

ASEAN+3 BOND MARKET GUIDE

MYANMAR

ASEAN+3 BOND MARKET GUIDE 2018

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6 ADB Avenue, Mandaluyong City, 1550 Metro Manila, Philippines
Tel +63 2 632 4444; Fax +63 2 636 2444
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In this report, international standards for naming conventions—International Organization for Standardization (ISO) 3166 for country codes and ISO 4217 for currency codes—are used to reflect the discussions of the ASEAN+3 Bond Market Forum to promote and support implementation of international standards in financial transactions in the region. ASEAN+3 comprises the Association of Southeast Asian Nations (ASEAN) plus the People’s Republic of China, Japan, and the Republic of Korea.

The economies of ASEAN+3 as defined in ISO 3166 include Brunei Darussalam (BN; BRN); Cambodia (KH; KHM); the People’s Republic of China (CH; CHN); Hong Kong, China (HK; HKG); Indonesia (ID; IDN); Japan (JP; JPN); the Republic of Korea (KR; KOR); the Lao People’s Democratic Republic (LA; LAO); Malaysia (MY; MYS); Myanmar (MM; MMR); the Philippines (PH; PHL); Singapore (SG; SGP); Thailand (TH; THA); and Viet Nam (VN; VNM).

The currencies of ASEAN+3 as defined in ISO 4217 include the Brunei dollar (BND), Cambodian riel (KHR), Chinese renminbi (CNY), Hong Kong dollar (HKD), Indonesian rupiah (IDR), Japanese yen (JPY), Korean won (KRW), Lao kip (LAK), Malaysian ringgit (MYR), Myanmar kyat (MMK), Philippine peso (PHP), Singapore dollar (SGD), Thai baht (THB), and Vietnamese dong (VND).

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Foreword

The Asian Development Bank (ADB) is working closely with the Association of Southeast Asian Nations (ASEAN) and the People's Republic of China, Japan, and the Republic of Korea—collectively known as ASEAN+3—to develop local currency bond markets and facilitate regional bond market integration under the Asian Bond Markets Initiative to strengthen the resilience of the region's financial systems.

Thanks to the efforts of member governments, local currency bond markets in ASEAN, the People's Republic of China, and the Republic of Korea have grown rapidly, with the total outstanding amount of bonds reaching more than USD10 trillion in 2016. Despite this remarkable development, intraregional investment in bond markets has remained subdued. As ADB has estimated that developing Asia will need to invest USD26 trillion from 2016 to 2030 (or USD1.7 trillion per year) in infrastructure for its continued growth, it is critical to mobilize the region's vast savings for the enormous investment needs. As an essential platform for such resource mobilization, the financial markets in ASEAN+3 need to be more harmonized and integrated. Also, the regional efforts should support the developing member countries at early stages of market development.

The ASEAN+3 Bond Market Forum (ABMF) was established with the endorsement of the ASEAN+3 Finance Ministers in 2010 as a common platform to foster the standardization of market practices and harmonization of regulations relating to cross-border bond transactions in the region. As an initial step, ABMF published the ASEAN+3 Bond Market Guide in 2012, which was welcomed as the first official information source offering a comprehensive explanation of the region's bond markets.

Since publication of the ASEAN+3 Bond Market Guide, bond markets in the region have continued to develop. ABMF recognizes the need for revisions to the guide to reflect these changes, though it is never an easy task to keep up with rapid changes in the markets. This report is an outcome of the strong support and kind contributions of ABMF members and experts, particularly from Myanmar. The report should be recognized as a collective good to support bond market development among ASEAN+3 members. It is our hope that the revised ASEAN+3 Bond Market Guide will facilitate further development of the region's bond markets, contribute to increased intraregional bond transactions, and promote efficient allocation of capital within the region.



Yasuyuki Sawada
Chief Economist and Director General
Economic Research and Regional Cooperation Department

Acknowledgments

The ASEAN+3 Bond Market Guide was first published in 2012 as the initial output of Phase 1 of the ASEAN+3 Bond Market Forum (ABMF).¹ In addition to an update of the original 11 jurisdictions' bond markets guides, three new markets were taken up this time. Across the region, economies with nascent domestic bond markets, including Myanmar, have experienced tremendous development over the past 5 years. Now in Phase 3, ABMF would like to share, in the public domain, information on these developments by publishing a Myanmar Bond Market Guide for the first time.

The ABMF Sub-Forum 1 team—comprising Satoru Yamadera (Principal Financial Sector Specialist, Asian Development Bank, Economic Research and Regional Cooperation Department); Kosintr Puongsophol (Financial Sector Specialist, Asian Development Bank, Economic Research and Regional Cooperation Department); and Asian Development Bank consultants Shigehito Inukai and Matthias Schmidt—would like to stress the significance and magnitude of the contributions made by the ABMF national members for Myanmar, Central Bank of Myanmar, and Securities and Exchange Commission of Myanmar. These policy bodies, regulatory authorities, and market institutions generously gave their time for market visit meetings, discussions, and follow-up. They have also reviewed and provided inputs on the draft Myanmar Bond Market Guide over the course of ABMF Phase 3.

This appreciation extends to the market institutions and professional firms who so kindly hosted the team during the original market visit: the Ministry of Planning and Finance of Myanmar, Myanma Economic Bank, the Myanmar Securities Exchange Centre Co., Ltd. (of which parts have become the nucleus of the Yangon Stock Exchange), Nishimura & Asahi Yangon Office, and Win Thin & Associates. They kindly provided answers to the questionnaires prepared by the ADB team and gave valuable comments for their respective market segments. The team is grateful for the continued support from the Daiwa Institute of Research on market developments in Myanmar. The team also would like to express appreciation to Mori Hamada & Matsumoto for their professional legal support.

No part of this report represents the official views or opinions of any institution that participated in this activity as an ABMF member, observer, or expert. The ABMF Sub-Forum 1 team bears sole responsibility for the contents of this report.

January 2018

ASEAN+3 Bond Market Forum

¹ ASEAN+3 refers to the 10 members of the Association of Southeast Asian Nations (ASEAN) plus the People's Republic of China, Japan, and the Republic of Korea.

Abbreviations

ABMF	ASEAN+3 Bond Market Forum
ADB	Asian Development Bank
AMBIF	ASEAN+3 Multi-Currency Bond Issuance Framework
ASEAN	Association of Southeast Asian Nations
ASEAN+3	Association of Southeast Asian Nations plus the People's Republic of China, Japan, and the Republic of Korea
CBM	Central Bank of Myanmar
CMDC	Capital Market Development Committee
DICA	Directorate of Investment and Company Administration
FIL	Financial Institutions Law
IMF	International Monetary Fund
JPX	Japan Exchange Group
MBA	Myanmar Banks Association
MEB	Myanma Economic Bank
MMK	Myanmar kyat (ISO code)
MOFR	Ministry of Finance and Revenue
MOPF	Ministry of Planning and Finance
MSEC	Myanmar Securities Exchange Center
NBFI	non-bank financial institution
OTC	over-the-counter
SECM	Securities and Exchange Commission of Myanmar
SEL	Securities Exchange Law
SER	Securities and Exchange Rules
SF1	Sub-Forum 1 of ABMF
SRO	self-regulatory organization
USD	United States dollar
YSX	Yangon Stock Exchange

USD1 = MMK1,360.00 as of 31 August 2017 (CBM Reference Exchange Rate)

Overview

A. Introduction

The Republic of the Union of Myanmar (hereafter Myanmar) began to emphasize the development of its financial and capital markets in 2008. Much has been achieved since then.

There were a number of significant milestones in the Myanmar financial and capital markets in 2013, including the Central Bank of Myanmar (CBM) gaining its independence by law from the then Ministry of Finance (MOF), and the passage of the Securities Exchange Law (SEL). The SEL (i) laid the foundation for the key legal framework for the securities market, (ii) established the Securities and Exchange Commission of Myanmar (SECM) and the Yangon Stock Exchange (YSX), and (iii) defined market participants and their activities.¹

While no defined corporate bond market existed at the time of publication of this Bond Market Guide, the Government of Myanmar began issuing Treasury bonds (T-bonds) in 1993. CBM has been directly issuing T-bonds to the market—both public and private investors—since December 2009.

Legislative and regulatory efforts are under way to further define, organize, and implement a securities market, its institutions and participants, pursuant to the introduction of the SEL. Based on this law, SECM commenced its work in November 2014. In July 2015, SECM issued the Securities and Exchange Rules (SER) and subsequently released notifications and instructions with further regulations for the securities market.² A complete list of relevant notifications and instructions is provided in Appendix 2.

By arrangement of MOF and SECM, the YSX was successfully opened on 9 December 2015.³ It began its operation in March 2016 with the equity listing of First Myanmar Investment Co., Ltd and had already achieved three listings as of August 2016. The SECM is now driving the development of the bond market through the issuance of rules and notifications, as well as capacity building efforts.

Since 2016, Myanmar has experienced comprehensive revisions of the legal framework for its financial and capital markets, including the replacement of fundamental legislation such as (i) the Myanmar Companies Act, 1914;⁴ (ii) the associated Myanmar Companies Rules, 1940;⁵ and (iii) the Myanmar Investment Law, which was announced on 18 October 2016 and subsequently issued with accompanying rules on 30 March 2017. The Myanmar Investment Law, 2016 became

¹ See <http://secm.gov.mm/wp-content/uploads/2015/12/4.SECM-Law-Latest-version-English.pdf>

² The SER are not yet available in an English version.

³ See <https://ysx-mm.com/>

⁴ See http://www.burmalibrary.org/docs15/1913-Myanmar_Companies_Act_1913-en.pdf

⁵ See http://www.dica.gov.mm/sites/dica.gov.mm/files/document-files/myanmar_companies_rules_1940_eng.pdf

effective on 1 April 2017.⁶ The Union President signed into law the new Financial Institutions Law (FIL) in 2016 to regulate the activities of banks and non-bank financial institutions (NBFIs) in the financial and securities market.⁷ The creation of these new laws was supported by both the Asian Development Bank (ADB) and the World Bank.

The objective has been to bring key legislation in line with current best practices and new developments in financial products and instruments, as well as with the most recent elements of regulatory supervision for various financial institutions and individual market segments, in a harmonized manner.

Subsequent to the introduction of the SEL, policy bodies and regulatory authorities will continue to define additional legislation and regulations according to market needs. These efforts are jointly led by the Ministry of Planning and Finance (MOPF) and the Attorney General's Office.

The Government of Myanmar and the institutions tasked with the development of the securities markets are conscious of the challenges ahead. The establishment of market infrastructure and participating institutions, including the regulatory authorities themselves, require certain skill sets, experience, and specialist knowledge in the relevant domains. Critical tasks are both legal and operational in nature, including technology upgrading and capacity building measures, and strengthening the ability to identify, train, and deploy skilled personnel across the industry, markets, and related regulatory authorities.

The purpose of this Bond Market Guide is to provide an update for current and future domestic, regional, and international market participants on the tremendous developments in the Myanmar securities market.

B. Historical Background

As part of transforming Myanmar from a planned economy to a market-oriented system, the Government of Myanmar started the process of financial market modernization and liberalization in the early 1990s, allowing private sector participation in financial activities. To develop a financial system in line with the market envisaged by the government and to promote the efficiency of financial activities, the Central Bank of Myanmar Law was enacted on 2 July 1990.

In 1996, the Capital Market Study Committee was established by presidential decree, under the then Ministry of Finance and Revenue (MOFR). Following that, the Myanmar Securities Exchange Center (MSEC) was formed as a joint venture company between Myanmar Economic Bank, a state-owned bank, and the Daiwa Institute of Research of Japan, to help develop an organized capital market in Myanmar.⁸ Using this joint venture as a starting point, the establishment of a securities exchange and the development of an over-the-counter (OTC) market were envisaged.

However, due the 1997/98 Asian financial crisis, the development of the securities market stagnated. To refocus on market development, the Capital Market Development Committee was established in 2008 with the approval of the Prime Minister's Office.

⁶ The Myanmar Investment Law, 2016 and its subsequent rules and notifications can be accessed on the Directorate of Investment and Company Administration website at <http://www.dica.gov.mm/en/all-informations>

⁷ See http://www.cbm.gov.mm/sites/default/files/regulate_launders/financial_institutions_law_updated_by_cbm_20160303website-1_0.pdf

⁸ See Government of the Union of Myanmar, Ministry of Finance. Myanmar Economic Bank. <http://www.mof.gov.mm/en/content/myanma-economic-bank>

1. Capital Market Development Committee

With a view to support the long-term capital needs for economic enterprises, companies, and investors, and to efficiently protect investments and contribute to the development and modernization of Myanmar's economy, the Capital Market Development Committee (CMDC) was formed by the then MOFR on 1 July 2008 and led by its minister, with the approval of the Prime Minister's Office. CMDC was assigned to define what became the SEL and to set up what became YSX and other infrastructure needed for developing the capital market. To carry out these objectives and to provide effective and efficient assistance to the committee, six subcommittees were formed on 19 August 2008 (Figure 1.1).

**Figure 1.1: Capital Market Development Committee—
Subcommittee Areas of Responsibility**

1. Development of domestic securities market
2. Encouragement of public companies
3. Enactment of the Securities Exchange Law
4. Establishment of securities companies
5. Training, education, and information on the capital market
6. Accounting and auditing standards for the securities market

Source: Capital Market Development Committee.

The CMDC was assigned to plan for the development of the capital market in line with the Association of Southeast Asian Nations (ASEAN) Capital Market Vision. The CMDC prepared a development roadmap with a precise schedule of itemized tasks and policies to be implemented in three phases from 2008 to 2015.

2. The Myanmar Capital Markets Development Roadmap, 2008

The Myanmar Capital Markets Development Roadmap, 2008 covered various policy items to be implemented, including stipulating the necessary legal framework and establishing regulatory authorities, relevant securities market institutions, and related infrastructure. The three individual phases of the roadmap are shown in Figure 1.2.

The first phase was implemented in 2008–2009 and the second phase in 2010–2012. The third phase began in 2013 and had fundamentally reached completion by the end of 2015. While the initiative to develop the capital and securities market was lauded, its development was slowed by sociopolitical circumstances.

In order to develop efficient market infrastructure and a trading market for government bonds, Myanma Economic Bank (MEB) and MSEC were appointed as Authorised Selling Agents, which are known as “underwriters” in domestic practice, of T-bonds in January 2010.

Beginning in March 2011, the capital market's development accelerated due to Myanmar's improved macroeconomic stability, the government's securing of stable long-term funding sources, and the privatization of state-owned enterprises. These developments coincided with the preparation of the establishment of the ASEAN Economic Community in 2015.

Figure 1.2: Myanmar Capital Market Development Roadmap, 2008

Phase 1 2008– 2009	Diversify Treasury bonds issued by Central Bank of Myanmar.
	Increase number of public companies and issuance of corporate bonds.
	Constitute a committee of development for capital markets.
	Promote and disseminate knowledge of securities through workshops, seminars, business talks, and media.
	Build capacity of local employees in the financial sector.
	Attend international conferences and seminars in ASEAN and other countries.
Phase 2 2010– 2012	Enforce the Securities and Exchange Law.
	Issue municipal bonds.
	Convert state-owned companies to joint-stock corporations.
	Educate institutional investors.
	Establish an industry association for the securities market.
Phase 3 2013– 2015	Establish a stock exchange.
	Diversify methods of securities transaction.

ASEAN = Association of Southeast Asian Nations.
Source: Capital Market Development Committee.

In August 2012, CBM signed a memorandum of understanding with the Government of Japan to establish the SEL and the related regulations necessary for development of a fair and sound capital market in Myanmar, as well as all relevant human resource development.

At the same time, the Asian Bond Markets Initiative, with assistance from the Japan–ASEAN Fund for Technical Assistance and the ASEAN Secretariat, assigned technical assistance for the development of the bond market to the Daiwa Institute of Research. Phase I of the technical assistance was implemented between June 2011 and May 2012. Phase II started implementation in June 2013.

The SEL was approved by the National Assembly in July 2013 and came into force on 2 August 2013, laying the foundation for the establishment of SECM and YSX.

The government is hoping to sell long-term T-bonds, starting with 2-year issuances and moving to 3-year and 5-year bonds. The Treasury Department of the MOPF indicated in early 2016 that discussions would be held on whether insurance firms and pension companies would be able to buy T-bonds.⁹

C. Development of the Legislative Foundation

As stated above, Myanmar's economy is undergoing a rapid transformation, including its financial and capital markets. Since Myanmar is at the beginning stages of the

⁹ See <http://www.mmtimes.com/index.php/business/20811-government-to-tackle-insurance-regulations.html>

development of a domestic bond market, this Bond Market Guide puts additional emphasis on explaining the legislative foundations of the bond market.

Fundamental legislation—in the form of the Myanmar Companies Act, 1914 and the Financial Institutions of Myanmar Law, 1990—has been reviewed and revised to support this transformation (see also Chapter II.C).

In addition to such fundamental legislation, the SEL, enacted on 31 July 2013 as the first key legislation for the securities market, laid the foundation for the legislative framework for the bond market and the securities market at large. The SEL consists of 13 chapters comprising 72 articles (Figure 1.3).

Figure 1.3: Contents of the Securities Exchange Law, 2013

Chapter I:	Title and Definition
Chapter II:	Objectives
Chapter III:	Formation of the Commission and Duties and Powers of the Commission
Chapter IV:	Securities Company
Chapter V:	Licence
Chapter VI:	Issuing Securities
Chapter VII:	Stock Exchange
Chapter VIII:	Over-The-Counter Market
Chapter IX:	Prohibited Acts
Chapter X:	Depository and Clearing of the Securities
Chapter XI:	Appeal
Chapter XII:	Prohibitions and Penalties
Chapter XIII:	Miscellaneous

Source: Securities and Exchange Commission of Myanmar. Securities Exchange Law. <http://secm.gov.mm/wp-content/uploads/2015/12/4.SECM-Law-Latest-version-English.pdf>

As a conduit for the development of the securities market, its institutions, and participants, the SEL was intended to set out the

- establishment of SECM as the main regulatory body to supervise the securities market;
- licenses available for securities businesses (e.g., dealing, brokerage, underwriting, investment advisory, and company representative);
- framework for the establishment of what became YSX;
- establishment of an OTC market;
- establishment of a securities depository and clearing business; and
- prohibited acts in relation to securities trading (e.g., insider trading) and the relevant penalties.

Bonds—like all other securities—used to be required to be issued in physical form. At present, the SEL, in conjunction with the subsequent SER issued by the then MOFR and drawing on the Electronic Transaction Law, 2004, allows for the dematerialization and the implementation of a book-entry system for securities, which has so far been adopted by YSX and is expected to be applicable to corporate bond issuances as well.¹⁰

¹⁰ See http://www.wipo.int/wipolex/en/text.jsp?file_id=244521

Figure 1.4: Contents of the Securities and Exchange Rules, 2015

Chapter I:	Title and Definition
Chapter II:	The Commission
Chapter III:	Securities Company
Chapter IV:	Licence
Chapter V:	Securities Issuing
Chapter VI:	Continuous Disclosure
Chapter VII:	Stock Exchange
Chapter VIII:	Over-The-Counter Market
Chapter IX:	Prohibited Acts
Chapter X:	Appeal
Chapter XI:	Penalties
Chapter XII:	Miscellaneous

Source: Securities and Exchange Commission of Myanmar.

In turn, the SER contain the detailed provisions for the key objectives listed in its 12 chapters and 198 articles (Figure 1.4). The SER are presently not yet available in an English version. For further details on the legal framework of the bond market in Myanmar, please also refer to Chapter II.C.

D. Bond Issuance

The Government of Myanmar has been issuing bonds since 1993. Under the previous Central Bank Law, 1990, government bonds were sold by CBM directly into the market—comprising both public and private investors. Since 2010, CBM has designated two financial institutions, Myanma Economic Bank and MSEC, to sell T-bonds to financial and nonfinancial institutions, and to private investors. CBM itself continued to sell T-bonds to financial institutions until the introduction of competitive auctions in September 2016 (see Chapters III and IV).

As one means toward bond market development in Myanmar, the CBM began issuing 2-year government T-bonds in fiscal year 2010/11;¹¹ since then, 2-year T-bonds have been issued together with regular 3-year and 5-year T-bond issues. Table 1.1 provides an overview of recent issuances prior to the introduction of the auction concept.

Table 1.1: Total Sales of Government Treasury Bonds Non-Auction (MMK million)

Issuance Timeframe	2-Year Government Treasury Bonds	3-Year Government Treasury Bonds	5-Year Government Treasury Bonds	Total Government Treasury Bonds
April 2013–March 2014	436,487	154,225	594,028	1,184,740
April 2014–March 2015	79,775	68,162	276,626	424,563
April 2015–March 2016	285,815	310,913	212,489	809,217
Total	802,077	533,300	1,083,143	2,418,520

Source: Central Bank of Myanmar.

¹¹ The Government of Myanmar's fiscal year runs from 1 April to 31 March.

With the introduction of competitive auctions, CBM started selling T-bonds to auction participants only, in accordance with the newly established auction procedures.

**Table 1.2: Total Sales of Government Treasury Bonds at Auction
(MMK million)**

Issuance Timeframe	9.0%	9.25%	9.5%	Total Government Treasury Bonds
April 2016–March 2017	320,000	719,670	160,000	1,199,670
Total	320,000	719,670	160,000	1,199,670

Source: Central Bank of Myanmar.

E. Cooperation within the ASEAN Framework

SECM has studied the handling of corporate bonds in other ASEAN member countries. SECM is also expected to sign a memorandum of understanding with the Securities and Exchange Commission, Thailand on the exchange of information on securities market practices.

Legal and Regulatory Framework

A. Legal Tradition

Myanmar inherited the British law tradition mainly through its historical connections with India. A number of the basic elements of legislation remain in force. These elements are gradually being replaced by modern laws in line with the country's development needs. Please see section C for details on these developments.

B. English Translation

As an official government policy, all laws signed by the Union President are to be translated into an official English version. The translation is undertaken by the Attorney General's Office and may not always be available at the time the law is promulgated.

At present, regulations, rules, notifications, and directives are not required to officially be translated into English. But due to their significance in the context of the legal framework, the market does greatly benefit from unofficial translations into English, as and when they are provided. As such, an unofficial translation of the SER is highly anticipated.

As far as the use of typical English technical terms in the context of the securities market is concerned, the recently issued laws (see section C for details) are using terms comparable to international markets. The same usage is expected to flow through to the unofficial translations of rules and regulations that are issued pursuant to these laws, and these terms are also expected to be introduced in future legislation and regulations.

YSX publishes its regulations, manuals, and guidelines predominantly in English; certain documents are only published in English. It also carries laws, rules, and notifications from SECM on its website in the Myanmar language and in English, if so available.¹³

C. Legislative Structure

Like most ASEAN+3 economies, Myanmar features a multitiered legislative structure to govern the financial and capital markets, as detailed below. The Constitution of the Republic of the Union of Myanmar, in its current form drafted in 2008, is the supreme law of Myanmar.

¹³ See <http://www.ysx-mm.com>

- [1st tier] Constitution of the Republic of the Union of Myanmar
 [2nd tier] Fundamental legislation and key legislation for the securities market
 [3rd tier] Rules pursuant to relevant laws
 [4th tier] Regulations, notifications, instructions, and similar issuances from ministries or regulatory authorities
 [5th tier] Instructions and announcements

Table 2.1 applies the relevant legislation to the individual tiers of the legislative structure for the securities market.

Table 2.1: Examples of Securities Market Legislation by Legislative Tier

Legislative Tier	Content or Significant Examples
Constitution of the Republic of the Union of Myanmar, 2008	Principles, Rights, and Obligations
Fundamental legislation (laws) and key legislation (laws) for the securities market	<ul style="list-style-type: none"> • Myanmar Companies Act, 1914 • New Myanmar Company Law, 2017 • Financial Institutions Law, 2016 (No. 20/2016) • Government Securities Act, 1920 • Union Budget Laws (for each fiscal year) • Securities Exchange Law, 2013
Rules	<ul style="list-style-type: none"> • Securities and Exchange Rules, 2015
Regulations, notifications, instructions and similar issuances (directives and orders from ministries or regulatory authorities)	<ul style="list-style-type: none"> • SECM Notification on Prospectus for Public Offers • SECM Notification on Business Time of Securities Companies and the Fee of Securities Brokerage Business (3/2015) • SECM Notification Announcement of Continuous Disclosure (1/2016) • YSX Trading Participant Business Regulations • YSX Securities Listing Business Regulations
Instructions and announcements	<ul style="list-style-type: none"> • SECM Instruction on Use of Prospectus Format for Public Offering (5/2016)

SECM = Securities and Exchange Commission of Myanmar, YSX = Yangon Stock Exchange.

^a See <http://secm.gov.mm/wp-content/uploads/2015/12/150914-IPO-Notification-2.pdf>

^b See <http://secm.gov.mm/wp-content/uploads/2015/12/Continuous-Disclosure-E.pdf>

Source: Compiled by ADB consultants for SF1 and based on publicly available information.

Fundamental legislation consists of basic laws that may govern the issuance of specific instruments and the basic roles and responsibilities of financial and securities market participants. These laws are reviewed and updated through the full legislative process and must be debated and passed by Parliament before being signed by the Union President.

Key legislation is the summary term for those laws specifically aimed at a particular market, such as the bond market, or the securities market at large. These laws establish and govern bond or securities markets and market segments, their institutions and participants, and the manner in which they are able to interact. Similar to fundamental legislation, these laws are passed by Parliament and signed by the Union President before taking effect.

While rules that support key legislation are issued by the respective ministry, here the MOPF, rules need to be approved by the Cabinet before they are signed by the relevant minister and promulgated in the market. SECM, as the government body charged with the overall day-to-day supervision and governance of the securities market, issues such rules. These rules interpret aspects from key legislation and elaborate on the roles and responsibilities of market institutions and their participants.

Additional regulations and notifications may be issued by MOPF, CBM, SECM, and YSX for the market segments or activities under their respective purviews. These directives and other statements contain descriptions on how regulations and rules should be applied and specific market activities carried out.

1. Fundamental Legislation

The fundamental legislation for the Myanmar bond market has traditionally consisted of the Myanmar Companies Act, 1914 and the Financial Institutions of Myanmar Law, 1990. Together, these laws formed the basic legal framework for the securities market and its components until passage of the Securities Exchange Law in July 2013.

At the same time, with the help of the World Bank, CBM began the process of adapting the Financial Institutions of Myanmar Law, 1990 to the requirements of modern banking and the corresponding prescriptions of the new supervision regime, adequate roles and responsibilities of the financial institutions, and comprehensive descriptions of financial products and instruments. The result was the new FIL, which was promulgated in January 2016.¹⁴

In turn, the then Ministry of National Planning and Economic Development, which was later subsumed into the MOPF, began to review and rewrite, with technical assistance provided by ADB, the relevant corporate legislation in accordance with the needs of a modern economy, leading to a final draft version of a new companies law in 2016 and proposed Companies Rules.¹⁵ The New Myanmar Company Law was eventually enacted by Parliament on 6 December 2017 but will be enforced effective 1 August 2018.

To improve Myanmar's investment regime, the new Myanmar Investment Law, 2016, which merged with and replaced the Myanmar Foreign Investment Law, 2012 and the Myanmar Citizens Investment Law, 2013, was issued on 18 October 2016 and took effect in April 2017.

Myanmar Companies Act, 1914 (revised by Act XIII, 1955)

The Myanmar Companies Act, 1914 was designed for an economy and markets in another era. Its last major revisions occurred through Act XIII in 1955, with smaller updates in 1989 and 1991. However, after the promulgation of the New Myanmar Company Law, effective in August 2018, this act will be repealed. The act contains a number of basic provisions on securities and their issuance, including mentions of debentures and other relevant elements of today's securities markets.

These provisions are detailed below for easy reference.

¹⁴ See

http://www.cbm.gov.mm/sites/default/files/regulate_launder/financial_institutions_law_updated_by_cbm_20160303website-1_0.pdf

¹⁵ An unofficial translation of the New Myanmar Company Law (in its draft form before enactment) can be accessed on the Directorate of Investment and Company Administration website at http://www.dica.gov.mm/sites/dica.gov.mm/files/document-files/mcl_english_version_mpf_comments_oct_2016_clean.pdf

Part I: Preliminary—Definitions

S2 (4) mentions “debenture,” including debenture stock.

S2 (14) mentions a definition of prospectus.

S2 (16) includes a definition of share(s).

Part IV: Management and Administration—Prospectus Section (Article 92–100)

S92 contains provisions and reference to debentures and underwriters.

S92 stipulates only the issuing and filing of a prospectus.

S93 (1A) refers to additional disclosure requirements (no detailed requirements).

S96 (b) suggests securities can be privately placed without a prospectus: “It shall be lawful, in case, if it is shown that the form of application was issued without a prospectus in relation to shares or debentures which were not offered to the public.”

S98A states that every document indicating an offer for sale to the public will be deemed a prospectus.

S108 references the need to issue certificates, including for debentures.

S126 (and subsequent articles) contains specific provisions for the issue of debentures.

The provisions for the subscription of company issues appear to refer to both shares and bonds. Other provisions, in Part V of the Companies Act, are concerned with the winding up of companies and contain comprehensive bankruptcy and insolvency prescriptions.

In addition, Part XA of the Companies Act features specific provisions for “Banking Companies.” From Article 277F onward, Banking Companies are identified as those in the business of, for example, issuing debentures and bonds, and conducting the promotion and underwriting of securities both in public and private forms. These provisions have since been replaced with the relevant prescriptions for banks and NBFIs, as well as other securities market participants, in the FIL (see next section) and the SEL (see section 2), respectively.

Financial Institutions Law, 2016

The FIL was enacted as Law No. 20/2016 on 25 January 2016, replacing the previous Financial Institutions of Myanmar Law, 1990.¹⁶ The enactment of the FIL helped clarify the licensing of and activities to be carried out by banks and NBFIs in the Myanmar capital market.

Under Section 52 (Permissible Banking Activities) of the FIL, commercial banks are permitted to engage in trading, for their own account or for the accounts of customers, in money market instruments such as cheques, bills, and certificates of deposit;

¹⁶ The text of the FIL is available at http://www.cbm.gov.mm/sites/default/files/regulate_launders/financial_institutions_law_updated_by_cbm_20160303website-1_0.pdf

foreign exchange; currency forward and spot contracts; swaps and exchange and interest-rate instruments; and transferable securities. Commercial banks may also provide corporate advisory services, portfolio management and advice, and trustee services, as well as perform safe custody services.

Through a separately incorporated subsidiary, a bank may also engage in securities brokerage. However, this separate entity would be subject to licensing and supervision by SECM, under the SEL and relevant regulations.

2. Key Legislation for the Bond Market

The key legislation for the bond market in Myanmar is represented by the Government Securities Act and the SEL for the issuance of government and corporate debt securities, respectively.

Government Securities Act, 1920

The principal basis for the issuance of government securities is the Government Securities Act, dating to 1920, established under the previous legal tradition. However, this law has not been actively used by the government for many years.¹⁷

Union Budget Laws (for each fiscal year)

Instead, the actual issuance of government securities is anchored in the Union Budget Law for the respective fiscal year, which regulates government debt, the type of securities to be issued, and their proportion to each other and the overall budget. The most recent provisions are contained in the Union Budget Law, 2017 for fiscal year 2017/18.

Securities Exchange Law, 2013

On 30 July 2013, the Union President signed the new SEL. The SEL was enacted to establish and regulate the securities market in Myanmar at large and its specific market segments.¹⁸

The SEL contains provisions to establish SECM and describe its roles and responsibilities, licensing for market participants, and sets the basic parameters for a vertically integrated exchange market and an OTC market, both of which were defined in greater detail in subsequent regulations.

The law does not contain specific provisions for bonds or their issuance but does list a number of debt instruments in its articles; the debt instruments mentioned also include government securities.

The law does not contain descriptions of disclosure requirements or rules regarding distinctions between public offers and private placements.

There are no specific rules regarding a private placement other than those in the Companies Act and New Myanmar Company Law. Generally, the issue of securities not offered to the public is regarded as a private placement.

¹⁷ Government of the Union of Myanmar. 1920. *Government Securities Act*. http://www.myanmarconstitutionaltribunal.org.mm/lawdatabase/sites/default/files/myanmar_code/2016/03/10-1920%20The%20Government%20Securities%20Act..pdf

¹⁸ See <http://secm.gov.mm/wp-content/uploads/2015/12/4.SECM-Law-Latest-version-English.pdf>

3. Rules

Key among the rules that were issued pursuant to key legislation are the SER published by the then MOF in July 2015.

4. Regulations, Notifications, Instructions, and Other Directives

Regulations, notifications, instructions, and other such directives are issued by SECM and other regulatory authorities or market institutions for the markets and participants under their purview. SECM issues notifications on specific topics to interpret and complement the SEL and the SER. At the same time, SECM uses notifications to fill in details that are only generally referenced in the law and rules. This can range from prescribing the business hours for securities market participants to comprehensive provisions on disclosure requirements or documents.

YSX issues regulations governing listing, trading, and post-trade activities on its securities market and for post-trade activities. YSX regulations, which are available in English and can be downloaded from the YSX website, are further referenced in the appropriate chapters and sections in this Bond Market Guide.¹⁹

D. Myanmar Bond Market Regulatory Structure

The key policy body for legislation, regulations, and the development of the financial and capital markets, and the securities and bond market at large, is the MOPF.²⁰ In addition, the recently established SECM is the key regulatory authority for the securities and bond market, while CBM governs banks and NBFIs as securities and bond market participants. The Directorate of Investment and Company Administration (DICA) is the corporate regulator and plays a significant role in admitting nonresident investors to the capital market in Myanmar and in policing their activities.

1. Ministry of Planning and Finance

Renamed on 30 March 2016 as a result of the combination of the then MOFR and the Ministry of National Planning and Economic Development, MOPF has been the main body responsible for the administration of finances of the central government and for all economic and financial matters affecting the country.

MOPF created and now supervises SECM, and remains the key policy body for legislation and the development of the bond market and the securities market at large. MOPF also houses the Treasury Department, which acts as the issuer of government securities, and the Debt Management Office, which is concerned with the administration of the outstanding government securities.

For the roles and responsibilities of MOPF in the context of the issuance of government securities, please see Chapter III.

2. Central Bank of Myanmar

With its separation from the then MOF, CBM became an independent central bank with the signing of the Central Bank of Myanmar Law by the Union President on 11 July 2013.²¹ CBM conducts monetary policy and pursues economic stabilization under its new mandate. The governor of CBM has the rank of minister in the Cabinet.

¹⁹ See <https://ysx-mm.com/en/regulations/ysxregulations/>

²⁰ See <http://www.mof.gov.mm/>

²¹ An unofficial translation is available at

http://www.cbm.gov.mm/sites/default/files/cbm_law_unofficial_translation_29-7-2013_1.pdf

In the context of the financial markets, CBM supervises banks and NBFIs across their activities. CBM administers the FIL, which was enacted in January 2016, and defines the roles, functions, and permitted activities of banks and NBFIs in Myanmar vis-à-vis the SEL and the governance of the securities market by SECM (see also section C.1 in this chapter).²²

With regard to the securities market, in addition to the powers provided in the Central Bank of Myanmar Law, CBM has the power under Section 134 of the FIL to regulate and supervise; monitor payment, clearing, and settlement systems; and provide for the settlement of securities in accounts maintained at CBM. Section 135 further stipulates that CBM may establish, operate, organize, promote, participate, and assist in the establishment, operation, organization, and promotion of, as well as regulate and supervise

- i. any system for the clearing and settlement of payments, and other arrangements for the making or exchange of payments in domestic or foreign currencies;
- ii. any system for the clearing and settlement of securities and other arrangements for the exchange of securities; and
- iii. any system to facilitate clearing and settlement, including other arrangements for the making or exchange of payments or the exchange of securities in any currency against other payments or securities in another currency.

For the roles and responsibilities of CBM in the context of the issuance, trading, and settling of government securities, please see the relevant parts of Chapters III and IV.

3. Securities and Exchange Commission of Myanmar

The SEL prescribed the establishment of SECM under the governance of the then MOF.

Pursuant to Chapter 3, Article 4 of the SEL, SECM was formed through Notification No. 64/2014 issued by the Government of Myanmar on 19 August 2014.²³ SECM has seven members and is chaired by the deputy minister of the Ministry of Planning and Finance. SECM's vision is stated as being "[t]owards a dynamic and regulated Myanmar securities market, developing together with the world's." It sees its mission as "maintain[ing] a fair, secured, liquid securities market raising and protecting the investors and the national economy." Since being established, SECM has initiated the formation of laws, rules, notifications, and announcements on securities companies, listed public companies, and YSX.

In its work, SECM is assisted by the Office of the Securities and Exchange Commission (SECM Office), which functions as its executive body. The SECM Office officially started operation on 24 February 2015 and comprises the following departments under the leadership of the Director General, who also acts as secretary of SECM, and the Deputy Director General:

- Administration,
- Development and Policy,
- Market Oversight and Supervision, and
- Market Surveillance.

²² The text of FIL is available at http://www.cbm.gov.mm/sites/default/files/regulate_launders/financial_institutions_law_updated_by_cbm_20160303website-1_0.pdf

²³ Information adapted from SECM website is available at <http://secm.gov.mm/en/securities-and-exchange-commission-of-myanmar/>

The SECM Office had a staff of 15 at its inception; this had risen to 59 by the end of August 2017.

SECM maintains relationships with the Japan Financial Services Agency and Japan International Cooperation Agency, as well as with ADB and the Asian Bond Markets Initiative for support and technical assistance on capital and bond market development activities. SECM is also expected to sign memorandums of understanding with the International Finance Corporation and with the Securities and Exchange Commission of Thailand as part of its capacity building efforts.

The duties and responsibilities of SECM Office include the following:

- i. issue securities business license;
- ii. issue permit of stock exchange;
- iii. grant a permit of the OTC market for trading unlisted securities;
- iv. submit necessary advice to the Government of Myanmar on matters relating to the securities business;
- v. supervise the securities business and carry out inquiries and inspections;
- vi. supervise the following organizations and persons in accordance with the relevant Myanmar accounting standards:
 - a) public companies;
 - b) securities companies;
 - c) OTC market;
 - d) stock exchange;
 - e) persons carrying out or who have carried out as responsible persons, members, staff, and agents of any public company, securities company, OTC market, or stock exchange; and
 - f) license-holder or lawyer, auditor, and agent of such license-holder;
- vii. carry out research and development for the securities business and communicate with organizations in other countries that supervise the securities business, and the businesses, departments, and organizations related to such organizations, to make the securities business in Myanmar compatible to international standards; and
- viii. carry out other functions and duties assigned by the Government of Myanmar.

As prescribed in Section 23 of the SEL, SECM can issue specific business licenses for the following types of securities market participants:

- i. securities dealing business license,
- ii. securities brokerage business license,
- iii. securities underwriting business license,
- iv. securities investment advisory business license,
- v. securities company representative business license, and
- vi. securities business license prescribed by notification issued by SECM.

Under further provisions, SECM may also issue other business licenses at its discretion. More detailed definitions of these types of licenses, the institutions that may apply for them, and the application requirements themselves are contained in the SER, issued on 27 July 2015, which at present are only available in the Myanmar language.

At this stage of development of the Myanmar capital market, SECM activities focus on

- i. increasing the number of listed companies and encouraging these public companies to raise more capital;
- ii. encouraging more investors to participate in the capital market;
- iii. issuing securities business licenses to more securities companies;
- iv. establishing the examination for securities business representative licenses for employees of securities companies;
- v. scrutinizing and approving prospectuses for listed companies wanting to issue shares; and
- vi. educating the public, increasing knowledge of the stock exchange and the securities market at large, and creating awareness of capital market development.

The objective of SECM is to establish a fair, efficient, liquid, and transparent trading system in Myanmar.

4. Directorate of Investment and Company Administration

DICA, now under the MOPF, is the corporate regulator. DICA was established on 13 October 1993. It administers and revises the Myanmar Companies Act, and serves as the government agency acting as the single point of contact for foreign direct investment-related matters. Foreign and domestic companies in Myanmar need to obtain approval from the Myanmar Investment Commission of DICA to start a business. DICA also sets and administers the rules for foreign investment in Myanmar.

5. Yangon Stock Exchange

YSX was incorporated and registered by DICA in December 2014 and received its license for stock exchange activities from SECM in April 2015, pursuant to the provisions in Chapter VI (Stock Exchange) of the Law on Securities. YSX held its opening ceremony on 9 December 2015 and commenced listing and trading activities on 25 March 2016. YSX is a joint venture between MEB, the Daiwa Institute of Research, and the Japan Exchange Group.

Under the stock exchange license, YSX issues regulations on the listing, trading, and post-trade activities on its market, and governs its members and participants. YSX is considered a self-regulatory organization (SRO) and is supervised by SECM.

For detailed information on the regulations issued by YSX and its functions as an exchange market, please refer to Chapter IV and other relevant sections in this chapter.

E. Regulatory Framework for Debt Securities

Article 5 (a) (ii) (A) and (B) of the New Myanmar Company Law stipulates that a company has the power to issue or offer for subscription debentures. This ability is augmented by the provisions for securities issuance in the SEL and the detailed prescriptions on the process and requirements in the SER.

The issuance of debt securities, which is presently only in the form of public offers, is subject to SECM approval, while CBM may stipulate certain requirements specific to banks and NBFIs as issuers of debt securities only. Foreign investors need to obtain approval for market access from DICA and this access is expected to be further specified in upcoming regulations, while nonresident issuers are not yet able to participate in the Myanmar bond market.

In the event that a listing of securities is planned, YSX needs to review and approve the listing application based on its Securities Listing Business Regulations and other applicable prescriptions. The listing of debt securities is expected to be added to these regulations in future.

F. Debt Securities Issuance Regulatory Processes

All issuances of securities require an approval from SECM. At present, the issuance of securities in Myanmar is only possible via a public offering, pursuant to the general provisions for securities issuance in the SEL and SER. Provisions for private placements are not yet contained in key legislation or applicable rules and regulations.

At the time of completing this Bond Market Guide, the first priority for SECM was to establish a secondary market in government securities, which is to be followed by the establishment of a framework for the issuance and trading of corporate bonds and notes. This chapter will be updated in line with such developments occurring.

At this point in time, securities may only be issued in Myanmar kyat.

While there are no specific distinctions made in legislation or regulations between domestic and nonresident (foreign) issuers, at present only domestic issuers are able to issue securities.

A subsequent listing of bonds and notes on YSX would be subject to a separate listing approval.

1. Regulatory Processes by Issuer Type

Table 2.2 provides an overview of these regulatory processes by issuer type and identifies which regulatory authority or market institution will be involved. In order to make the issuance processes by issuer type more comparable across ASEAN+3 markets, the table features common issuer type distinctions that are evident in regional markets. Not all markets will distinguish all such issuer types or prescribe approvals. Sovereign issuers are typically exempt from corporate issuance approvals but, at the same time, may be subject to different regulatory processes.

At present, all regulatory processes are geared toward the issuance of securities via public offers. In the absence of a framework for corporate bond issuance, CBM does not approve the issuance of bonds and notes by banks and NBFIs under its governance.

Nonresident issuers are not (yet) able to issue bonds and notes in Myanmar, regardless of issuance currency. This is expected to change through legislation and regulations in the near future.

Table 2.2: Authorities Involved in Regulatory Processes by Issuer Type

Type of Issuer	SECM	CBM	YSX (listing only)
Resident issuer			
Resident nonfinancial institution	X		X
Resident financial institution	X	1	X
Resident issuing FCY-denominated bonds and notes	X	2	X
Nonresident issuer			
Nonresident nonfinancial institution	n.a.	n.a.	n.a.
Nonresident financial institution	n.a.	n.a.	n.a.
Nonresident issuing FCY-denominated bonds and notes	n.a.	n.a.	n.a.

CBM = Central Bank of Myanmar, FCY = foreign currency, n.a. = not applicable, SECM = Securities and Exchange Commission of Myanmar, YSX = Yangon Stock Exchange.

Notes: X indicates approval is required. 1 indicates that CBM approval may be required for issuers under its supervision once corporate bond framework has been established. 2 indicates that CBM approval may be required once issuance of bonds in foreign currency permitted.

Source: ADB consultants for SF1.

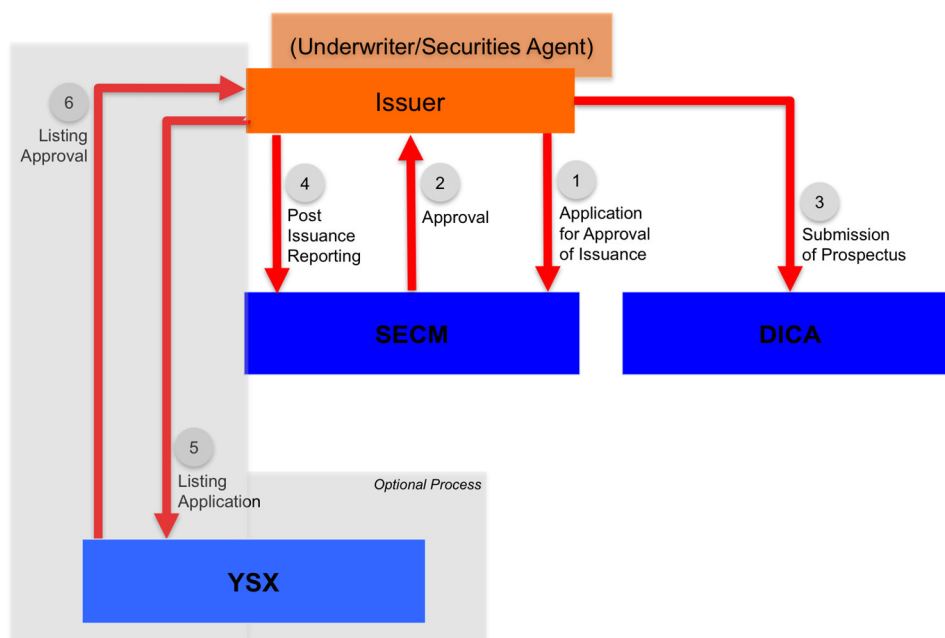
2. Regulatory Process Overview

Since SECM is still in the process of establishing a framework for corporate bond issuance, the description of the regulatory process below, provided as a point of reference, is based on the general prescriptions in the SEL and SER for all securities issuance.

At the same time, the legal framework, as well as SECM and YSX regulations, already make reference to debt securities or do not specifically exclude debt securities from the prescribed regulatory processes.

The regulatory process map shown in Figure 2.1 provides an overview of the regulatory process presently applicable in Myanmar; the actual regulatory process is explained in detail in section 4 of this chapter and in Chapter III.I for listing.

Figure 2.1: Regulatory Process Map—Debt Securities Issuance in Myanmar



CBM = Central Bank of Myanmar, DICA = Directorate for Investment and Company Administration, SECM = Securities and Exchange Commission of Myanmar, YSX = Yangon Stock Exchange.
 Note: While the listing of debt securities is shown as an optional process, listing approval from YSX is not optional in the event a listing is applied for.
 Source: ADB consultants for SF1.

Under the SEL, and pursuant to SECM Notification on Public Offering (2/2015), the issuer is responsible for the compilation of the prospectus and related information and the submission of such materials to SECM. The issuer also needs to appoint an underwriter—in Myanmar referred to as a securities agent or representative—for a public offer of securities. The underwriter (securities agent or representative) and any appointed securities sub-distributors (selling agents) need to hold a valid corresponding license issued by SECM. An underwriter (securities agent or representative) may aid in the compilation of the prospectus and related materials for submission to SECM, but the issuer remains responsible for documentation and their submission under the regulations.

Since present regulations prescribe the issuance of securities only in the form of a public offering, there is presently no further distinction necessary between different approval processes in the Myanmar market.

A listing of securities issued via a public offer is optional. In case a listing is intended, an underwriter (securities agent or representative) may be used to help compile and submit the listing application, supporting documentation, and other information required by YSX.

3. Regulatory Process in Case of a Nonresident Issuer

At present, nonresident issuers are not yet able to access the Myanmar bond market in the absence of specific provisions regulating their participation.

4. Regulatory Process for Public Offers

The issuance of securities, including debt securities, is prescribed in the New Myanmar Company Law and the SEL, and further detailed in Chapter V (Securities Issuing) of the SER. In turn, SECM Notification on Public Offering (2/2015) prescribes the actual regulatory process for public offers, including the submission of required documentation and information and obtaining approval for such issuance.

Offers of securities to the public require the approval of SECM. The key document for submission, together with the application for approval of an issuance, is the prospectus, which follows specific forms and contents set forth by SECM. Initial and continuous disclosure requirements are also defined in the Myanmar Companies Act (in future, the New Myanmar Company Law), the SER, and SECM Notifications.

Each prospectus also needs to be submitted to DICA, as the corporate regulator, under separate provisions of the Myanmar Companies Act. The prospectus and other relevant disclosure information must be in the Myanmar language and may also be provided as an English translation.

The following steps describe the actions to be undertaken by the issuer to obtain approval from SECM for a public offering. If the issuer uses a securities agent—the equivalent of an underwriter or arranger in Myanmar market terminology—such a securities agent may aid in the compilation of the prospectus and additional information. However, the discharge of obligations under securities issuance regulations remains solely with the issuer.

Step 1—Approval Application and Submission of Prospectus to the Securities and Exchange Commission of Myanmar

SECM requires the issuer to complete a physical application form requesting approval for the issuance of securities via a public offer.

Together with the application form, the issuer needs to submit the prospectus for the securities to SECM. The prospectus, and any other supporting documents, may only be submitted in printed form.

The prospectus follows the format prescribed by SECM in Instruction 05/2016 (Use of Prospectus Format for Public Offering) and needs to include

- (i) procedures of the public offering;
- (ii) information of the public offering;
- (iii) information of the securities to be offered;
- (iv) information of the issuer;
- (v) a summary of the company's affairs including the information about the history and development of the company, its related companies, and its employees;
- (vi) a business overview including the performance of the company's business, principal activities and principal markets, principal risks and uncertainties facing the company, material contracts, and research and development;
- (vii) a statement of the company's investment plan; and

- (viii) a statement of the company including the information about major shareholders, dividend policy, organizational structure, and management system.

Together with the prospectus, the following documents shall be submitted by the issuer in physical form:

- (i) a copy of its memorandum and articles of association;
- (ii) a copy of its audited balance sheet and profit-and-loss account in each of the past 2 financial years, or a 5-year business plan instead of documents mentioned if it was a start-up company before the issue of the prospectus;
- (iii) a copy of the auditors' report attached to the balance sheet and profit and loss account (if available);
- (iv) a copy of its directors' report under Section 131 (A) of the Myanmar Companies Act (if available);
- (v) a copy of the resolution of the annual general meeting of shareholders, of the extraordinary general meeting of shareholders, or of the board of directors or the decision of the directors in relation to the issue of securities concerned (if available); and
- (vi) a copy of a document that shows the respective authority's approval of a capital increase and/or a change in capital structure.

Article 6 of SECM Notification 02/2015 prescribes that if after a public offering is approved by SECM but before the close of the public offering, the issuer becomes aware of the following points, the issuer shall lodge supplementary documents with SECM:

- (i) a false or misleading statement in the prospectus;
- (ii) an omission from the prospectus of any information that should have been included in it; or
- (iii) a new circumstance that has arisen since the prospectus was submitted to SECM and that is materially adverse to investors.

Step 2—Approval from the Securities and Exchange Commission of Myanmar

SECM will review the application form, prospectus, and supporting documents and provide approval if it is satisfied with the prospectus and all submitted information. SECM may also, at its discretion, request additional information from the issuer to complete its review of the application. The statutory review period is 60 days from receipt of complete documentation.

SECM will notify the issuer of its decision in writing, stating approval or reasons for a rejection, or any possible qualification attached to an approval. There is no specific validity period for SECM's approval and there is no fee levied by SECM for the review of the application and approval process.

In the event that the issuer sees the need to issue a new prospectus or amend the existing prospectus or any relevant information referred to in the prospectus, a new approval will need to be sought from SECM.

In the event that an issuance goes ahead, the prospectus itself does not need to be updated. Instead, the issuer will have to observe the prescribed continuous disclosure requirements defined in the SER and, if listed, under the YSX Securities Listing Business Regulation.

Step 3—Submission of Prospectus to the Directorate for Investment and Company Administration

Following the approval of the prospectus by SECM, the issuer is required to comply with the Myanmar Companies Act (in future, the New Myanmar Company Law) by submitting the prospectus for the securities to be offered to DICA as the corporate regulator.

Step 4—Publication of Prospectus

Once SECM approval is obtained and the prospectus filed with DICA, the issuer is required to publish the prospectus through one or more of the following: (i) procuring newspaper ads, (ii) making available the prospectus to the public—free of charge—in printed form at its official premises, and/or (iii) a posting on its website.

The prospectus shall not be published until the issuer has obtained SECM approval (Article 8 of SECM Notification 02/2015).

Steps 5, 6—Listing Application and Listing Approval (Optional)

The listing of securities issued via a public offer is optional, but may only be undertaken once steps 1–4 above have been completed. For a more complete explanation of the listing process, kindly see Chapter III.I.

5. Regulatory Process for Bonds and Notes Aimed at Professional Investors or for Private Placements

The present regulatory framework for the Myanmar securities market does not yet provide for the distinction of professional investors from general investors. As such, there are no specific regulatory processes for offers of securities to professional investors or the offer of securities via a private placement.

6. Obligations after Approval and after Issuance

Post-issuance reporting obligations apply to public offers only and are detailed below.

a. Public Offers

Article 4 of SECM Notification 02/2015 prescribes that the issuer is required to submit to SECM the result of the public offering immediately upon its conclusion. SECM is preparing to issue a notification on the timeframe, specific reporting requirements, and other details in due course.

b. Offers to Professional Investors and Private Placements

Offers to professional investors or via private placement are not yet applicable in the Myanmar bond or securities markets.

7. Issuance Process Specific for a Domestic Financial Institution

In the absence of a regulatory framework for corporate bond issuance, CBM does not (need to) approve the issuance of (debt) securities by a domestic bank or NBFIs under its supervision.

This requirement may be introduced once the corporate bond issuance process has been established by SECM since provisions in the FIL convey the power to CBM to regulate the activities of its constituents.

8. Regulatory Process for Foreign-Currency-Denominated Debt Instruments

At present, the issuance of debt securities—in fact all securities—in Myanmar is only possible in Myanmar kyat. As such, no approvals are applicable for foreign-currency-denominated securities.

G. Continuous Disclosure Requirements in the Myanmar Bond Market

At present, continuous disclosure requirements have been defined for the issuance of securities via a public offering and those securities that are listed on YSX.

1. Public Offers

Continuous disclosure requirements for securities issued via a public offering are prescribed in the SER and have been further stipulated by SECM in its Notification 01/2016, dated 19 February 2016. The notification puts disclosure obligations on the issuers of securities or public companies, if

- (i) the issuer is a listed company;
- (ii) the issuer's securities are traded in the OTC market;
- (iii) the issuer obtained SECM approval for the issuance of securities; or
- (iv) the issuer is a public company with more than 100 shareholders.

The issuers (or public companies) will need to submit to SECM annual reports, biannual reports, and so-called extraordinary reports, as may be required. Extraordinary reports refer to a submission to SECM if any of the following events apply to the issuer or public company, or any of their significant subsidiaries:

- i. change of its parent company or its subsidiary company;
- ii. change of its major shareholders (ownership of more than 20% of voting rights of equity interest of the company);
- iii. occurrence of a disaster from which the business of the company is suffering;
- iv. filing or settlement of a material lawsuit claiming damages against the company;
- v. transfer of the company's material undertakings to another person or transfer of material undertakings from another person to the company;
- vi. change of a managing director or manager of the company;
- vii. a resolution of the annual general meeting or extraordinary general meeting of shareholders, other than a resolution approving the company's financial statements at an annual general meeting;
- viii. change of an auditor of the company;
- ix. filing of a petition against the company for any compulsory winding up, company voluntary arrangements, or compromise under the supervision of a court or arrangement with its creditors generally or any class of its creditors;
- x. voluntary winding up or dissolution of the company;
- xi. failure to pay or occurrence of a concern for failure to pay a significant amount of the company's pecuniary claims by a debtor of the company or a debtor whose debt is guaranteed by the company; or

- xii. occurrence of a matter or an event which falls under the subsequent events under the applicable accounting principles.

Article 4 in Notification 01/2016 also stipulates the specific information requirements that apply for each of the potential events mentioned above.

If the issuer of (debt) securities or a public company submits an extraordinary report to SECM, it is required to explain the details of the report to SECM before the report may be published. At the same time, if a listed company intends to make a timely disclosure in accordance with the YSX Securities Listing Business Regulations, the listed company is required to notify SECM of such disclosure before it is disclosed to YSX.

2. Offers to Professional Investors or Private Placements

Offers to professional investors, or the issuance of securities via private placement, are not yet applicable in the Myanmar bond or securities market.

3. Securities Listed on the Yangon Stock Exchange

While the YSX Securities Listing Business Regulations do not presently specifically mention debt securities, it is for the purpose of this Bond Market Guide assumed that the prescriptions for continuous disclosure would apply to the issuers of all listed securities, once debt securities are listed on YSX.

Sections 14 and 15 of the YSX Securities Listing Business Regulations contain the provisions for continuous disclosure for the issuers of listed securities. According to these provisions, issuers must immediately disclose details of such fact

(1) where the body that decides the listed company's business execution has made a decision on important matters regarding the operation, business, assets, or stock of such listed company, which have a considerable impact on investment decisions; or

(2) where any other important fact regarding the operation, business, assets, or stock of the listed company has occurred, and such fact has a considerable impact on investment decisions;

Taking into consideration the criteria for such disclosure, as defined in Section 16 of the regulations, companies that have listed their securities on YSX are also required to submit their earnings information immediately after such information is concluded. The information mentioned above is expected to be explained to YSX prior to a public announcement.

Such disclosure information and details to be submitted to YSX are also required to be submitted to SECM prior to any such announcement, pursuant to SECM Notification 01/2016 (see also section 1 above).

Submission of the information or a formal announcement to YSX may be done in an electronic format prescribed by YSX. In turn, YSX will post such information or announcements on its website. On a case-by-case basis, YSX may also determine other forms of submission, if the website cannot be used or other practical considerations exist.

The disclosure information submitted by listed companies is available, typically in both the Myanmar language and English, for public viewing and downloads of PDF files from the YSX website under each listed company's profile.²⁴

H. Self-Regulatory Organizations in the Myanmar Bond Market

YSX is an SRO. Pursuant to the SEL, and corresponding SECM notification, YSX fulfills the role of an exchange-type SRO and is able to issue regulations on the listing and disclosure, trading, and post-trade activities on its markets. YSX also governs admittance to, and membership or participation in, its markets. At the same time, its regulations are subject to SECM approval prior to publication.

YSX governs its members through the Trading Participant Business Regulations and its corresponding Enforcement Regulations. A Trading Participant is the only membership type (and is defined as an entity) that holds a trading qualification to trade securities on the exchange market. YSX sets the criteria for obtaining such a trading qualification and requires an applicant to hold one of the licenses specified in Article 23 of the SEL to be eligible (see also next section).

The Trading Participant Business Regulations and corresponding Enforcement Regulations are available for download (in English only) from the YSX website.²⁵

As of August 2017, YSX had admitted six securities firms as Trading Participants.

For details on the listing, disclosure, and trading rules of YSX and their underlying regulations, please refer to section J in this chapter. For a list of the regulations issued by YSX, please refer to Appendix 2.

I. Rules Related to Licensing

The licensing of market participants in the securities market in Myanmar, including for the bond market, falls under the principal purview of SECM. In addition, CBM administers the FIL, which permits commercial banks to participate in the bond market without obtaining a separate license from SECM.

a. Market Participants with Securities Business Licenses

Pursuant to Article 23 of the SEL, SECM approves and licenses securities market participants under one of the following licenses available to conduct securities related businesses:

- (a) securities dealing business license;
- (b) securities brokerage business license;
- (c) securities underwriting business license;
- (d) securities investment advisory business license;
- (e) securities company's representative business license; and
- (f) securities business license prescribed by notification issued by [SECM].

These licenses are in addition to the separate license for a stock exchange or a dedicated over-the-counter market stipulated in the SEL.

²⁴ For an example of the disclosure documents furnished by a listed company, please see <https://ysx-mm.com/en/listing/company/lc00001/>

²⁵ See https://ysx-mm.com/wp-content/uploads/2016/06/ysxr05_en_032016_02.pdf

A limited exception applies to commercial banks who, as a result of having obtained a banking license from CBM, may already participate in certain specified activities in the bond market—or interbank and money market—under such license (see section b for details.)

Under further provisions in the SEL and SER, SECM may also issue other business licenses for the securities market at its discretion.

b. Market Participants with Banking License

Commercial banks are permitted under Section 52 (Permissible Banking Activities) of the FIL to engage in trading, for their own account or for the account of customers, in money market instruments such as cheques, bills, and certificates of deposit; foreign exchange; currency forward and spot contracts, swaps and exchange and interest-rate instruments; and transferable securities. These activities are typically confined to the interbank or money market.

Commercial banks may also offer trustee services, as well as perform safe custody services without obtaining a separate license. However, if commercial banks want to engage in any of the regulated securities businesses (see section a), they will need to apply to SECM for the appropriate licenses.

Likewise, in the event that commercial banks or NBFIs wish to engage in activities in the secondary securities market, including the buying and selling of equity and debt securities approved by SECM, they must obtain a securities business license to do so.

As such, it is envisaged that commercial banks may engage in securities brokerage through a separately incorporated subsidiary. Such a separate entity would be subject to the licensing requirements imposed by SECM, pursuant to the SEL, SER, and Securities Company Regulations (SECM Notification 02/2016). For details, please see section a above.

c. Market Conventions and Best Practices

In line with the status of the development of the Myanmar bond market, and the securities market at large, market conventions are still being formed and best practices are in the process of being established, as market participants learn to practically apply rules and regulations in day-to-day business.

J. Yangon Stock Exchange Business Regulations Related to Listing, Disclosure, and Trading of Securities

Pursuant to the SEL, and as conferred to YSX by SECM, it may govern its markets and its participants through the issuance of its own rules for the listing and disclosure requirements, as well as trading, clearing, and settlement practices, subject to the approval of SECM (see also section H).

In the context of terminology used in the Myanmar market, and to distinguish the nature of the prescriptions from those of SECM, YSX rules are referred to as “business regulations.” The contents of the regulations are available as PDF files in English from the YSX website and are listed for easy reference in Appendix 2.²⁶

²⁶ See <https://ysx-mm.com/en/regulations/ysxregulations/>

a. Listed and Traded Securities

Securities listed and traded on YSX are subject to the YSX Securities Listing Business Regulations and Trading Business Regulations and their corresponding Enforcement Regulations, respectively.

The Securities Listing Business Regulations govern the listing process, eligibility criteria, and fees, the initial and continuous disclosure requirements, and interactions between YSX, the listed company, and the general public. The regulations also prescribe that the issuer is to appoint YSX as the provider of “shareholder services,” also referred to as “shareholder agency,” for which YSX has issued business regulations.

The securities listing process is further explained in detail in Chapter III.I.

The Trading Business Regulations defines trading hours, matching methods, and order types, and describe the auction trading concept applied by YSX. At the time of completion of this Bond Market Guide, Section 5 of the regulations still described the securities eligible for trading as equities only.

For further details on the trading of securities, please refer to Chapter IV.

b. Trading Participants

In turn, the Trading Participant Business Regulations and the corresponding Enforcement Regulations govern the eligibility criteria (referred to as “trading qualifications”), obligations, participation, and conduct of trading participants on YSX, as well as potential disciplinary measures against them.

K. Market Entry Requirements (Nonresidents)

At the time of completion of this Bond Market Guide, foreign (nonresident) issuers and investors did not yet participate in the securities market to issue or invest in securities in Myanmar. At the same time, foreign (nonresident) investors can participate in the Myanmar securities market, pursuant to the laws and regulations of the relevant ministries and regulatory authorities, here the MOPF and SECM, respectively.

While applicable market entry requirements for foreign (nonresident) issuers or investors have not been defined, present legislation and regulations do not specifically mention restrictions for foreign (nonresident) issuers or investors with regard to the securities market, while detailed regulations for foreign direct investment in Myanmar have existed for some time. In fact, foreign (nonresident) issuers are even referenced in the SEL (see below).

1. Nonresident Issuers

According to Article 2(a)(ii) of the SEL, the definition of “securities” includes “treasury bills, treasury bonds, bonds and debentures issued by the international organizations, foreign governments and their institutions.” As such, nonresident issuers—possibly of certain eligibility—are principally able to participate in the market.

However, in consideration of the practiced approach to further define specific securities issuance prescriptions in the SER, and to detail such prescriptions in the form of SECM notifications, the absence of the above leads to the general understanding that nonresident parties may not yet be active participants in the Myanmar securities market.

2. Foreign Investors

Foreign investors are principally able to participate in the Myanmar bond market and the securities market at large. However, foreign investors are not yet able to engage in domestic securities market activities until such actions are explicitly set in forthcoming regulations. In addition, foreign investors need to obtain approval from the Myanmar Investment Commission of DICA prior to commencing investing in Myanmar.

L. Market Exit Requirements (Nonresidents)

The existing legislation and rules for the bond and securities markets do not contain specific provisions for, or an exclusion of, foreign issuers and investors.

1. Nonresident Issuers

In the absence of specific rules and regulations for nonresident issuers, market exit requirements have not been defined.

2. Foreign Investors

Prevailing laws and regulations do not contain specific provisions for exit requirements for foreign investors.

M. Regulations and Limitations Relevant for Nonresidents

The applicable regulations and possible limitations for nonresidents are briefly provided below and grouped according to some of the key topics of interest for nonresidents.

1. Direct Investment

To improve Myanmar's investment regime, the Myanmar Investment Law, 2016 outlines the provisions for direct investment by foreign investors.

According to the law, a foreign investor is a person who invests within the Union and is not a citizen. In this expression, foreign companies, branch offices, and other enterprises established and registered in accordance with the Myanmar Companies Act and enterprises formed in accordance with the laws of any other country are also included.

According to the rules of the Myanmar Companies Act, 1914, a company is currently defined as "foreign" if even one share is held by a foreigner. As the Myanmar Companies Act, 1914 is presently also under review, a company will in future only be considered foreign if a certain percentage of shares is owned by a foreign investor.

2. Cross-Border Portfolio Investment

Investors wishing to access the Myanmar bond or securities market require approval from DICA, as the government portal for all investments in the country. Foreign investors must undertake a company registration (for a domestic subsidiary) and/or obtain a permit to commence activities in the Myanmar domestic market.

3. Currency Exchange Controls

The Myanmar kyat, which is pronounced “chat” and abbreviated in official documents as “K”, is nonconvertible and nonnegotiable outside Myanmar. The import and export of kyat banknotes is prohibited.

Foreign exchange forwards and swaps involving the Myanmar kyat are not permitted at this time.

4. Bank Accounts in Domestic or Foreign Currency

Nonresident domestic currency accounts with licensed banks in Myanmar are permitted upon CBM authorization. Nonresident foreign currency accounts of international organizations and diplomatic missions may be kept with the Myanmar Foreign Trade Bank. Prior approval from CBM is required for other nonresidents.

5. Borrowing and Lending

Domestic borrowing and lending in local currency must be conducted through CBM-authorized intermediaries. Domestic borrowing in foreign currency is not allowed.

N. Regulations on Credit Rating Agencies

There are presently no credit rating agencies operating in Myanmar.

At present, SECM is focused on improving corporate governance standards among listed companies, as well as in view of potential listing candidate companies, before incorporating such standards and requirements into regulations for credit ratings and credit rating agencies.



Characteristics of the Myanmar Bond Market

The Myanmar bond market is at a nascent stage of development, with issuance limited to government securities and a corporate bond market only now being envisaged. At the same time, the Myanmar securities market as a whole has made enormous strides in the last few years and is expected, under the leadership of MOPF and SECM, to develop quickly and strongly in the near future.

As such, existing or envisaged characteristics specific to the Myanmar bond market are described in more detail in this chapter.

A. Definition of Securities

The current fundamental and key legislation does not contain a consolidated definition of securities. Instead, securities are mentioned (and some examples are given) in a number of places in the legislation.

1. Reference in the Securities Exchange Law

Chapter 1, Article 1 of the SEL contains references to certain securities, as follows:

The expression “Securities” includes the following:

- (i) Treasury bills (T-bills), T-bonds, bonds, and debentures issued or arranged to issue by the government or any governmental organization;
- (ii) T-bills, T-bonds, bonds, and debentures issued by international organizations, foreign governments, and their institutions;
- (iii) shares, stocks, bonds, and debentures issued or arranged to issue by the public companies and rights, options, and warrants relating to such shares, stocks, bonds, debentures; and
- (iv) other securities and instruments prescribed by notification as securities by [SECM].

The SEL also makes mention of or defines the securities business activities for which licenses are required, as well as the terms “Securities Market” and “Over-the-Counter Market.”

2. Reference in the New Myanmar Company Law

Article 60(a) of the New Myanmar Company Law stipulates that the shares or other securities of any member in a company shall be moveable property, transferable in the manner provided or permitted by this law and any other applicable law, and subject to the constitution of the company.²⁷

²⁷ Please see http://www.dica.gov.mm/sites/dica.gov.mm/files/document-files/mcl_english_version_mpf_comments_oct_2016_clean.pdf

B. Types of Bonds and Notes

The Government of Myanmar has been issuing securities since 1993. At present, corporate debt securities are not yet being issued in Myanmar. However, the promulgation of the SEL and subsequent rules, regulations, notifications, and guidelines are expected to create the necessary and practical legal and regulatory environment for corporate bond issuances.

At present, the issuance of debt securities in Myanmar is limited to Myanmar kyat only.

1. Bonds and Notes issued by the Government

Until 2013, government securities were issued by CBM upon instructions from the then MOF. In line with the clarification of the roles of government institutions, CBM was made independent from MOF under the Central Bank Law, 2013 and has been concentrating on monetary policy and economic stabilization since then. Instead, MOF, which is now the MOPF, created a Treasury Department in fiscal year 2014/15, which took over the responsibility of issuing government securities from CBM. The MOPF has also established a Debt Management Office as part of the Treasury Department, which administers outstanding government securities. However, CBM retains the role of issuing agent.

At present, the required amount of government securities to be issued is divided equally (50% each) between T-bonds and T-bills, in line with International Monetary Fund Article 4 recommendations. A Treasury Securities Steering Committee and Treasury Securities Working Group Committee will be formed by including officials from the MOPF and CBM to discuss the conduct of securities auctions in future.

a. Treasury Bonds

T-bonds are issued at face value in Myanmar kyat only. CBM began issuing 3-year and 5-year T-bonds in denominations of MMK10,000 and MMK100,000 on 1 December 1993 in Yangon and on 1 January 1994 in Mandalay to promote public saving and the eventual establishment of a capital market in Myanmar. Moreover, 3-year T-bonds in denominations of MMK1 million were first issued on 1 April 1996 and 5-year MMK1 million T-bonds were first issued on 1 January 1997. Since 1 January 2010, 2-year T-bonds in denominations of MMK10,000, MMK100,000, MMK1 million, and MMK10 million have been issued to the public. (For reference, the official exchange rate on 31 August 2017 was MMK1,360 per USD1.)

T-bonds are intended for sale to financial institutions, state institutions, other institutional investors, and retail investors. T-bonds are presently issued with tenors of 2, 3, and 5 years, and carry interest rates typically slightly above the official interest rate for savings accounts in order to increase their attractiveness. As of August 2017, interest rates by maturity were as follows: 8.75% for 2-year, 9.0% for 3-year, and 9.5% for 5-year maturities.²⁸

The Treasury Department is planning to issue longer-tenored T-bonds in the near future, per discussions with ADB and representatives of the Asian Bond Markets Initiative. With the commencement of the issuance of T-bonds via auction (see also section E), the government is aiming to create larger issue sizes, with the intention of offering benchmark bonds, which later may be used as a reference for the interest-rate environment in the market.

²⁸ Please see the CBM website for current rates at <http://www.cbm.gov.mm/content/issuance-government-treasury-bonds>

T-bonds can be utilized by financial institutions to obtain short-term funding from CBM under the existing discount window, in part to maintain minimum reserve requirements. In principle, T-bonds are also tradable between investors (please refer to Chapter IV for more details).

b. Treasury Bills

Under the present budget management framework, T-bills are issued exclusively to CBM, which, in turn, prints currency to pay the government for the issued T-bills. T-bills had an original tenor of 3 months, with a fixed interest rate of 4%, from 1990 to March 2016. Since 2015, T-bill auctions have included 3-month, 6-month, and 12-month tenors. From April 2016, the marketable interest rate is applied for 3-month T-bills for CBM's financing of the government deficit starting for fiscal year 2016/17 and the weighted interest rate is between 7% to 9% per annum.

T-bills are tradable by CBM using the discount window.

2. Characteristics of Government Securities

Both T-bonds and T-bills were originally issued as physical securities on security-printed paper. However, after CBM launched its CSD, book-entry record keeping, and RTGS systems in 2016, T-bond and T-bill issuance moved to a scripless basis. As such, the OTC sale of physical certificates at issuing agents is no longer practiced (please see Section C).

3. Bonds and Notes Issued by the Corporate Sector

At this point in time, no specific rules or regulations exist for the issuance of corporate bonds. While the SEL mentions different types of bonds, there is no definition of an asset class or a term for corporate bonds, and no mention of detailed treatment or activities specific to bonds not issued by the government. In addition, YSX, while principally in a position to include debt securities on its markets (see also Chapter IV), has not defined corporate bonds as eligible instruments in its business regulations.

However, the ability to issue corporate debt securities is included in the Capital Market Development Committee's plan for the Myanmar bond market. SECM is also seeking to create a secondary market for debt securities on YSX. As such, SECM is studying best practices with regard to policy implementation for the issuance of corporate bonds.

4. Issuance Programs

At present, issuance programs for debt securities do not exist in the Myanmar bond market. This also because some of the more fundamental prerequisites for the issuance of corporate bonds would need to be in place prior to the commencement of issuance programs.

C. Money Market Instruments

Money market instruments are short(er)-term debt instruments, typically T-bills issued by the Government of Myanmar. Money market instruments are generally limited to instruments with a maturity of less than 1 year.

1. Issued by the Government of Myanmar

a. Treasury Bills

The Treasury Department of the MOPF issues T-bills with 3-month tenors exclusively to CBM, which, in turn, prints currency to pay the government for the issued T-bills.

At the same time, T-bills with tenors of 6 months and 12 months are tradeable by CBM through the discount window.

2. Issued by the Corporate Sector

There are presently no money market instruments issued by the corporate sector.

D. Segmentation of the Market

To provide a better illustration of the segmentation of the existing types of debt securities issued to the market in Myanmar—consisting of only T-bonds at this point in time—Table 3.1 gives an overview of outstanding values of T-bonds in selected years, as well as the bondholder distribution at the time.

Table 3.1: Segmentation of the Market—Outstanding Value of Government Treasury Bonds for Selected Years (MMK million)

Type of Government T-Bond and Bondholders	2015		2016		2017	
	Amount	%	Amount	%	Amount	%
2-Year	516,263	100.00	365,590	100.00	340,815	100.00
Public	85,613	16.58	38,940	10.65	14,815	4.35
Private Enterprises	430,650	83.42	326,650	89.35	326,000	95.65
3-Year	569,525	100.00	533,299	100.00	390,024	100.00
Public	109,475	19.22	111,649	20.94	12,374	3.17
Private Enterprises	460,050	80.78	421,650	79.06	377,650	96.83
5-Year	1,814,685	100.00	1,715,839	100.00	1,453,482	100.00
Public	25,155	1.39	30,489	1.78	25,132	1.73
Private Enterprises	1,789,530	98.61	1,685,350	98.22	1,428,350	98.27

Notes: Data for T-bonds not issued at auction. All figures as of the end of March.

Source: Central Bank of Myanmar.

In contrast, Table 3.2 offers a breakdown of the outstanding amounts and bondholder distribution for T-bonds issued at auction, which are those T-bonds issued between September 2016, when T-bond auctions commenced, and the end of that same fiscal year on 31 March 2017.

Table 3.2: Segmentation of the Market—Outstanding Value of Government Treasury Bonds Issued at Auction (MMK million)

Type of Government T-Bond and Bondholders	Nominal Interest Rate at 9.0%		Nominal Interest Rate at 9.25%		Nominal Interest Rate at 9.5%	
	Amount	%	Amount	%	Amount	%
Public	0	0.00	500	0.07	500	0.3
Private Enterprises	320,000	100.00	719,170	99.93	159,500	99.7
Total	320,000	100.00	719,670	100.00	160,000	100.00

Note: Data for T-bonds issued at auction only (in the course of fiscal year 2016/17).
Source: Central Bank of Myanmar.

Detailed information on the outstanding values of T-bonds and T-bills, new issuances per period, and government securities in Myanmar can be found on the CBM website.²⁹ Appropriate links are also provided in Chapter VII and Appendix 1 of this Bond Market Guide.

E. Methods of Issuing Bonds and Notes (Primary Market)

T-bonds and T-bills are issued via a number of methods, chief among them being an auction. The introduction of a primary dealer concept may be considered at a later stage. The SEL, SER, and subsequent regulations prescribe that private sector securities be issued through a public offering only, with the approval of SECM required in every instance.

At present, government bonds are only being issued in Myanmar kyat.

1. Government Securities

At the present time, government securities in Myanmar are issued to investors through the methods described below. Following comprehensive study and consultations, which included discussions with ABMF, ADB, and the International Monetary Fund, CBM introduced an auction concept in August 2016. CBM conducts auctions as part of its domestic market operation. CBM may conduct auctions for its own securities and those of the Government of Myanmar.

a. Direct Issuance

Previously, the principal method of issuance of government securities, in particular T-bonds, was direct issuance to interested and eligible investors in the market, mostly in the form of physical certificates. Since 2010, CBM has sold directly to financial institutions, while MEB and MSEC sell directly to institutional and individual investors. T-bills are issued to and kept by CBM. These T-bills are tradable by CBM through the discount window.

²⁹ See the Government Securities tab on <http://www.cbm.gov.mm>

b. Issuance via Competitive Auction

Effective August 2016, CBM published operations procedures for the conduct of auctions for T-bonds and T-bills. Article 40(p) of the Central Bank of Myanmar Law, 2013 authorizes CBM to conduct auctions and Article 121 authorizes it to issue procedures for the conduct of such auctions. The first-ever auction of T-bonds was conducted on 20 September 2016. Regular auctions are expected to be conducted on a monthly basis.

Only financial institutions registered as counterparties with CBM are eligible to tender bids for the auctions. Bidders need to have an account with the CBM settlement system to register as bidders. Such registration enables bidders to participate in securities auctions, deposit auctions, buybacks, repurchases, switch auctions, and credit auctions. Bidders may register for either competitive auctions or noncompetitive auctions.

The auctions will be held on a multiple-price basis. The minimum face value of each competitive bid must be MMK500 million, with multiples of MMK100 million allowed thereafter. Each successful competitive bidder will be allocated securities at the yield at which it bid. Each successful noncompetitive bidder will be allocated securities at the market-value weighted average of successful bid yields in the competitive bidders' pool.

Auction results will be announced by 2 p.m. on the day of the auction via a combination of electronic media and the CBM website. Settlement for all securities issued at auction is on auction date +2 banking days. Settlement is via the CBM's settlement system, CBM-NET.

A detailed description of the current auction procedures for government securities, Domestic Market Operations: Securities Auction Procedures, is available on the CBM website.³⁰

c. Issuance via Noncompetitive Auction

CBM reserves the right to bid as a noncompetitive bidder in auctions of government securities when it is acting as an agent on behalf of the Government of Myanmar.

The minimum face value of noncompetitive bids must be MMK500 million, with multiples of MMK100 million allowed thereafter. The auctions will be held on a multiple-price basis. Each successful noncompetitive bidder will be allocated securities at the market-value weighted average of successful bid yields in the competitive bidders' pool.

Auction results will be announced by 2 p.m. on the day of the auction via a combination of electronic media and the CBM website. Settlement for all securities issued at auction is on auction date +2 banking days. Settlement is via CBM-NET.

A detailed description of the auction procedures for government securities, Domestic Market Operations: Securities Auction Procedures, is available on the CBM website.

³⁰ See

http://www.cbm.gov.mm/sites/default/files/finance_mark/cbmsecuritiesauctions_proceduresaug20164.0_0.pdf

d. Underwriting in the Context of Government Securities

Since January 2010, CBM has authorized a number of branches of state-owned MEB and the joint venture securities company MSEC to issue T-bonds on its behalf. This practice is known in the domestic market as “underwriting.” As such, MEB and MSEC act as underwriters or, in fact, as issuance agents on behalf of the government.

2. Securities issued by the Private Sector

Under prevailing rules and regulations, the only issuance method for securities available in the market is via a public offer.

a. Public Offer

Corporate bonds are not yet being issued in Myanmar but the regulatory framework for public offers of securities is already in place.

The SEL and other regulations mention debt securities, while issuance regulatory processes do not specifically exclude debt securities. The process prescribed is that of a public offer. As such, the market is waiting for input from policy bodies and regulatory authorities on the commencement of the corporate bond market.

For details of the regulatory process for the issuance of securities via a public offer, please refer to Chapter II.F.

b. Private Placement

At present, the issuance of securities via a private placement is not yet available in Myanmar.

F. Governing Law and Jurisdiction (Bond and Note Issuance)

The governing law and jurisdiction for a bond or note issuance is of significance since potential issuers may consider issuing under the laws or jurisdiction of a country or market other than the place of issuance. The choice of governing law or the contractual preferences of stakeholders may affect the accessibility to a specific investor universe that may otherwise not be accessible if a bond or note were issued under the laws of the place of issuance.

At present, the governing law and the jurisdiction of agreements by contracting parties is required to be the law and jurisdiction of Myanmar if bonds or notes are to be issued in Myanmar. The upcoming convergence of foreign and domestic investment practices pursuant to the Myanmar Investment Law, 2016 is expected to further define what opportunities and flexibility for contracts and investments will exist in Myanmar.

G. Language of Documentation and Disclosure Items

In Myanmar, laws (fundamental and key legislation) are required to be translated into English, if not always at the time of their promulgation. SECM publishes its notifications in both the Myanmar language and English, and YSX issues its regulations, manuals, and guidelines for listing, disclosure, trading, and post-trade activities primarily in English—sometimes only in English—in preparation for the broader inclusion of foreign market participants.

SECM already permits the use of an English translation of the prospectus, side by side with the original Myanmar language version, when an issuer applies for approval of issuance of securities.

In the absence of a corporate bond market, it remains untested whether contracts and other bond issuance documentation and disclosure items that will be required to be submitted to SECM as part of the application process may be compiled and presented in English. In this context, YSX already prescribes that an issuer intending to list securities—presently limited to equities—should publish their key documentation in both the Myanmar language and English.

The same is presently also untested for applications to, and correspondence with, policy bodies, regulatory authorities, and market institutions. At the same time, the Myanmar bond market does not yet admit nonresident issuers for whom this ability would be a significant feature.

H. Registration of Debt Securities

In some jurisdictions, the registration of bonds issued in the domestic market with a designated registration place—such as an SRO, market association, or pricing agency—ensures the availability of reference pricing and general bond information for market participants at large. Some professional investors, such as mutual and pension funds, require investment assets to be officially registered or listed in order to satisfy governing prudential regulations.

At this point in time, the registration of bonds in Myanmar is not practiced. However, since the issuance of government bonds is regularly conducted by CBM and pricing is published to market participants on a regular basis, reference pricing is in fact available (see also section I). In addition, reference prices of issued government securities may be available upon request from the Authorised Selling Agents.

I. Listing of Securities

At present, the listing of securities on YSX is limited to equities, with the regulations and manuals of the exchange only referencing equity securities. The Guidelines on Initial Listing, which were issued by YSX in July 2016 to guide potential issuers, also only refer to stock listings and the need for an issuer to be a company under domestic legislation.

J. Methods of Trading Securities (Secondary Market)

The trading of bonds and notes in the Myanmar bond market presently occurs only in the interbank market, between CBM and its constituents, among participating financial institutions and securities companies, and as purchase and sale transactions at the counter of Authorised Selling Agents appointed by CBM. Details on interbank market trading and the specific OTC concept for government securities are contained in Chapter IV.

The SEL and SER, as well as SECM notifications, contain prescriptions for debt securities issuance and related practices, and specify the requirements for an OTC market. This is expected to spur the trading of debt securities once corporate bond issuance commences.

While the systems and procedures employed by YSX would in principle enable the trading of debt securities on its markets, the present YSX Trading Business Regulations, which were issued in October 2015, refer to equities as the only eligible instruments for trading.

K. Securities Pricing

Myanmar does not currently have a securities pricing agency and, due to the small number of bond issues in the market, traded or reference prices are not expected to be collected and published in a centralized manner in the immediate future.

1. Government Securities

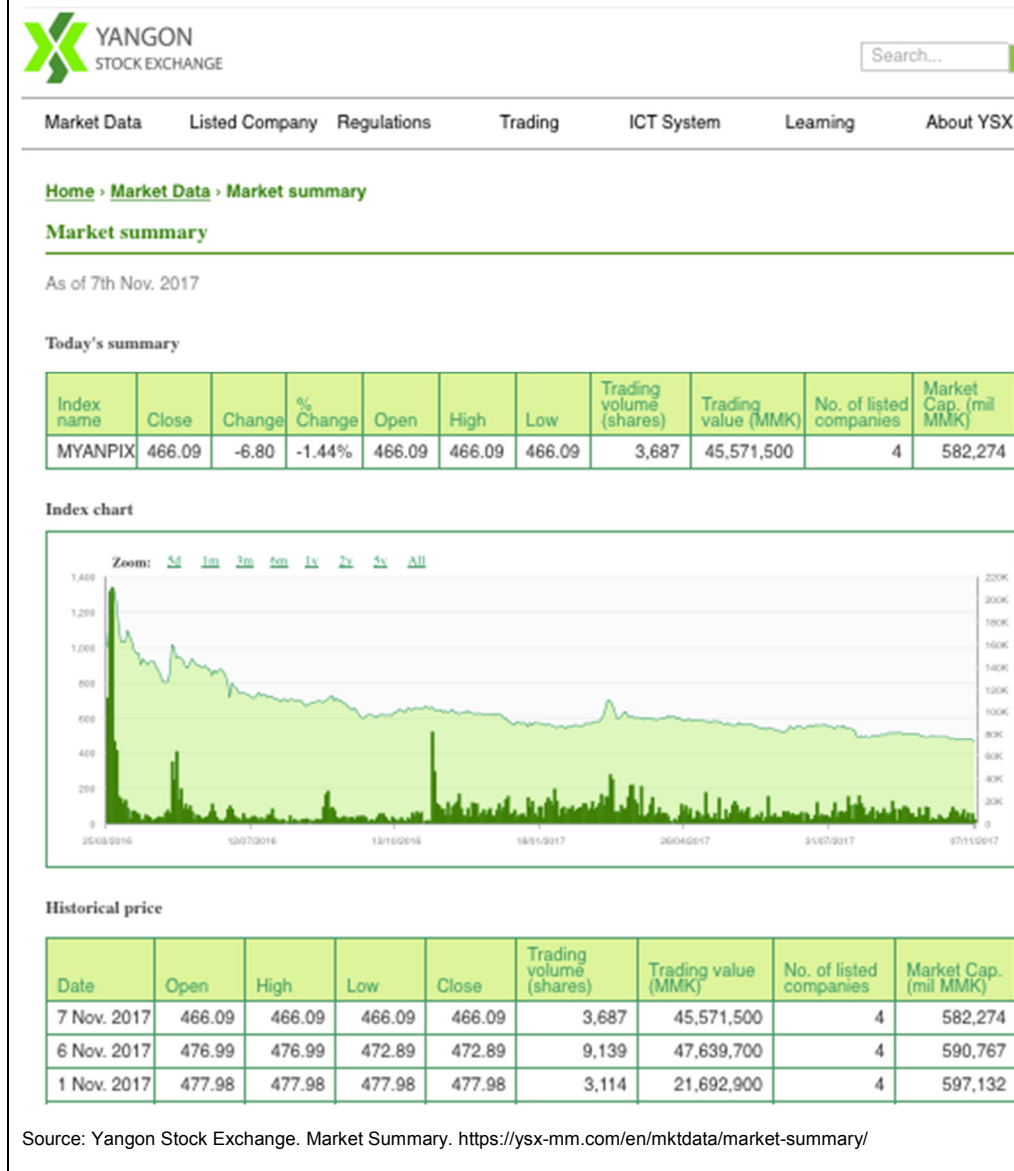
At present, the pricing of bonds issued by the Government of Myanmar is done at the time of auction and during sale or purchase at the counter of the Authorised Selling Agent appointed by CBM, or in the form of a quote upon customer request. For transactions between CBM and financial institutions, pricing is done at the time of transaction between counterparties in the interbank market. CBM also publishes pricing results of government securities auctions as PDF files accessible via its website.³¹

2. Securities Listed on the Yangon Stock Exchange

As a matter of reference, the price-finding mechanism for equities on YSX is based on an auction concept. Price information is also available to the public via the YSX website (Figure 3.1); the same web page also contains historical prices. Debt securities are not yet listed on YSX, but the currently available functionality is expected to also be available for future instruments on the exchange, including debt securities.

³¹ See <http://www.cbm.gov.mm/content/1160>

Figure 3.1: Yangon Stock Exchange Securities Price Information Web Page



L. Transfers of Interest in Bonds and Notes

The recording of a change in ownership of bonds or notes issued in the Myanmar market, or for securities at large, differs between transactions in government securities issued by CBM on behalf of the government and those securities listed and traded on YSX.

1. Government Securities

For transactions in the interbank market—those between CBM and financial institutions registered as counterparties—transfers of interest or ownership in T-bonds are effected through CBM-NET.

CBM-NET comprises two systems: (i) a real-time gross settlement system for funds transfers, the CBM-NET Funds Transfer Service; and (ii) a system for the custody of government and central bank securities, the CBM-NET Central Securities Depository (CBM-NET CSD). The CBM-NET CSD maintains the register of government and CBM domestic securities.

A transfer of a security in CBM-NET CSD is effected by debiting and crediting the accounts of the delivering participant and the receiving participant, respectively, in the quantity of the security relating to that trade. The settlement of transactions requiring the movement of funds is effected on a delivery-versus-payment basis by debiting and crediting the respective funds accounts (in CBM-NET Fund Transfer Service) and securities accounts (in CBM-NET CSD) of the counterparties to the trade. The making of such entries effects final and irrevocable delivery of the securities between the participants with respect to that trade.

2. Securities Listed on the Yangon Stock Exchange

Pursuant to the Electronic Transactions Law promulgated in 2004, and SECM Notification 1/2015, dated 7 August 2015, securities listed on YSX may only be transferred on a book-entry basis. YSX has been designated a Book-Entry Transfer Institution (a transfer agent), which is part of the license of an exchange. As such, YSX carries out the transfer of interest or ownership in listed securities traded on its markets as a matter of course, through its depository operation. The practice is expected to be maintained for debt securities once they can be listed and traded on YSX.

3. Prohibited Transfers

While Section 29 of the Business Regulations Relating to Book-Entry of Stock, etc. issued by YSX principally prescribes the transfer of YSX-listed and -traded securities for transactions other than exchange trades, free-of-payment transfers of securities are presently not permitted other than for the transfer of said securities into and out of a collateral account.

At the same time, CBM-NET CSD does allow for free-of-payment transfers of securities, in order to support the booking of repurchase agreements of CBM with its constituents.

4. Custodian Point of View

Participants in CBM-NET CSD may trade and hold government securities for their own account or for their customers (referred to as indirect participants). The transfer of interest or ownership of government securities occurs between participants in CBM-NET (see also section 1) or in the accounts of indirect participants. Hence, the participants in CBM-NET CSD function as custodians on behalf of indirect participants.

For securities listed and traded on YSX, the Business Regulations Relating to Book-Entry of Stock, etc. define "Account Management Institutions," who are able to maintain accounts for their own books and on behalf of customers with YSX as the Book-Entry Transfer Institution. An Account Management Institution fulfills the function of a custodian in other markets. Transfers of securities listed and traded on YSX are effected in the accounts maintained by these Account Management Institutions.

M. Market Participants

1. Issuers

Since 1990, CBM has been issuing government securities on behalf of the Government of Myanmar. Under the restructuring of the roles of government institutions to support a growing economy, CBM returned the power to issue securities to the Treasury Department of the then MOF, which was established in fiscal year 2014/15. However, CBM continues to issue government securities as an agent of the government.

Corporate debt securities are not yet being issued in the Myanmar market, but their issuance is expected to commence in the near future. SECM is presently focused on defining a secondary market for government securities, followed by provisions to introduce the issuance and trading of corporate debt securities.

2. Investors

Due to the current stage of development of the bond market, and the securities market at large, only a limited number of investor types are active in the bond market at this time. In addition to banks, a number of state committees and retail investors buy and hold T-bonds.

a. Banks

Banks are the primary investors in T-bonds, which can be used to obtain short-term liquidity from CBM through a discount window. T-bonds are also recognized as liquid assets under the banks' minimum reserve requirements. Banks buy T-bonds directly from CBM or at auction (see also sections C and E in this chapter), or from other interbank market participants.

In January 2016, the FIL took effect, further defining the roles and abilities of banks to participate in the securities market. Please see Chapter II.I for details on these bank functions.

MEB, a state-owned bank, is the largest commercial bank in the country, with 337 branches. In total, there are 4 state-owned banks, 6 semi-government banks, 24 private banks, and 13 foreign banks active in the Myanmar financial market.³²

b. Non-Bank Institutional Investors

Key among the non-bank institutional investors in T-bonds in Myanmar are state-owned institutions such as development committees who administer their own budgets and disbursements. The other main institutional investor type is represented by religious institutions that need to invest their funds and reserves. In addition, a number of companies also buy and hold T-bonds for their own purposes.

c. Insurance Companies

Insurance companies in Myanmar are expected to be able to invest in debt securities in the near future.

³² On the CBM website, banks, financial companies, and other financial institutions are listed under the Financial Institutions tab.

d. Retail or General Investors

According to market observations, several thousand general or retail investors have purchased government securities (T-bonds) OTC at MEB branches or through MSEC under the previous direct issuance concept. However, the share of retail investment in T-bonds is considered small in comparison to the total issuance volume.

e. Pension Funds

Pension funds have established themselves as potential investors in the bond market, focused on government securities, in line with the nature and typical activities of their prudential mandate.

f. Mutual Funds or Unit Trusts, and Asset Managers

Mutual funds or unit trusts, or similar collective investment schemes, have not yet been established under Myanmar securities or prudential legislation. Asset managers require a securities business licence from SECM to operate.

g. Foreign Institutional Investors

At the present time, foreign institutional investors are not yet participating in the bond market, due to the absence of corporate bond issuances and lack of a secondary market for government securities. There are no outright provisions in the fundamental legislation and the SEL to limit or restrict the participation of nonresident investors. However, foreign investors need to obtain approval from DICA prior to investing in Myanmar. Please also see Chapter II.N for applicable regulations and limitations for nonresidents.

3. Parties Involved in Debt Securities Issuance

Given the nascent stage of the Myanmar bond market, and the securities market in general, the concept of intermediaries is not yet well developed. At the time of the completion of this Bond Market Guide, SECM had licensed five securities firms to carry out securities agent business, which includes brokerage, underwriting, and other regulated activities. Banks and NBFIs do not require specific licensing for participation in the interbank market or for participation in the auction of T-bonds conducted by CBM.

However, under the provisions of the SEL, a number of roles for intermediaries in the securities market can be identified as a result of the descriptions of activities and the corresponding licences on offer for market participants. Pursuant to Article 2 of the SEL, these activities include

- (i) trading of securities,
- (ii) acting as broker or agent in a securities business,
- (iii) taking responsibility for sub-distribution of securities,
- (iv) advising on investing in securities, and
- (v) offering clearing accounts for securities.

As a practical guide, the present market participants involved in the issuance of debt securities, or those participants that are by their license or function already positioned to participate in the bond market, are being reviewed here.

a. Financial Institutions Registered as Bidders

Financial institutions intending to bid at T-bond auctions conducted by CBM need to be registered with CBM as counterparties for such participation and maintain an account in the CBM settlement system (CBM-NET). This limits participation to commercial banks.

Under the FIL introduced in January 2016, commercial banks may participate in the buying and selling of securities for their own account or for their customers. There is no specific separate license required to participate in auctions of government securities.

While there is no concept of primary dealers or market makers in the Myanmar bond market at present, policy makers are studying the introduction of this concept in future.

b. Securities Agent(s) (Underwriter[s])

Securities agent is the term used in legislation, rules, and notifications concerning the Myanmar securities market. A securities agent fulfills the function of an underwriter, or the role of an arranger if other deal parties are involved.

Securities agents (underwriters) need to be licensed by SECM and may also carry out other activities in the securities market, as permitted by SECM.

The appointment of a securities agent (underwriter) is mandatory in Myanmar for issuances via public offers, currently the only issuance option for securities. A securities agent (underwriter) is not responsible for the issuance documentation and submission of applications to SECM and YSX (in case of a listing) but should be expected to support the raising of documentation and related information.

c. Underwriter(s) in Context of Direct Issuance of Government Securities

Previously, the term underwriter had been used in a different context in the Myanmar securities market rather than in the traditional understanding of the term.

MEB and MSEC act as issuing agents for T-bonds on behalf of the government and CBM (please also refer to section C in this chapter). These institutions are locally designated as underwriters for this practice, including on the CBM website. The naming is potentially misleading since these entities do not use their own funds to subscribe to the issued securities before placing them in the market. For a description of the role of MEB and MSEC as investors in the market, kindly refer to section 2 in this chapter.

MEB issues T-bonds, or sells them OTC to its customers in eight branches, including the main branches in Mandalay, Nay Pyi Taw, and Yangon. MSEC sells T-bonds through its Yangon office only.

d. Securities Sub-Distribution Agent(s) (Selling Agent[s])

Securities sub-distribution agents fulfill the function of selling agents for securities to be issued to the public. In contrast to the underwriter or securities agent, these agents do not take a risk by subscribing to the securities at the

time of placement; instead, their purpose is to place securities within the investor universe allocated to them.

Securities sub-distribution agents require a specific license for this activity from SECM. Securities firms who already have an underwriter or securities agent license may also act as a selling agent.

e. Shareholder Agent (Transfer Agent)

Comparable to the function of a registrar or transfer agent in other markets, the shareholder agent is tasked with keeping the ownership records of issued securities on behalf of the issuer. The name is derived from the focus on equities listed and traded on YSX at the time of compilation of this Bond Market Guide, but the function is likely to be adjusted or renamed once debt securities can be listed and traded on YSX or in the OTC market that has already been mentioned in regulations.

At present, YSX is performing the role of shareholder agent for the stock listed and traded on its market, supported by its Business Regulations Related to Shareholders' Agency Business. In this role, YSX also acts as paying agent for benefits arising from the equity securities in its records.

f. Custodians (Settlement Agents)

At the time of compilation of this Bond Market Guide, there were no market participants acting as third-party custodians (i.e., unrelated to securities firms or market infrastructure providers). Instead, the current market segments for government securities and exchange trading have already established their own settlement and safekeeping functions for the participants in each market.

Under the FIL, commercial banks may act as custodians without obtaining a separate license from SECM.

For government securities, CBM acts as the settlement agent for transactions between banks, or between the CBM and a bank, in CBM-NET. CBM also acts as the CSD and securities registrar for government securities and central bank securities.

Participants in CBM-Net CSD may also perform settlement and safekeeping services for transactions in government securities and central bank securities for their underlying clients (called indirect participants). Eligible participants include regulated financial institutions, which may include a broker or dealer trading in securities or an insurance company or corporation. Foreign institutions are also eligible to participate in CBM-NET CSD.³³ Commercial banks and the CBM are expected to be the main participants in CBM-NET CSD.

In the case of OTC transactions via MEB or MSEC, either MEB or MSEC performs the settlement function, but securities are delivered in physical form to the buyer and ownership is endorsed on the back of the securities certificate. Transfer of ownership is reported to CBM on a regular basis for corresponding entries to the government securities register kept at CBM.

³³ The CBM Guidelines on CBM-NET CSD define "foreign institution" as a "[p]erson other than an individual who (i) is incorporated, established or formed under the laws of a jurisdiction situated outside Myanmar or who is primarily regulated for prudential and liquidity purposes under the laws of a jurisdiction situated outside Myanmar; and (ii) is a Financial Institution, a broker or dealer trading in securities, an insurance company or a Central Bank."

In turn, trades on YSX are settled through the accounts of Account Management Institutions, who fulfill the function of custodians for their underlying clients. YSX acts as the Book-Entry Transfer Institution, or CSD, for transactions on its market. Account Management Institutions are participants in this function, not the exchange market itself.

g. Accounting Firms

Accounting firms are able to provide services to issuers or other market participants in the securities market, without the need to obtain a license or accreditation from the Myanmar Accountancy Council.

Accounting firms need to be registered with DICA as the company registrar in Myanmar. In addition, accounting firms have to be accredited with the Union Office of the Auditor General to carry out audit work.

h. Law Firms

Law firms are able to provide services to issuers or other market participants in the securities market, without the need to obtain a license or accreditation from the Supreme Court, but will also need to register with DICA as a company in Myanmar.

N. Definition of Professional Investors

The legislative and regulatory framework of the Myanmar securities market does not contain a definition of professional investor or the concept of different investor classes based on their incorporation, sophistication, or experience.

Hence, at this point, there is no professional bond market or professional securities market at large in Myanmar. Going forward, securities market participants may be termed professional since they require licensing under the SEL. At the same time, the issuance of T-bonds by CBM to financial institutions, either by direct issuance or via auction is, by the nature of the activity, limited to professional participants.

O. Credit Rating Requirements

At the time of compilation of this Bond Market Guide, a credit rating system and specific prescriptions for the issuance of debt securities were not yet in place.

However, following the establishment of YSX and its increasing number of listed securities, and the advent of the corporate bond market, SECM is likely to introduce a credit rating system in the near future.

At present, SECM is focused on improving the corporate governance standards among listed companies, in view of potentially listing candidate companies (see also Chapter IX), before incorporating such standards and requirements into regulations for credit ratings and credit rating agencies.

P. Market Features for Investor Protection

Typical concepts for investor protection, such as a trustee or bondholder representative function, do not yet exist. Other investor protection measures are also not yet developed in Myanmar.

Measures for investor protection will be included in this section of the Myanmar Bond Market Guide once they are introduced in the market.

Q. Bond Trustee or Bondholder Representative

At the time of compilation of this Bond Market Guide, the concept of a bond trustee, bondholder representative, or a corresponding function had not yet been established in the Myanmar bond market or the securities market at large.

R. Bankruptcy and Insolvency Provisions

Provisions in Part V of the existing Companies Act, 1914 are concerned with the winding up of companies and contain comprehensive bankruptcy and insolvency prescriptions. However, these are expected to be reviewed and revised once the New Myanmar Company Law and the corresponding Rules have been promulgated.

Provisions for bankruptcy and compulsory liquidation of banks and NBFIs are contained in the FIL, which also promotes equal access of resident and nonresident creditors to a universal pool of assets of a bank or NBFI in the process of liquidation that had engaged in cross-border activities.

S. Event of Default and Cross-Default

In the absence of a corporate bond market in Myanmar, the need to define events of default and possible cross-default provisions has not yet arisen. However, the market expects such prescriptions in laws and regulations to be introduced in line with the development of the bond and securities market, likely starting with provisions in the New Myanmar Company Law.

Bond and Note Transactions and Trading Market Infrastructure

A. Trading of Bonds and Notes

At present, the trading of bonds and notes in Myanmar is conducted only in the interbank market. SECM is focused on establishing a secondary market for government securities, likely on the exchange market, followed by the issuance and trading of corporate bonds.

Debt securities trading on YSX has not commenced, but would principally be possible once the relevant guidance has been issued by the regulatory authorities. The SEL also regulates the creation of an organized OTC market for securities; however, the OTC market has not yet been established. The buying and selling of government securities OTC at Authorised Selling Agents (MEB and MSEC) is a form of trading of securities unique to Myanmar.

The trading of government securities and central bank securities in the interbank market is subject to the prescriptions of CBM. More information can be found in the individual sections of this chapter and other relevant sections in this Bond Market Guide.

B. Trading Platforms

The trading of bonds and notes in the Myanmar bond market, which presently comprises only government securities, can be done in the interbank market, and at a later stage in an organized OTC market or on YSX.

1. Interbank Market

Trading in the interbank market is limited to government securities and central bank securities and occurs between CBM and a bank, or between banks and securities companies. To participate, commercial banks and securities companies must be registered as counterparties and they need to maintain cash and securities accounts in CBM-NET and CBM-NET CSD, respectively (also see Chapter III.M).

2. Over-the-Counter Market (Specific to Myanmar)

This original arrangement for the sale of government securities in the form of physical certificates was termed in the domestic market as OTC and, hence, unique to Myanmar in this form. It is not comparable to the traditional description of an OTC market.

Holders of T-bonds that are still in the form of physical certificates interested in selling are required to use the services of MSEC or another securities firm to trade their bonds or deliver them into a depository account after the conversion of the respective T-bonds into scripless form. The institution will look for a buyer and inform both parties

if a trade is about to be concluded. As such, this form of bond transaction is similar to a married trade in an exchange market.

3. Over-the-Counter Market

The SEL and SER provide for the creation of an organized and traditional OTC market in which unlisted securities, including debt securities, may be traded between counterparties registered with that OTC market. This OTC market is considered organized because it is required to be formed by a minimum number of market participants and is subject to licensing and market supervision by SECM.

This OTC market is not yet active in Myanmar.

4. Trading on the Yangon Stock Exchange

At present, the trading of securities on YSX is limited to equities. Trading is carried out using the call auction method as well as block trading. Details on trading and trading procedures are available on the YSX website.³⁴

The YSX trading platform is not yet able to process debt securities, but existing trading practices and conventions are thought to be transferable once debt securities are listed and traded on YSX.

Trading on YSX happens through a number of sessions from opening at 9:30 a.m. to closing at 1 p.m., Monday to Friday, excluding public holidays (Table 4.1).

Table 4.1: Yangon Stock Exchange—Trading Hours

Time	Activity	Remarks
9:30 a.m.–11 a.m.	Order Entry Period	YSX records buy-and-sell orders sent by securities companies during the period.
At 11 a.m.	First Call Auction	YSX conducts matching of buy-and-sell orders.
11 a.m.–1 p.m.	Order Entry Period	YSX records buy-and-sell orders sent by securities companies during the period.
At 1 p.m.	Second Call Auction	YSX conducts matching of buy-and-sell orders.

Source: Yangon Stock Exchange. Trading Procedure. https://ysx-mm.com/en/trading/trading_procedure/

C. Mandatory Trade Reporting

Due to the absence of an OTC market, there is no mandatory separate reporting of debt securities trades concluded between counterparties.

Trades in the interbank market are executed between banks and securities companies and/or with CBM, and need to be recorded in CBM-NET CSD in order to effect change of ownership. For this, counterparties acting as direct or indirect participants of CBM-NET CSD need to relate their transaction to the system under the participation agreement.

Trades executed on YSX are captured in the YSX trading system and are reported on its trading platform by default. Trades executed are also reported on the YSX website for the general reference of the public.

³⁴ See https://ysx-mm.com/en/trading/trading_procedure/

D. Market Monitoring and Surveillance in the Secondary Market

Due to the limited trading possibilities and the absence of a traditional OTC market, there is no market-wide surveillance for bond and note trading in Myanmar. For the time being, activities in the interbank market may be monitored by CBM through its supervision of the CBM-NET and CBM-NET CSD systems.

YSX carries out market monitoring and surveillance of trading on its market, which is presently limited to trades in equities.

E. Bond Information Services

Bond and notes issued in Myanmar are presently limited to government securities (T-bonds and T-bills) as well as central bank securities. As such, information on bonds and notes issued in Myanmar is typically available on the CBM website since CBM is also acting as the issuing agent of the government.

The most comprehensive information on government securities can be found on the CBM website. Under the Government Securities tab, CBM provides the offering memorandums for both T-bonds and T-bills, the securities auction procedures, auction calendar and announcements, a securities price calculation tool, as well as auction results downloadable as a PDF file (Figure 4.1).

Figure 4.1: Central Bank of Myanmar—Government Securities Web Page

The screenshot displays the Central Bank of Myanmar's website, specifically the Government Securities section. The page layout includes a top navigation bar with links for HOME, NEWS, CONTACT US, ENGLISH, and MYANMAR. Below this is a secondary menu with categories like About CBM, Monetary Policy, Payment System, Financial Institutions, Bank Notes and Coins, Laws & Regulation, Government Securities (highlighted), and Annual Reports. The main content area features a large image of the Central Bank building and the text 'The Republic of the Union of Myanmar Central Bank of Myanmar'. A sidebar on the left contains links for Information, News & Announcements, Photo Gallery, and Video Gallery. The central text area is titled 'Central Bank of Myanmar' and contains three numbered paragraphs detailing the bank's history and functions. A sidebar on the right lists various services and tools, including 'Offering Memorandum for Treasury Bills', 'Securities Auction Procedures', 'Exchange Rate', and 'Deposit Auction'. The exchange rate section shows a date of 21st Sep 2016 and a rate of 1,235.0 / USD. The deposit auction section shows an interest rate of 10% pa.

Central Bank of Myanmar

1. The Union Bank of Burma was established on 3rd April 1948 by the Act of Union Bank of Burma 1947 and took over the functions of the Yangon branches of the Reserve Bank of India. It did not have the full power of a central bank. In 1st July 1952, the Union Bank of Burma Act was enacted. In accordance with this Act Burma Currency Board was abolished and the Union Bank of Burma Act, 1952, conferred on the Union Bank of Burma all the usual functions of a central bank. The Union Bank of Burma was opened at the corner of Merchant Road and Sule Pagoda Road and had a sole right of currency issue. It was transferred from the Burma Currency Board to the newly created Currency Department of the Union Bank of Burma with effect from 1st July, 1952.
2. The Union Bank of Burma was established with an authorized capital of 40 million Kyats and a paid-up capital of 10 million Kyats by the Government. The People's Bank of the Union of Burma Act was enacted in 1967 and a monolithic bank known as the People's Bank of the Union of Burma was established in 1969 with the initial paid-up capital of 200 million Kyats that was fully contributed by the State.
3. After Myanmar adopted the socialist economic system in 1962, all banks were nationalized. Under the People's Bank of the Union of Burma Act 1967, a monolithic bank was formed. After reformed the administrative system in 1972, the Union Bank of Burma Law of 1975 was promulgated and the banking system was recognized. The name of the People's Bank of Union Bank of Burma was changed to the Union of Burma Bank. Consequently, four banks, namely the Union of Burma Bank, Myanma Economic Bank, Myanma Foreign Trade Bank and Myanma Agriculture Bank had emerged. Accordance with the 1975 Bank Law, initial paid-up capital of the Union Bank of Burma was 200 million Kyats that was fully contributed by the State.

Exchange Rate

Date : 21st Sep 2016

1,235.0 / USD

More

Source : forex.cbm.gov.mm

Deposit Auction

Interest Rate(%)

Central Bank Rate	10% pa
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Source: Central Bank of Myanmar. <http://www.cbm.gov.mm>

While information on T-bonds is also available from the underwriters (domestic term for an Authorised Selling Agent of CBM), MEB and MSEC, general information as well as information on prices and yields of Myanmar government securities is also available from selected market intermediaries and information vendors.

F. Yields, Yield Curves, and Bond Indices

In the absence of benchmark T-bonds, and given that a corporate bond market is not yet active, there are presently no market- or instrument-specific official yield curves available in Myanmar.

At the same time, the MOPF is planning to establish benchmark bonds using the introduction of competitive auctions in September 2016 for T-bonds to create larger issue sizes of individual T-bonds, even if that may lead to odd-dated tenors in the short-term.

1. Government Securities Yields

Figure 4.2: Prices and Yields of Government Treasury Bonds Issued via Auction

**Government of the Union of Myanmar Treasury Bond Auction
Results Summary**

Tender number	GB0001	
Face value of offer (millions Kyat)	200,000	
Auction announcement date	16/09/2016	
Auction date	20/09/2016	
Results announced	20/09/2016	
Settlement date	22/09/2016	
	TERM (1)	TERM (2)
Maturity date	15/05/2018	
Coupon rate (per cent per annum, paid semi-annually)	9.00	
Term	1 year 7 months 23 days	
Security name	Government of Myanmar 15 May 2018 9.% Treasury Bond	
Security identifier	GVTB18051	
Competitive bids		
Market weighted average accepted yield/price		
Yield (% per annum)	8.843	
Price (per 100,000 Kyat face value)	100,215.54	
Accrued coupon (per 100,000 Kyat face value)	3,179.35	
Settlement price (per 100,000 Kyat face value)	103,394.89	
Successful range		
Minimum yield to maturity (% per annum)	8.700	
Maximum yield to maturity (% per annum)	8.899	
Volume (millions Kyat face value)	120,000	
Value (millions Kyat)	120,250	

Source: Central Bank of Myanmar,
http://www.cbm.gov.mm/sites/default/files/finance_mark/gb0001_auction_result_20.9.2016.xlsx.pdf

With the first-ever auction of T-bonds on 20 September 2016, CBM, as the issuing agent of the government, publishes auction results, including achieved yields and yields of T-bonds on a monthly basis, following each auction. The auction results can be downloaded as a PDF file from the CBM website (Figure 4.2).

At present, auction results, prices, and yields of Myanmar government securities are not yet available on *AsianBondsOnline*.

At the same time, market intermediaries and information vendors may track yields of existing government securities and produce yield curves for their own purposes, or for the provision of securities-related services to their clients.

2. Bond Indices in Myanmar

Bond indices are expected to be established in line with the creation of benchmark T-bonds and the overall development of the Myanmar bond market.

G. Repo Market

1. Repo Market Overview

At present, CBM may conduct repurchase (repo) or buyback transactions with its interbank market constituents, using new and existing government securities.

2. Market Structure

Repo transactions are carried out by CBM as part of its open market operation. Counterparties are the commercial banks, which participate in the interbank market, comprising the constituent participants of the CBM clearing system, CBM-NET. In addition, other NBFIs can participate in the interbank market if they maintain a cash account in CBM-NET and a securities account in CBM-NET CSD, or as indirect participants maintaining a relationship with a direct participant.

CBM uses repo transactions to either offer liquidity to market participants or to withdraw liquidity from the market, as the case may be. Participants may use their holdings in government securities to obtain short-term liquidity.

3. Acceptance of Standards

At present, participation in the interbank market or in repo transactions is based on the agreement of constituent institutions of the conditions for participation in CBM-NET and CBM-NET CSD. As such, this has established a local market standard.

Owing to the nascent stage of development of the Myanmar bond market, and the absence of a private repo market outside central bank operations, there has been no pressing need to apply international standards, such as acceptance of the Global Master Repo Agreement.

4. Specific Repo Practices

Some of the prescribed repo practices specific to the interbank market operated by CBM are described below.

a. Size and Tenor

A typical repo tenor has not yet emerged in the interbank market.

b. Eligible Debt Securities as Collateral

At present, securities eligible for repo transactions include government securities as well as securities issued by CBM. In practice, usable securities are presently limited to T-bonds.

H. Securities Borrowing and Lending

SECM is considering allowing securities borrowing and lending transactions in the Myanmar bond and securities markets in future and would issue specific notifications to enable and govern this business.

At present, Trading Participants on YSX may borrow securities only for the purpose of avoiding settlement failure.



Description of the Securities Settlement System

This chapter, as included in the original ASEAN+3 Bond Market Guides published in 2012, has been discontinued in favor of a more comprehensive and updated description in the Phase 2 Report of ABMF Sub-Forum 2 (SF2), Information on Transaction Flows and Settlement Infrastructures, dated 13 June 2014. The SF2 Phase 2 report contains information on the post-trade features of the Myanmar bond market, its market infrastructure and settlement systems, interest payment and redemption practices, as well as market and message standards (pp. 194–202). In addition, the SF2 Phase 2 report contains detailed infrastructure and transaction flow diagrams for Myanmar (pp. 506–516).

The SF2 report is available at www.asianbondsonline.adb.org as well as through a number of mirror sites.³⁵

³⁵ See <http://www.adb.org/publications/asean3-information-transaction-flows-and-settlement-infrastructures>

Bond Market Costs and Taxation

This chapter details the typical costs incurred by issuers and investors in the Myanmar bond market to the extent that such costs are already known during this development phase of the Myanmar bond market.

For ease of reference, the descriptions of the types of costs are given in the context of the actions to be taken by issuers or investors (as explained in this document) and follow the lifecycle of a bond or note in the Myanmar bond market.

A. Costs Associated with Bond and Note Issuance

This section lists the fees and costs expected to be incurred by the issuer in the process of issuing debt securities in Myanmar.

1. Underwriter Fee (Mandatory for Public Offers)

The appointment of an underwriter—referred to as a securities agent in Myanmar laws and regulations—is mandatory in the case of a public offer of securities. The issuer is responsible for all documentation and their submission to SECM.

If appointed, the underwriter (securities agent) will charge a fee for its services in support of issuance documentation and the selling efforts to potential investors. Due to limited issuances in the securities market, and given that there have been no corporate bond issuances to date, a market practice for such a fee or specific price expectation has not been established.

2. Selling Agent Fee (Optional)

The issuer may appoint separate selling agents—referred to as securities sub-distribution agents in domestic market terminology—at their discretion. This appointment is not mandatory in the Myanmar bond or securities market, including in the case of a public offer of securities.

Selling agents (securities sub-distribution agents) would charge a fee, commensurate with the expectations of success of their effort in placing securities in the market. This fee should be expected to evolve along with market practices as this service provision becomes more established and securities issuances increase.

3. Agent Fees (Mandatory)

In the absence of a trustee or bondholder representative concept in Myanmar, and with potential service provisions for corporate bond and note issuances yet to evolve, the one agent service provision required would be the transfer agency role—referred to in domestic market terminology as “shareholders’ agency,” which is presently performed by YSX for securities listed on its market only.

Since YSX operates securities transfers on a book-entry basis only, transfer agent fees are further detailed under ongoing costs and depository charges in sections B and F of this chapter, respectively.

B. Ongoing Costs for Issuers of Corporate Bonds and Notes

Issuance of corporate bonds and notes has not yet commenced in the Myanmar bond market. In line with the development of the corporate bond market, service provisions to their issuers and the corresponding service charges are expected to evolve accordingly. Once these charges are published, they will be included in this section of the Bond Market Guide.

As a general reference, YSX stipulates fees charged to issuers of securities listed and traded on its markets, for which it performs the mandatory shareholders' agency function, in the Table of Fees for Book-Entry Transfers of Stock, etc., which is available for download from its website under the Business Regulations tab.³⁶

C. Costs for Deposit and Withdrawal of Bonds and Notes

At present, two CSDs exist in the Myanmar securities market, CBM-NET CSD for government and central bank securities, and YSX for securities listed and traded on its markets. YSX-traded securities are held in scripless form only, while government securities are now largely held in scripless form, but have also been issued to the public as physical certificates, many of which remain in circulation until maturity.

1. Deposit Fee

CBM does not levy a deposit fee for securities deposited into CBM-NET CSD.

Since YSX commenced the listing, trading, clearing, and settlement of securities only in scripless form, a deposit of securities certificates at any point in time is not applicable.

2. Withdrawal Fee

CBM does not levy a withdrawal fee for securities withdrawn from CBM-NET CSD.

Since YSX has commenced the listing, trading, clearing, and settlement of securities only in scripless form, a withdrawal of securities in the form of physical certificates is no longer possible.

D. Costs for Account Maintenance at the Central Securities Depositories in Myanmar

1. Account Maintenance Fee at CBM-NET CSD

There is no fee for account maintenance with CBM-NET CSD.

2. Account Maintenance Fee at the Yangon Stock Exchange

YSX bills each Account Management Institution a monthly book-entry transfer account management fee of MMK50,000 plus a token charge of MMK10 for each sub-account

³⁶ See https://ysx-mm.com/wp-content/uploads/2016/04/ysxr23_en_032016_01.pdf

held by an Account Management Institution. These fees are payable at the end of each month.

E. Costs Associated with Securities Trading

Trading participants are charged a number of fees by YSX, including for the examination of the qualification, admission, and basic service fees. In addition, YSX levies trading fees and cancellation fees as a percentage of the total trading volume of a Trading Participant.³⁷ It should be expected that Trading Participants will strive to recover some or all of these fees in the form of brokerage fees or other costs charged to their investor clients.

1. Brokerage Fee (applicable to trades on the Yangon Stock Exchange)

In its Notification (3/2015) on Business Time of Securities Companies and the Fee of Securities Brokerage Business, issued in October 2015, SECM issued general guidance for the setting of brokerage fees to the market participants. According to the notification, the following fees apply across trades in all securities (Table 6.1).

Table 6.1: Securities Brokerage Fee in Myanmar

Trading Amount	Brokerage Fee
When the trading amount is less than MMK500,000	MMK5,000
When trading amount is between MMK500,001 and MMK1 million	1.0% of the trading amount
When trading amount is between MMK1 million and MMK10 million	0.8% of the trading amount
When trading amount is between MMK10 million and MMK100 million	0.6% of the trading amount
When trading amount is more than MMK100 million	0.5% of the trading amount

Source: Securities and Exchange Commission of Myanmar.

F. Costs for Settlement and Transfer of Bonds and Notes

Settlement and transfer fees for transactions settled in CBM-NET CSD and YSX, respectively, are described below.

1. Transaction Fee (Settlement and Transfer Fee)

a. In the Case of Government Securities

The fee for securities settlement is MMK2,000 per transaction and is charged to successful bidders at government securities auctions upon settlement of their bids.

³⁷ For the full fee schedule applicable to Trading Participants, please see the Table of Fees for Trading Participant published on the YSX website at https://ysx-mm.com/wp-content/uploads/2016/04/ysxr25_en_122015_01.pdf

b. In the Case of Securities Settled Through YSX

In its Table of Fees for Book-Entry Transfers of Stock, etc., YSX lists the book-entry transfer service fee (settlement fee) as MMK10,000 for each transfer (settlement) between Account Management Institutions. Internal transfers between the accounts maintained by each Account Management Institution are charged at MMK2,000 per transfer.

YSX also publishes the Table of Fees for Clearing and Settlement on its website under YSX Business Regulations.³⁸ The table only contains fees applicable for instruments eligible for trading, which is presently limited to equities, but also includes securities borrowing transactions to avoid settlement failure.

G. Taxation Framework and Requirements

The taxation framework and the collection of duties and taxes in Myanmar is set and administered by the Internal Revenue Department of the MOPF. The taxation treatment with relevance for the bond market is shown in Table 6.2 and reviewed in brief thereafter.

Table 6.2: Duties and Taxes Related to Debt Securities in Myanmar

Duty or Tax	Debt Instrument	Investor or Institution	Tax Rate (% or amount)
Income Tax (Corporate)	Government	Any investor	25
	Corporate	Any investor	25
Withholding Tax	Government	Nonresident investor	15
	Corporate	Nonresident investor	15
Capital Gains Tax	Government	Any investor	10
	Corporate	Any investor	10
Stamp Duty	Government	Any investor	0.1
	Corporate	Any investor	0.1
Commercial Tax	All debt securities	Any investor	Exempt

Source: Ministry of Planning and Finance, Internal Revenue Department.

1. Income Tax (Corporate)

At present, the rate of corporate income tax payable by entities incorporated in Myanmar or doing business in Myanmar is 25%. However, tax incentives, including tax relief and concessionary tax rates, may be available for participants in the capital market under separate regulations (see also section 7 for details).

³⁸ See https://ysx-mm.com/wp-content/uploads/2016/04/ysxr22_en_122015_01.pdf

2. Withholding Tax

Withholding tax rates are dependent on the type of payment (e.g., interest, royalties, and payment for the work done under different kinds of organizations) and could range from 2.5% to 15%. Payments on income from interest are subject to the following rates of withholding tax:

- no tax for resident citizens and resident foreigners, and
- a 15% tax for nonresident or foreign investors.

3. Capital Gains Tax

Myanmar imposes a capital gains tax on securities market transactions and the tax rate is 10% on gains. As the selling and buying of shares occurs continuously during a fiscal year, if the dealer is a company or partnership, it shall be assessed as business heading on income earned from the disposal of shares. If a natural person buys and sells, but not many times in a fiscal year, it shall be assessed as capital gains and taxed accordingly. However, under the Union Taxation Law, 2017, no income tax shall be levied even though the capital gains arise from an asset if the total value of one or more capital assets sold, exchanged, or transferred by any other means within a year does not exceed MMK10 million.

4. Stamp Duty

Stamp duty is imposed on the transfer of shares in an incorporated company or other body corporate at the rate of 0.1% on the value of the shares.

At the same time, a transfer of debentures, being marketable securities, attracts stamp duty at a rate of 0.1% on the value of the debentures, unless the debentures fall under the exemptions provided for in Section 8 of the Union Taxation Law, 2017.

5. Commercial Tax

There is no value added tax in Myanmar. Instead, Myanmar applies a commercial tax as an indirect tax. However, commercial tax is not levied on activities in the securities market under the Union Taxation Law, 2017.

6. Double Taxation Agreements

Table 6.3 indicates the countries with which Myanmar has entered into tax treaties.

Table 6.3: Myanmar's Tax Treaties with Other Countries

Country	Tax Treaty Date Signed	Tax Treaty Effective Date
United Kingdom	13 March 1950	13 March 1950
Republic of Korea	22 February 2002	1 April 2004
Viet Nam	12 May 2000	1 April 2004
India	2 April 2008	1 April 2009
Malaysia	9 March 1998	1 April 2009
Singapore	23 February 1999	1 April 2010
Lao People's Democratic Republic	20 November 2009	1 April 2011
Thailand	7 February 2002	1 April 2012

Source: Ministry of Planning and Finance, Internal Revenue Department.

7. Tax Incentives

Nonresidents are principally subject to withholding tax.

At the same time, the Income Tax Law provides for the possibility of exemptions from income tax under specific circumstances and for particular organizations or activities. One example is the provision that the MOPF, with the agreement of the Cabinet, may grant exemptions from income tax (and other forms of tax relief) to public companies listed on YSX for the development of the stock market.

Beyond the securities market, examples of other exemptions for both residents and nonresidents may be found in the Myanmar Investment Law, 2016 and the Special Economic Zone Law.

Market Size and Statistics

The original ASEAN+3 Bond Market Guide was published in April 2012 and included several pages of bond market statistics for the published economies, including historical data such as bond holdings, bondholder distribution, outstanding amounts, and trading volumes. Not surprisingly, this data became stale soon after publication.

Since the ASEAN+3 Bond Market Guide is most likely to be updated only on a biennial basis, it is not the best channel for the dissemination of market statistics. Hence, a chapter comprising bond market statistics has been discontinued and replaced with a list of recommended sources for detailed, accurate, and current information sources on the Myanmar bond market. These sources are listed below in alphabetical order.

- *AsianBondsOnline* (an ASEAN+3 initiative lead by ADB)
<https://asianbondsonline.adb.org/myanmar.php>
 - Market-at-a-Glance
 - Market structure
 - News (latest statistics)
- Central Bank of Myanmar
<http://www.cbm.gov.mm/content/1309>
 - Auction results, including prices and yields
- Myanmar Central Statistical Office
<https://www.csostat.gov.mm/>
- Yangon Stock Exchange
<https://ysx-mm.com/en/mktdata/market-summary/>
 - Market summary
 - Bid–offer prices
 - Market volume
 - Index chart
 - Historical prices

Presence of an Islamic Bond Market

There is no Islamic bond market in Myanmar.

Myanmar Bond Market Challenges and Opportunities

This chapter discusses some of the real and perceived challenges facing the Myanmar bond market and its participants. This chapter also aims to describe the possible mitigating factors and market developments that could address these challenges in an appropriate manner.

A. Challenges in the Myanmar Bond Market

The challenges facing the Myanmar bond market are described below, but not necessarily in the order of priority for each policy body or regulatory authority.

1. Timely Availability of Rules and Regulations in English

Myanmar's laws are required to be translated into English, though this may not occur at the time the respective legislation is promulgated. In addition, some of the key rules and regulations may not be translated into English in a timely manner. This may have an impact on the level of interest and participation by nonresident investors and other market participants when considering the Myanmar bond market.

At the same time, SECM and YSX publish their notifications and business regulations in English on their website in a timely manner. YSX may issue business regulations only in English, and both SECM and YSX are encouraging public companies to issue their prospectus and disclosure information in both the Myanmar language and English to prepare listed companies for a broader investing public in future.

2. Need to Convert More Private Companies to Public Companies

As of August 2017, YSX featured four listed companies, which is significant considering that listings only commenced in March 2016 and that there are a finite number of public companies existing in Myanmar.

At the same time, SECM would like to see the conversion of a larger number of private companies into listed companies, and their subsequent ability to issue and list their securities, to increase the number of securities on offer and achieve broader investor participation. For that purpose, SECM has defined among its objectives the need to educate private and public companies on corporate governance and disclosure practices, to ease them toward the ability to participate in the capital market.

3. Capacity Limitations Across the Market

As of August 2017, YSX had four companies listed, with limited trading activities between the six licensed Trading Participants (securities firms) and their underlying clients. Government securities were effectively only issued in the interbank market and not open to actual secondary trading among institutional investors typically investing in debt securities. The auction process introduced in September 2016 may not have

immediately generated the additional institutional investors that are required in a market to establish continuous demand for debt securities issuances. In turn, the actual issuance of (debt) securities in relation to available market participants might still be insufficient to warrant significant investment in market infrastructure and the expertise necessary to carry the market forward.

In response to these challenges, SECM is hoping to address some shortcomings in the securities market on a subject-by-subject basis (please see also Chapter X).

4. Lack of Market Expertise

Owing to the present stage of bond or securities market development in Myanmar, the regulatory authorities, market infrastructure providers, and market participants are bound to have limited experience with the many aspects of a securities market and its typical development needs. In particular, a shortage of experienced staff in both SECM and YSX may hamper the ability to implement these necessary developments in the near-term.

5. Lack of Public Awareness and Investor Protection

Since the Myanmar bond market, and the securities market at large, is in the early stages of development, market participants, including both policy bodies and regulatory authorities, cannot be expected to have accumulated much expertise.

SECM is aware of the lack of both public awareness of investing in securities and also the need to establish measures of investor protection evident in a more established bond or securities market. Among these market features are a trustee or bondholder representative concept, the establishment of an investor protection fund by YSX, and a complaint or dispute resolution mechanism.

In response, SECM will invest in educating the public on the features, benefits, and risks of investing in securities. It also hopes to establish adequate measures for investor protection in due time.

6. Lack of Clarity of Tax Treatment and Tax Incentives

Being a typical side effect of a nascent yet fast-developing bond market, the tax treatment of new instruments and the activities of market participants in relation to new instruments in the Myanmar bond market, and the securities market at large, is in the early stages of development, and market participants, including both policy bodies and regulatory authorities, cannot be expected to have accumulated much expertise.

B. Opportunities in the Myanmar Bond Market

To address some of the challenges mentioned in the previous section, a number of the planned and envisaged developments in the Myanmar bond and securities markets are reviewed in this section. These developments have been identified in the Capital Market Development Plan and through the actions and research of SECM.

1. General Policy and Regulatory Environment

With the broad legislative and regulatory environment now in place, the Myanmar bond and securities market and its participants are well placed to tackle the aforementioned challenges. Based on existing laws and rules, SECM may now introduce market features and functions through its own notifications and react to the need to develop market practices in a timely manner. The opportunities mentioned below, as well as

some of the recent developments and future items discussed in Chapter X, are a reflection of SECM's forward-looking activities.

2. Listing of Securities by More Public Companies

Among the approximately 230 public companies in existence in Myanmar (as of August 2016), SECM has identified about 30–40 public companies that may be good candidates for the listing of their securities, starting with their company's stock. These companies range from information technology to tourism and other services sectors. SECM had expected that two or three additional listings may occur in any given fiscal year. In fact, two additional companies did list on YSX in fiscal year 2016/17.

In line with this expected development, one of the key priorities of SECM has been to further develop the practices for corporate governance and adequate initial and continuous disclosure for listed entities.

3. Opportunities Created by the Myanmar Investment Law, 2016

The Myanmar Investment Law was issued on 18 October 2016 and its rules were published on 30 March 2017. The law came into effect on 1 April 2017.

The law contains a clarification of what constitutes a foreign company. Previously, a company was considered a foreign company if at least one share of the company was held by a foreigner. Now, a certain percentage of shares of the company must be held by foreigners to classify as a foreign company. This reclassification is expected to create a pool of additional public companies that would be candidates for the listing or issuing of securities since these companies often have benefited from know-how transfers owing to a degree of foreign ownership, including in the areas of corporate governance, disclosure, and financing.

4. Creation of a Corporate Bond Market

Among the priorities of SECM are the establishment of corporate bond and note issuance, and the trading of medium-term corporate bonds in a secondary market, likely on YSX.

5. Potential for Cross-Border Listings and Linkages

In line with the Blueprint 2025 of the ASEAN Economic Community, links and linkages among the region's financial markets are considered desirable. As such, the ability to link YSX with other exchanges in ASEAN markets, or the cross-listing of public companies already listed on YSX on exchanges in these ASEAN markets, are policy objectives for the long-term.



Recent Developments and Future Direction

A. Recent Major Developments

Recent major developments are considered those that occurred or have been announced in the Myanmar market since the first publication of the ASEAN+3 Bond Market Guide for selected economies in April 2012.

1. Establishment of a Legal and Regulatory Framework for the Bond and Securities Market

The Government of Myanmar passed the SEL in July 2013, which serves as the legislative foundation of the securities market and contains prescriptions for the establishment of a securities and exchange commission, and the setting up of a securities exchange. The SEL also set out the licenses available for market participants and their principal qualifications.

In 2015, the SEL was complemented by the SER, which interpret and further detail SEL provisions for the securities market activities and market participants. In turn, SECM continues to issue notifications on specific topics for the bond market and securities market at large. At the time of completion of this Bond Market Guide, SECM had issued six notifications as well as a number of instructions and announcements to the market. A list of notifications and instructions can be found in Appendix 2.

SECM also allowed six securities companies to participate in government securities auctions, including the bond auction held by CBM in October 2016. Under the objectives of bond market development in Myanmar, SECM and CBM will issue the necessary regulations to allow securities companies to act as underwriters for government securities auctions.

2. Establishment of the Securities and Exchange Commission of Myanmar

SECM was established in 2014, pursuant to the prescriptions of the SEL. The SECM Office has supported SECM's work since February 2015.

Since its inception, SECM has licensed the YSX and securities firms, passed the SER further detailing the SEL provisions, introduced a prospectus regime for public offers, oversaw the conversion of securities issuance from physical certificates to book-entry records, and published notifications on continuous disclosure and the conduct of securities firms, among other activities.

SECM is now working on its next set of priorities: the establishment of an issuance framework for municipal bonds and the introduction of corporate bonds, including the ability to trades these securities in a secondary market (see section B for details).

3. Establishment of the Yangon Stock Exchange

YSX was established as a joint venture between Myanmar Economic Bank, the Daiwa Institute of Research, and Japan Exchange Group in December 2014. YSX received its license as a stock exchange from SECM in April 2015 and commenced listing and trading operation in March 2016. As of August 2017, YSX featured four equity listings on its market, with six securities firms admitted as Trading Participants.

For a detailed description of the role and functions of YSX, please refer to Chapters II and IV in this Bond Market Guide.

4. Establishment of Scripless Trading and Book-Entry Transfers

In the process of establishing the trading of securities, which is presently limited to equities trading on YSX, SECM also introduced the concept of securities in scripless form. As a result, stock trading on YSX could commence in March 2016 on a scripless basis with the use of a book-entry system.

5. Transformation of Government Securities Market

From late 2015 to September 2016, the market for government securities underwent a near complete transformation. In late 2015, the issuance of T-bonds in the form of physical certificates was replaced with a book-entry system and outstanding certificates held by institutional investors deposited into the new system. In August 2016, CBM published the operational procedures for the auction process of government securities, with a first auction successfully conducted in September 2016. This was a significant departure from the previous practice of issuing T-bonds directly to investors upon request.

In addition, the Treasury Department of the MOPF took over the role as issuer of government securities on behalf of the Government of Myanmar, while CBM retained its role as issuing agent. CBM also now conducts the auction process and has introduced a real-time gross settlement system (CBM-NET) and a central depository function (CBM-NET CSD) to manage the scripless securities issuance and transfer of auction allocations to and between the participating institutions, and to support a future secondary market in government securities.

Along with the introduction of the auction process, the Treasury Department also formally issued a standing Treasury Bonds Offering Memorandum in August 2016 to highlight its objectives and the key features for government securities for the benefit of the investing public.

6. Establishment of Benchmark Government Securities

In conjunction with the auction process for government securities introduced in September 2016, the Treasury Department is aiming to create benchmark securities among existing T-bond issuance by focusing on larger and more concentrated issues to the market. While this may create odd-tenored issues in the short-term, the objective is to be able to create issue sizes and features that support benchmark issues and a government securities standard yield curve, in line with expectations from seasoned institutional investors. The Treasury Bonds Offering Memorandum highlights the focus of the Treasury Department on standardized coupons and maturity dates to support these objectives.

B. Future Direction

The Myanmar bond market is at a nascent stage of development. As a result, much change is expected over the next 1–2 years, with SECM now already having established some basic securities market practices, and the need to follow-up with achieving objectives identified by the government in the Capital Market Development Plan.

With these envisaged market developments, a number of key challenges for the bond market are expected to be addressed in a comprehensive manner (see also Chapter IX).

1. Development of Issuance Framework for Municipal Bonds

The key priority for SECM with regard to bond market development is the establishment of practices toward the issuance of municipal bonds, which would aid the development of nation-building projects favored by the government. For that purpose, SECM will issue specific notifications in due course.

2. Regulations for Issuance of Corporate Bonds

Second among its development objectives, SECM is working toward creating the regulatory environment for public companies to issue corporate bonds and notes in the Myanmar market, and to enable a secondary market in these instruments, likely on YSX.

3. Listing of Debt Securities on the Yangon Stock Exchange

To support the bond market development objectives of SECM, YSX is expected to include the listing, trading, and settlement of debt securities on its market in the near future, in line with the pace of regulatory changes. To enable debt securities, YSX would have to amend its individual business regulations that presently only contain references to equities. At the same time, the YSX trading platform would have to be enabled for debt securities trading and Trading Participants would need to adjust their systems and practices to include the additional securities types.

In addition, SECM has identified a number of additional public companies that may consider listing their securities on YSX in the near-term (see also Chapter IX).

Appendix 1

Practical References

For easy access to further information about the market features described in the Myanmar Bond Market Guide—including information on the policy bodies, regulatory authorities, and securities market-related institutions—interested parties are encouraged to utilize the following links (most websites are available in English):

AsianBondsOnline (Asian Development Bank)
<https://www.asianbondsonline.adb.org/myanmar.php>

Central Bank of Myanmar
<http://www.cbm.gov.mm/>

Central Bank of Myanmar—Offering Memorandum for Treasury Bills
http://www.cbm.gov.mm/sites/default/files/finance_mark/offering_memorandum_treasury_bill_amendment_8-5-2017_0.pdf

Central Bank of Myanmar—Domestic Market Operations: Securities Auction Procedures
http://www.cbm.gov.mm/sites/default/files/finance_mark/cbmsecuritiesauctions_proceduresaug20164.0_0.pdf

Central Bank of Myanmar—Central Securities Depository Guidelines
<http://www.cbm.gov.mm/content/1684>

Central Statistical Organization (Ministry of Planning and Finance)
<http://www.csostat.gov.mm/sdetails04.asp>

Directorate of Investment and Company Administration
<http://www.dica.gov.mm/>

Ministry of Planning and Finance
<http://www.mof.gov.mm/en>

Myanma Economic Bank
<http://www.meb.gov.mm/en/>

Myanmar Securities Exchange Centre Co., Ltd.
<http://www.msecmyanmar.com>

Securities and Exchange Commission of Myanmar
<http://secm.gov.mm/en/home/>

Yangon Stock Exchange
<https://ysx-mm.com/>

Appendix 2

List of Laws and Regulations

A list of the applicable laws and regulations for the bond and securities markets in Myanmar is provided below for easy reference. The information given was correct at the time of the completion of this Bond Market Guide and will be updated periodically. Since the Myanmar market is developing rapidly, interested parties are encouraged to regularly check the links provided for the latest versions.

Table A2.1: Laws with Relevance for the Securities Market in Myanmar

Law	Link to English Document
Myanmar Companies Act, 1914	http://www.dica.gov.mm/en/myanmar-companies-act-mca http://www.dica.gov.mm/sites/dica.gov.mm/files/document-files/myanamr_companies_act_1914.pdf
The Central Bank of Myanmar Law, 2013	http://www.cbm.gov.mm/sites/default/files/cbm_law_unofficial_translation_29-7-2013_1.pdf
Securities Exchange Law, 2013	http://secm.gov.mm/en/se-law/ / http://secm.gov.mm/wp-content/uploads/2015/12/4.SECM-Law-Latest-version-English.pdf
Financial Institutions Law, 2016	http://www.cbm.gov.mm/sites/default/files/regulate_laundry/financial_institutions_law_updated_by_cbm_20160303website-1_0.pdf
Myanmar Investment Law, 2016	http://www.dica.gov.mm/sites/dica.gov.mm/files/document-files/myanmar_investment_law_official_translation_23-1-2017.pdf
New Myanmar Company Law, 2017	http://www.dica.gov.mm/sites/dica.gov.mm/files/document-files/mcl_english_version_mpf_comments_oct_2016_clean.pdf (draft version)

Source: ADB consultants for SF1 from publicly available information.

The SER, issued in 2015, are not yet available in English.

An overview of current notifications is available for download in English from the SECM website by clicking the Laws & Regulations tab and selecting Notification.³⁹ Table A2.2 provides a list of individual notifications with direct links to the English text at the time of the compilation of this Bond Market Guide.

³⁹ See <http://secm.gov.mm/>

Table A2.2: Securities and Exchange Commission of Myanmar Notifications

Notification	Subject and Link to English Document
Notification (1/2015)	Dematerialization of Shares http://secm.gov.mm/wp-content/uploads/2015/12/1-15DematNoti.pdf
Notification (2/2015)	Public Offering http://secm.gov.mm/wp-content/uploads/2015/12/150914-IPO-Notification-2.pdf
Notification (3/2015)	Business Time and Brokerage Fees http://secm.gov.mm/wp-content/uploads/2015/12/Notification-Brokerage-English3-2015.docx
Notification (1/2016)	Continuous Disclosure http://secm.gov.mm/wp-content/uploads/2015/12/Continuous-Disclosure-E.pdf
Notification (2/2016)	Securities Companies Regulations http://secm.gov.mm/wp-content/uploads/2016/03/SC-Regulations-E-2-16-.pdf
Notification (1/2017)	Public Offering for Capital Raising by Listed Companies https://secm.gov.mm/wp-content/uploads/2017/07/Noti-english.pdf

Source: ADB consultants for SF1 from publicly available information.

Similarly, current instructions issued by SECM may be viewed and downloaded in English by accessing the SECM website and selecting the Laws & Regulations tab and selecting Instruction.⁴⁰ A list of instructions at the time of the compilation of the Bond Market Guide is shown in Table A2.3 for easy reference.

Table A2.3: Securities and Exchange Commission of Myanmar Instructions

Instruction	Subject and Link to English Document
Instruction (1/2016)	Securities Account Opening Instruction http://secm.gov.mm/wp-content/uploads/2016/03/1.2016Ins.E.pdf
Instruction (2/2016)	Securities Company System Installation Instruction http://secm.gov.mm/wp-content/uploads/2016/03/2.2016Ins.E.pdf
Instruction (3/2016)	Anti-Money Laundering Instruction for Securities Companies, Stock Exchange, and Over-the-Counter Market http://secm.gov.mm/wp-content/uploads/2016/03/AML-Inst-3-16-E-.pdf
Instruction (4/2016)	Preventing Insider Trading http://secm.gov.mm/wp-content/uploads/2016/03/4.16-InsiderTrading-E-1.pdf
Instruction (5/2016)	Use of Prospectus Format for Public Offering (including forms) http://secm.gov.mm/en/instruction-52016/
Instruction (8/2016)	Submission of Annual Report of Listed Companies in the Yangon Stock Exchange http://secm.gov.mm/wp-content/uploads/2016/09/Ins8-E.pdf
Instruction (9/2016)	Allow Securities Companies to Purchase the Government Treasury Bonds for 10% of Paid-up Capital http://secm.gov.mm/wp-content/uploads/2016/11/Instr-9-E.1.pdf

Note: Instructions 6/2016 and 7/2016 do not relate to the securities market.

Source: ADB consultants for SF1 from publicly available information.

⁴⁰ Footnote 39.

The YSX Business Regulations may be downloaded from the YSX website and are available in English.⁴¹ The YSX Business Regulations shown in Table A2.4 were correct at the time of the compilation of this Bond Market Guide.

Table A2.4: Yangon Stock Exchange Business Regulations

Business Regulations	Last Issued	Link to English Document
Trading Business Regulations	30 Oct 2015	https://ysx-mm.com/wp-content/uploads/2016/04/ysxr01_en_102015_01.pdf
Enforcement Regulations for Trading Business Regulations	21 Dec 2015	https://ysx-mm.com/wp-content/uploads/2016/04/ysxr11_en_122015_01.pdf
Clearing and Settlement Business Regulations	24 Mar 2016	https://ysx-mm.com/wp-content/uploads/2016/03/ysxr02_en_032016_01.pdf
Enforcement Regulations for Clearing and Settlement Business Regulations	24 Mar 2016	https://ysx-mm.com/wp-content/uploads/2016/03/ysxr12_en_032016_01.pdf
Business Regulations Relating to Book-Entry Transfers of Stock, etc.	12 Mar 2016	https://ysx-mm.com/wp-content/uploads/2016/03/ysxr03_en_032016_01.pdf
Securities Listing Business Regulations	4 Apr 2016	https://ysx-mm.com/wp-content/uploads/2016/04/ysxr04_en_042016_01.pdf
Enforcement Regulations for Securities Listing Business Regulations	16 Dec 2016	https://ysx-mm.com/wp-content/uploads/2016/04/ysxr14_en_122015_01.pdf
Table of Fees for Listing Company	18 Dec 2015	https://ysx-mm.com/wp-content/uploads/2016/04/ysxr24_en_122015_01.pdf
Listing Criteria	13 Aug 2015	https://ysx-mm.com/wp-content/uploads/2015/10/ysxr34_en_082015_01.pdf
Trading Participant Business Regulations	12 Mar 2016	https://ysx-mm.com/wp-content/uploads/2016/06/ysxr05_en_032016_02.pdf
Enforcement Regulations for Trading Participant Business Regulations	31 Mar 2016	https://ysx-mm.com/wp-content/uploads/2016/06/ysxr15_en_032016_03.pdf
Table of Fees for Trading Participant	18 Dec 2015	https://ysx-mm.com/wp-content/uploads/2016/04/ysxr25_en_122015_01.pdf

Source: ADB consultants for SF1 from publicly available information.

⁴¹ See <https://ysx-mm.com/en/regulations/ysxrregulations/>

Appendix 3

Glossary of Technical Terms

Account Management Institution	Term used in YSX Business Regulations for the function of a custodian or account holder in the YSX book-entry system
Authorised Selling Agent	Bank appointed by CBM to sell government securities at the bank counter
Book-Entry Transfer Institution	Official term used for transfer agents in the Myanmar market
license-holder	Entity licensed by SECM for specific activities in the securities market
Offering Memorandum	Key disclosure document for government securities (T-bills and T-bonds)
over-the-counter	In Myanmar, a specific, separate organized market for the trading of unlisted securities
Prospectus	Key disclosure document for (debt) securities offered in Myanmar
public company	Term refers to a company that is not a private company; does not refer to listed companies as the term may suggest in other markets
securities agent	Term in Myanmar legislation and regulations for the role of an underwriter in other markets; an activity to be licensed by SECM
securities sub-distribution agent	Term in Myanmar legislation and regulations for selling agents of securities; an activity to be licensed by SECM
T-bills	Short form for Treasury bills
T-bonds	Short form for Treasury bonds
Trading Participant	Refers to member of YSX (a securities firm licensed by SECM and admitted by YSX)
Underwriter	Term that refers to the function of a selling agent for government securities on behalf of CBM

Source: ADB consultants for SF1.

ASEAN+3 Bond Market Guide 2018 Myanmar

ASEAN+3 Bond Market Guide is a comprehensive explanation of the region's bond markets. It provides information such as the history, legal and regulatory framework, specific characteristics of the market, trading and transaction (including settlement systems), and other relevant information. The Bond Market Guide 2018 for Myanmar is an outcome of the support and contributions of ASEAN+3 Bond Market Forum members and experts, particularly from Myanmar.

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ASIAN DEVELOPMENT BANK

6 ADB Avenue, Mandaluyong City
1550 Metro Manila, Philippines
www.adb.org