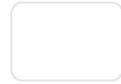


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Junta threatens unauthorized foreign currency holders as Myanmar kyat tanks

By RFA Burmese

Myanmar's junta is threatening legal action against anyone found to be in possession of foreign currency without authorization in what observers said was a bid to kneecap black market exchangers after the kyat has tumbled to one-third of its value against the U.S. dollar since the coup.

On Aug. 18, US\$1 spiked to 3,900 kyats, the highest in history and up 300% from 1,300 in January 2021, a month before the military seized power.

The Central Bank responded Monday with an announcement in pro-junta media that those in possession of foreign currencies without permission will face charges under the Foreign Currency Management Law.

The threat will do little to rein in the illegal currency exchange market, said an authorized foreign currency exchange business owner, who declined to be named citing security concerns.

"Based on this announcement, it looks like they are going to [try to] enforce their set exchange rate of 2,920 or even 2,100 in any way possible," he told RFA Burmese. "But no one is going to sell their foreign currencies ... If they have bought at a price of 3,000, they will never sell at 2,000, as they have invested millions of kyats."

Under the Foreign Exchange Management Law, domestic residents are allowed to keep a maximum of US\$10,000 or its equivalent in foreign currency for as long as six months from the date of receipt. After six months, the holder must sell the currencies to authorized exchangers or deposit it in a bank.

The law also states that exchanging and selling foreign currency without a business license is punishable by up to three years in prison, a fine, and

the confiscation of related assets.

A domestic banking expert, who also spoke on condition of anonymity, said the only way the junta can control the rising dollar in Myanmar is to “regularly meet the demand for U.S. dollars and adjust the exchange rate according to external market conditions.”

“The U.S. dollar exchange rate is going to rise as its demand is much higher than its supply,” he said. “There is no way to stop it. You can't stop it by issuing orders, nor by threats of arrest.”

He noted that authorities have recently been buying U.S. dollars from people's foreign currency accounts at the Central Bank's exchange rate.

On Saturday, junta Chairman of the Central Bank Than Than Swe told a meeting between Central Bank officials and local business owners in the capital Naypyidaw that “action will be taken” against illegal money exchangers and “those who write on the internet to inflate the value of the U.S. dollar.”

U.S. dollar 'only safe asset'

An economist monitoring gold and currency markets in Yangon told RFA that the Central Bank is using a “scare tactic” to control the value of the kyat, and warned that even if it works, it would only result in a “short-term solution.”

“The real problem is the financial crisis,” he said, referring to junta mismanagement that has sent the economy into a nosedive. “Those who have money buy US dollars, which they consider [one of the only] safe assets ... It's impossible to try to change the situation by issuing orders.”

Attempts by RFA to contact the Central Bank's Foreign Exchange Management Department by telephone rang unanswered on Monday.

The junta's store of U.S. dollars has been hit by U.S. Treasury Department sanctions, as well as a decision by Bangladesh's Sonali Bank last week to freeze the accounts of two junta-controlled banks with more than US\$1.1 million after the U.S. Embassy in Dhaka sent a letter to the government requesting that Bangladesh comply with such sanctions

The U.S. Treasury said the two banks – Myanma Foreign Trade Bank and Myanma Investment and Commercial Bank – “facilitate much of the foreign currency exchange within Burma and enable transactions between the military regime and foreign markets, including for the purchase and import of arms and related material.”

Junta Chairman Senior Gen. Min Aung Hlaing accused “some countries” of “using the dollar as a weapon” during remarks he made on Aug. 15 at the

11th International Security Conference in Russia.

The junta's Central Bank revoked 43 foreign currency exchange licenses this year on the pretext that they did not comply with the Foreign Exchange Management Law.

Translated by Myo Min Aung. Edited by Joshua Lipes and Malcolm Foster.

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