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Client Advisory

Regulation on Foreign Currency

In Brief

The Regulation on Foreign Currency¹ (the “Regulation”) formulated by the MMA was published and came into immediate effect on 1 October 2024.

The Regulation repeals the long-standing Monetary Regulation (the “Repealed Regulation”), which has been in operation since 1987.

The Regulation sets out significant controls over incomes received in Foreign Currencies and over Foreign Currency transactions, including:

- The restatement of the prohibition of local Foreign Currency transactions in the Maldives (subject to certain exceptions);
- Introduction of requirements for tourism sector businesses to deposit or transfer Foreign Currency sales proceeds to local Banks; and
- Introduction of mandatory Foreign Currency conversion requirements for tourist establishments.

¹ Regulation Number 2024/R-91



The Regulation also includes provisions that empower the MMA to closely regulate income received in Foreign Currencies. In comparison to the Repealed Regulation, the Regulation significantly increases the range of fines that can be levied as penalties for violating the Regulation.

This brief explains the new rules introduced by the Regulation and details the compliance requirements and implications resulting from the commencement of the Regulation. Unless specified otherwise, the compliance requirements stated in this brief apply to all individuals and entities dealing with Foreign Currency in the Maldives.

Key Definitions

Banks – licensed institutions under the Banking Act²

Financing Company – companies licensed by the MMA to conduct financing businesses

Foreign Currency – any currency of a country other than the Maldives

Insurance Company – companies licensed by the MMA to conduct insurance businesses

International Transactions – cross-border transfers of Foreign Currency in and out of the Maldives

MIRA – Maldives Inland Revenue Authority

MMA – Maldives Monetary Authority

MVR – Maldivian Rufiyaa

Remittance Service Provider – licensed remittance service providers under the National Payment System Act³

Tourist – foreigners arriving to the Maldives under a Tourist Visa

² Act Number 24/2010

³ Act Number 8/2021



Limitation on Foreign Currency Transactions

1. Save for the exceptions provided in the Regulation, all transactions in the Maldives must be conducted in MVR. This was also a requirement provided in the Repealed Regulation although not strictly enforced thereunder.
2. Under the Regulation, the following transactions are exempt from the rule mentioned above.

Exempted Transactions

Receipt of payments for goods and services provided to Tourists

Payments for purchase of goods and services by a business receiving their income in Foreign Currency, and the receipt of the same by the seller

Dividend payments to shareholders of a business receiving their income in Foreign Currency, other dealings between such business and their shareholders, **and related party dealings**

Provision of **salary and benefits to employees** by a business receiving their income in Foreign Currency, and the receipt by the employees of the same

Services provided by Banks and Financing Companies and dealings between them and their customers

International Transactions



Dealings between Insurance Companies and providers of goods and services in the tourism sector in relation to insurance policies sold to the latter, and dealings between insurance intermediaries and customers in relation to such insurance policies

Sale and purchase of shares of a business receiving their income in Foreign Currency

Sale and purchase of goods and services provided to Tourists by duty-free shops

Dealings between Remittance Service Providers and their customers

Payments in Foreign Currency to a government or state institution as allowed under an act or regulation and the receipt of the same

Receipt of payments for exports of goods and services



Registration of Tourism Sector Entities

3. Parties registered for TGST at MIRA are required to be registered with the MMA within the following deadlines:

Time of Registration	Registration Deadline
Registered with MIRA as providers of tourism goods and services on or before 1st October 2024	30 days from the commencement of the Regulation (As per the MMA, the deadline for registration is 31st October 2024 ⁴)
Newly registered with MIRA as providers of tourism goods and services after 1st October 2024	30 days from the date of registration with MIRA as a provider of tourism goods and services

4. As mentioned above, the Regulation introduces a mandatory Foreign Currency conversion obligation and a requirement to deposit Foreign Currency sale proceeds to local Banks applicable to entities active in the tourism sector.

5. The two obligations are applicable in the following manner:

Mandatory Foreign Currency Conversion Obligation	Requirement to Deposit Realised Sales Proceeds in Foreign Currency
Applicable to only Category A and Category B tourist establishments (detailed below)	Applicable to all entities registered for TGST

⁴The 30-day period provided in the Regulation would expire on 4th November 2024 based on applicable statutory rules of interpretation



Mandatory Conversion of Foreign Currency

Tourist establishments

6. For the purposes of the Regulation, tourist establishments have been categorised as follows⁵:

Category	Types of Establishments
Category A	<p>The following types of tourist establishments subject to obligations to pay Green Tax under the Maldives Tourism Act⁶:</p> <ul style="list-style-type: none">• Tourist resorts;• Integrated tourist resorts;• Resort hotels;• Hotels;• Tourist vessels; and• Other such establishments.
Category B	<p>The following types of tourist establishments subject to obligations to pay Green Tax under the Maldives Tourism Act:</p> <ul style="list-style-type: none">• Tourist guesthouses; and• Hotels operated on inhabited islands with 50 or less registered rooms.

⁵ It is understood from the context of the Regulation that Category A and Category B are intended to be mutually exclusive

⁶ Act Number 2/99



7. Operators of tourist establishments are required to purchase MVR from a Bank as detailed below at the applicable Bank rate with respect to its total Tourist arrivals in any calendar month by the 28th day of the third subsequent month.

Category	Amount Subject to Mandatory Conversion
Category A	USD500 per tourist.
Category B	USD25 per tourist.

Example A: A tourist resort would be required to convert USD500 as noted above before 28 January 2025 for each tourist who has arrived in October 2024.

Example B: A tourist guesthouse would be required to convert USD25 as noted above before 28 January 2025 for each tourist who has arrived in October 2024.

8. As mentioned above, a **Tourist** is defined to be a foreigner arriving to the Maldives under a tourist visa. Hence, locals, expatriates with work visas, and foreigners under any other form of visa do not need to be included in computing the amount of the conversion obligation mentioned above.
9. If a party is not able to meet any of its following Foreign Currency obligations as a result of its compliance with the above conversion obligation, such party may apply for the approval of the MMA to convert a reduced amount than prescribed by the Regulation:
 - Taxes required to be paid in a Foreign Currency;
 - Debts to be serviced to a financial institution in a Foreign Currency;
 - Foreign Currency payment obligations set out in a judgement of a court; or



- Any other Foreign Currency obligations permitted by the MMA.

10. The MMA has the discretion to approve such an application if the MMA believes that the applicant will not have sufficient Foreign Currency reserves to meet its Foreign Currency obligations specified in the application.

Banks

11. Banks must sell 60% of all weekly Foreign Currency proceeds received from its sale of MVR to tourist establishments under Paragraph 7 above to the MMA by Wednesday of the subsequent week.

Requirement to Transfer or Deposit Foreign Currency Sales Proceeds to Local Accounts

12. All realised sales proceeds received in foreign currencies from the sale of tourism goods and services (“Realised Sales Proceeds”) in any calendar month⁷ must be deposited or transferred to an account opened at a Bank by the 28th day of the third subsequent month.

***Example C:** Realised Sales Proceeds received in October 2024 must be deposited or transferred to a local account by 28 January 2025.*

13. Deposits and/or transfers for compliance with this obligation must be made in either United States Dollars or any other Foreign Currency permitted by the MMA.

14. The Regulation **does not state any mandatory minimum period** for which Realised Sales Proceeds are required to be maintained in the local Bank account to which they are deposited or transferred for compliance with this obligation.

⁷ Irrespective of the time of the sale to which the proceeds relate to



Reporting and Recordkeeping Requirements

15. Parties falling within the scope of the Regulation are subject to the following reporting requirements to the MMA.

Nature of Entity	Data to be Reported	Deadline
	Details of tourism goods and services supplied and/or sold in any given calendar month	Before the 28th day of the subsequent month
Parties registered with MIRA as providers of tourism goods and services	Deposits and transfers of realised sales proceeds received in foreign currencies to Bank accounts and any other data required by the MMA	As determined by the MMA
Category A and Category B Tourist Establishments	Foreign Currency sold to Banks for compliance with the conversion obligations in the Regulation in any given calendar month and any other data required by the MMA	10 working days from the end of the month
Banks	All monthly proceeds from its sale of MVR to tourist establishments to facilitate the compliance by such tourist establishments of their conversion obligations under the Regulation	As determined by the MMA



16. Providers of tourism goods and services must maintain the data and documentation of its goods and services required by the MMA for a period of at least 5 years from the date on which the good or service was sold or provided.

Penalties

17. Under the Regulation, the MMA is empowered to impose penalties in the following manner:

Violations	Penalty
Transactions are not carried out in MVR (subject to the exceptions provided in the Regulation)	A fine amount between MVR10,000 to MVR1,000,000
Failure to register tourism sector entities with the MMA	
Failure to submit records of income received in Foreign Currency with the MMA	<ul style="list-style-type: none">• A fine amount between MVR5,000 to MVR1,000,000
Failure to transfer or deposit Foreign Currency to a Bank account as required under the Regulation	<ul style="list-style-type: none">• MMA may also impose a fine of MVR5,000 per day until the violation is remedied or the compliance requirements are fulfilled
Failure to convert Foreign Currency as required under the Regulation	
Failure to keep records as provided in the Regulation	



Contact us

If you have any questions or need our assistance, please contact your principal advisor or any one of the following members of our team.

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Zameel specialises on corporate advisory and regulatory matters and advises clients on inbound foreign investments including structuring investments and transaction management. He is experienced in drafting and vetting commercial contracts and has advised on a broad spectrum of transactions including tourism, banking related areas and M&A transactions.

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About us

CTL Strategies is a multi-disciplinary law firm registered in the Maldives. We advise Fortune 500, FTSE 100 and S&P 500 companies, the world's top hotel chains, some of the Big Four audit firms, the world's leading not-for-profit organisations, local and international banks, financial institutions, government bodies, and high-net-worth individuals investing in all sectors and industries in the Maldives.

We are ranked in the 2023 edition of Chambers Global Guide, and as a Highly Recommended Firm by Asia Law Profiles in the area of General Business Law.

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