telecoms. Yangon is once more

ablaze with rumours about possible

favourites among the foreign banks.

The three largest Japanese banks

Mitsubishi UFJ, Sumitomo Mitsui

Banking Corporation and Mizuho

sheer size and native access to one

sources, in a strong position. Among

Corporate Bank - are, through

of Myanmar's major rising FDI

those three, Mizuho Corporate

Still, we think all three can be

Bank's presence in Myanmar is of

a later date than that of the other

two banks, which might be a factor.

counted as favourites. The big three

Singaporean banks and Malaysia's

early 1990s. Now that the time has

finally come for that investment to

pay off, it is not difficult to imagine

them putting forward an aggressive

Bank and Standard Chartered Bank

also make the list because of their

size, international coverage and

experience in emerging markets.

ICBC, a massive Chinese bank with

an extraordinary financial basis, is

sometimes mentioned as a natural

China, which remains significant.

choice in connection with FDI from

proposal. For this reason we must

count them as favourites. ANZ

Maybank all have subsidised a

presence in Myanmar since the

- namely The Bank of Tokyo-

Foreign bank entry

Who will get the nod?

Sizing up the odds, legal expert Edwin Vanderbruggen concludes the government's history of rewarding bids with gusto means no one should be counted out just yet

T'S déjà vu all over again for those who remember the excitement of the 2013 telecom tender. With the Central Bank's evaluation and selection process in full swing, Myanmar is holding its breath: Which of the foreign banks will be the first to receive the coveted licence to carry out at least a number of banking activities in Myanmar?

The criteria the Central Bank of Myanmar (CBM) is using for the selection process are still confidential. So, this contribution is limited to some personal thoughts only. Nevertheless, it is not so difficult to understand from the public record what the government is trying to achieve, and to match that with the pool of interested

On that rather limited basis, here are the big questions when it comes to determining which one of the foreign banks are most likely to be awarded the first licences.

Will the winners be banks that already have a representative office in Myanmar?

CBM officials have earlier indicated in press reports that the first licensees will be selected from the group of 40 or so foreign banks that currently have a representative office in Myanmar. Regardless whether that is indeed formally spelled out in the tender's pregualification rules. I think it is fair to say that most of the banks with a

foreign banks have opened an office in Myanmar. So, one way or another we are likely to see the first licences go to banks that already have a presence or. perhaps, other significant involvement in the country.

Which banks can best facilitate foreign investment?

We know that one of the major objectives of the government is the promotion of foreign investment

enacted, you can easily infer a path to accessing foreign money.

YOUR MONEY

In that regard, which banks would score the highest? There are two aspects to this. First of all, we need to think about banks which are strong in business banking rather than in retail. Which banks, among the list of banks with a representative office in Myanmar, have a strong corporate banking activity? Most of them do, but there

Company Administration place Singapore, Japan and Korea in leading places. Statistics are always a bit skewed - for example, a lot of investment is channelled through Singapore rather than originating from Singapore. And one thing does not exclude the other. One can easily imagine the government wanting to have at least one bank from each country that is a major source of FDI, so that investors from that country have a bank to go to. In that sense, one could argue that banks with a strong presence in ASEAN, Japan and China may have a bit of a leg up over some of the others. That being said, the EU and of FDI. Standard Chartered Bank

One can easily imagine the government wanting to have at least one bank from each country that is a major source of FDI.

keen interest in starting commercial operations in Myanmar will indeed already have a representative office here. The country's remarkable democratic reforms and opening to foreign investment has not gone unnoticed. Since 2011, when preparations of the new Foreign Investment law were made public, 22

in the country. So, it is logical to assume that the government also approaches the issue for allowing foreign banks from that perspective. When you read the Foreign Investment Law, the Myanmar Citizens Investment-Law and the Foreign Exchange Management Act, all recently

are a few banks on that list which have a different focus.

Secondly, is the bank strong in countries that are, or may become, major sources of FDI for Myanmar? From that perspective, FDI statistics for the pre-2012 period put banks from China and Thailand right at the top. More recent statistics of

the Directorate of Investment and Australia are potential major sources and ANZ Bank are strong in these regions among those on the list of representative offices.

FOREIGN BANKS WITH LOCAL REPRESENTATIVE OFFICES Nov 10, 1993 Marshall Islands 48 Aung Teza Street, Mayangone, Yangon United Overseas Bank Ltd. Nov 15, 1994 Oversea-Chinese Banking Corporation Ltd. Feb 8, 1994 Singapore 1202 Sakura Tower, Yangon 26. Thanlwin Rd., Bahan Tsp, Yangor Malayan Banking Berhad (MAYBANK) Aug 12, 1994 April 11, 1995 Malaysia Chatrium Hotel Royal Lake Yangon, Lobby Floor, 40 Natmauk Road, Tamwe Township. Bangkok Bank Public Company Ltd. Oct 24, 1994 Aug 18, 1995 Thailand July 6, 1995 July 16, 1996 Bangladesh 26 (A), Pyay Rd., 7th Mile, Bahan Tsp. National Bank Ltd July 1, 1996 305, U Wisara Road, Bahan Township Sept 18, 1995 Brunei Investment Bank (BIE Brunei April 30, 1996 First Overseas Bank Ltd. May 15, 1996 Bahamas 69, 003 [G/F], Yuzana Tower, West Shwegondaing Rd., Bahan Tsp Feb 19, 2008 1008 Level 10, Sakura Tower, Kyauktada Township, Yangor CIMB Bank Berhad [New Licence for Name of Merger] Feb 19, 2008 Rm# 717-718, Traders Hotel, 233, Sule Pagoda Rd., Pabedan Tsp. Sumitomo Mitsui Banking Corporation(New Licence for Name of Merger April 18, 2001 April 18, 2001 Japan 11. The Bank of Tokoyo -Mitsubishi UFJ, Ltd(New Licence for Name of Merger) March 17, 2006 Rm# 403-404, IBC Centre, Pyay Rd., Hlaing Tsp. March 17, 2006 Japan Bank for Investment and Development of Vietnam April 3, 2010 Address: 629/631, Pyay Road. March 1, 2010 Vietnam Dec 10, 2010 June 6, 2012 Bangladesh Address: 9, Thuhawaddy Gandamar Lane AB Bank Limited No. 601A, 6th Floor, Sakura Tower Industrial and Commercial Bank of China Ltd Jan 19, 2012 April 6, 2012 380, [7th Fir.], FMI Centre, Bogyoke Aung San St., Pabedan Tsp. Mizuho Corporate Bank Ltd Japan Thailand 102, Inya Road, Kamayut Township Siam Commercial Bank Public Company Ltd April 23, 2012 Dec 23, 2012 July 28, 2012 MARUHAN Japan Bank PLC May 7, 2012 97B, Kaba Aye Pagoda Road. Krung Thai Bank Public Company Ltd Dec 20, 2012 Thailand 46, Kaba Aye Pagoda Rd., Bahan Tsp June 14, 2012 June 19, 2012 India Room No. 805, La Pyayt Wun Plaza 37, Alanpya Pagoda Road, Dagon, Yangon United Bank of India KASIKORNBANK Public Company Ltd No.313/315, U Wisara Road, Sanchaung Township, Yangon Jan 9, 2013 July 18, 2012 Thailand South Korea Room 202, 3 Wingabar Lane, Shwe Gon Daing Hana Bank Sept 20, 2012 Nov 7, 2012 South Korea Oct 25, 2012 no data no data 1807, 18th Floor Sakura Towers, 339 Bogyoke Aung San Road ANZ Bank Dec 6, 2012 April 5, 2013 (Rm 601), 6th Flr, Pearl Condo E, Kaba Aye Pagoda Rd., Saya San Ward, Bahan Township Vietnam Vietin Bank Dec 12, 2012 Dec 27, 2012 June 12, 2013 South Korea Korea Development Bank no data Jnit No 6H, 6th Floor, Centrepoint Towers, Kyauktada Township, Yangon, Myanmar Dec 27, 2012 Feb 5, 2013 **United Kingdom** Standard Chartered Bank April 9, 2013 South Korea No. 48, Ward 10, Kabar Aye Pagoda Road, Mayangone T/S, Yangon, Myanmar March 14, 2013 April 23, 2013 South Korea Industrial Bank of Korea 339, Bogyoke Aung San Road, Ward [1], Sule Pagoda Road, Kyauktada Township, Yangon 29. First Commercial Bank (New Licence for Change of Management Office) no data March 18, 2013 April 30, 2013 July 17, 2013 E.SUN Commercial Bank, Singapore Branch Taiwan no data India May 7, 2013 no data June 4, 2013 no data South Korea Kookmin Bank Sept 9, 2013 June 14, 2013 no data Export-Import Bank of India India Export-Import Bank of Korea Dec 16, 2013 Jan 20, 2014 South Korea no data no data no data no data Bank of Ayudhya Public Company Limited no data no data 51C Kabar Aye Pagoda Road, Yangor no data no data Malaysia RHB Bank Berhad no data Sri Lanka Commercial Bank of Cevlon PLC no data no data no data State Bank of India no data no data India no data no data Taiwan no data no data Mauritius no data State Bank of Mauritius no data no data no data Bred Banque Populaire no data

Foreign bank entry

Which banks have experience with greenfield market entry in frontier markets?

In the 2013 telecom tender, the government paid much attention to selecting operators who already had experience in emerging markets. who understand a new market such as Myanmar. It would be eminently logical for the government to use these criteria again. Not all the banks on the list of representative offices have a significant presence in emerging markets, or have greenfield experience. The Singaporean banks on the list, for example, have a presence in the large ASEAN countries such as Indonesia, Malaysia and Thailand and some have a presence in China, but their number of branches and their corporate banking profile in those countries differs quite a bit. Maybank from Malaysia is well known for its investment banking with larger regional corporates, and can also boast successful branches in the more pioneer-like countries such as Cambodia, Laos and Papua New Guinea.

Does size matter?

It is hard to tell how much weight the government will put on any one of the various ways a bank's size can be measured. If we're talking about market capitalisation, the Bank of Tokyo-Mitsubishi UFJ Ltd, ICBC,

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ANZ Bank, Standard Chartered Bank, Sumitomo Mitsui Banking Corporation and Mizuho Corporate Bank are among the largest on the list of banks that already have a representative office in Myanmar. Alternatively, one of the most common ratios used in the industry is the Common Tier 1 capital ratio (CET1). If that is taken as a standard, historically Singaporean banks are

Foreign banks to be granted a licence to operate in Myanmar

particularly strong in this sense. For example, OCBC and DBS have a CET1 of 14.5 percent and 13.7pc respectively as at December 2013. But possibly the size of a bank's international network will carry more weight than its CET1. In that regard, Standard Chartered and ANZ which are present in 70 and 31 markets respectively, including in emerging countries, would likely score well -should they submit a proposal.

Who are the favorites? As was the case in 2013 with the

Go big or go home

But favourites don't always run the table. In 2012, few people predicted that Ooredoo would win a telecom licence, but they did. Why is that? In my experience in Myanmar, there is one factor more persuasive than any other, provided bidders meet the government's minimum threshold for technical excellence and financial track record. This factor is, I believe, more likely to determine the outcome of a tender than the bidder's financial strength. technical savvy and international experience. That factor is the bidder's willingness to go all in, to go further than his competitors in a market with important uncertainties.

To win in Myanmar, then, it's basically "no guts, no glory". We have seen this with telecom, airports, oil and gas, and SEZ development. The bidder who is willing to commit more capital and resources than the competitors, to hire more staff, to take on more risk is very often the one most likely to win. In that sense it is fair to say that, regardless of size, network or past experience, most banks with a presence in Myanmar have a chance to receive a licence.

But who will seize that chance? This is hard to gauge, especially since banking is usually a riskaverse profession. Who among the banks has a board that is supportive of a gutsy business plan in a highly unpredictable regulatory environment?

We are about to find out.

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