



LINCOLN LEGAL SERVICES (MYANMAR) LIMITED

CONVENIENCE TRANSLATION - ACCURACY NOT GUARANTEED

Republic of the Union of Myanmar
Central Bank of Myanmar
Notification No. 7/2020
1381, 5th Waning Day of Tabaung
(13 March 2020)

The Central Bank of Myanmar has issued the following order in exercise of the authority conferred by sections 79 and 121 Central Bank of Myanmar Law and sections 134 (a) and 184 Financial Institutions Law, in order to enable the public to use collection and settlement services on behalf of a seller with confidence and in order for payment operations to be carried out efficiently:

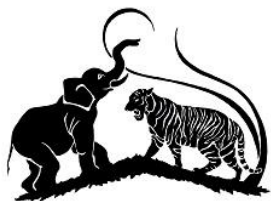
Collection and Settlement Services on Behalf of a Seller (Merchant Acquiring Service) Order

Name, scope of application, and effective date

1. This order shall be known as the “Collection and Settlement Services on Behalf of a Seller (Merchant Acquiring Service) Order”.
2. This order shall apply to all collection and settlement services on behalf of a seller (merchant acquiring service) in Myanmar.
3. Payment businesses (payment scheme) established domestically and abroad shall obtain a license from the Central Bank of Myanmar in accordance with this order if they are to operate payment collection and settlement services on behalf of a seller (merchant acquiring service) in Myanmar.
4. This order shall take effect from the date of its promulgation.

Definitions

5. The following expressions in this order shall have the following meanings:
 - (a) “**License**” means a license to operate payment collection and settlement services on behalf of a seller (merchant acquiring service);
 - (b) “**collection and settlement services on behalf of a seller (merchant acquiring service)**” means a service business that collects and settles payments for goods and services on behalf of a seller through any payment method;
 - (c) “**service provider (acquirer)**” means a service provider that collects and settles payments for goods and services on behalf of a seller through any payment method;



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- (d) “**seller (merchant)**” means a business or individual that/who receives payment for goods and services through any payment method after contact with a service provider (acquirer) from carrying out retail and wholesale transactions;
- (e) “**payment business (payment scheme)**” means a payment arrangement business that includes terms and conditions, procedures and accountability arrangements agreed upon by the service provider (acquirer) and seller (merchant);
- (f) “**bank licensed to deal in foreign currency (licensed authorized dealer bank)**” means a bank that has obtained permission to operate a foreign banking business, including foreign currency business, according to the Foreign Exchange Management Law.

Criteria for license applications

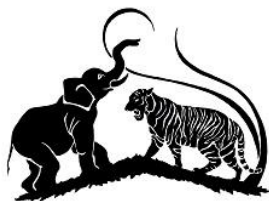
6. A person wishing to carry out collection and settlement services on behalf of a seller (merchant acquiring service) shall apply to the Central Bank of Myanmar for a license with the following documents:
 - (a) Evidence of the company’s establishment as a company established according to the Myanmar Companies Law;
 - (b) the company’s constitution, register of members, and register of directors;
 - (c) location of the business headquarters;
 - (d) tax clearance certificate from the Internal Revenue Department and audited financial statements for two financial years, or, if the business was *[recently]* established, the applicant’s latest bank statement (copy);
 - (e) statement from the members and managers that they have clearance from the relevant departments as to financial offences;
 - (f) state of the technical capacity enabling interoperability with other payment systems;
 - (g) other information and documents requested by the Central Bank.
7. When applying for a license according to section 6, information shall be enclosed regarding the business plan below prepared in advance:
 - (a) Structure of the business and duties and responsibilities of the managers;
 - (b) business plan;



- (c) payment and settlement arrangements (transaction flow and settlement flow), payment business (payment scheme), and security standard for the seller's business data (data security standard);
- (d) information about the payment system used by the service provider (acquirer), including data security standard;
- (e) record-keeping and monitoring techniques to understand and verify their business when accepting the registration of sellers for a payment arrangement business;
- (f) agreement to be concluded with the seller (merchant agreement) and agreement to be concluded with the service provider (payment scheme agreement) (copy);
- (g) matters regarding the allocation of responsibility and accountability between the payment business (payment scheme) service provider (acquirer) and the seller (merchant) involved in the implementation of the service business;
- (h) financial and business risk management plan;
- (i) dispute resolution and complaint handling plans and procedures;
- (j) measures to protect the personal data of sellers and service recipients;
- (k) natural disaster countermeasures and business continuity measures;
- (l) financial and data fraud prevention and control methods and specifications related to the responsibility of those involved (fraud detection control mechanism and liabilities of participants).

Keeping separate accounts for the security deposit and the business

8. The license holder shall keep separate the accounts for the security deposit and for carrying out the business as follows:
- (a) 200 million kyats as security deposit shall be kept in an escrow account in any licensed bank, which may be withdrawn only with the approval of the Central Bank. The license holder shall comply with any instruction from the Central Bank to increase the amount kept in escrow depending on the nature and volume of the business.
 - (b) In case of international payment schemes:
 - (1) A separate foreign currency account shall be opened at a bank licensed to deal in foreign currency (licensed authorized dealer bank).



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- (2) A separate Myanmar kyat account shall be opened at a bank licensed to deal in foreign currency (licensed authorized dealer bank). The money to be received by the seller for the goods and services shall be paid to this account in Myanmar kyats at the market exchange rate on the sales date.
 - (3) Foreign currency received from the payment arrangement business shall be sold at the market rate within six months from the date of receipt in accordance with the instructions of the Central Bank of Myanmar.
- (c) In case of domestic payment schemes:
- A separate Myanmar kyat bank account shall be opened at any licensed bank. The money to be received by the seller for the goods and services shall be paid to this account.

Duties to be performed for the seller

9. The service provider (acquirer) shall do the following:
- (a) shall only perform collection and settlement services on behalf of the seller;
 - (b) shall be responsible for crediting foreign currency received from an overseas payment processor to the acquirer's foreign currency account opened at a bank in Myanmar licensed to deal in foreign currency (licensed authorized dealer bank);
 - (c) shall agree in advance with the seller upon the seller discount rate (merchant discount rate - MDR) and other service fees;
 - (d) shall pay to the seller within two days the price of the goods or services sold, minus the seller discount rate (merchant discount rate - MDR) and other services charges;
 - (e) shall keep the accounts safe. Shall protect the money to be received by the seller so that nobody may obtain it without the seller's permission;
 - (f) shall set a ceiling amount per transaction for each merchant category. Shall submit this determination in advance to the Central Bank and obtain its approval.
 - (g) shall comply with the provisions of the Foreign Exchange Management Law, the Anti-Money Laundering Law, the Counter-Terrorism Law, and the regulations and directives regarding payment;
 - (h) shall display the following information on the acquirer's website or in such a way that the service recipient may easily find the information:



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- (1) Taxes to be paid, including the seller discount rate (merchant discount rate - MDR);
- (2) address, telephone number and email address of the place where complaints of service recipients will be resolved.

Record keeping

10. The license holder shall fully document and maintain the balance, payment, and settlement data of the security deposit account, the foreign currency account and the MMK account opened separately for the business, as well as the seller's data. These records shall be kept for at least 5 years.

Service charges

11. The Central Bank of Myanmar may set maximum service charge rates if necessary to prevent a monopoly in the market and to protect the interests of service users.

Inspection by the Central Bank of Myanmar

12. The Central Bank of Myanmar has the right to supervise and inspect sales and service activities.
13. The service provider (acquirer) shall comply with the directives and terms and conditions [*literally, "regulations and disciplines"*] issued by the Central Bank of Myanmar from time to time.
14. The service provider (acquirer) shall submit the following reports to the accounting department of the Central Bank of Myanmar in the form, time and ways specified by the Central Bank of Myanmar:
 - (a) Audited financial statements (copy) within 3 months after the end of the financial year;
 - (b) payment accounts report (transaction report);
 - (c) report concerning the settlement with sellers (merchant settlement report);
 - (d) report concerning the settlement of the accounts of the payment business (payment scheme settlement report);
 - (e) report of theft, security breach, and system failure that caused network outages of more than 2 hours if all this may have affected the security and performance of the payment platform. (The report shall be submitted to the Central Bank of Myanmar and the Myanmar Computer Emergency Response Team - mmCERT - no later than 3 working days from the date of occurrence);



License renewal and revocation

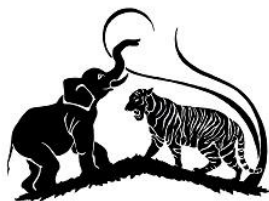
15. The license is valid for 5 years from the date of issue.
16. If the licensee wants to voluntarily terminate the business, he must submit a notice to the Central Bank of Myanmar 3 months in advance.
17. The license holder may apply to the Central Bank of Myanmar to extend the term 3 months before the term expires. If no extension is applied for, the business shall cease from the date on which the license expired.
18. The Central Bank may revoke the license under the following circumstances:
 - (a) No operation within 3 months from the date of issue of licence;
 - (b) misrepresenting company information in the license application;
 - (c) failure to apply to extend the term of the license as specified within the specified period;
 - (d) failure to comply with or violation of the terms and conditions [*literally, "regulations, disciplines"*], orders and directives regarding payment issued by the Central Bank of Myanmar;
 - (e) paying money to be settled with the seller after the specified time has passed, failure to pay such money, fraud and dishonesty.
19. The service provider (acquirer) shall, if his license is revoked or if he terminates his business voluntarily, be responsible for the payment business (payment scheme) until the matters to be paid are settled with the seller (merchant).

Prohibitions

20. No one shall operate collection and settlement services on behalf of a seller (merchant acquiring service) without a license from the Central Bank of Myanmar.
21. Under no circumstances may the service provider (acquirer) withhold (waive or release or abrogate) compensation to be received by the seller and transfer it to another unrelated party.

Failure to comply with *[this]* notification

22. If any of the conditions [*literally, "discipline"*] or procedures in this notification that are to be followed are violated, the Central Bank of Myanmar shall take the following actions in accordance with the laws in force:



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- (a) Warning;
- (b) instruction to promptly correct the points of non-compliance;
- (c) causing payment of a fine;
- (d) passing orders restricting business operations;
- (e) revocation of the license.

On behalf of the Chairman
Bo Bo Nge, Vice Chairman

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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