

ISLAMIC CAPITAL MARKET QUARTERLY BULLETIN

1ST QUARTER 2012

This edition covers the Islamic Capital Market news and developments during the first quarter of 2012.

ICM DEVELOPMENT

The vision of CMDA is to develop the ICM parallel to the existing conventional capital market as it would create a competitive environment in the financial market and also contribute to the stabilization of the overall economy of the Maldives.

The Capital Market Strategic Plan was revised to include the ICM component defining the long term and short term objectives of ICM development. Since this revision, the CMDA embarked on various tasks to facilitate development and the progress has been remarkable. Prominent developments of the ICM includes:

February 2012: Introduction of Islamic Stock brokerage Services.

February 2012: Trading of Islamic Securities on the MSE.

October 2011: Establishment of Islamic Capital Market Development Section (ICMDS).

September 2011: The launch of the first ICM product (Islamic Equity).

June 2011: Endorsement of the first Shariáh Complaint Company by the CMDA Board of Directors.

June 2011: The establishment of the Islamic Capital Market Function to organize and facilitate the implementation of ICM related activities.

May 2011: Issuance of Pre-IPO Shariáh Screening Guidelines and commencement of Sukuk Project; the first research project conducted by CMDA to explore the viability of Islamic Capital Market Products in the Maldives.

April 2011- The establishment of the Capital Market Shariáh Advisory Committee (CMSAC) to advise the CMDA Board of Directors in matters relating to the ICM.

One of the challenges for ICM development is lack of awareness & shortage of expertise in Islamic Finance. As such, the main focus of this quarter was to tackle this challenge.

DELIBERATIONS OF CMSAC

The Capital Market Shariáh Advisory Committee (CMSAC) met three times during the quarter and deliberated on the following:

Registration of Islamic stock Brokerage Services

Amendments to the Regulation on Conduct of Securities Business were proposed by the CMSAC and endorsed by the CMDA Board of Directors to introduce Islamic Stock Brokerage Services. The existing dealing companies have the opportunity to register with the CMDA for offering Islamic Stock Brokerage Services with a fee of MRF 100.

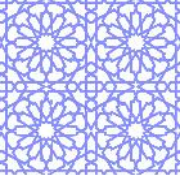
Securities Shariáh Screening Guidelines

These guidelines lay down a uniform process of Shariáh screening of equities. The main objective of such screening is to ensure that the stocks or securities that one purchases or invests are in compliance with the principles of Shariáh.

Registration of Foreign Shariáh Advisory Firms

CMSAC is currently working to issue a Regulation on Registration of Foreign Shariáh Advisory Firms to facilitate the Sukuk issuance process in the Maldives. The regulation will be applicable for all foreign Shariáh Advisory Firms which engage in the business of providing Shariáh advisory services in the Maldives.





Highlights

EDUCATION & AWARENESS

AFFILIATION WITH INCEIF

The biggest challenge facing the development of the ICM in Maldives is the lack of formalized education, awareness and expertise in the field of Islamic Finance. Having relatively recent beginnings, the future progress of the ICM is dependent on the education system generating qualified human resources.

The CMDA is working to sign MOU with the International Center for Education in INCEIF, one of the renowned education provider in Islamic Finance and related fields established by the Central Bank of Malaysia, Bank Negara Malaysia.

Through affiliation with INCEIF, CMDA hopes to pool resources to provide educational opportunities to Maldivians on Islamic Finance.

ICM PROGRAMS

WORKSHOP ON THE IFSB STANDARDS FOR ISLAMIC CAPITAL MARKETS

Workshop on the IFSB Standards for Islamic Capital Markets organized by the CMDA and IFSB was scheduled from 22nd to 23rd February 2012. The main objective of this training program is to build capacity among the stakeholders in the financial sector and prospective issuers of Islamic securities. However, this program has been postponed due to unforeseen circumstances. The CMDA hopes to conduct the training during the next quarter.

AWARENESS PROGRAMS

Radio Programs on Islamic Capital Market are broadcasted via Rajje Radio on an ongoing basis. The live program is an opportunity for the general public to interact and raise questions in relation to ICM.

Presentations were delivered to potential Sukuk Issuers on Sukuk structures compatible to the legal infrastructure of the Maldives.

ISHARE TRADING

AMANA TAKAFUL SHARE TRADING HAS BEGUN

The Initial Public Offering by Amana Takaful ended with full subscription. The share trading of the first Islamic equity listed on the MSE has begun on 8th February 2012. At the end of the quarter market capitalization of the company was MVR 283,387,818.

ICM REGULATION & SUPERVISION

CONTINUOUS SHARIAH SCREENING PROCESS OF AMANA TAKAFUL

During the quarter, Amana Takaful submitted its Shari'ah Audit Report and its quarterly financial statements for CMDA's review. Shari'ah Audit primarily involves the review of a company's compliance with the Shari'ah.

INFORMATION FOR ISSUERS

PRODUCTS

CHARACTERISTICS OF SUKUK

Sukuk is a new investment product that is yet to be offered in the Maldives. The legal infrastructure of the Maldives is a crucial factor that will determine the characteristics of the Sukuk. Hence, it is imperative to understand the unique characteristics of Sukuk within the jurisdiction of the Maldives.

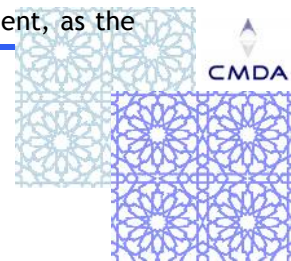
The answers to the following inquisitive questions regarding Sukuk would help the readers to understand the special characters of Sukuk to be issued in the Maldives;

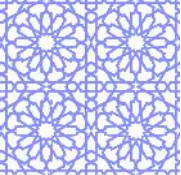
Who can be the issuer?

Any type of a company or the government can issue Sukuk in the Maldives. In other words, corporate or sovereign Sukuk can be issued.

Will there be an SPV?

At the moment, it is legally impossible to form SPV in the country. Hence, Sukuk would be issued by the actual company or the government, as the





case maybe.

What would be the maturity period?

There are no legal limits stipulated for the maturity period. Hence, it is up to the issuer to decide this.

How is the coupon issued?

There is no particular legal preference for periodicity. Hence, Sukuk coupon could be fixed or floating; or both.

Is there a specific issue size?

At the moment there are no legally imposed specific issue sizes.

What are the suitable types of assets that could be used to issue a Sukuk?

Of course, the asset shall be of value from Islamic perspective. Other than this, any diversified assets with strong cash flow would be suitable as underlying asset for Sukuk.

What are the structures that could be used to issue a Sukuk?

Research conducted on Sukuk by the CMDA proves that the most viable Sukuk structures for Maldives at the moment are Sukuk Musharakah, Sukuk Mudharabah and Sukuk Salam.

It is hoped that the legal infrastructure of Maldives would be soon amended/modified to welcome Sukuk and other Islamic financial products. CMDA would soon issue regulations/guidelines to crystallize the rules of a Sukuk Market in the country.

IMPORTANT MEETINGS & DISCUSSIONS

- Meeting with the Maldives Stock Exchange to discuss listing of Shariáh complaint equities.
- Discussions with potential Sukuk issuers.
- Meeting with licensed institutions regarding conducting various market development programs.

INTERVIEW

For this issue of ICMDs Bulletin, an interview is conducted with the General Manager of ATM, Mr. Hareez Sulaiman to find out his view on the newly created Islamic Capital Market in the Maldives.

Benefit of listing as a Shariáh compliant equity

Primarily, this IPO process helped us to obtain recognition from all our stake holders especially the general public at large that we are a Shariáh compliant organization. Further, we are happy to have shareholders across Maldives and overseas who feel that they are part of this Company.

Being the pioneer Takaful Operator in the country, ATM has a huge responsibility in terms of distinguishing the method of operation which is in accordance to the principles of Shariáh. Over the period of years, our presence in this country made many people to understand the choices available and select on what is right. In the same line, ATM offered the first Shariáh complaint equity investment option to the market.

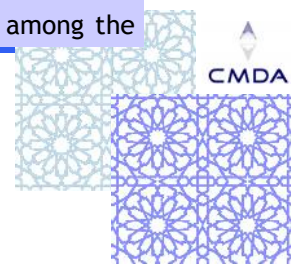
Although we are well known as a Shariáh complaint organization on the concept we operate, declaration from the CMDA has further boosted confidence of the investors. The CMDA has gone through meticulously all aspects of ATM's operation in issuing this certification. Further, the declaration has certainly created interest among the active investors as well as prospective investors who did not have any experience in stock market trading.

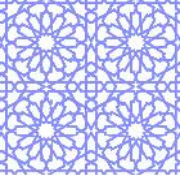
I would say this new initiative has not only benefited ATM but also the stock market for people to understand on Shariáh complaint investments.

Reason going for Shariáh complaint equity listing

Islamic Finance is growing rapidly around the globe. We felt, being an Islamic nation, Maldives too have a thirst for Islamic Finance investment products.

The primary objective for ATM to go public was to spread the ownership of the Company among the





people in Maldives while allowing the expatriates and the foreigners also to take part. ATM being a Shariáh complaint company not only offers a range of products which are Shariáh compliant, but the entire operation is underpinned by the Shariáh principles.

Process of listing as a Shariáh compliant equity in the Maldives

As a Takaful company it was quite a straight forward process as we had all the guidelines and materials available. Although it was a detailed exercise, with the initiatives from the CMDA we were able to complete within a short period of time.

It is an apt timing for all other listed companies to get certification as Shariáh complaint stock, as investors have become more religious conscious in this country. Although there are certain set of guidelines strictly to be adhered, with the right guidance this process can be simplified. CMDA being the regulators in the Capital Market should encourage further highlighting the benefits to companies and to all investors.

Demand in Maldives for Shariáh compliant equities

Based on our experience from the Initial Public Offering what we generally found was not many investors are interested in investing in the stock market. Although there are several reasons as to why Maldivian stock market has not attracted many people, we believe that White Listed shares would create a need in the market. Number of investors have bought shares of ATM only for the reason of being a Shariáh screened stock.

Certainly there is a huge demand for the Shariáh compliant shares in the Maldives and CMDA should encourage other listed companies to initiate this process. Overall this would attract corporate as well as individual investors. In the long run, with active participation, Stock Market would reach greater heights.

Developing a Sukuk Market in the Maldives

From the time ATM started to function as an independent company, it has been exploring the investment opportunities locally. Introducing

Sukuk to the Maldives will be a milestone to the country and would help the Capital Market to thrive. As an investor we are enthusiastic to be part of Sukuk if it is viable in accordance to our investment objectives.

The parent company of ATM has been involving in various endeavors to develop investment products within Sri Lanka and outside. We shall be more than happy to share our expertise and contribute towards the development of structured products.

IFAQ

How to list as a Shariáh-compliant equity?

If interested in listing as a Shariáh-compliant equity, kindly send expression of interest to CMDA.

Can an existing listed company apply to become a Shariáh-compliant company?

Yes, even the existing listed companies have the opportunity to list as Shariáh-compliant equity. If interested, contact CMDA.

Can non-Muslims trade in Shariáh-compliant securities?

Investing in Shariáh-compliant securities is not limited only to Muslims as the Shariáh-compliant securities are part of the securities listed on Maldives Stock Exchange

Upcoming Event

- *Training on Islamic Capital Market in collaboration with Islamic Research Training Institution, the research arm of Islamic Development Bank to be tentatively held in September 2012.*
- *Workshop on the IFSB Standards for Islamic Capital Markets to be tentative scheduled for the next quarter.*

