

Regulatory Update

*MMA introduces new Foreign Currency
(Monetary) Regulation (2024/R-91)*

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INTRODUCTION

The Maldives Monetary Authority (“**MMA**”) has published the Foreign Currency (Monetary) Regulation (**the “Regulation”**), requiring the following changes:

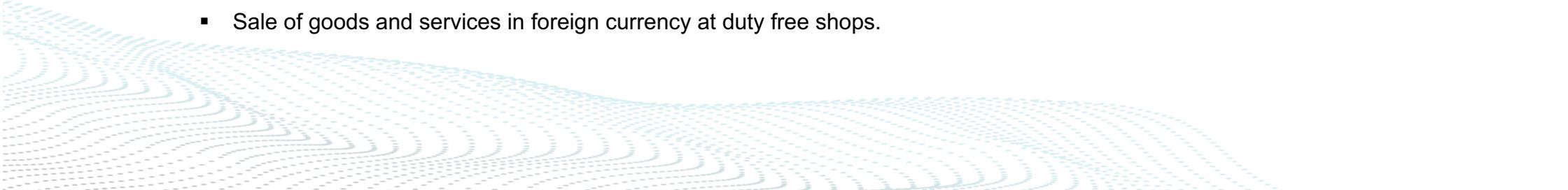
1. All transactions to be carried out in Maldivian Rufiyaa, subject to certain exemptions granted under the Regulation which permit foreign currency transactions.
2. All realised sales proceeds of, *inter alia*, tourist resorts and guesthouses etc. to be deposited to the foreign currency account held at a licensed bank in Maldives.
3. Every tourist resort, tourist vessel or tourist establishment operator (amongst others) to exchange a minimum of US\$ 500 to MVR per tourist (through a licensed bank in Maldives), proceeds of which can be utilised by the tourist operator for their operations. A tourist is defined in the Regulation as anyone entering Maldives on a tourist visa, irrespective of age, and therefore would capture adults and child guests at the tourist establishment.

The Regulation was issued on 1 October 2024 following speculation on proposed central bank measures to address depleting foreign reserves. These Regulations are **immediately effective** and require tourist establishments to register within a limited timeframe of 30 days.

MORE DETAILS

1. Currency of Transaction

All transactions in the Maldives shall be carried out in Maldivian Rufiyaa, save for the below exemptions:

- Payments legally mandated to settle in United States Dollars.
 - Payments to banks and finance companies for services provided and for other transactions between the bank and its customers.
 - Remittance services.
 - Transactions between insurance company, its intermediaries and customers in relation to tourism-related insurance plans.
 - International transactions.
 - Goods and services provided to tourists in foreign currency.
 - International trade and payment of international exports.
 - Payment for goods and services received by a business which earns income foreign currency, and acceptance of foreign currency by the vendor.
 - Dividend payments to shareholders, transactions with shareholders and dealings with related parties by a business which earns income in foreign currency.
 - Sale of shares of a business earning its income in foreign currency.
 - Payment of salaries and benefits to employees by a business earning its income in foreign currency.
 - Sale of goods and services in foreign currency at duty free shops.
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2. Registration Requirement

All tourism service providers registered as such with the Maldives Inland Revenue Authority (“MIRA”) before 1st October 2024 must register with MMA within 30 days of commencement of the Regulation, **i.e. on or before Thursday, 31 October 2024.**

Tourism service providers which register with MIRA after 1st October 2024 shall register with MMA within 30 days from date of registration with MIRA.

3. Depositing Foreign Currency to Bank Account

The foreign currency earned (realised sales proceeds) from tourism activities for the month must be transferred or deposited to a foreign currency account held in a bank licensed under the Maldives Banking Act (Law No. 24/2010) before the 28th day of the third month following the month of earnings.

For instance, realized sales proceeds for the month of October 2024 shall be transferred or deposited to the foreign currency bank account before 28th January 2025.



4. *Exchanging Foreign Currency*

The newly issued Regulation also requires a specific amount of foreign currency to be exchanged under the below categories:

- **Category A (tourist resorts, integrated tourist resorts, resort hotels, hotels tourist vessel, other tourist establishments):** These facilities are to exchange the total amount of tourists that stayed at the facility during the month at the rate of US\$ 500 per tourist.
- **Category B (tourist guesthouses, tourist hotels in residential areas with 50 rooms or less):** These facilities are required to charge a rate of US\$ 25 per tourist for all the tourists that stayed at the facility during the month.

Parties in both categories are mandated to perform the above transaction through a bank licensed under the Maldives Banking Act (Law No. 24/2010) before the 28th day of the third month following the month sales proceeds were realized.

If a party is unable to meet the below foreign currency obligations as a result of compliance with the foreign currency conversion requirement under the Regulation, the MMA has the discretion to reduce the foreign currency conversion amount – these foreign currency obligations are:

- Payment of taxes in foreign currency;
- Debt servicing to banks and financial institutions in foreign currency;
- Payment obligations in foreign currency pursuant to court judgements;

- Other foreign currency obligations authorized by MMA.

The licensed banks are mandated to sell 60% of foreign currency proceeds received each week to MMA, by Wednesday of the following week.

5. Reporting

All tourism service providers are required to report to the MMA, information about the goods sold and services provided in the particular month, before 28th day of the following month. There is no further guidance on the prescribed format for this reporting; the format is expected to be published shortly by MMA.

Category A and Category B tourism service providers are also required to report to MMA information on foreign currency sold to the licensed banks (in compliance with the conversion obligations under the Regulation), within 10 working days from the end of each month. There is no further guidance on the prescribed format for this reporting; the format is expected to be published shortly by MMA.

6. Penalty

Failure to comply with the regulation would result in the business being fined an amount between MVR 5,000 and MVR 1,000,000.



FREQUENTLY ASKED QUESTIONS

Q1 - Who is a tourist for the purpose of the regulation?

As per the Regulation, “tourist” refers to any foreign national visiting the Maldives under a tourist visa. The present definition will capture both adults and child guests at a Resort.

Q2 - What qualifies as a tourism activity?

As per the Regulation, tourism activity refers to the goods and services specified as such under the Goods and Services Act (Law No. 10/2011).

Q3 – Is the reporting or exchange of currency dependent on tourist arrival or departure?

The Regulation requires reporting of goods and services provided in each month on the 28th day of the following month, and foreign currency exchange to be completed on the 28th day of the third month following the month of realized sales proceeds. It is therefore not dependent on tourist arrival or departure but **monthly performance of the tourism service provider**.

Q4 – Does the exchange requirement extend to visits under familiarization trips?

Yes. There is no distinction or exemption to the definition in Q1 above.

Q5 – Other queries

This Regulation will have an impact on a tourist establishment’s banking processes, regulatory reporting and cash flow. Please feel free to reach out to us on specific queries or concerns regarding compliance with this Regulation.



Questions on this Update? Reach out to the authors:



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