

LINCOLN LEGAL SERVICES (MYANMAR) LIMITED

CONVENIENCE TRANSLATION - ACCURACY NOT GUARANTEED

Republic of the Union of Myanmar
Central Bank of Myanmar

Directive No. 1/2024

1385, 12th Waning Day of Pyatho
(6 February 2024)

Agent Banking Directive

The Central Bank of Myanmar, exercising the powers conferred by section 184 Financial Institutions Law, has issued this directive in order to provide comprehensive financial services to persons who do not have access to banking services and to increase overall participation in the financial system by setting a framework for banking services of agents of the relevant bank without compromising the security and integrity of the banking system.

1. This directive shall apply to all banks that will appoint agents.
2. The expressions contained in this directive shall have the meanings set forth in the Financial Institutions Law, and the following expressions shall have the meanings set forth below:
 - (a) “**Agent**” means any commercial organisation that has signed an agency agreement with a bank authorised by the Central Bank of Myanmar to provide banking services on behalf of the bank according to the conditions described in this directive.
 - (b) “**Agent banking services**” means banking services that an agent is able to perform on behalf of a bank authorised according to this directive.
3. The bank:
 - (a) May provide banking services through agents in accordance with the provisions of this directive;
 - (b) shall, in connection with the banking services performed by the agent, establish minimum standards for managing the risk of losses, customer protection, and data and network security;
 - (c) shall integrate the banking operations for which the agent is appointed with the digital banking operations implemented by the Central Bank of Myanmar;



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- (d) shall pay 200,000 kyats service fee per organisation to the Central Bank of Myanmar for appointing an agent.
4. A bank wishing to provide agent banking services shall apply to the Central Bank. When applying, the following information shall be submitted:
- (a) Name of the proposed agent;
 - (b) locations, addresses and phone numbers of the proposed agent;
 - (c) business operations conducted by the proposed agent in the past 2 years prior to submitting the application;
 - (d) agreement (draft) between the bank and the agent to be signed in accordance with this directive and other applicable laws;
 - (e) banking services to be allowed to the agent and service restrictions;
 - (f) confirmation letter from the bank's chief executive officer or senior officer that the bank has evaluated the proposed agent in accordance with the fit-and-proper criteria and the agent meets the conditions in this directive;
 - (g) certificate from any law enforcement organisation that the proposed agent has no criminal record;
 - (h) evidence that the bank paid 200,000 kyats service fee per organisation to the Central Bank of Myanmar for appointing an agent.
5. The bank:
- (a) May, when appointing an agent and applying for the right to conduct banking operations, apply with only one application for collective authorisation for all proposed agents;
 - (b) may apply for authorisation to appoint additional agents once every three months (March, June, September and December).
6. The Central Bank:
- (a) Will notify the authorisation in writing within 3 months from the date of receipt of the completed application;
 - (b) will notify the relevant bank within 3 months that the application is incomplete, stating the requirements;



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- (c) will, if it receives a resubmitted application, after reviewing issue authorisation or, if it is incomplete, reject it.
7. The agent may provide the following banking services as per the agreement between the bank and the agent providing agent banking services:
- (a) Cash deposits and withdrawals;
 - (b) collection on invoices and remittance to the bank;
 - (c) collecting loan repayments and gathering documentary evidence related to loan applications;
 - (d) domestic remittances;
 - (e) disbursing social benefits, such as pensions and assistance provided by the state, and assistance provided by social organisations;
 - (f) *[enabling the]* checking of account balances;
 - (g) being responsible for correspondence services between the bank and customers;
 - (h) banking services as permitted by the Central Bank from time to time.
8. An organisation that will act as an agent shall apply to the bank with the following information:
- (a) Name of the organisation;
 - (b) documentary evidence showing that it has been established in accordance with the relevant laws;
 - (c) information on business operations in the past 2 years prior to applying for the right to act as agent, and license or registration certificate issued by the relevant authority;
 - (d) statement of experience in the financial services industry;
 - (e) financial statements or evidence of tax payment for the past 2 years;
 - (f) business addresses and phone numbers;
 - (g) evidence of financial sufficiency for all activities of the agency business;
 - (h) certificate of completed training on combating money laundering and the financing of terrorism;



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- (i) any other information deemed necessary by the bank.
9. Before applying to the Central Bank for the right to appoint an organisation as an agent, the bank shall have verified and confirmed the following particulars:
- (a) That the proposed agent successfully operated a solid commercial business for the past 2 years prior to the date of the fit-and-proper evaluation;
 - (b) that the proposed agent was not designated a delinquent borrower in the past 2 years prior to the date of the fit-and-proper evaluation;
 - (c) that the proposed agent has the requisite infrastructure and personnel to perform banking services efficiently and safely as the bank's agent.
10. If the proposed agent and its officers, employees and business associates submit false and inaccurate information to the bank, the bank may disqualify them from providing agent banking services.
11. The bank is responsible for ensuring that its appointed agents are aware of and comply with the conditions and requirements in this directive.
12. Prior to appointing an organisation as an agent, the bank shall screen and evaluate the integrity and business expertise of the proposed agent and its officers, employees and business associates.
13. If the bank deems it necessary for the purpose of banking services and business activities in relation to the agent appointed by it according to this directive, it may also screen and evaluate the directors, shareholders, managers and employees of the proposed agent.
14. The bank shall verify the following particulars when evaluating whether its appointed agent is fit and proper:
- (a) Whether there is bad information from credit information or information from other sources that may be used as reference;
 - (b) whether there is a criminal record related to financial fraud, dishonesty or disgrace, etc.;
 - (c) economic or business experience;
 - (d) record of the business activities of the relevant organisation for the past two years;
 - (e) if there has been any violation of any statute, constitution of the organisation, or organisational document or purposes.



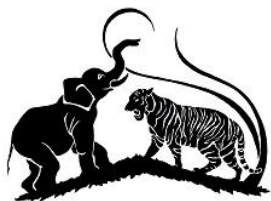
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15. The bank is responsible for gathering accurate information with regard to the proposed agent and shall be accountable to the Central Bank that the information is correct.
16. The bank shall keep the proposed agent's information confidential except for requests from authorities that may, in accordance with the Central Bank Law and other relevant laws in force, request information.
17. The bank shall not allow its appointed agent to engage in the following:
 - (a) Creating, offering, or soliciting any kind of guarantee or commitment that may not be accepted by any organisation or a customer;
 - (b) providing any banking services that are not authorised in the agreement;
 - (c) making any evaluation on the appointed agent's own accord in order to open a bank account, extend a loan, or provide any other service without authorisation of the Central Bank of Myanmar and agreement with the bank;
 - (d) providing deposits and withdrawals by cheque;
 - (e) providing banking services in areas other than the designated areas; appointing another organisation to act on the appointed agent's behalf.
18. The agreement concluded between the bank and the agent shall contain the following information:
 - (a) That, during the performance of banking services or matters connected therewith, the bank is responsible for overseeing the acts and omissions of the agent, and terms and conditions for the agent on potential losses;
 - (b) specified banking services that the agent may perform;
 - (c) the rights, expectations, responsibilities and obligations of the parties to the contract;
 - (d) restrictions, activities that have to be carried out by the customers, cash management, cash security, methods to mitigate the risk of loss associated with the banking services of the agent appointed by the bank, including the security of and the insurance policies for the agent's business premises;
 - (e) compliance requirements for combating money laundering and the financing of terrorism;



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- (f) conditions under which the bank may temporarily suspend the agent from providing banking services or revoke the authorisation as an agent for banking services;
- (g) statement that the agent is obliged to provide documentary evidence of the implementation of the authorised banking services;
- (h) statement that the details or information collected by the agent from the customer, organisation or other sources in relation to agent banking services are only for the bank;
- (i) the bank's enforcement measures to deal with cases where the agent does not comply with specified obligations;
- (j) prohibition to charge any other fees to the customer apart from the bank service fees;
- (k) time limit for the agent to provide banking services;
- (l) limits on the reasonable amount of cash to be held by the agent and on the amount of cash that each customer may pay and accept;
- (m) keeping customer information confidential;
- (n) the agent's benefits;
- (o) statement that the agent shall have a system in place to retain relevant records, information and documents in an orderly and safe manner and transfer them to the bank within the specified period;
- (p) statement that the responsibilities and rights of the employees appointed by the agent will conform with the agreement concluded between the bank and the agent;
- (q) contract renewal, contract termination, and situations in which the agent may terminate the contract;
- (r) statement that the Central Bank may terminate the contract at any time in accordance with the Financial Institutions Law;
- (s) rights and obligations of the agent and the bank in case of termination of the agent contract;
- (t) the bank or bank branch to which the agent is linked for the period during which the banking service agent is appointed;
- (u) condition that the agent shall apply again if it wants to operate in areas other than those authorised by the Central Bank and the bank;



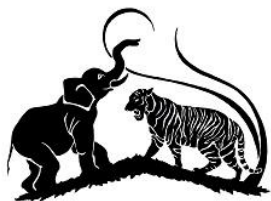
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- (v) other terms and conditions so that the bank and the agent may make agent banking better.
19. If any of the particulars in the agent agreement is breached, or if the agent is found to be compromised in any of the following cases, the bank may cancel or terminate the agreement.
- (a) The agent's primary business is discontinued or its business activities have significantly declined;
 - (b) committing a punishable criminal offence, including financial fraud, dishonesty or misconduct;
 - (c) finding that the agent is unable to compensate for financial losses within 30 days from the date of occurrence;
 - (d) dissolution or closure of the primary business by a court or arbitral tribunal or in any other way;
 - (e) death of the sole proprietor, and him being designated a person of unsound mind according to any law in force;
 - (f) the agent moves and closes the banking business premises on its own accord without the bank's prior written authorisation;
 - (g) the agent is found to have breached any conditions in this directive.
20. If the bank cancels or terminates the agreement related to the performance of agent banking, it shall announce such cancellation or termination for public awareness either through a notice at the locations where the agent banking is conducted, or through a statement on *[its]* website and in state-owned newspapers and in the media.
21. The bank shall conduct all financial operations through its appointed agent in Myanmar kyats only.
22. The bank shall be liable for all of the agent's acts, activities and omissions, and, regardless of the agreement concluded between the bank and the agent, any other activities related to agent banking.
23. The bank shall, for public awareness, state and notify the banking services that the agent may provide on its website, in state-owned newspapers and in the media.
24. The bank shall have effective internal control and monitoring systems in place for the agent's activities.



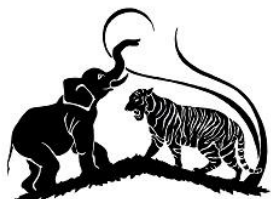
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25. The bank shall, regarding agent banking, have in place information and communication technology systems, and suitable security measures to protect against internal and external threats.
26. The bank shall conduct a risk-based analysis of the agent's banking activities to ensure compliance with laws, regulations, directives and procedures.
27. The bank shall provide the agent with operational guidelines and documents related to the management of the risk of losses so that suitable services may be provided to customers.
28. The bank shall regularly conduct training concerning compliance topics regarding customer determination and identification, information confidentiality, cash security, record keeping, financial education, and combating money laundering and the financing of terrorism, and arrange for agents to attend.
29. The bank shall pay special attention to the risk of loan losses, the risk of operational losses, the risk of losses from legal matters, the risk of liquidity losses, the risk of reputational losses, the risk of losses from [non-] compliance, and the risk of strategic losses, and the bank shall be responsible for the agent's compliance with the laws, rules, orders, directives and procedures for combating money laundering and the financing of terrorism.
30. The bank shall assess the agent's ability to repay debt, and based on this assessment, determine the risk of loss related to the extent to which the agent is authorised to conduct business and the location for conducting agent banking, and determine the authorised cash limits.
31. The bank shall conduct regular field inspections of the business premises of the agent to see whether the terms and conditions in the agent agreement are implemented.
32. The bank shall submit to the Central Bank in a timely manner the matters of relocating, transferring and closing the business of the agent that it authorised to conduct agent banking.
33. The bank is responsible for establishing policies, procedures and directives regarding agent banking that include the following particulars:
 - (a) Ability to select and appoint reliable agents;
 - (b) ability to determine and identify, document and reduce the risk of losses that may materialise regarding agent banking;
 - (c) continuous monitoring of the business activities of the agent so as to comply with the Financial Institutions Law, this directive and the agent agreement;
 - (d) establishment of minimum criteria for selecting agents.



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34. It is the responsibility of the bank's board of directors to ensure compliance with this directive by the bank and the agent appointed by the bank.
35. The bank:
- (a) Shall have policies and procedures in place for a due diligence on the agent to reduce the risks of loss;
 - (b) shall include, in due diligence procedures on the agent, business activities that trigger advance warnings, in order to determine potential agents, conduct a due diligence regularly, and create effective management;
 - (c) shall ensure compliance by the agent assigned and appointed to provide banking services with the regulations, terms, directives and procedures issued by the Central Bank from time to time in relation to matters concerning the combating of money laundering and the financing of terrorism.
36. The agent:
- (a) Shall, regarding customer due diligence, act in accordance with the Directive on Customer Due Diligence Related to Combating Money Laundering and the Financing of Terrorism issued by the Central Bank;
 - (b) shall report to the bank in a timely manner if any suspicious activities are found in the customer's business activities.
37. The bank shall designate the bank branches that will be responsible for controlling, supervising and inspecting the agent in the relevant region.
38. The bank shall publish a list of agents and the agents' business locations on its website and in state-owned newspapers and in the media, and distribute these lists to the agents.
39. The bank shall, in relation to the protection of agents and customers, cause the agent to comply with the following particulars:
- (a) The agent shall, for all activities conducted through the agent, issue evidentiary receipts to the customer, including digital or electronic receipts;
 - (b) when acting as recipient or sender of a document, the agent shall issue or accept a confirmation for all activities;



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- (c) there shall be a communication channel through which the complaints of customers may be sent to the bank, and e-mail addresses, hotlines and post boxes shall be set up to receive and process the complaint;
 - (d) a system to resolve complaints shall be established;
 - (e) customer complaints shall be resolved as soon as possible within 30 days from the date of receipt. A record shall be made of these complaints and how they were resolved;
 - (f) agents and customers shall be informed that their personal identification number (PIN) shall not be stored carelessly.
40. The bank shall cause the agent to display the following for public awareness in a visible place in the business premises:
- (a) Name and trademark of the bank for which the agent acts as banking service agent, and letter of appointment as agent;
 - (b) banking services that may be provided by the agent which the bank appointed to perform banking services;
 - (c) notice that deposits and withdrawals will not be possible if the electronic system malfunctions, and that they will be processed in a timely manner after the malfunction has ended;
 - (d) list of costs or fees to be borne by the customer for each service;
 - (e) phone numbers under which the bank and the agent may be contacted;
 - (f) name, address and phone numbers of the relevant bank branch responsible for the agent.
41. The bank shall submit reports on the agent's agent banking to the Central Bank monthly, and send an annual report and information on the agent banking conducted in the relevant fiscal year to the Central Bank not later than 30 days after the end of each fiscal year.
42. The Central Bank may, according to the Financial Institutions Law, conduct investigations on banks and agents assigned and appointed to conduct banking services and request information or data from them for inspection, conduct field inspections, terminate or cancel the agent contract, close *[the business]*, direct the bank to take remedial measures against the agent's misconduct, and conduct field inspections from time to time of the agent's business premises.



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43. If the bank and the agent providing banking services fail to comply with any of the conditions and terms in this directive, they shall be taken action against according to the Financial Institutions Law.
44. The bank shall allow the agent to provide banking services only during banking hours.
45. This directive shall come into effect from the date of its announcement.

Than Than Swe
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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