

ISLAMIC CAPITAL MARKET QUARTERLY BULLETIN

3rd QUARTER 2011

Welcome to the readers of the first Islamic Capital Market (ICM) Quarterly Bulletin. This bulletin focuses on the work undertaken by the CMDA for developing the ICM and the progress that has been achieved till date.

EDITORIAL MESSAGE FROM THE CEO

The Capital Market Strategic Plan 2010-2014 envisions an Islamic Capital Market (ICM) in the Maldives. The CMDA embarked on this highly prioritized initiative under its Strategic Plan during the year 2010 with great enthusiasm.

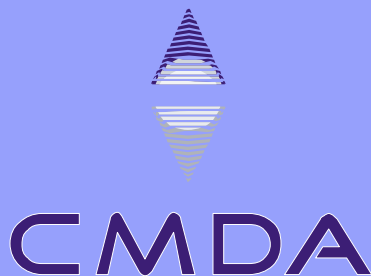
The initial focus under this initiative is to develop a legal & regulatory framework conducive for an Islamic Capital Market and create market awareness and training. Some of the work undertaken during the initial stage includes the establishment of the Capital Market Shari'ah Advisory Committee (CMSAC) and passing of important guidelines to facilitate Shari'ah screening and listing Shari'ah compliant securities on the Stock Exchange.

The introduction of Islamic Capital Market instruments to support the ICM and inject liquidity is another important focus under this initiative. However, the challenges facing the development of the ICM are infinite and will be discussed later in this bulletin.

The future looks promising for the ICM and we hope to keep our readers updated of the developments through the ICM Quarterly Bulletins.

We also invite our readers to send us your views that could help us in our developmental efforts.

-Fathimath Shafeega-



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CHAIRPERSON OF CAPITAL MARKET SHARI'AH ADVISORY COMMITTEE



Aishath Muneeza was appointed as the Chairperson of the CMSAC in May 2011.

She holds a Masters in Banking Law, and a Bachelor of Laws (Hons) from the International Islamic University of Malaysia. She is currently studying for her P.H.D and her area of research focuses mainly on the legislative and governance conflict

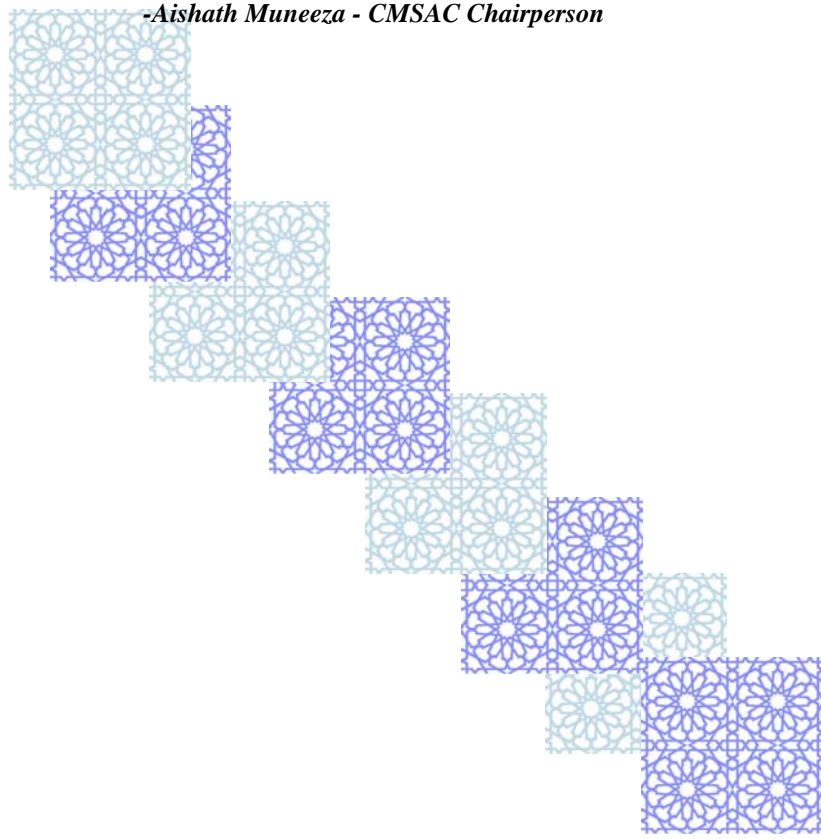
facing Islamic banking in Malaysia.

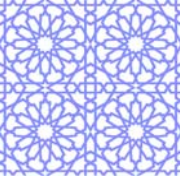
Uza. Aishath Muneeza is a wealth of knowledge in her field of specialization. She has acquired significant education and work experience in Islamic Law, Islamic Banking & Finance and many other related subjects.

She has presented numerous research papers in international conferences held in different parts of the world and has published academic books and papers on Islamic Finance.

“To pave the way for a sustainable Islamic Capital Market in the Maldives, stringent adherence to and propagation of Islamic values by all stakeholders is essential”

-Aishath Muneeza - CMSAC Chairperson





Islamic Capital Market Quarterly Bulletin

INTRODUCTION TO ISLAMIC CAPITAL MARKET

Islamic Capital Market (ICM) is a market in which activities are carried out in a way that do not conflict with the principles of Islamic Law (Shariáh), that derives its principles from the Holy Quran and Sunnah of Prophet (SAW). The ICM represents an assertion of religious law in capital market transactions, where the market should be free from the involvement of activities prohibited by Islam, as well as free from such elements as usury (*riba*), gambling (*maisir*) and ambiguity (*gharar*).

CAPITAL MARKET SHARIÁH ADVISORY COMMITTEE

The Capital Market Shariáh Advisory Committee (CMSAC) was established to advise the Board of Directors of the CMDA on Shariáh related matters. The composition of the committee is as follows:

NAME	COMPOSITION
Uza. Aishath Muneeza	Chairperson / Private sector representative
Ms. Fathimath Shafeega	Chief Executive Officer of CMDA
Uz. Mohamed Nizam	Representative from MMA
Uz. Ismail Wisham	Private sector representative
Mr. Makhzoom Saleem	Senior Manager of CMDA

Furthermore, Dr. Abdul Majeed Abdul Bari has been appointed as the Shariáh Advisor to the CMSAC.

Since its establishment, the members of the CMSAC met 5 times and deliberated on important issues related to the development of the ICM.

The following ICM guidelines were formulated with the advice of the CMSAC and passed by the CMDA Board of Directors.

Guidelines on Shariáh Compliance Review for Pre IPO Securities

This guideline sets out the criteria used to classify a company as Shariáh compliant and to allow the applicant to furnish the relevant information which may not be available in the financial accounts in order to es-

establish Shariáh compliance.

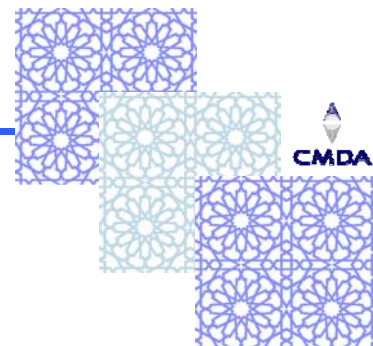
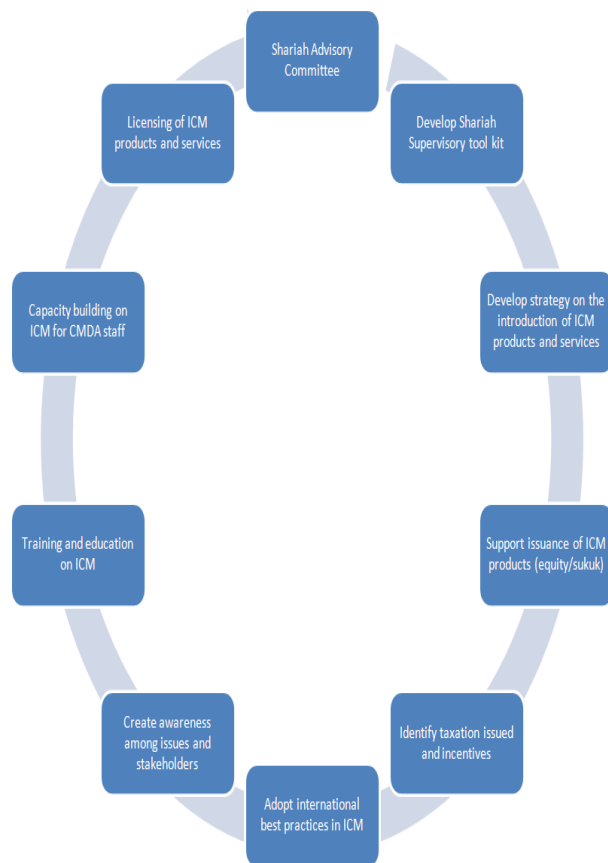
Shariáh Concepts and Principles for the Purpose of Structuring, Documenting and Trading of Shariáh Compliant Securities

Approved Shariáh Concepts and Principles for the Purpose of Structuring, Documenting and Trading of Shariáh Compliant Securities was formulated in Aug 2011. These Concepts and Principles may be applied by issuers of Shariáh compliant securities subject to approval of the CMDA.

CAPITAL MARKET STRATEGIC PLAN (2010-2014)

A snapshot of the ICM Component

Some of the highly prioritized tasks under the Capital Market Strategic Plan (2010-2014) to develop the ICM are:



ISLAMIC FINANCE UNIT (IFU)

A unit was setup within the Licensing & Market Regulation Department in June 2011 to spearhead the ICM development activities.

The mandate of the unit are as follows:

- Implementation of ICM development targets in the Capital Market Strategic Plan.
- Undertake all central administrative responsibilities of the ICM related assignments.
- Act as the secretariat function of the 'Shariáh Advisory Committee'.
- Manage and conduct necessary activities to List companies in the ICM and facilitate the periodic Shariáh compliance mechanism.
- Investigate and assess all reported operational and administrative Shariáh misconduct of ICM stakeholders and forward to the Shariáh Advisory Committee.
- Monitor and ensure that the ICM participants/ clients/ and other stakeholders follow the operational procedures and proper codes of conduct.

TRAINING & AWARENESS

Seminar on Sukuk



A seminar was conducted in collaboration with the Islamic Development Bank (IDB) to create awareness among the government officials and other stakeholders.

Experts from the IDB shared their experience and emphasized on the opportunities available through the IDB.

Workshop on ICM development



This workshop was conducted by the chairperson of the CMSAC in September 2011. The workshop was part of the Sukuk Project and U z a . M u n e e z a represented as a

consultant from the Securities & Investment Institute Asia Pacific (SiiA). The major areas of discussion in this workshop focused on the principles of the ICM, structuring of Sukuk, Islamic Equities, and the challenges facing the Sukuk Market.

In-house training for CMDA staff

A series of in-house training on the basics of the ICM were conducted for the staff and the Board of Directors of the CMDA. The sessions were conducted by the Chairperson of the CMSAC, staff of the Islamic Finance Unit (IFU), and the consultant from the SiiA, Mr. Almir Collin.

SUKUK PROJECT

The Sukuk Project that was conducted with the assistance of the consultants from the SiiA was completed during the quarter. The objective of CMDA's Sukuk Project was to facilitate the issuance of Sukuk and other Shariáh compliant products.

The following are some of the reports that were compiled by the experts to the project;

- Licensing structure for market intermediaries dealing Shariáh compliant products.
- Shariáh Screening Manual for the ICM.
- Registration of Shariáh Advisers Guidelines.
- Primary and Secondary Market for Shariáh compliant products.
- Structuring Sukuk in Maldives.
- Adopting international standards for Shariáh compliant products.
- Guidelines for the minimum contents requirements for trust deeds.

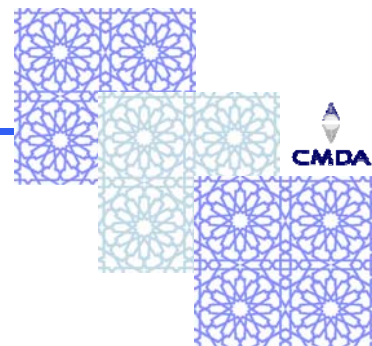
The CMDA is currently working to implement the findings and recommendations that were identified by the consultants.

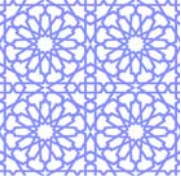
Meetings with Stakeholders

During the quarter the IFU staffs met with an identified target group of potential Sukuk issuers and investors. The CMDA team visited HDC, HDFC, STELCO, & some private companies to create awareness and discuss suitable Sukuk structures.

CMDA also conducted many stakeholders sessions in the CMDA conference hall and delivered one to one presentations on Sukuk issuance and also information on the ICM development agenda.

Taking into consideration the legal and regulatory challenges for issuance of Sukuk, the CMDA emphasized on possible structures that can be facilitated within the existing legal framework.

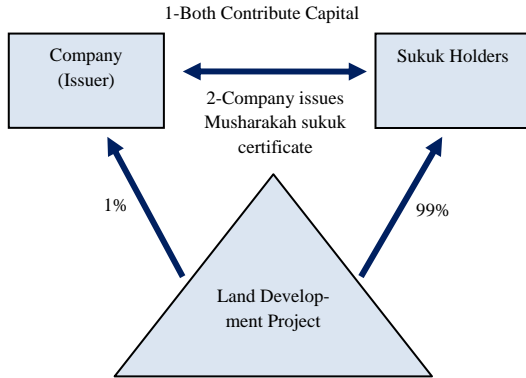




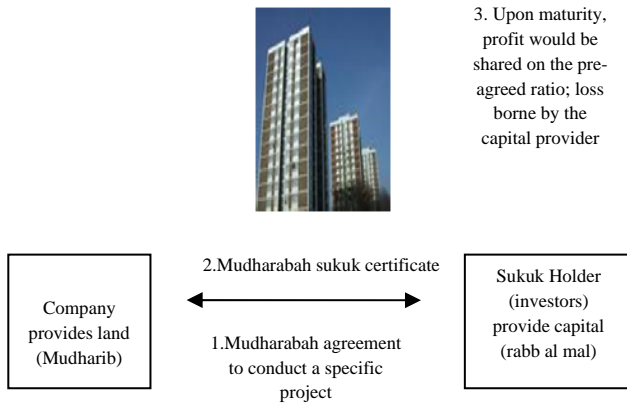
SUITABLE SUKUK STRUCTURES

The following are two possible examples of Sukuk structures that can be adopted by potential issuers.

Musharakah Model



Mudharabah Model



ASSISTANCE FROM INTERNATIONAL ORGANISATIONS

Islamic Finance Services Board (IFSB)

On behalf of the CMDA, the Chairperson of the CMSAC met with the Secretary General of IFSB, Mr Jaseem Ahmed to give a brief overview of the work that is being undertaken to develop the ICM. In the meeting, the IFSB agreed to provide assistance in building capacity for CMDA staff, and agreed to conduct awareness programs jointly with the CMDA.

CMDA is also seeking assistance of SC Malaysia for internship programs for CMDA staff to equip the staff with the regulatory know-how on the ICM.

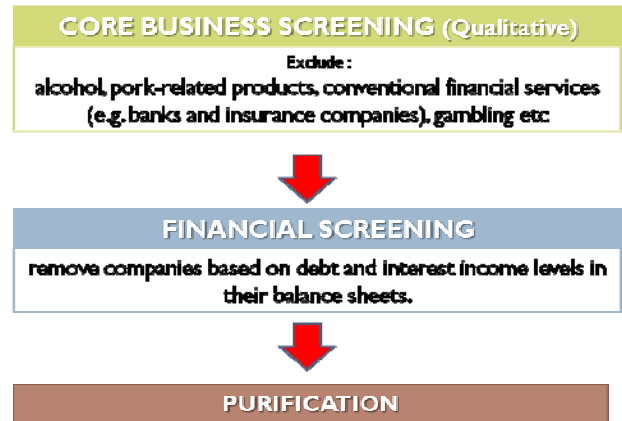
Islamic Development Bank (IDB)

The CMDA is currently seeking the possibility of receiving technical assistance for the development of the ICM from the IDB.

Islamic Research & Training Institute

The CMDA has organized a training program in collaboration with the IRTI on the operations of the Islamic Capital Market that is proposed to take place in November 2011. The Authority hopes to build relationship with the IRTI in organizing such training programs in the future.

Stock Screening Process



THE FIRST SHARI'AH COMPLIANT IPO

Amana Takaful Maldives Public Limited was listed as the first shari'ah compliant company on the Maldives Stock Exchange. The endorsement was given by the Board of Directors of the CMDA based on the advise of the CMSAC. The stock screening process stated above was followed for Amana Takaful Maldives.

The subscription for the shares of Amana Takaful Maldives Public Limited is open until the **20th October 2011**.

MAJOR CHALLENGES FACING THE ICM

Legal Challenges: The existing legal system lacks the legislations required for developing a sustainable ICM. The existing Companies Act, Land Act and the Foreign Investment Act needs to be amended to support the development of the ICM.

Lack of Awareness: The biggest challenge facing the ICM is the lack of awareness of the stakeholders about the fundamentals of Islamic Finance.

Lack of trained Human Resources: Lack of qualified human resources is another major impediment facing this development. Scholars of Usul-Al-Fiqh and specialized human resources with relevant knowledge and skills in related fields are needed.

For more information visit www.cmda.gov.mv

