First Amendment to the Foreign Currency Act

Compliance Guide and Summary Overview for Businesses Earning Foreign Currency

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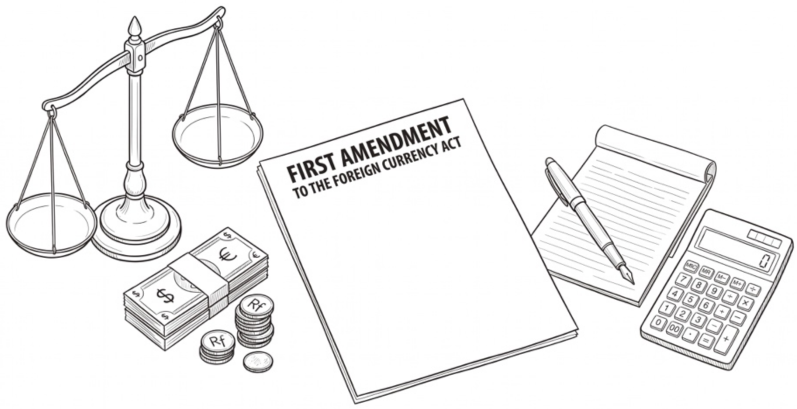

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Foreword

Law No. 13/2026, i.e., the First Amendment to the Foreign Currency Act (Law No. 32/2024), was passed by the People's Majlis on 26 August 2026, ratified by the President on 31 August 2026, and officially took effect on **1 September 2026**.

Context and Background

This Amendment represents a major policy pivot aimed at stabilizing the domestic foreign exchange market, expanding central bank reserves, and curbing parallel-market currency trading. To capture missing foreign income flows and alleviate chronic foreign currency shortages across the broader economy, the Government has tightened controls and raised mandatory surrender obligations for major foreign-currency earners.

This Amendment is wide-ranging. It changes how much foreign currency a business earning foreign currency in any sector, must convert into Maldivian Rufiyaa, and by when, introduces a prior Maldives Monetary Authority **("MMA")** approval requirement for certain foreign currency payment among other changes.

This briefing sets out what has changed against the parent Act, and immediate compliance actions for businesses caught by the Act, including hospitality, aviation, construction and locally owned companies earning foreign currency.

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Core Impact for our Clients

For tourism establishments, aviation service providers, contractors and all other corporate clients, the Amendment introduces fundamental operational shifts:

- **Elimination of Choice & Rate Doubling (tourism sector):** Category-A tourism establishments can no longer opt to convert on a flat USD 500 per-tourist basis. Mandatory conversion is now fixed at **40% of total monthly gross foreign currency sales**.

- **Accelerated Deadlines:** The conversion deadline has been shortened by two months, moving from the third month following sales to the **28th day of the immediate following month** (the first deadline falls on **28 October 2026** for September sales).

- **B2B Controls:** Furthermore, paying local suppliers or B2B vendors in foreign currency now requires **prior approval from MMA** (further regulations to be issued by MMA detailing approval limits). This affects every business that pays a counterparty in foreign currency.

- **Higher Registration/Conversion Trigger**: Previously, non-tourism sector businesses earning USD 15 million or more in foreign currency revenue were required to undertake mandatory conversion at 20% per month. The threshold has been lifted to **USD 25 million**, and mandatory conversion requirement doubled to **40% of total monthly gross foreign currency sales** (*with exception for 100% Maldivian-owned businesses who are subject to mandatory conversion at 7% instead*).

- **Strict FX Rate:** Foreign currency transactions above official central bank exchange rates are now criminalized with corporate fines up to MVR 5,000,000.

This legal update provides a practical analysis of what has changed, assesses operational risks for businesses across various sectors, and outlines actionable steps under the new regulatory framework.

The Timeline

31 August 2026	The Amendment was passed by the Maldives Parliament and ratified by the President.
1 September 2026	The Amendment came into force.
1 October 2026	Deadline for MMA to prepare and gazette the subordinate legislations and policies, including the Section 4(b) approval procedure and the currency exchange licensing regime.
28 October 2026	First conversion deadline in respect of September 2026 foreign currency sales.

Compliance Action Checklist for All Businesses Earning Foreign Currency

ACTION ITEM 1
AUDIT AND BANK ACCOUNT VERIFICATION ***(Deadline: Immediate)***

- [ ] Ensure all local USD deposit accounts are hosted with MMA-licensed commercial banks operating within the Maldives pursuant to Section 7(b).
- [ ] Confirm the entity's FX account details have been formally submitted/reported to MMA.

ACTION ITEM 2
CALIBRATE MONTHLY SURRENDER QUANTUM

- [ ] **Tourist Resorts:** Transition accounting models from arrival-headcount calculations (USD 500 / tourist) to a **flat 40% mandatory conversion** of monthly Gross Foreign Currency Sales.
- [ ] **Other Businesses:** Test annual foreign currency earning against the USD 25 million registration threshold and register with MMA where the threshold is met.
- [ ] Ensure finance teams finalise monthly gross FX proceeds immediately upon month-end close.

ACTION ITEM 3
UPDATE TREASURY TIMELINES & WORKING CAPITAL ***(Deadline: 28th of Each Month)***

- [ ] Adjust cash-flow forecasting for the shortened conversion deadline (28th of the immediate following month.
- [ ] Target Key Date: **28 October 2026** (Deadline for conversion of September 2026 gross FX sales).

ACTION ITEM 4
REVIEW LOCAL FX PAYMENTS & B2B CONTRACTS

- [ ] Identify all local vendors/contractors paid in USD.
- [ ] Post guidance from MMA (*under regulations to be issued*), prepare USD transactions for MMA pre-approval (*where required under MMA regulations*).
- [ ] Post guidance from MMA (under regulations to be issued), transition unapproved local USD payment commitments to Maldivian Rufiyaa (MVR) to prevent breaches.

ACTION ITEM 5
FX RATE & PARALLEL MARKET COMPLIANCE

- [ ] Audit all internal currency exchange practices (front desk, boutique concessions, guest billing; site offices, ticketing, cargo counters etc. (as appliable)).

ACTION ITEM 6 ***EVALUATE HARDSHIP / RELIEF FILINGS***		
	☐	Assess if 40% FX conversion leaves insufficient USD for foreign debt service, overseas suppliers, or investor commitments.
	☐	Prepare formal petition to MMA under Section 12/12(a-1) requesting a reduced conversion percentage or extended deadline prior to statutory due dates.

A Detailed Look

The registration triggers and conversion thresholds have been amended in its entirety, removing one of two conversion options offered before, and increasing the mandatory conversion percentage by 100%.

Any business registered in the Maldives that earns foreign currency should test its position against the categories set forth in the Act and should not assume that the regime is confined just to the tourism sector.

Provision	Previously under the Parent Act	From 1 September 2026
Category A -Tourist Resorts	The establishment chose either USD 500 per tourist arrival in the month, or 20% of gross foreign currency sales	40% of gross foreign currency sales. The choice, and the per-tourist basis, are removed
Category B - Guesthouses	The establishment chose either USD 25 per tourist arrival, or 20% of gross foreign currency sales	Unchanged - the same two options remain
Other Businesses (aviation, contractors and other businesses) with USD 25M revenue	20% of gross foreign currency sales	40% of gross foreign currency sales
100% Maldivian-owned businesses with USD 25M revenue	No separate treatment - the general 20% applied	7% of gross foreign currency sales
Deadline	Before the 28th day of the third subsequent month	Before the 28th day of the following month
Tourist headcount exclusions	Applied to both Resorts and Guesthouses	Applies to Guesthouses only, not available for Resorts
Relief	MMA could permit conversion of a lesser amount	MMA may permit a lesser amount or allow a more lenient deadline
Accrued liabilities	No express provision	A party may apply for leniency on amount or deadline for liabilities already accrued, including under earlier regulations

Inability to convert at 40% mandatory requirement:

The Act continues to allow a party to appeal to MMA that converting the required amount would leave it without enough foreign currency to meet its own obligations such as tax and government payments in foreign currency, debt owed to a foreign financial institution, judgment or arbitral obligations, or any other foreign currency obligation MMA approves.

Where satisfied, MMA (at its discretion) could permit a lower conversion amount for a period it determines.

The Amendment widens MMA’s discretion in two ways. MMA may now also allow a more lenient deadline than the new 28-day conversion deadline, which matters given that the deadline has moved forward by two months.

A new provision also allows a party to apply for leniency on a conversion liability that has already accrued but not been discharged, including one arising under regulations made before the Act came into force.

MMA Prior Approval for Certain Transactions

The obligations and transactions in items (9) and (15) of the Act must be submitted to MMA, *in the manner determined by regulations made by the Authority under this Act*, and MMA's approval obtained, before they may be fulfilled in foreign currency. The other thirteen types of transactions are unaffected.

The two transactions that are subject to approval are highlighted below. There is presently no guidance on the transaction thresholds requiring MMA prior approval; these are expected to be detailed in subordinate regulations to be issued.

Item	Transaction or obligation permitted in foreign currency	Prior MMA approval?
1	Fees payable to the Government or state institutions where a law or regulation authorises payment in foreign currency	No
2	Services provided by banks and financial companies, and transactions between those institutions and their customers	No
3	Transactions between remittance service providers and their customers	No
4	Insurance transactions with tourism-sector goods and service providers, related intermediary transactions, and other insurance transactions specified by regulation	No
5	Transactions in the Maldives securities market	No
6	International transactions	No
7	Collection of payment in foreign currency for goods and services provided to tourists	No
8	Collection of payment in foreign currency for exported goods and services	No
9	**Payment by a business earning in foreign currency for goods purchased and services obtained, and acceptance of that payment by the seller or service provider**	**YES**
10	Dividends and other transactions between a business earning in foreign currency and its shareholders and related parties, where the business elects to transact in foreign currency	No
11	Purchase and sale of shares in a business earning in foreign currency, issuance of bonds or sukuk by such a business, and transactions with its bond and sukuk holders	No
12	Payment of salaries and benefits in foreign currency by a business earning in foreign currency, and acceptance by employees, where the business elects to do so	No
13	Acceptance of foreign currency from tourists and payment by tourists for goods and services at duty-free shops	No
14	Foreign currency obligations determined by court judgment, tribunal decision or arbitral award	No
15	**Other obligations and transactions specified in regulations made under the Act**	**YES**

The New Offences Regime

The original penalties remain in force and are unchanged by the Amendment. The new penalties supplement the existing enforcement actions and address a difference offence, i.e., trading and advertising outside the official rate for conversion as published by MMA.

Offence or failure	Penalty
Failure to deposit foreign currency, or the full amount under the Act	Up to 0.25% of the amount required to be deposited that month, chargeable per day until rectified
Failure to convert foreign currency, or the full amount, under the Act	Up to 0.5% of the amount required to be converted that month, chargeable per day until rectified
Other non-compliance with the Act, a regulation or a directive	MVR 10,000 to MVR 1,000,000, according to severity
NEW: Selling or attempting to sell foreign currency above the official rate or outside the official band	MVR 25,000 to MVR 1,000,000, according to severity
NEW: Advertising or promoting the sale or purchase of foreign currency above the official rate or outside the band	MVR 25,000 to MVR 500,000
NEW: Where a legal entity or registered business is involved in a any of the two new offences listed above	MVR 100,000 to MVR 5,000,000

Two enforcement powers in the original Act are worth recalling here. Where a fine remains unpaid ninety days after notification, MMA may instruct government authorities to suspend the business permits of the party concerned. MMA may sue to recover an unpaid fine, and the court must decide the claim within 180 days.

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