

Framework for Trading by Foreign Investors

6th September 2019
Yangon Stock Exchange

I Purpose

The New Companies Law formulated in Myanmar includes a revised definition of "Foreign Company", where a company in which an overseas corporation or other foreign person (or combination of them) owns or controls an ownership interest of 35% or less is not regarded as a foreign company. Moreover, SECM has announced a notification to allow foreigners to invest in listed companies (LCs) of YSX.

In line with the enforcement of the New Companies Law, YSX shall develop a framework to allow foreigners to trade LC shares.

II Summary of Framework

- An LC determines the upper limit for its foreign shareholding ratio (foreign shareholding limit) beforehand and submits to YSX.
- After all transactions (call auctions, block trading, and NETT) on a business day are completed, securities companies (SCs) report the foreign shareholding amount for each issue (the amount of shares that reflects the settlement of all transactions on that business day) to YSX.
- YSX aggregates, on every business day, reports from SCs and for the issue whose foreign shareholding ratio exceeds the foreign buy order limit specified by YSX (the value approx. 5% lower than the foreign shareholding limit submitted by the LC in principle), YSX will suspend buy orders from foreigners from the next business day. When the foreign shareholding ratio of the issue with buy order suspension falls below the foreign buy order limit, YSX will resume buy orders from foreigners on that issue from the next business day.,
- After aggregating reports from SCs YSX, on every business day, announces the foreign shareholding amount, foreign shareholding ratio and status of buy order acceptance from the next business day for each issue.
- If, on a record date, the issue's foreign shareholding ratio exceeds the foreign shareholding limit submitted by the LC, YSX will transfer the amount of shares above the foreign shareholding limit from the Account for Customer to the Self Account of the SC after the end of trading on the record date, and then transfer the same amount back to the Account for Customer before trading on the next business day.

III Outline

Item	Description	Remarks
<p>1. Definition</p> <p>(1) Foreign Account</p> <p>(2) Foreign Account Holder</p> <p>2. Matters to be recorded in the Transfer Account Book</p> <p>(1) Matters to be recorded in Foreign Account</p>	<p>○ Among Customer Accounts in Transfer Account Books prepared by SCs, an account to record the rights to shares, etc. held by a foreigner prescribed in SECM Notification No. (1/2019) (hereinafter referred to as "foreigner").</p> <p>○ A customer that holds the rights to shares, etc. in a Foreign Account.</p> <p>○ In the case of a Foreign Account, such fact shall be recorded along with the passport number or company register code (hereinafter referred to as "CRC") of the Foreign Account Holder.</p>	<p>○ Business Regulations Relating to Book-Entry Transfers of Stock, etc.</p> <p>○ Business Regulations Relating to Book-Entry Transfers of Stock, etc.</p> <p>○ Business Regulations Relating to Book-Entry Transfers of Stock, etc.</p> <p>○ SCs shall implement the prescribed customer identification when opening Foreign Accounts. Documents such as passport, certificate of registered matters, certificate of opening of bank account, may be used as identification documents.</p>

Item	Description	Remarks
<p>(2) Rules for shareholding by a non-resident foreign corporations via a standing proxy</p>	<p>○ In the case where a corporation residing outside Myanmar (hereinafter referred to as a “non-resident foreign corporation”) holds shares via a standing proxy, such shares shall be recorded as standing proxy shareholding in the account of the standing proxy.</p>	<p>○ If an Account Holder will become or cease to be considered a foreigner, it must promptly notify the SC of such fact.</p> <p>○ Business Regulations Relating to Book-Entry Transfers of Stock, etc.</p> <p>○ A standing proxy means an organization to conduct, based on a contract with non-resident foreign corporations, operations such as depository and management of shares; receiving dividends and notices; executing shareholder rights like voting rights and subscription rights on behalf of such non-resident foreign corporations.</p> <p>○ Accounts of a standing proxy (standing proxy shareholding) shall be regarded as Foreign Accounts.</p>

Item	Description	Remarks
3. Matters to be notified in cases where Stock, etc. issued by an LC is to be listed	<ul style="list-style-type: none"> ○ In the case of a Foreign Account, such fact shall be notified along with the passport number and CRC of the Foreign Account Holder. ○ In the case of a standing proxy account, such fact shall be notified. 	<ul style="list-style-type: none"> ○ Business Regulations Relating to Book-Entry Transfers of Stock, etc.
4. Submission of foreign shareholding limit	<ul style="list-style-type: none"> ○ An LC shall submit its upper limit of foreign shareholding ratio (hereinafter referred to as "foreign shareholding limit") to YSX beforehand. 	<ul style="list-style-type: none"> ○ Business Regulations Relating to Book-Entry Transfers of Stock, etc.
5. Announcement of foreign shareholding status (1) Reporting of foreign shareholding amount by SCs	<ul style="list-style-type: none"> ○ SCs shall, after transactions and book-entry transfers on every business day, report the total number of shares recorded in Foreign Accounts (the number of shares on a delivery basis that reflects the settlement of all transactions on the business day; hereinafter referred to as "foreign shareholding amount") for each issue to YSX. 	<ul style="list-style-type: none"> ○ Business Regulations Relating to Book-Entry Transfers of Stock, etc.
(2) Calculation of total foreign shareholding amount and foreign shareholding ratio by YSX	<ul style="list-style-type: none"> ○ YSX shall, on every business day, calculate (1) the total foreign shareholding amount of each issue by aggregating the foreign shareholding amounts reported by SCs mentioned above and the numbers of shares recorded in Foreign Accounts of Special Accounts most recently reported by LCs, and (2) the foreign shareholding ratio of each issue by dividing the total foreign shareholding amount by the total number of issued shares. 	<ul style="list-style-type: none"> ○ Business Regulations Relating to Book-Entry Transfers of Stock, etc. ○ In cases of LCs issuing Class Shares that are not listed on YSX, YSX shall also consider the total number of voting rights pertaining to such Class Shares and the total number

Item	Description	Remarks
<p>(3) Announcement</p> <p>6 . Suspension of buy orders from foreigners in cases where the foreign shareholding ratio exceeds the foreign buy order limit</p> <p>(1) Suspension of buy orders</p> <p>(2) Resumption of buy orders</p>	<p>○ YSX shall, on every business day, announce the total foreign shareholding amount and foreign shareholding ratio of each issue.</p> <p>○ When the foreign shareholding ratio of an issue, as a result of calculation on every business day, exceeds the foreign buy order limit specified by YSX (the value approx. 5% lower than the foreign shareholding limit submitted by the LC in principle; the same shall apply hereinafter), YSX shall suspend buy orders from Foreign Account Holders on that issue from the next business day</p> <p>○ When the foreign shareholding ratio of the issue with buy order suspension falls below the foreign buy order limit, YSX will resume buy orders from Foreign Account Holders on that issue from the next business day.</p>	<p>of voting rights pertaining to such Class Shares held by foreigners.</p> <p>○ Business Regulations Relating to Book-Entry Transfers of Stock, etc.</p> <p>○ Trading Business Regulations</p> <p>○ YSX will not use the system to control such orders.</p> <p>○ Trading Business Regulations</p>

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(3) Announcement	<ul style="list-style-type: none"> ○ When YSX decides to suspend or resume buy orders from foreigners, YSX shall make a public announcement of such fact. 	<ul style="list-style-type: none"> ○ Trading Business Regulations ○ YSX shall announce “Foreign Shareholding Status” for each issue on every business day including following information: <ul style="list-style-type: none"> ①Name of the issue ②Foreign shareholding limit ③Foreign buy order limit ④Total outstanding shares ⑤Total foreign shareholding amount ⑥Foreign shareholding ratio ⑦Status of buy order acceptance from next business day <p>(Announcement described in 5(3) and 6(3) shall be conducted in this way.)</p>
7 . NETT pertaining to an issue for which the foreign shareholding ratio exceeds the foreign shareholding limit on a record date	<ul style="list-style-type: none"> ○ After the end of trading on the last day to trade the stock with rights for the record date (i.e., three business days before the record date), if the foreign shareholding ratio of an issue exceeds its foreign shareholding limit, YSX shall specify excessive shares based on information on transactions and NETTs provided from SCs and notifies the fact of SCs recording those excessive shares in the Transfer Account Book 	<ul style="list-style-type: none"> ○ Business Regulations Relating to Book-Entry Transfers of Stock, etc. ○ The NETT methodology of the excessive shares should be prescribed in the agreement concerning securities trading

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	<ul style="list-style-type: none"> ○ On the ex-rights date (two business days before the record date), SCs shall submit two NETT request forms to YSX. Of the two, one is for transferring the excess shares from the Customer Accounts to Self Account on the record date and another one is for transferring back those shares from Self Account to Customer Accounts on the next business day after record date. In order to conduct the NETT transfers after receiving a return notice from YSX, SCs shall send two transfer instructions; one is for transferring the excessive shares from Customer Accounts to Self Accounts and another instruction is for transferring those shares back from Self Accounts to Customer Accounts on respective dates. ○ YSX shall execute the prescribed NETT on respective dates based on instruction from SCs. ○ When receiving dividends pertaining to the excessive shares from an LC, SCs shall pay such dividends to the owner of those excessive shares. 	<p>account between the SC and the customer that the customer shall agree to beforehand.</p>
<p>8. General Shareholders Confirmation, etc.</p>		
<p>(1) General Shareholders Confirmation</p>	<ul style="list-style-type: none"> ○ In cases where a Foreign Account is subject to the Report of Shareholders or General Shareholders Confirmation, such fact and passport number or CRC of the Foreign Account Holder shall be reported/ notified as well. 	<ul style="list-style-type: none"> ○ Business Regulations Relating to Book-Entry Transfers of Stock, etc.
<p>(2) Individual Shareholders Confirmation</p>	<ul style="list-style-type: none"> ○ In cases where a Foreign Account is subject to the Individual Shareholders Confirmation, such fact and passport number or CRC of the Foreign Account Holder shall be notified as well. 	<ul style="list-style-type: none"> ○ Business Regulations Relating to Book-Entry Transfers of Stock, etc.

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<p>9 . Fees</p> <p>(1) Book-entry transfer account management fees pertaining to foreign investors</p> <p>(2) Fees for announcement of the foreign shareholding ratio</p>	<p>○ YSX shall specify fees suitable to the benefit of services so that the framework for trading by foreign investors can be operated stably.</p> <p>○ Pertaining to shares held by foreign investors, YSX shall newly establish “Book-entry transfer account management fees pertaining to foreign investors” in line with special operations for account management.</p> <p>—Payer : SCs with balances in Foreign Accounts</p> <p>—Rate : the number of Foreign Accounts * MMK 20 End of each month</p> <p>(In addition to Book-entry transfer account management fees, if an SC has Foreign Accounts, this rate shall be charged by YSX)</p> <p>○ YSX shall newly establish “Fees for announcement of the foreign shareholding ratio” in line with daily operations to calculate and announce the foreign shareholding ratio every day.</p> <p>—Payer : LCs</p> <p>—Rate : MMK 100,000 per month per issue</p>	<p>○ YSX proposes that SCs charge commission for opening Foreign Account (approximately MMK 10,000) at the opening of Foreign Accounts.</p> <p><c.f.>Book-entry transfer account management fees</p> <p>Payer : SCs with balances in accounts</p> <p>Rate : MMK 50,000 + the number of account for customer * MMK 10</p> <p>End of each month</p>

IV Schedule for Adoption of Framework

This framework shall be adopted around November 2019 and the detailed date shall be determined according to the schedule of system arrangements and operational tests between YSX and SCs.

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