are not only a priority for the Myanmar Government but also allow Ooredoo to get closer to their customers. Ooredoo’s CSR activities in Myanmar revolve around 3 areas: education, health and social welfare.

In the realm of health, Ooredoo supports UNOPS, Myanmar Red Cross and Pact.
Macro-economic Overview
Regulations
Financial Sector
Telecom Sector
Digital Financial Services Landscape
Myanmar levels of financial inclusion are amongst the lowest in the region

East Asia & Pacific:
- 69% of adults have an account at a financial institution
- 67% of adults own a credit card while 71% have a debit card
- 71% of adults save money and 36% save at a financial institution

Myanmar:
- 20% of adults have an account at a financial institution
- 17% of adults own a credit card while 29% have a debit card
- 47% of adults save money and 13% save at a financial institution

**DFS in Myanmar - Barriers to uptake**

In spite of the great opportunity for mobile money in Myanmar, there are some systemic- and demand-side barriers slowing down development and uptake of mobile money.

<table>
<thead>
<tr>
<th>SYSTEMIC BARRIERS</th>
<th>DEMAND-SIDE BARRIERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Imperfect regulation</td>
<td>Poor digital and financial literacy</td>
</tr>
<tr>
<td>Poor regulation enforcement</td>
<td>Low levels of trust in financial institutions</td>
</tr>
<tr>
<td>Lack of investments</td>
<td>Lack of awareness and understanding of mobile money</td>
</tr>
</tbody>
</table>
DFS in Myanmar - Systemic barriers

The below is the result of stakeholders interviews and desk research, and represents therefore anecdotal evidence on the current limitations of the regulation on DFS.

<table>
<thead>
<tr>
<th>1</th>
<th>Imperfect regulation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Poor regulation enforcement</td>
</tr>
<tr>
<td>3</td>
<td>Lack of investments</td>
</tr>
</tbody>
</table>

The Mobile Financial Services (MFS) Law came into place in March 2016, highlighting the nascent nature of the Myanmar DFS sector. The law has its limitations: it currently doesn’t allow interoperability and has strict requirements on C/I, C/O and P2P amounts, as well as agent outlets. The law also doesn’t mandate requirements for customer protection, etc.

There is the impression among stakeholders that the MFS law is currently not being enforced effectively, and that not only there are entities that are (or have been) operating without an MFS license, but also the apparent lack of consequences for those service that are breaching the law is cause of concern for many.

More investment to the private sector is required to encourage financial inclusion in Myanmar.
DFS in Myanmar - Demand-side barriers

The below is the result of stakeholders interviews and desk research, and represents therefore anecdotal evidence on the barriers faced by consumers for DFS adoption. More substantial, data-backed information will be available in 2018 from the Financial Inclusion Insights survey.

1. Poor digital and financial literacy

In spite of high levels of smartphone penetration, the majority of people in Myanmar, especially the adult population, is not aware of the many uses and benefits of mobile. Additionally, levels of financial literacy such as saving for unexpected expenses, are quite low. Digital and financial literacy is pivotal to ensure financial inclusion via DFS.

2. Low levels of trust in financial institutions

The demonetization of 2003 led to the closure of 4 banks and to the loss of money for many. As a result, the financial sector in Myanmar currently enjoys low levels of trust from the unbanked population, who prefers resorting to long-standing and traditional ways of remitting money both domestically and internationally, saving, and borrowing.

3. Lack of awareness and understanding of mobile money

For the unbanked to register to and use mobile money, the first, necessary step is to be aware of the available services, and to understand how the service works and how it can be beneficial to them. As such, raising awareness and educating customers about mobile money is crucial to trigger uptake and usage.
The mobile money customer journey

- Being mobile money at a very nascent stage in Myanmar, ensuring awareness and understanding of the concept by customers is pivotal to ensuring uptake and usage.
- This can be achieved by ensuring that the foundations for mobile money are in place - marketing and distribution network. Customers need to be educated on how mobile money works and how it can be beneficial to them.

Areas of focus for Myanmar

- Customer doesn’t know what mobile money is
- Customer has heard of mobile money
- Customer knows what mobile money is for
- Customer has a mobile money account
- Customer has tried mobile money at least once
- Customer habitually uses mobile money
Opportunities for value chain digitization

**MFIs and NGOs disbursements**
- MFIs and NGOs currently disburse cash and collect loan repayments in cash - an inefficient and inconvenient way to operate
- Opportunity for DFS providers to digitize those operations and leverage the MFIs and NGOs client network to raise awareness

**Government payments**
- 95% of adults currently receive their salaries in cash
- Digitizing salary disbursements, tax and school fee payments, and government subsidies would create a more transparent and efficient economy

**Agricultural payments**
- Myanmar’s agricultural sector contributes to 38% of the country’s GDP and employs 60% of its workforce
- Currently, 81% of farmers use cash-based ways of payments
- Opportunity to digitize US$8 billion value per crop cycle of cash-based transactions to a DFS platform

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