



6th Follow-Up Report

Mutual Evaluation of Myanmar

February 2024





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MYANMAR

6TH ENHANCED (EXPEDITED) FOLLOW-UP REPORT 2024

I. INTRODUCTION

1. The mutual evaluation report (MER) of Myanmar was adopted in 2018. Previous FURs were adopted in 2019, 2020, 2021, 2022 and 2023.
2. This FUR analyses the progress of Myanmar in addressing the technical compliance requirements of the recommendations being re-rated. Technical compliance re-ratings are given where sufficient progress has been demonstrated.
3. This report does not analyse any progress Myanmar has made to improve its effectiveness.
4. The assessment of Myanmar's request for technical compliance re-ratings and the preparation of this report was undertaken by the following experts:
 - *Young Lee, U.S. Department of the Treasury, United States*
5. The preparation of the report was supported by Sylvia Deutsch from the APG Secretariat.
6. Section III of this report summarises the progress made to improve technical compliance. Section IV contains the conclusion and a table illustrating Myanmar's current technical compliance ratings.

II. FINDINGS OF THE MUTUAL EVALUATION REPORT

7. Myanmar current ratings ¹ are follows:

IO.1	IO.2	IO.3	IO.4	IO.5	IO.6	IO.7	IO.8	IO.9	IO.10	IO.11
Low	Low	Low	Low	Low	Mod	Low	Low	Low	Low	Low

R.	Rating	R.	Rating
1	PC (2018 MER), ↑ LC (2019 FUR)	21	LC (2018 MER), (2019 FUR)
2	LC (2018 MER), (2019 FUR)	22	PC (2018 MER), ↑ LC (2021 FUR)
3	C (2018 MER)	23	PC (2018 MER), ↑ LC (2021 FUR)
4	LC (2018 MER)	24	NC (2018 MER), (2019 FUR), ↑ PC (2020 FUR) (2023 FUR)
5	LC (2018 MER)	25	NC (2018 MER)
6	LC (2018 MER)	26	PC (2018 MER), (2019 FUR), (2020 FUR), (2021 FUR), (2022 FUR), (2023 FUR)
7	NC (2018 MER, 2023 FUR)	27	C (2018 MER)

¹ There are four possible levels of technical compliance: compliant (C), largely compliant (LC), partially compliant (PC), and non-compliant (NC). Effectiveness ratings for the 11 Immediate Outcomes are: Low, Moderate (Mod), Substantial or High.

R.	Rating	R.	Rating
8	PC (2018 MER), (2019 FUR)	28	NC (2018 MER), ↑ PC (2022 FUR)
9	C (2018 MER)	29	PC (2018 MER), (2021 FUR)
10	PC (2018 MER), (2019 FUR) ↑ LC (2020 FUR)	30	LC (2018 MER)
11	C (2018 MER)	31	LC (2018 MER)
12	PC (2018 MER) ↑ LC (2020 FUR)	32	PC (2018 MER)
13	PC (2018 MER), (2019 FUR) ↑ LC (2020 FUR)	33	PC (2018 MER), ↑ LC (2022 FUR)
14	NC (2018 MER), (2019 FUR), ↑ PC (2020 FUR), (2021 FUR), (2022 FUR), ↑ LC (2023 FUR)	34	PC (2018 MER), (2022 FUR)
15	LC (2018 MER), ↓ PC (2020 FUR)	35	PC (2018 MER)
16	LC (2018 MER)	36	PC (2018 MER), (2019 FUR)
17	C (2018 MER)	37	PC (2018 MER), (2019 FUR)
18	C (2018 MER), ↓ LC (2019 FUR)	38	PC (2018 MER)
19	NC (2018 MER), ↑ PC (2019 FUR), (2020 FUR) ↑ C (2021 FUR)	39	PC (2018 MER)
20	C (2018 MER)	40	LC (2018 MER)

8. Given these results and the effectiveness ratings, Myanmar is on enhanced (expedited) follow-up.²

III. PROGRESS TO IMPROVE TECHNICAL COMPLIANCE

9. In keeping with the APG ME Procedures, this FUR considers progress made up until 1 February 2024 and considers progress to address the deficiencies identified in the MER and the entirety (all criteria) of each Recommendation under review, noting that this is cursory where the legal, institutional or operational framework is unchanged since the MER or previous FUR. This report does not address the progress Myanmar has made to improve its effectiveness.

10. This section summarises the progress made by Myanmar to improve its technical compliance by implementing requirements in place at the time of the MER.

Progress to address technical compliance deficiencies identified in the MER.

11. Myanmar requested a re-rating of R.26 (which were rated PC).

12. The APG welcomes the steps that Myanmar has taken to improve its technical compliance with R.26. As a result of this progress, Myanmar has been re-rated on Recommendation 26.

Recommendation 26 (Originally rated partially compliant)

13. Myanmar was rated PC for R.26 in its 2018 MER. The 2019, 2020, 2021, 2022 and 2023 FURs identified progress in Myanmar's compliance with R.26, but in 2023 moderate shortcomings remained. These include moderate gaps in the fit and proper requirements in the insurance, securities, and microfinance sectors, and minor shortcomings in risk-based AML/CFT supervision of core principles FIs and risk-based determination of frequency and intensity of Securities AML/CFT

² There are three categories of follow-up based on mutual evaluation reports: regular, enhanced and enhanced (expedited). For further information see the APG Mutual Evaluation Procedures.

supervision was unclear and requirement for periodical risk review for the Insurance and Securities sectors was unclear.

14. **Criterion 26.1** is *met*. The analysis in the MER (also see 2021 and 2023 FURs) and available material supports the criterion rating.

15. **Criterion 26.2** is *met*. The analysis in the MER (also see 2021 and 2023 FURs) and available material supports the criterion rating.

16. **Criterion 26.3** is *met*. As outlined in the MER, the AML Law and Respective sectoral laws empower financial sector supervisors to establish fit and proper requirements. The 2021 FUR highlights that CBM's directive No. 8/2019 sets out comprehensive fit and proper criteria for banks. The 2023 FUR highlights that CBM Directive 15/2022 explicitly covers all NBFIs, persons with a substantial interest in an NBFI and beneficial owners of an NBFI. CBM Notifications 3/2023 for remittance businesses, 4/2023 for money changers, 5/2023 for mobile financial services and 6/2023 for merchant acquiring services provide that fit and proper requirements apply to beneficial owners.

17. The 2023 FUR highlights that gaps remain in regards to Microfinance, Insurance and Security Sectors.

Microfinance

18. Directive No. 1/2024 issued under Section 68 (a) of the Microfinance Business Law by the Ministry of Planning and Finance on 26 January 2024 establishes comprehensive measures to prevent criminals or their associates from holding (or being the beneficial owner of) a significant or controlling interest, or holding a management function, in a microfinance institution. Section 10 of Directive No.1/2024 requires qualifications for Directors, Chief Executive Officer and officers hold honesty, integrity and reputation values by not being the subject of any proceedings of a disciplinary or criminal nature, or of any investigations in Myanmar or abroad.

Insurance Companies

19. MOPF Directive No. 2/2024 of 26 January 2024 imposes fit and proper requirements to all persons holding management functions, beneficial owners, directors, C-level officers of insurance companies, reinsurance companies, insurance brokers, agents, and other intermediary services having substantial interest in these entities (section 2(a)). Section 10 of Directive No. 2/2024 also explicitly requires all persons holding management functions in any Insurance Business to not have any disciplinary or criminal proceedings, and no criminal record.

Securities Firms

20. MOPF Directive No. 5/2024 of 30 January 2024 imposes fit and proper requirements to all persons holding management functions such as substantial interest holders, beneficial owners, directors, and C-level officers of securities firms (section 2(a)). Section 10 of Directive No. 5/2024 requires that "all persons holding management functions in any securities business shall not have any proceedings of a disciplinary nor criminal nature, neither has been sued nor notified of any impending proceedings nor of any investigations, no criminal record and shall be of good moral character." The "honesty, integrity, and reputation" criterion for determining whether a person is "fit and proper" also contains prohibitions on criminal proceedings, both foreign and domestic (section 11(a)).

21. **Criterion 26.4** is *met*. Aligned with Sections 36 (b), (c), and (g) of the Anti-Money Laundering Law (2014), the reform on CIASC in coordinating supervisors of banks and NBFIs demonstrates the compliance to criterion 26.4(a). Reviews on the licensee's institutional risks profiles and findings on increased ML/TF risks are informed to CIASC and process the offsite supervision on a consolidated basis. CIASC has the power to establish and enforce fit and proper standards of appropriate supervisory action on banks and NBFIs. In addition, the AML/CFT Supervision Handbooks describe that the supervisors shall supervise the banks and non-bank financial institutions (NBFIs) on the basis of group and risk level of each bank and NBFI under the risk-based supervision measures.

22. With regard to the implementation of supervision on financial institutions like banks and non-bank financial institutions including MVTs, MFS and Money Changers, Myanmar provides the revised AML/CFT Off-site and On-site Supervision Handbook, published in July 2023. The handbooks outline guidance for supervisors covering a range of supervisory components aligned with the core principles

such as: (i) policies and procedures within the AML/CFT compliance framework; (ii) licensing of FIs; (iii) cooperation and collaboration framework with FIR, AMLD, and FIU; (iv) internal audit and controls; and (v) risk-based approach. The handbooks specifically provides guidance related to the frequency and intensity of AML/CFT supervision of financial institutions or groups on the basis of: (i) the ML/TF risks and the policies, internal controls and procedures associated with the institution or group; (ii) the ML/TF risks present in the location of the financial institutions; and (iii) the characteristics of the financial institutions or groups, in particular the diversity and number of financial institutions and the degree of discretion allowed to them under the risk-based approach.

23. **Criterion 26.5** is *met*. The principal remaining deficiency identified in the 2023 FUR was an absence of detailed guidelines and methods for determining the frequency and intensity of supervision for the securities sector. The Securities and Exchange Commission (SECM) published the Myanmar version of the Onsite AML/CFT Supervision Guideline and the On-Site Inspection Manual on 19 January 2024, and the English version on 8 February 2024. According to the Onsite AML/CFT Supervision Guide, supervisors determine the frequency and intensity of onsite AML/CFT supervision of securities businesses on the basis of the business's ML/TF risks, policies, and internal controls and procedures; the ML/TF risks in the jurisdiction of the securities business; and the characteristics of the securities businesses. These provisions are in line with the sub criteria outlined in 26.5(a)-(c).

24. **Criterion 26.6** is *mostly met*. In the 2023 FUR, the remaining deficiencies identified for this criterion were lack of specific provisions for regular risk reviews of ML/TF risk profiles in the insurance and securities supervision manuals. The issues raised in the MER, namely "periodic review of ML/TF risk profiles" and "significant changes and developments in management or operations" that should continue to be addressed in the supervision of insurance and investment firms.

25. On 25 April 2023, the MOPF issued a Standard Operating Procedures of Offsite Supervision and Onsite Inspection for Insurers which requires Insurance Business Supervisor (paragraph 2 (e)) to collect the monthly report for AML/CFT offsite supervision, send AML/CFT compliance questionnaires to the relevant reporting entities on four monthly basis (three times a year) and construct the update risk profile of each reporting entity and review the ML/ TF risk profiles periodically.

26. The SECM issued the Myanmar version of the On-site AML/CFT Supervision Guideline and the On-Site Inspection Manual on 19 January 2024, followed by the English version on 8 February 2024. Post the progress deadline of 1 February 2024, the Off-Site AML/CFT Supervision Guideline for Stock Exchange and Security Companies was published (1 April 2024).

27. The Onsite AML/CFT Supervision Guideline and the On-site Inspection Manual explicitly outline the frequency and intensity of supervision, which is determined on a risk-based basis. The higher-risk of the securities business receive closer scrutiny and more frequent supervisory engagement, while lower-risk of the securities businesses are subject to proportionate and risk-based supervision.

28. The Manual specifies the frequency and intensity of supervisory activities assigned to each the securities business aligned with their respective risk levels. However, the frequency of required reporting is not precisely mentioned in the Off-Site AML/CFT Supervision Guideline as the guideline only outlines that the obligation to report for AML/CFT compliance measures is conducted in a regular basis and for High-risk Securities Businesses are subjects for more detailed and frequent reporting to the supervisory authority, without mentioning a specific reporting period.

29. In conclusion, the gap for insurance businesses in compliance with c.26.5 has been addressed, but not for the Securities companies. Furthermore, the Off-Site AML/CFT Supervision Guideline for Stock Exchange and Security Companies was published after the Follow-Up report progress deadline of 1 February 2024.

Weighting and Conclusion

30. Myanmar has made progress since its 2018 MER and 2023 FUR. In the 2023 FUR, Myanmar maintained a PC rating based principally on gaps in fit and proper requirements under 26.3, which were deemed to be moderate shortcomings. These gaps have been addressed. In light of this, and actions to address gaps in risk-based supervision vis-à-vis criterion 26.5, the remaining deficiencies are considered to be minor, therefore, Myanmar is re-rated as LC for Recommendation 26.

31. *Recommendation 26 – the rating is re-rated to largely compliant.*

IV. CONCLUSION

32. Overall, Myanmar has made progress in addressing the technical compliance deficiencies identified in its MER and has been re-rated to LC on R.26.

33. A summary table setting out the underlying deficiencies for each of the recommendations assessed in this report is included at Annex A.

34. Overall, in light of the progress made by Myanmar since its MER was adopted, its technical compliance with the FATF Recommendations as follows as of the reporting date 1 February 2024:

R.	Rating	R.	Rating
1	PC (2018 MER), ↑ LC (2019 FUR)	21	LC (2018 MER), (2019 FUR)
2	LC (2018 MER), (2019 FUR)	22	PC (2018 MER), ↑ LC (2021 FUR)
3	C (2018 MER)	23	PC (2018 MER), ↑ LC (2021 FUR)
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5	LC (2018 MER)	25	NC (2018 MER)
6	LC (2018 MER)	26	PC (2018 MER), (2019 FUR), (2020 FUR), (2021 FUR), (2022 FUR), (2023 FUR), ↑ LC (2024 FUR)
7	NC (2018 MER, 2023 FUR)	27	C (2018 MER)
8	PC (2018 MER), (2019 FUR)	28	NC (2018 MER), ↑ PC (2022 FUR)
9	C (2018 MER)	29	PC (2018 MER), (2021 FUR)
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13	PC (2018 MER), (2019 FUR) ↑ LC (2020 FUR)	33	PC (2018 MER), ↑ LC (2022 FUR)
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17	C (2018 MER)	37	PC (2018 MER), (2019 FUR)
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19	NC (2018 MER), ↑ PC (2019 FUR), (2020 FUR) ↑ C (2021 FUR)	39	PC (2018 MER)
20	C (2018 MER)	40	LC (2018 MER)

35. Myanmar has 26 Recommendations rated C/LC.

Annex A

Summary of Technical Compliance –Deficiencies underlying the ratings ³

Compliance with FATF Recommendations		
Recommendation	Rating	Factor(s) underlying the rating⁴
26. Regulation and supervision of FIs	PC (MER 2018) PC (FURs 2019, 2020, 2021, 2022, 2023) LC (FUR 2024)	Deficiency remains with regard to supervisory activities of Securities companies. There is no specific frequency of reporting on AML/CFT compliance measures for off-site AML/CFT supervisory activities.

³ Ratings and factors underlying the ratings are only included for those recommendations under review in this FUR.

⁴ Deficiencies listed are those identified in the MER unless marked as having been identified in a subsequent FUR.