

Success Stories: Restructuring Offshore Loan Repayment Amidst Financial Challenges

KEY TAKEAWAYS

Decha & Co successfully negotiated with Bangkok Bank and secured approval from the Central Bank of Myanmar for a pioneering strategy. This first-of-its-kind approach involved the structured transition of an offshore loan from Bangkok Bank's Head Office to an onshore loan managed by Bangkok Bank Yangon Branch. The restructuring into multiple tranches strategically facilitates a smoother repayment process.

We are pleased to announce a significant accomplishment in one of our portfolios of complex financial transactions.

(1) Background and Challenge:

Our client, Myanmar C.P. Livestock Co., Ltd. (MCPL), faced substantial challenges due to tightened USD liquidity conditions in Myanmar, which affected their ability to repay a substantial offshore loan amounting to USD 46 million with Bangkok Bank Headquarters, Thailand.

The scarcity of USD in Myanmar prompted MCPL to explore various strategies to secure export earnings, either through direct exports or by purchasing them from local exporters, to meet their loan obligations.

However, the Central Bank of Myanmar imposed restrictions on facilitating the repayment of offshore loans under these circumstances, allowing only the payment of interest and not the principal in practice.

(2) Decha & Co's Strategic Approach:

Understanding the critical need and urgency of the situation, Decha & Co stepped in to devise a viable solution. Our approach included:

- a. Negotiating with the Central Bank of Myanmar: We proposed a deferral of the loan repayment, allowing MCPL more time to manage its finances without breaching any regulatory mandates.
- b. Structuring the Transition of the Loan: We creatively structured the gradual transition of the loan from Bangkok Bank Headquarters to its Yangon Branch. This process was planned in multiple tranches, making it manageable and compliant with local financial regulations.
- c. Tax Consultation: Recognizing the potential tax implications of such transactions, we successfully obtained crucial recommendations from the Internal Revenue Department, ensuring that MCPL would not face unexpected tax burdens.

(3) Outcome and Success:

This transaction marks a pioneering achievement in Myanmar, demonstrating our expertise in navigating complex regulatory

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environments to deliver solutions that align with the interests of all stakeholders. Through strategic guidance and collaborative efforts between MCPL, Bangkok Bank, and the Central Bank of Myanmar, we facilitated and obtained the approval of a structured repayment plan.



This well-designed plan resulted in multiple benefits to all stakeholders:

- a. Transformation to Onshore Loan: The loan's transition to an onshore arrangement ensures compliance with the Central Bank's requirements and facilitates repayment within Myanmar, enhancing financial operations locally.
- b. Tax Benefits: As an onshore loan, it enables the local tax authority to collect income tax on the interest payments made by MCPL to Bangkok Bank's Yangon branch, contributing to the domestic fiscal framework.
- c. Continued Repayment Capability: MCPL can now proceed with repaying the principal of the loan, maintaining financial health and stability.
- d. Ensured Receivables for Bangkok Bank: Despite the challenging financial climate that complicates international transactions, Bangkok Bank is assured of receiving loan repayments.

This innovative approach not only solves immediate financial hurdles but also sets a precedent for handling similar financial situations in Myanmar, fostering a win-win scenario for all parties involved.

(4) Why This Matters to You:

This case demonstrates Decha & Co's expertise in financial regulations, cross-border transactions, and strategic financial planning. For businesses facing similar challenges or requiring sophisticated solutions to navigate the complexities of international finance and local compliance, our team is ready to assist.

For further details on this transaction or to explore how we can support your business, please contact us through key contacts provided in this newsletter.

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• OTHER LOCATIONS

If you are seeking legal services in Bangladesh, Brunei, Cambodia, Indonesia, Laos, Malaysia, the Philippines, Singapore, or Vietnam, Decha & Co is here to assist.

Please contact your designated contacts at Decha & Co. We are committed to facilitating seamless service and providing referrals to our trusted local offices as needed.

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