



# CMDA

Capital Market Development Authority

## QUARTERLY REPORT

**QTR 01, 2010**

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# CMDA Quarterly Report

## PREFACE

This report covers market news and the most recent activities of the CMDA during the 1<sup>st</sup> quarter of 2010.

## MEETINGS OF THE BOARD

During the quarter under review, a total of 6 meetings were held and the following matters were resolved / discussed by the Board:-

- To open for licensing of additional Dealing Companies and Dealers Representatives
- To open for licensing of Credit Rating Agencies
- Approved changes to the Criteria and Requirements for licensing Dealing Companies
- Requirement for foreign dealing companies to keep a deposit of MRf 100,000 at the Authority
- Approval of MSE Membership Fee
- Approval of amendments to the Main Board Listing Rules and Listing Fees
- Lifting the trading suspension of Aariya Securities

## CAPITAL MARKET STRATEGIC PLAN 2010-2014

CMDA is taking the initiative to implement the first Capital Market Strategic Plan covering the next 4 years. The Capital Market Strategic Plan 2010 – 2014 outlines ten strategic objectives, the attainment of which will contribute to the achievement of targeted goals for the capital market. These objectives are:

1. Establishment of a robust, supportive, legal and regulatory framework that conforms to international best practice. The objective will involve review of the existing legal and regulatory framework; and establishment of new legislation which meets internationally accepted standards.
2. Development of capital market products and services. This objective will be achieved by attracting new companies to list on the MSE; broadening the range of products and services with a strong focus on SME and bond market development; increasing the level of savings and investments; facilitating the introduction of domestic and institutional investors; and advising government on policies that impact capital markets.
3. Empowerment of investors and issuers to make informed decisions. The objective will be achieved through increased promotion, investor education and

public awareness; and enhancement of public understanding of capital markets and investor rights.

4. Enhancement of capital market infrastructure and institutional arrangements. The objective will be achieved by strengthening the market structure including the introduction of new types of licenses and supporting MSE and MSD to become effective entities.
5. Strengthening the managerial capacity of capital market institutions and intermediaries. This objective will be accomplished through enhancement of good corporate governance practices; and promotion of professional and managerial capacity of market intermediaries and licensed institutions.
6. Enhancing effective and efficient utilisation of Information Technology. The objective will be achieved by the development and implementation of an IT strategy for the capital markets.
7. Building strategic alliances. The objective will be accomplished by promoting and pursuing cooperation with other securities organisations, markets and regulators.
8. Pension supervision. The objective will be accomplished by the development and implementation of an effective mechanism for the regulation of the pensions industry.
9. Strengthening the institutional capacity and image of the CMDA. The objective will be accomplished by capacity building and minimising the response time in addressing industry and investor enquiries so as to build and strengthen the image of the CMDA; balancing costs and revenue in order to strengthen the financial base and reduce the amount of annual government subvention; and enhancing internal systems, policies and procedures.
10. Development of high performing human capital and promotion of positive corporate culture. This objective will be accomplished by having qualified and trained professionals experienced in the regulation of securities markets; adopting and integrated approach to human resource management; and promoting a positive corporate culture.

## ENFORCEMENT ACTIVITIES

### Market Intermediaries

Quarterly inspection of Stock Brokers Maldives was carried out in February 2010. The inspection team recommended to further strengthen record keeping methods and internal controls of the company.

### Public Companies

CMDA inspection team visited some public companies to inspect their maintenance of the 'Register of Interest in Securities' and the 'Register of Persons Holding more than 5% of shares' under the Securities Act. In this regard the CMDA team visited four listed Companies and the Housing Development Finance Corporation Plc Ltd and Investment Partners Plc Ltd.

### Directive to MPAO

A directive was sent to the MPAO requesting them to appoint an independent auditor acceptable to the Auditor General. Under the directive, MPAO is required to send the audited financial statements of MPAO within 4 months after the end of each calendar year to CMDA.

## CG IMPLEMENTATION

### Onsite Inspection

An onsite inspection of BML and STO was carried out during the quarter to check their compliance with the Corporate Governance Code.

### Assistance on CG implementation

- A CG analysis of Maldives Ports Ltd was carried out on their request to identify areas to strengthen the current corporate governance framework of the company.
- Upon the request of STELCO, CMDA is reviewing their Memorandum and Articles of Association to assist in the going public process.
- Advised Dhiraagu on the adoption of CG Code and matters relating to going public.

## LICENSING

### Dealers and Dealers Representative License

CMDA is in the process of licensing a new batch of Dealers and Dealers Representatives. Information sessions were held at CMDA during the quarter for interested parties. The current round of licensing is open for both locals and foreigners.

Interested parties are required to submit applications before 15th April 2010. CMDA will consider applications and inform the applicants of its decision within 45 days of lodgment of applications.

### Licensing of Credit Rating Agencies

Pending the announcement of licensing conditions

and other requirements, CMDA is receiving expressions of interest from Rating Agencies to start Rating Service in Maldives. Rating agencies from Sri Lanka, India and Bahrain has expressed their interest to CMDA.

## TRAINING AND AWARENESS

### Broker Training Program 2009

The exam of the 4th Broker Training Program invigilated by the Department of Public Examinations, was held on 13th February 2010. Out of the 15 participants registered for the program, 12 participants undertook the exam.

### Public Education

Presentations were delivered to the following entities:

1. A General presentation on Capital Market was delivered to the students of Aminiya School and Maafannu Madharusaa. Over 300 students participated in the presentation.
2. A presentation was delivered to the Market Intermediaries on strengthening the operations of regulated entities.
3. A Presentation on Corporate Governance Practices was delivered to MPL and MTCC
4. An awareness Session on Dual Listing and Initial Public Offerings was conducted for Market Intermediaries.



### Inter-school Essay Competition 2010

*Essay Competition 2010 Topic - "What are the advantages and risk of investing in the stock market?"*

CMDA School Essay Competition 2010 was held at the end of the Quarter. A total of 23 schools from Male' and the Atolls' participated in the competition.

## HIGHLIGHTS OF IMPORTANT MEETINGS

- CMDA Chairperson and CEO met the President of the Maldives H.E Mohamed Nasheed, to seek his guidance on the Capital Market Strategic Plan 2010-2014. The meeting was attended by Mr. Andy Wilson (Strategic Plan consultant) of International Securities Consultancy Ltd. Hong Kong and the Minister of Finance and State Minister for Finance and Treasury.
- A series of meetings were held with key stakeholders to gather information and seek views for the

forthcoming Strategic Plan. In this regard meetings were held with MSE, market intermediaries, listed companies, Ministry of Economic Development, Ministry of Finance, Maldives Monetary Authority and other relevant agencies of the government and the public.

- Scheduled regulatory meetings were held with MSE to discuss changes to rules and regulations and other important regulatory and developmental issues.
- Scheduled Quarterly Meeting with Audit firms was held. Comments received for draft Practice Note for appointment of Auditors of Listed Companies under the Corporate Governance Code were discussed.
- A meeting was held with the Asian Development Bank Mission for assisting the formulation of a regulatory framework of Domestic Credit Rating Agencies for South Asian countries. CMDA briefed the ADB mission on the progress of work done towards licensing Credit Rating Agencies in Maldives.
- A meeting was held with the Representative of Islamic Corporation for Development (ICD). The purpose of the meeting was to discuss on the establishment of an Islamic Bank in Maldives and pursue the possibilities of raising finance from the public.
- CMDA officials participated in a discussion meeting held in the Presidents Office regarding the formation of a SME Board on the Maldives Stock Exchange.
- Discussion sessions were held with the World Bank project team on drafting regulations for custodial services.

## CMDA NEWS

### CMDA Anniversary

CMDA Celebrated its 4th Anniversary on 26th January. A function to mark the occasion was held at the conference room of CMDA. Staff awards for Attendance and Punctuality were given during the function.

### Staff performance evaluation

During the quarter Staff performance evaluations were carried out. The Evaluation process requires each employee to complete a self assessment form and the supervisors to complete an assessment of the supervised staff.

### Completion of Annual Audit 2009

The External Audit of the Authority conducted by the Price Water House Coopers was completed in March 2010.

In the opinion of the Auditor the Authority's financial statement gives a true and fair view of the financial

position of the Authority for the year 2009. The Audit report also states that the financial performance and cash flows recorded for the year 2009 are in accordance with International Financial Reporting Standards and the disclosure requirement prescribed in the Maldives Securities Act.

### Appointing a legal Counsel

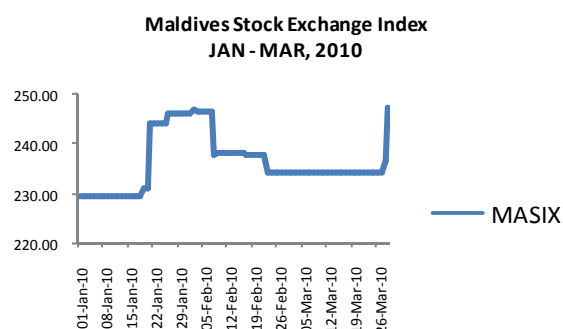
CMDA signed a one year Legal Assistance Agreement with Peter McKenzie (QC). As such the Honorary Legal Counsel Peter McKenzie (New Zealand) will provide legal assistance to the Authority in the preparation of draft rules and regulations and provide legal commentary and advice.

## INTERNATIONAL COOPERATION

### Asia Forum for Investor Education (AFIE)

During the quarter CMDA was accepted as a founding member of the Asia Forum for Investor Education (AFIE) at the Inaugural General Meeting of AFIE which was held in Seoul, Korea.

As the representative of CMDA the Chief Executive Officer of CMDA took part in the forum and delivered a presentation on the current status and challenges of Maldives in providing investor education and awareness.



## MARKET NEWS

### STO IPO

STO raised MRF. 55,388,800 from the public offering which closed on 10th February 2010. The IPO price was set at MRF. 400 per share. STO was granted an extension as their expected target of sales was not reached. At the end of the closing date, a total 81% of the shares offered were subscribed.

### Stock Market Performance

The MASIX closed for the quarter recording at 247.17 points indicating a decline of 11.36 percent in comparison to last year's First Quarter.



"Directors Training Program scheduled for April 2010"