

Currency Exchange Reforms in Myanmar

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On April 1, 2012, local Myanmar news publications announced the introduction of a new currency exchange program aimed at furthering financial sector reforms. The Central Bank of Myanmar ('CBM') has reportedly implemented the "managed floating exchange rate" system. This currency regime replaces the old practice of pegging the country's currency, 'Kyat', to the International Monetary Fund's ('IMF') 'Special Drawing Rights' ('SDRs'), which had been in place for the past 35 years. Under that program 1 SDR was around 8.5 Kyat.

The floating exchange rate regime will be driven by supply and demand market forces as opposed to the previous process of having the monetary authority prescribe the rate which led to unrealistic values for the Kyat. Under the former program (established by the CBM in 1993), the official rate using Foreign Exchange Certificates ('FECs') was set at 1 FEC per U.S. dollar which equaled 6 Kyat. This had given rise to an extensive 'black market' for currency trading. Recently, after the introduction of the floating rate program, the exchange rate for a U.S. dollar has been fluctuating between 800 and 830 Kyat.

Recently, the media reported that controls on withdrawal of foreign currency from one's account have been relaxed. Previous restrictions required anyone wishing to withdraw U.S. funds over \$2000 to provide evidence of where the money was obtained. Now, up to U.S. \$10,000 can be withdrawn from an FE account with one of the state owned foreign trade banks, without questions. For amounts exceeding U.S. \$10,000, settlement can be made by domestic account transfers. Over time, the CBM may stop putting FECs into circulation and eventually, FECs may be phased out.

Sources:

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

International Monetary Fund: http://www.imf.org/external/np/fin/data/rms_sdrv.aspx .

The New Light of Myanmar: 'Towards a sound financial system: Regime Change, by San Thein, Saturday, 19 May, 2012, page 7.

The Myanmar Times: 'Myanmar relaxes foreign currency controls', Volume 31, No. 613

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