

LEGAL AND TAX DIGEST

BANGLADESH
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Legislative developments – September 2026





BANGLADESH

Banking and Finance

*FEPD-1 Circular No. 32 of 2026 dated 2 September 2026 issued by the Foreign Exchange Policy Department-1 on “**Consolidated Circular on Foreign Exchange Regulations – Loans, Overdrafts, Guarantees, and External Borrowings**”*

This circular consolidates all existing foreign exchange regulations relating to loans, overdrafts, guarantees, and external borrowings into a single regulatory framework. It updates and supersedes FE Circular No. 34 dated 2 September 2025 by incorporating subsequent instructions issued thereafter. All previous instructions on the subject stand repealed except for the reporting requirements contained in Volume 2 of the Guidelines for Foreign Exchange Transactions. Issued under Section 20(3) of the Foreign Exchange Regulation Act, 1947, this circular will remain effective for one year from its date of issuance. Any future instructions issued during this period are to be read in conjunction with it. In the event of any ambiguity or inconsistency, stakeholders are advised to refer to the provisions of the original circulars. Authorized dealers and entities involved in foreign borrowing and guarantee transactions should review the consolidated framework and update their compliance procedures accordingly.

*FEPD-1 Circular Letter No. 15 of 2026 dated 3 September 2026 issued by the Foreign Exchange Policy Department-1 on “**Remittances on Account for Royalty, Technical Know-how, and Technical Assistance Fees and Other Expenses of Industrial Enterprises in HTPs**”*

The Bangladesh Bank has expanded the remittance facilities available to industrial enterprises operating in hi-tech parks (“**HTPs**”). Previously, under FE Circular No. 21 dated 16 May 2019, authorized dealers (“**ADs**”), including offshore banking units for Type-A enterprises, were permitted to remit royalty, technical know-how, and technical assistance fees from foreign currency accounts without the prior approval of the Bangladesh Bank or the Bangladesh Hi-Tech Park Authority (“**BHTPA**”), subject to specified limits of 6% of the imported machinery cost for new projects and 6% of the previous year’s sales for ongoing concerns. Under the new circular, ADs may now also effect outward remittances of such fees from Taka accounts within the same prescribed limits, provided they are satisfied that the enterprise has no foreign currency income sources and that all applicable taxes have been duly deducted and paid. Prior approval from the BHTPA is still mandatory for remittances exceeding the prescribed limits and for any other similar legitimate expenses regardless of the amount. ADs are also required

to comply with Section 3(4) of the Foreign Exchange Regulation Act, 1947, including applicable know your customer and anti-money laundering/combating the financing of terrorism requirements, and reporting obligations to the Bangladesh Bank and the BHTPA.

*FEPD-1 Circular No. 34 of 2026 dated 13 September 2026 issued by the Foreign Exchange Policy Department-1 on “**Hedging of Commodity Price Risk for Import Trades in International Markets**”*

This circular introduces the Bangladesh Bank’s Guidelines on Hedging of Commodity Price Risk for Import Trades in International Markets with a view to promoting prudent price risk management practices for importers amid evolving global commodity market conditions. Exercising its powers under Section 20(3) of the Foreign Exchange Regulation Act, 1947, the Bangladesh Bank is now permitting authorized dealers to facilitate and offer commodity price risk hedging products to eligible importers, whether operating within designated specialized zones or outside such zones, under a structured, transparent, and supervised framework and subject to the conditions prescribed in the guidelines. The initiative is intended to support better cost planning, mitigate exposure to commodity price volatility, and align Bangladesh’s foreign exchange regulatory regime with international risk management practices. As a consequence of this new circular, the instructions in paragraph 14 of Chapter 4 of the Guidelines for Foreign Exchange Transactions, 2018, Vol. 1 are amended.

*FEPD-1 Circular No. 37 of 2026 dated 21 September 2026 issued by the Foreign Exchange Policy Department-1 on the “**Outright Purchase and Sale of Foreign Currency and Cross-Currency Swap Transactions by Offshore Banking Units**”*

Under this circular, which was issued under Sections 11(7) and 25(2) of the Offshore Banking Act, 2024 and Section 20(3) of the Foreign Exchange Regulation Act, 1947, the Bangladesh Bank has expanded the scope of permissible treasury and foreign exchange activities for offshore banking units (“**OBU**s”). Notwithstanding the restrictions contained in paragraph E(1) of the Guidelines for Offshore Banking Operations issued under FE Circular No. 11 dated 30 January 2025, it allows them to undertake the outright purchase and sale of foreign currency and cross-currency swap transactions with their respective OBUs, other authorized dealers, other OBUs, and other legitimate local counterparties. The circular aims to facilitate legitimate customer transactions, improve foreign currency liquidity management, strengthen asset-liability management, and align offshore banking operations with internationally-accepted treasury practices. Such transactions must be directly linked to permissible customer transactions, funding requirements, settlement obligations, liquidity management, asset-liability management, or foreign exchange risk management and must not be undertaken for speculative foreign exchange trading purposes. OBUs are required to comply with all applicable foreign exchange regulations, prudential requirements, approved internal policies, counterparty and dealing limits, and sound risk management practices. The circular also encourages OBUs to adopt prudent foreign currency funding strategies, including the use of

lower-cost funding sources and appropriate foreign exchange purchase, sale, or swap arrangements to support efficient trade settlement, liquidity management, and mitigation of currency risks.

All other provisions of the Guidelines for Offshore Banking Operations remain unchanged.

*FEPD-1 Circular No. 40 of 2026 dated 30 September 2026 issued by the Foreign Exchange Policy Department-1 on **"Consolidated Circular on Foreign Exchange Regulations - Outward Remittances on Account for Current Account Transactions Other than Imports and Transportation Services"***

This circular consolidates the foreign exchange regulations relating to outward remittances on account for current account transactions other than imports and transportation services. The circular updates and replaces FE Circular No. 37 dated 30 September 2025 by incorporating all subsequent instructions issued on the subject into a single regulatory framework. All previous instructions are repealed upon its issuance, except for the reporting requirements contained in Volume 2 of the Guidelines for Foreign Exchange Transactions. Issued under Section 20(3) of the Foreign Exchange Regulation Act, 1947, this circular will remain effective for one year from the date of issuance, and any instructions issued during this period are to be read in conjunction with it. In the event of any ambiguity or inconsistency, stakeholders are advised to refer to the provisions of the original circulars. Authorized dealers should review the consolidated framework and ensure that their foreign exchange operations and compliance procedures are aligned with the updated requirements.

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*Decision No. 789 dated 21 August 2026 issued by the Bank of the Lao PDR ("BOL") on "**Risk Management, Restrictions, and Prohibitions Relating to International Sanctions**"*

This decision establishes a risk management and compliance framework for preventing financial institutions and virtual asset service providers from being used to circumvent international sanctions.

Some of the key highlights are outlined below.

Defined terms

The decision defines a number of terms. For purposes of this legal update, the following two terms are highlighted as they are relevant to the discussion that follows:

"International sanctions" are binding international measures, such as United Nations Security Council measures, and measures adopted by foreign authorities, including the United States Department of the Treasury's Office of Foreign Assets Control, the European Union, and the United Kingdom Office of Financial Sanctions Implementation. Although certain foreign measures may not be legally binding in the Lao PDR, banks must still manage the associated correspondent-banking, US-dollar clearing, international card-network, and reputational risks.

"Financial institutions" refers to a commercial bank, a branch of a foreign commercial bank, a deposit-taking or non-deposit-taking microfinance institution, a cross-border payment service provider, or another financial institution under the supervision of the BOL.

Governance and risk management

Financial institutions must establish written policies and procedures approved by their boards of directors. These must cover:

- Governance and allocation of responsibilities;
- Customer identification and due diligence;
- Screening and transaction monitoring;
- Restrictions and prohibitions relating to cross-border payments and payment instruments;
- Crypto asset risks;
- Record retention;

- Regulatory reporting; and
- Staff training.

The policies must be reviewed at least annually and whenever there is a material change in the financial institution's business or in the applicable international sanctions. The internal audit function, or an independent external party, must also review compliance with this decision at least annually.

Financial institutions must also prepare an institution-wide risk assessment covering risks associated with:

- Products and services;
- Customer groups;
- Service and distribution channels;
- Intermediaries;
- Countries and geographical exposure;
- Transaction counterparties; and
- Correspondent-banking relationships.

Responsible compliance officer

A financial institution must appoint at least one officer to be responsible for compliance with international sanctions. The number of officers must be appropriate for the institution's size, complexity, transaction volume, customer composition, and risk profile.

Customer due diligence and ongoing monitoring

Where a person conducts a transaction on behalf of a customer, or a financial institution reasonably suspects that the person is acting for another person, the financial institution must identify and verify that person and assess the purpose of the transaction. If the person or transaction purpose cannot be identified, the transaction must be rejected or stopped.

Financial institutions must verify whether a customer's actual activity is consistent with the information provided when the account or business relationship was established, including:

- Address and residence;
- Income or business turnover;
- Intended account use;
- Expected transaction pattern; and
- Nature of business activities.

A material inconsistency constitutes an alert requiring further review. The customer's source of funds must be verified on a risk-sensitive basis, particularly where the customer is a non-resident connected with a country subject to international sanctions or where the transaction exceeds a threshold prescribed by the BOL.

Customer and transaction screening

Financial institutions must screen customers and beneficial owners when establishing a business relationship, whenever a relevant screening list is updated, and periodically during the relationship. Counterparties must also be screened before a cross-border transaction is processed.

A cross-border payment must not proceed until every relevant party has passed the required screening. High-risk and crypto-exposed customers must be screened in real time against the most recent screening lists.

Financial institutions must operate real-time transaction monitoring systems or, where real-time monitoring is not technically possible, near-real-time systems covering payment instruments, cross-border payments, and crypto-related transactions through all channels. The systems must be capable of holding or blocking a high-risk transaction pending review.

Foreign access, third-party access, and telephone numbers

Financial institutions must use appropriate technical measures to detect access to electronic banking, mobile banking, and card management services from outside the Lao PDR. Foreign access that is inconsistent with the customer's declared address or profile must be reviewed.

Financial institutions must also detect possible use or control of an account or payment instrument by a person other than the identified account holder, including through shared credentials, shared devices, informal delegation, or another arrangement. If the third person cannot be identified and verified, the relevant access must be suspended immediately.

A telephone number linked to electronic banking or a payment instrument must be verified when the service is opened, whenever the number changes, and periodically thereafter. Financial institutions must not send transaction alerts or one-time passwords, or approve transactions through an unverified telephone number.

Suspension and resolution of alerts

Where a payment instrument is used, or suspected of being used, for fraud or the circumvention of international sanctions, the financial institution must suspend it immediately across all channels. The reason must be recorded and the review must generally be completed within 10 working days. Reactivation requires written approval from the responsible compliance officer.

Remote onboarding, intermediaries, and outsourcing

Remote onboarding may be used only where the identification and verification measures closely approximate in-person verification.

Where a financial institution uses an intermediary to introduce customers or distribute products, it must:

- Conduct due diligence before appointing the intermediary and throughout the relationship;
- Enter into a written agreement requiring compliance with this decision;
- Prohibit marketing that presents the financial institution's services as a means of circumventing international restrictions;
- Separately monitor customers and transactions introduced by each intermediary; and
- Terminate an intermediary that breaches this decision.

Financial institutions remain legally responsible for activities performed by an outsourced service provider. The outsourcing agreement must preserve audit and data access rights for the financial institution and the BOL.

Cross-border payment restrictions

Funds or economic resources must be frozen where required by a binding international measure, a measure legally effective in the Lao PDR, or an order of a competent Lao authority. For a foreign restrictive measure that is not legally binding in the Lao PDR, financial institutions must apply proportionate risk-based controls, which may include enhanced due diligence, rejection, suspension, reporting, restriction of services, or termination of the relationship.

A payment under a pre-existing contract involving a prohibited activity may proceed only with the BOL's prior written approval. The financial institution must submit an exit plan and terminate the arrangement within the period approved by the BOL.

Transactions requiring particular attention

This decision identifies a number of transaction patterns requiring enhanced monitoring. Financial institutions must incorporate the following indicators into their monitoring systems:

- Multiple payment instruments issued to the same or related persons;
- Bulk issuance or distribution of payment instruments through an agent;
- Payment instruments issued remotely to non-residents and used predominantly outside the Lao PDR;
- Rapid pass-through of funds;
- Repeated transfers structured below reporting or monitoring thresholds;
- Transactions materially exceeding the customer's declared income or business activities;
- Common devices or counterparties among apparently unrelated customers;
- Circular or triangular fund flows;
- Transactions involving controlled, dual-use, or restricted aviation goods;

- Incomplete or inconsistent trade documents;
- False or misleading information concerning the source of funds;
- Marketing Lao payment services as a means of avoiding foreign restrictions; and
- Crypto transactions involving mixers, privacy coins, chain hopping, or links to sanctioned jurisdictions.

Payment cards, electronic wallets, and QR payments

Electronic wallets, stored-value instruments, and QR payment services are subject to equivalent customer due diligence, monitoring, suspension, and prohibited feature controls.

Before issuing a payment card, electronic wallet, or other payment instrument, a financial institution must identify the applicant and intended user, understand the intended use, and prevent bulk issuance or use by another person.

Nationality or residence does not, by itself, prohibit access to a Lao-issued payment instrument. However, financial institutions must apply appropriate controls based on a customer's risk profile and intended use.

Crypto asset activities

Unless specifically approved by the BOL, financial institutions must not:

- Hold crypto assets on their balance sheet;
- Issue, mint, sponsor, or promote crypto assets;
- Provide crypto custody or wallet administration services;
- Trade, exchange, or broker crypto assets;
- Provide credit, guarantees, or funding to a borrower whose principal activity is crypto assets;
- Accept crypto assets as collateral or as the agreed source of repayment; or
- Market, advise on, or distribute crypto assets or crypto investments.

Financial institutions may provide ordinary banking services to virtual asset service providers or mining operators lawfully licensed in the Lao PDR, provided that enhanced due diligence and the required controls are applied.

A financial institution's internal limits must be no more permissive than the following thresholds:

MEASURE	MAXIMUM THRESHOLDS
Crypto-derived assets as a proportion of declared total deposits or assets	25%
Crypto-derived income as a proportion of declared annual deposits or income	35%

Exempt transactions

Subject to appropriate supporting documents and screening, exemptions may apply to:

- Accredited diplomatic missions;
- International organizations;
- Properly documented humanitarian transactions; and
- Qualifying non-commercial personal remittances within the applicable BOL limits.

A financial institution may request clarification or apply for a case-specific exemption. The relevant transaction or contract must not proceed while the application is pending.

Penalties

Non-compliance may expose a financial institution to international sanctions, termination of correspondent-banking relationships, and loss of access to international payment or card networks.

The BOL may impose one or more of the following measures on financial institutions for non-compliance:

- A warning
- An order to remedy the breach
- A fine
- Restrictions on business activities
- Suspension or replacement of responsible managers
- Referral to the Anti-Money Laundering Intelligence Office or police
- Suspension or revocation of the relevant business license

*Decision No. 819 dated 28 August 2026 issued by the BOL on “**Retail Payment Systems**”*

This decision provides regulations for the licensing, operation, membership, governance, supervision, and cross-border activities of retail payment systems. It replaces the 2019 version; notable changes are the expansion of the scope of the regulatory framework and new

requirements relating to capital, cross-border operations, governance, technology, reporting, and enforcement.

Some of the key changes are outlined below.

Scope and payment system categories

The previous decision divided retail payment systems into an inter-institution fund transfer system, a payment card network, and a settlement system. This decision consolidates these into two principal categories: a clearing system, which includes inter-institution payment systems and payment card networks, and a settlement system. The BOL will determine the permitted system types and number of operators. The scope also extends to foreign persons and organizations and cross-border payment operations.

Licensing and renewal requirements

In addition to the ownership and management requirements retained from the previous decision, the largest shareholder may not hold more than 50% of the operator's shares, and shareholders and managers must not have had any bad debt during the preceding year. Applicants must also provide more extensive evidence regarding their funding sources, financial and credit status, governance, risk management, internal audit, and business continuity arrangements.

The application review period has been reduced from 45 days to 30 days. Before a license is issued, the operator must have fully paid-up capital, suitable personnel, secure information technology systems capable of connecting to the BOL's reporting system, and arrangements to store transaction data in the Lao PDR.

Licenses remain valid for five years, and renewal applications must be submitted at least 45 days before expiry. However, renewal is now subject to additional conditions, including financial stability, satisfactory operating results during the previous two years, and resolution of inspection findings within the prescribed period.

Registered capital requirements

The table below provides a comparison of the registered capital requirements for licensing under the previous and current decisions.

PAYMENT SYSTEM	PREVIOUS DECISION	THIS DECISION
Inter-institution payment system (now included in the clearing system category)	LAK10 billion	LAK30 billion

PAYMENT SYSTEM	PREVIOUS DECISION	THIS DECISION
Payment card network (now included in the clearing system category)	LAK10 billion	LAK30 billion
Settlement system	LAK40 billion	LAK10 billion

The previous decision required at least 70% of registered capital to be contributed in cash. This decision requires that registered capital be fully paid in cash and deposited with a commercial bank in the Lao PDR.

Where an operator provides more than one system type, the highest applicable capital requirement applies. However, commercial banks operating settlement systems are exempt from this separate registered capital requirement; they are subject to the registered capital requirements under the BOL's commercial bank regulations.

Official fees

FEE	PREVIOUS DECISION	THIS DECISION
Fee for review of a new application	LAK2 million	LAK5 million per application
Fee for issuance of a new license	0.1% of registered capital	0.1% of registered capital
Annual fee	0.1% of total revenue; minimum LAK30 million	0.1% of pre-tax operating revenue; minimum LAK30 million
Renewal-related fees	LAK1 million review fee	LAK5 million renewal fee

Annual fee: Commercial bank payment system operators are exempt from the annual fee and all operators are exempt during their initial year of operation. After that, the annual fee is payable during the second quarter of each year thereafter.

Cross-border payment systems

This decision introduces a dedicated framework for cross-border payment systems, which was not included in the previous decision. A bilateral direct connection generally requires

certification or approval from the relevant central banks, while participation in a multilateral or foreign payment system requires prior BOL approval.

An applicant for cross-border payment operations must, among other things:

- Have operated a domestic payment system for at least three years;
- Maintain the prescribed capital, financial ratios, and foreign currency liquidity;
- Store payment data in the Lao PDR and use a Lao commercial bank as its settlement bank;
- Have appropriate clearing, settlement, security, risk management, and consumer protection arrangements; and
- Resolve relevant inspection findings within the 90 days prior to the application submission date.

The BOL's review period is 30 days, and the application review fee is LAK5 million. The settlement bank must also satisfy requirements relating to capital adequacy, financial performance, legal and tax compliance, foreign currency liquidity, and risk management.

Direct and indirect membership

The previous decision contained only general provisions on payment-system membership. This decision distinguishes between direct and indirect members. A direct member must generally be a licensed commercial bank that connects directly to the relevant system and complies with the applicable technology, security, data, and customer identification requirements.

A non-bank payment service provider may participate as an indirect member through a sponsoring commercial bank. The sponsoring bank is responsible for assessing the indirect member, providing liquidity support, segregating its transactions, and establishing arrangements for consumer protection and dispute resolution.

Governance, ownership, and operational changes

This decision prescribes a more detailed governance structure, comprising a shareholders' meeting, board of directors, and management committee. The board must have at least three members, who serve terms of up to three years, and may be reappointed. The board must meet at least quarterly. Detailed qualification, disqualification, and responsibility requirements apply to directors and senior management.

Prior BOL approval is required for a share transfer that results in a change of control or ownership of more than 50% of voting rights. Prior approval is also required for material operational changes, including introducing or cancelling a service, expanding cross-border services into another country, relocating the head office, or making a material change to the operator's information technology system.

Data localization and information technology security

This decision introduces an express requirement for transaction data to be stored in the Lao PDR. It is a precondition of payment system licensing and approval of cross-border payment operations. The previous decision did not contain an equivalent express data localization requirement.

The previous decision already required operators to comply with the BOL's information security rules and undergo an independent external assessment, including penetration testing, with the assessment report submitted within 45 days.

This decision strengthens those requirements by specifying minimum controls for access, encryption, intrusion and malware protection, incident response, system changes, continuous monitoring, and data integrity. It also expressly requires annual security and vulnerability assessments, including penetration testing, with the assessment report and remediation plan submitted within 45 days.

Disclosure and regulatory reporting

Public disclosure obligations now extend beyond information on an operator's license and service fees to financial statements, service statistics, growth information, and member information. Changes to service fees must be announced at least 30 days in advance.

The principal reporting deadlines are as follows:

- Daily reports by the following day
- Monthly reports within 10 days of the month-end and quarterly reports within 15 days of the quarter-end
- Annual transaction and business reports within 90 days of the year-end
- Audited annual financial statements within 120 days of the year-end, extended from 90 days under the previous decision
- Notification of major operational incidents within 24 hours

Suspension and license revocation

This decision distinguishes between partial and full suspension and introduces clearer regulatory thresholds. Grounds for partial suspension include an unexplained system interruption exceeding 72 hours, inactivity for more than six months, losses for three consecutive years, material harm to users or the payment system, failure to resolve inspection findings, and the involvement of shareholders or managers in money laundering, terrorist financing, embezzlement, or fraud. Full suspension may be imposed where specified grounds

for partial suspension remain unaddressed for more than three months without written reporting to the BOL.

More strict consequences apply to operators who fail to renew their licenses in a timely manner, as shown in the table below:

DELAY IN LICENSE RENEWAL	REGULATORY CONSEQUENCE
More than 30 days	Grounds for partial suspension
More than 60 days	Grounds for full suspension
More than 120 days	Grounds for license revocation

Grounds for license revocation also include failure to resume business operations following corporate rehabilitation and the grounds specified in the Law on Payment Systems No. 45 dated 20 November 2023.

For a planned voluntary suspension, the operator must notify the relevant BOL department at least 30 days in advance and its members at least 15 days in advance. For an unplanned interruption, members must be informed immediately and the BOL must be notified within 24 hours.

Labor

*Decision No. 1971 dated 25 May 2026 issued by the Ministry of Labor and Social Welfare on "**Social Security Inspections**" and published on the Lao Official Gazette's website on 1 September 2026*

This decision, which replaces the 2021 decision, regulates social security inspections. It retains the existing inspection framework but substantially shortens the periods allowed for registering with and contributing to the national social security scheme. It also broadens the scope regarding recovery of incorrectly paid benefits.

Some of the key changes are outlined below.

Shorter compliance periods

LABOR INSPECTOR ACTIONS TO ENFORCE COMPLIANCE	COMPLIANCE PERIOD IN PREVIOUS DECISION	COMPLIANCE PERIOD IN THIS DECISION
Initial education and registration Where failure to register was not intentional, inspection officials provide guidance and require the employer to register itself and its employees.	90 days from when guidance is issued	30 days from when guidance is issued
Written warning and full registration If the employer fails to register after receiving the initial guidance, a written warning requiring full registration is issued.	90 days from when the warning is issued	30 days from when the warning is issued
Consultation and final extension If the non-compliance continues, the employer is summoned for consultation, explanation, and preparation of a joint record.	Up to 90 days	Up to 30 days
Reinspection and further action If a labor unit remains unregistered or disregards the warning, inspection officials may conduct a follow-up inspection and take further action.	After three months	After 30 days
Interest-based fine for late contributions Applies where an employer deducts employee contributions but fails to remit them, remits an incomplete amount, or pays late without a sufficient reason.	Three months after the payment was due	30 days after the payment was due

An employer that completes registration during the first compliance stage is not subject to a fine. However, continued non-compliance may result in fines, suspension of social security benefit entitlement until all arrears are paid and contributions resume, and referral of the matter for further enforcement or judicial proceedings.

Recovery of incorrectly paid benefits

The previous decision referred specifically to recovery where the Lao Social Security Organization paid an excessive or incorrect benefit in error. This decision uses broader language, allowing any incorrectly paid social security benefit to be recovered in full and measures to be taken against the offender under the relevant laws and regulations.

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