



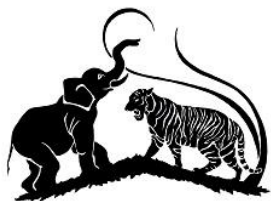
LINCOLN LEGAL SERVICES (MYANMAR) LIMITED

CONVENIENCE TRANSLATION - ACCURACY NOT GUARANTEED

**Republic of the Union of Myanmar
Central Bank of Myanmar
Directive No. 14/2023
1385, 3rd Waxing Day of Nadaw
(15 December 2023)**

The Central Bank of Myanmar has issued this directive exercising the powers conferred by section 184 Financial Institutions Law for non-bank financial institutions to comply with when issuing subordinated debt (“debts that are not in priority order of recovery”).

1. Non-bank financial institutions wishing to issue subordinated debt for financial funding needs shall obtain prior approval from the Central Bank of Myanmar.
2. Non-bank financial institutions shall submit the following particulars when applying for prior approval according to para. 1:
 - (a) Description of the terms and conditions under which the debt is issued;
 - (b) date on which the borrowed monies are received or will be received and their amount;
 - (c) one set of copies of the final versions of the debt information summary and the draft agreement;
 - (d) explanation whether the debt has been issued to another financial institution;
 - (e) statement that the issue pursuant to sub-para. (d) complies with relevant laws, regulations and this directive;
 - (f) total amount of other debt borrowed domestically and abroad;
 - (g) measures to be implemented in order to properly safeguard rights and obligations, including the risk of credit loss (“credit risk”) of the non-bank financial institution that issues subordinated debt;
 - (h) incorporation documents of the company that will invest in subordinated debt and other documents requested by the Central Bank of Myanmar.
3. Non-bank financial institutions shall comply with the following terms and conditions when issuing subordinated debt:



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- (a) May only deal with companies (legal entities) established in accordance with relevant domestic and foreign companies laws;
 - (b) may not be issued directly or indirectly to the public;
 - (c) may not be issued to organisations that include affiliates of non-bank financial institutions;
 - (d) shall be issued within 1 year after obtaining approval from the Central Bank of Myanmar;
 - (e) the value of the debt to be issued shall not exceed 50% of the equity of the non-bank financial institution;
 - (f) the debt (including subordinate debt) to equity ratio shall not exceed 4:1;
 - (g) once the debt is issued, the debt buyer shall pay the issued amount in full;
 - (h) in case of liquidation, the right to recover the debt shall be subordinate to loans payable to a bank and to general creditors;
 - (i) the original loan maturity of the debt shall be at least 5 years, and the debt shall not have a structure (e.g., an increase in the interest rates after a fixed period of time) that may induce the company to redeem or repay the debt early;
 - (j) without approval from the Central Bank of Myanmar, the debt shall not be redeemed or repaid earlier than the original loan maturity date (at least 5 years from the date of original issue);
 - (k) except for liquidation, the debt shall not be redeemed or repaid at the initiative of the investor or lender earlier than the original loan maturity *[date]* which is 5 years from the date of issue;
 - (l) the debt shall comply with the Financial Institutions Law, the Myanmar Companies Law and other relevant legal regulations;
 - (m) the agreement shall include an undertaking that the money that will be invested in the debt is not sourced from money laundering and the financing of terrorism;
 - (n) a share buy back may be done only between the debt issuer and the debt investor. No transfer to a third party.
4. This directive shall come into force from the date of issue.



LINCOLN LEGAL SERVICES (MYANMAR) LIMITED

(Signature)

On behalf of the Governor
Dr. Lin Aung, Vice Governor

Distribution list: *[Omitted]*

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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