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Legislative developments – June 2023



BANGLADESH



Banking and Finance

Circular No. 10 dated 21 June 2023 issued by the Foreign Exchange Policy Department of the Bangladesh Bank on “Maintenance of Foreign Currency Accounts for Foreign Investment”

Aiming to facilitate foreign exchange transactions related to foreign investments in Bangladesh, the Bangladesh Bank has decided that authorized dealers (ADs) are permitted to retain foreign currency received from foreign investors. ADs can open foreign currency (FC) accounts in the names of local companies, which will issue shares in compliance with regulatory instructions.

Under the new guidelines, ADs can now open temporary FC accounts in the names of proposed companies or enterprises of foreign investors. These temporary accounts will be used to hold funds remitted from abroad for equity purposes. Once a company is registered and business operations commence, the funds held in the temporary FC account can be transferred to a newly opened FC account in the name of the company.

Other instructions related to foreign investment in Bangladesh, as mentioned in relevant paragraphs of Chapter 9 of the Guidelines for Foreign Exchange Transactions will remain unchanged.

Circular No. 12 dated 20 June 2023 issued by the Banking Regulation and Policy Department of the Bangladesh Bank on “Loan Rescheduling for the Shipbuilding Industry”

The Bangladesh Bank has introduced a loan rescheduling facility aimed at providing relief to the country’s shipbuilding industry, which has been adversely impacted by the COVID-19 pandemic and the volatility in the global economy. This policy allows banks to reschedule defaulted loans for borrowers in this sector, granting them a period of 10 years, including a grace period of two years. To access this facility, borrowers are required to make a down payment of 2.50%.

Loans obtained through fraudulent activities or irregular means will not be eligible for the rescheduling facility. In such cases, banks are authorized to initiate legal action against borrowers who fail to repay their loans within the specified timeframe, as per the notice issued by the Bangladesh Bank.

CAMBODIA



National Social Security Fund

Decision No. 13/23 dated 20 June 2023 issued by the National Social Security Fund on "Implementation of the Voluntary Social Security Health Care Scheme for Self-Employed Individuals"

This decision sets out the mechanisms, conditions, formalities, and procedures for registration, payment of contributions, claims, and grants to expand access to the social security health care scheme for self-employed individuals.

It applies to voluntary contributions to the social security health care scheme by self-employed individuals who are 60 years old or younger and hold a Cambodian identification card.

Contributions for the voluntary social security health care scheme are limited to 2.6% of the beneficiary's income. The maximum amount that can be contributed monthly is KHR600,000. Contributions can be made through bank transfer or via the NSSFPilotScheme app.

Members of the National Social Security Fund who are self-employed are entitled to free medical treatment, such as rehabilitation services in health facilities, treatment consultation services, maternity services, prenatal and postnatal care services, physical therapy, and other medical rehabilitation services at a partner health facility.

Investment

Sub-Decree No.139 dated 26 June 2023 issued by the Royal Government of Cambodia on "Implementation of the Investment Law of the Kingdom of Cambodia"

This sub-decree specifies further information on the implementation of the Investment Law issued in 2021. It applies to all investment projects that have been registered and acknowledged by the Council for the Development of Cambodia ("**CDC**") or the municipal-provincial investment subcommittee ("**MPISC**").

It introduces a streamlined application process to obtain qualified investment project ("**QIP**") status. The application form as provided in the sub-decree and the required supporting information can now be submitted online (the in-person option is also still available).

Per the Investment Law, if the requested project investment complies with the requirements for a QIP and the specified registration procedures as outlined in the sub-decree have been properly followed, the CDC or MPISC must issue a certificate of registration to the applicant within 20 days of receipt of a complete application package.

LAOS



Foreign Exchange

*Notification No. 36/FEMD dated 16 June 2023 issued by the Foreign Exchange Management Department of the Bank of the Lao PDR on “**Completion of the Documentation Required for Obtaining a Capital Importation Certificate**”*

The notification provides guidance from the Foreign Exchange Management Department (“**FEMD**”) of the Bank of the Lao PDR (“**BOL**”) on the required documents and procedures for bringing foreign currency into the Lao PDR from abroad.

Foreign investment companies registered in the Lao PDR intending to apply for a capital importation certificate to bring in foreign currency from abroad in order to operate their businesses must submit the following documents to the FEMD:

- An application using the standard form provided by the FEMD
- A copy of the company’s enterprise registration certificate and business license
- A copy of the company’s investment license or concession registration certificate, if the company invests in controlled business activities or concession business activities
- A copy of the company’s annual tax payment certificate
- A plan showing how all funds brought into the Lao PDR will be used in the standard form provided by the FEMD
- A copy of the most recent capital importation certificate from the FEMD, if there have been prior requests.
- Other documents as appropriate to each situation as follows:
 - If the company has brought capital in through the banking system, the following documents from the commercial bank in the Lao PDR where the company has opened an account must be included with the application:
 - Inward remittance advice or SWIFT message
 - A bank statement showing that the remitted money has been received.
 - If the company has borrowed from abroad, a copy of the offshore borrowing authorization from the FEMD must be included with the application.
 - If the company has imported capital in the form of machinery, vehicles, production equipment, etc., the following documents must be included with the application:
 - Import permits issued by the Department of Import and Export

- Invoices
- A copy of the customs declaration form or customs declaration document.
- If the company has brought in capital in the form of cash, rather than through the banking system, the following documents must be included with the application:
 - Cash declaration certificate from the customs officer at the border checkpoint
 - Deposit slip related to the cash imported.

The official fee for applying for a capital importation certificate is LAK100,000 per application.

Banking and Finance

*Decision No. 553/BOL dated 19 June 2023 issued by the BOL on “**Determination of Exchange Rates**”*

The decision regulates the exchange rates of the BOL and commercial banks in the interest of maintaining currency stability.

BOL exchange rates

- The reference exchange rate between the Lao Kip (“**LAK**”) and US dollars (“**USD**”) will be set by the Monetary Policy Department (“**MPD**”) of the BOL and will be published on the BOL’s website every business day by 8:10 am so that commercial banks can use it as a benchmark when setting their own exchange rates.
- The purchase and sale exchange rate for LAK to USD, and LAK to other foreign currencies will be set by the Banking Operations Department of the BOL according to the reference exchange rate determined by the MPD and will publish on the BOL’s website every business day by 8:30 am.
- The reference exchange rate of the BOL on the last business day prior to a public holiday is to be used as the exchange rate for currency exchanges on the public holiday.

Commercial Bank Exchange Rates

- The purchase and sale exchange rates for LAK to USD must be set to fall within a range of $\pm 7.50\%$ of the reference exchange rate published daily by the BOL’s MPD, and the difference between the purchase and sale rates must not exceed 2%.
- Likewise, the difference between the purchase and sale exchange rates for LAK to Thai baht, Chinese yuan renminbi, and euros must not exceed 2%.

Publishing of exchange rates to the public and reporting to the BOL

Commercial banks are required to clearly and accurately post their exchange rates at their place of business, on their website, and on other platforms.

The exchange rates and the total amount of foreign currency purchased and sold must be reported to the BOL by 4:00 pm on a daily basis.

The decision enters into force from the date of signing onwards and replaces Decision on the Determination of Exchange Rates No. 116/BOL dated 10 February 2023.

MYANMAR

Banking & Finance

Letter No. FE-1/789 issued by the Central Bank of Myanmar on 21 June 2023 to set out "Regulations for Online Reporting of Foreign Exchange Dealings"

This letter outlines regulations for the online reporting of foreign exchange dealings between authorized dealer licensed banks ("**AD banks**") and customers, as well as between customers in the foreign exchange market. The key points covered in the letter are as follows:

- All foreign exchange trading between AD banks and customers, as well as between customers, must be conducted using the online trading scheme regulated by the Central Bank of Myanmar ("**CBM**").
- The online trading scheme includes the following requirements:
 - Between 10 am and 11:30 am, AD banks must submit a daily online report to the CBM, which includes information about intended dealings between banks and customers, as well as a list of companies interested in selling or purchasing foreign currency (details are provided in an attached document).
 - AD banks must provide lists of intended foreign exchange transactions for both trading and non-trading purposes.
 - Companies wishing to sell foreign currency must provide specific information, including company name, business activities, intended amount and type of currency to be sold, offer rate, date of currency credit, date until which the currency can be held in the company's bank account, and source of the foreign currency received. AD banks are responsible for verifying the accuracy of this information.
 - Companies wishing to purchase foreign currency must provide specific information, including company name, business activities, intended amount and type of currency to be purchased, reason for the purchase (trading or non-trading purposes), bid rate, and settlement date. AD banks are responsible for verifying the accuracy of this information.
 - The CBM will review the lists of companies interested in selling or purchasing foreign currency, as well as the intended dealings between banks and customers provided by the AD banks. The CBM will then determine which companies are allowed to proceed with their foreign exchange transactions, the amount of foreign currency allowed to be traded, and the applicable foreign exchange rate, in consultation with the AD banks.
 - The CBM will notify the AD banks of the approved list of dealings by 1:00 pm.
 - Foreign exchange transactions that are allowed must be settled within 24 hours of the completion of a transaction.

- Interbank foreign exchange transactions must be conducted via the Refinitiv Platform only after the initial presentation of the intended interbank foreign exchange dealings to the CBM under the online trading scheme.
- The daily list of dealings and the weighted average rate will be published on the CBM's website.
- The CBM may provide SWAP financing for essential supplies and engage in foreign currency sales and purchases in the foreign exchange market if necessary. AD banks are required to comply with the instructions stated in the previous bullet point when conducting foreign exchange trading.

Export & Import

Newsletter 10/2023 issued by the Trade Department on 23 June 2023 announcing the "Implementation of the Banking System for Border Trade Activities in the Sino-Myanmar Region"

The key points covered in the newsletter are as follows:

- The banking system was first implemented on 1 November 2022 at the Thailand-Myanmar border trade posts as an initial step in using the bank system for border trade.
- Starting from 1 August 2023, the banking system will be further implemented for Sino-Myanmar border trade.
- Under the system, import businesses are required to make payments through relevant banks for imports using the remaining balance in yuan come from export earnings, other income,
- Verifications of the Sino-Myanmar border trade will be done, including by requiring the submission of the original credit advice and bank statements by companies when applying for an import license. The Department of Trade will verify the evidence of export earnings or other income and issue import licenses based on the balance in the bank account.
- This program does not apply to import license applications filed before 30 August 2023. Goods covered by import licenses issued before that date must be imported by 31 August 2023, at the latest. Failure to import within this period will invalidate the import license.
- Only export earnings received after 1 January 2023 will be eligible for use in imports.
- Exporting companies engaged in Sino-Myanmar border trade have the option to use their export income for imports or transfer it to another company for importing purposes. The export income can be transferred between different Sino-Myanmar border trade posts for importing goods.

VIETNAM



Banking & Finance

Circular No. 06/2023/TT-NHNN dated 28 June 2023 issued by the State Bank of Vietnam on “Amendments to Circular No. 39/2016/TT-NHNN dated 30 December 2016 of the Governor of the State Bank of Vietnam Prescribing Lending Transactions of Credit Institutions and Foreign Bank Branches with Customers”

This circular amends Circular 39/2016/TT-NHNN to expand the list of purposes for which loans cannot be provided by financial institutions. Among other things, the new circular restricts loans to be used to make deposits, to make certain types of share acquisitions, and for investments in certain projects that are not yet operational.

Circular No. 06/2023/TT-NHNN takes effect from 1 September 2023.

Decision No. 1123/QD-NHNN dated 19 June 2023 issued by the State Bank of Vietnam on “Refinancing Interest Rates, Re-Discount Interest Rates, Interest Rates on Overnight Loans in Interbank Electronic Payments and Loans for Making Up Fund Deficits in Clearing Payment Given by the State Bank of Vietnam to Credit Institutions and Foreign Bank Branches”

Various reference interest rates have been reduced as outlined in the table below:

No.	Segment	Previous regulation (Decision No.950/ QD-NHNN)	New amendment (Decision No.1123/QD-NHNN)
1	Refinancing interest rate	5.0%/year	4.5%/year
2	Re-discount interest rate	3.5%/year	3.0%/year
3	Interest rate on overnight loans in interbank electronic payments and loans for making up fund deficits in clearing payments given by the State Bank of Vietnam to credit institutions and foreign bank branches	5.5%/year	5.0%/year

Decision No. 1123/QD-NHNN takes effect from 19 June 2023.

Tax

Decree No. 44/2023/ND-CP issued by the Government of Vietnam dated 30 June 2023 stipulating the “Value Added Tax (“VAT”) Reduction Policy per Resolution No. 101/2023/QH15 dated 24 June 2023 of the National Assembly”

The VAT reduction policy specifies the following:

- Businesses that use the deduction method to calculate VAT are permitted to use an 8% rate on goods and services (previous rate - 10%). However, the new rate does not apply to businesses in certain sectors as listed in the decree.
- Business establishments applying the deemed rate method for VAT reporting will be entitled to a 20% reduction when calculating VAT payable for those goods and services qualified for VAT reduction.

Decree No. 44/2023/ND-CP is effective from 1 July to 31 December 2023.

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