



CMDA

Capital Market Development Authority

QUARTERLY REPORT

QTR 02, 2010

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CMDA Quarterly Report

PREFACE

This report covers market news and developments during the 2nd quarter of 2010.

REGULATORY ACTIVITIES

Changes to the Board

Ms. Ilham Mohamed was appointed to the CMDA board as a Private Sector Representative. Under the Securities Act two members from the private sector who are not employees of the government are required to be appointed to the board.

As CMDA welcome Ms. Ilham to the board, CMDA expresses its sincere appreciation to the outgoing Director, Mr. Hussein Ibrahim for his services and contribution to the Authority.

Board Meetings

The CMDA board met eight times during the quarter. Following are the highlights of meetings held:

- Discussion on the assistance required for the development of an Islamic capital market
- Approved CMDA Annual Report and Annual Financial statement 2009.
- Approved the Statement of Investment Principles of the Maldives Retirement Pension Scheme.
- Revision and approval of MSE Listing Rules (Main Board).
- Approved Regulation on Institutions Providing Custodial Services.
- Approved Rules on Credit Rating Agencies.
- Approved the Capital Market Strategic Plan 2010—2014.
- Revision and approval of CMDA Internal Audit Charter.
- Approval to grant Dealer's Licence to T.H.E Financial Services Pvt. Ltd.
- Discussion on human resource planning and staff development.
- Discussion on providing financial assistance to CMDA staffs undertaking higher studies.
- Discussion on MSE proposal for market promotion and development.

CMDA formally admitted as an ordinary member of (IOSCO)

CMDA's application for membership was accepted by IOSCO on 9 June 2010. IOSCO is an internationally recognized commission which assists its members in strengthening the various facets of their regulatory role in their local securities market as well as cross border co-operation in order to stop illegal and disruptive practices in member country capital markets.

LICENSING

During the quarter under review CMDA board approved one Dealer's Licence and one Custodian's Licence. Furthermore, a new licensing category was opened for application.

Custodian's Licence to BML

In preparation for the commencement of the Maldives Retirement Pension Scheme, Custodian's Licence was granted to Bank of Maldives (Plc) to operate as a custodian from 16 May 2010. The licence was awarded to BML at a function held at CMDA, which was attended by the senior management of BML and CMDA. The Licence was granted under the Regulation on Institutions Providing Custodial Services.



“Custodial Services” means the provision of or agreeing to provide any service where the person providing the service has, under an arrangement with another person (the customer), possession or control of securities of the customer and carries out one or more of the following services for the customer:

- settlement of transactions relating to securities;
- safeguarding any documents of title or other instrument conferring a right or interest in the securities on behalf of the customer;
- collecting or distributing dividends or other pecuniary benefits derived from ownership or possession of securities;
- attending to payment of other costs associated with securities;
- exercising rights, including without limitation voting rights, attached to or derived from the securities;
- any other function necessary or incidental to the safeguarding or administration of securities.

Dealer's Licence

Following the evaluation of the application for the Dealer's Licence, CMDA board has approved to grant Dealer's Licence to T.H.E Financial Services Pvt. Ltd. The Licence will be granted under Dealers' and Dealer's Representatives Licensing Regulation.

Opening for Credit Rating Agencies

CMDA made an announcement inviting interested parties to apply for the Licence of Credit Rating Agencies.

All Credit Rating Agencies operating in the Maldives are required to hold a licence from the Authority. The closing date for the submission of applications are 20th July 2010.

Important licensing conditions set by the Authority requires the following:

- Comply with the IOSCO Code of Conduct;
- Annually lodge with CMDA an IOSCO Code Annual Compliance Report;
- Disclose procedures, fee structure, methodologies and assumptions for ratings;
- Have in place arrangements to monitor and regularly review credit ratings;
- Review ratings affected by material changes to rating methodologies within six months;
- Have in place training program for credit analysts ;
- Refrain from ‘notching’ credit ratings for an anti-competitive purpose; and
- Consent to information sharing between CMDA and IOSCO member regulators.

Regulatory Meetings

- Meeting with Auditors of Listed Companies was held during the quarter. A Draft “Practice note for appointment of Auditors of the listed companies” was discussed in the meeting.
- Meetings with the listed companies were held to discuss ways to improve reporting standards of listed companies, and improving the quality of information given to media.
- Scheduled regulatory meetings were also held with MSE to exchange views on current market issues .

Onsite Inspections

Inspections of dealing companies were carried out during the quarter under review. Recommendations and corrective measures identified were communicated with Dealers and Brokers.

Lifting Suspension of Aariya Securities

Suspension of Aariya Securities Pvt. Ltd was lifted during the quarter under review. Following the lifting of the suspension, an inspection was conducted to ensure that the company was prepared to commence its operations.

Circulars

A Circular was sent to the listed companies emphasizing on important issues which needs to be addressed in preparation for the Annual General Meetings. Important areas identified in the Listing Rules and the Code on Corporate Governance and best practices relating to holding AGMs were addressed in the Circular.

TRAINING AND AWARENESS

Directors’ Training Program 2010

A 5 day Directors’ Training Program was held by the Capital Market & Corporate Governance Institute. The knowledge partner for the program was Financial Technologies & Knowledge Management Company (FTKMC), India.



Photo: Directors’ Training Program 2010

A panel of 3 experts delivered the lectures in the field of Corporate Governance. A total of 35 participants attended the training program.

Q & A Session at the Voice of Maldives

CMDA provided information in association with the Voice of Maldives. A senior staff of the Authority participated and acted as a resource person in a program focused on the Maldives Retirement Pension Scheme. CMDA provided information on its mandate to regulate and supervise Pensions in the Maldives.

CMDA NEWS

Publishing the Annual Report 2009

The Authority published Annual Report 2009. The report is available from CMDA website www.cmda.gov.mv.

Strategic Plan Implementation

CMDA started to implement the Strategic Plan 2010—2014 . As part of the implementation process Strategic Plan Implementation team consisting of senior management team started on detailed discussions on the way forward. Furthermore, as part of the exercise changes were proposed to the organizational structure.

CMDA is also seeking financial and technical assistance from the government and donor agencies to help CMDA achieve the targets set in the Plan.

Staff Appointments

- Ms. Fathmath Nadha was appointed as a Deputy Manger, Research Development & Publication Section.
- Ms. Hawwa Nafia was appointed as Senior Officer, Investor Education & Market Development Section.
- Mr. Abdul Jaleel & Ms. Mariyam Vabil Nuzair were recruited as Officers.

ISLAMIC FINANCE TERMINOLOGY

An Islamic Capital Market, where investment and financing activities and products are structured in accordance with Shariah principles is a crucial element of a thriving capital market.

Some terms and principles of Islamic Finance :

Dhaman

A contract of guarantee whereby a guarantor shall underwrite any claim and obligation that should be fulfilled by an owner of the asset. This concept is also applicable to a guarantee provided on a debt transaction in the event a debtor fails to fulfill his debt obligation.

Haq Maliy

Haq Maliy are rights on the financial assets. Examples of such rights are haq dayn (debt rights) and haq tamalluk (ownership rights)

Istisna`

A purchase order contract of assets whereby a buyer will place an order to purchase an asset that will be delivered in the future. In other words a buyer will require a seller or a contractor to deliver or construct the asset that will be completed in the future according to the specifications given in the sale and purchase contract. Both parties to the contract will decide on the sale and purchase prices as they wish and the settlement can be delayed or arranged based on the schedule of the work completed.

Ijarah

A manfaah (usufruct) type of contract whereby a lessor (owner) leases out an asset or equipment to his client at an agreed rental fee and pre-determined lease period upon the aqad (contract). The ownership of the leased equipment remains in the hands of the lessor.

Mudharabah

A contract, which is made between two parties to finance a business venture. The parties are a rabb al-mal or an investor who solely provides the capital and a mudarib or an entrepreneur who solely manages the project. If the venture is profitable, the profit will be distributed based on a pre-agreed ratio. In the event of a business loss, the loss shall be borne solely by the provider of the capital.

Murabahah

A contract that refers to the sale and purchase transaction for the financing of an asset whereby the cost and profit margin (mark-up) are made known and agreed by all parties involved. The settlement for the purchase can be settled either on a deferred lump sum basis or on an installment basis, and is specified in the agreement.

Qardh Hasan

A contract of loan between two parties on the basis of social welfare or to fulfill a short-term financial need of the borrower. The amount of repayment must be equivalent to the amount borrowed. It is however legitimate for a borrower to pay more than the amount borrowed as long as it is not stated or agreed at the point of contract.

Takaful

This is a form of Islamic insurance based on the principle of ta'awun or mutual assistance. It provides mutual protection of assets and property and offers joint risk sharing in the event of a loss by one of its members. Takaful is similar to mutual insurance in that members are the insurers as well as the insured.

Ta`widh

Penalty agreed upon by the contracting parties as compensation that can rightfully be claimed by the creditor when the debtor fails or is late in meeting his obligation to pay back the debt.

`Urbun

A deposit or earnest money which forms part payment of the price of goods or services paid in advance, but will be forfeited in the event the transaction is cancelled. The forfeited money is considered as hibah (gift).

Wadiah Yad Dhamanah

Goods or deposits, which have been deposited with another person, who is not the owner, for safekeeping. As wadiah is a trust, the depository becomes the guarantor and, therefore guarantees repayment of the whole amount of the deposits, or any part thereof, outstanding in the account of depositors, when demanded. The depositors are not entitled to any share of the profits but the depository may provide returns to the depositors as a token of appreciation.

Wakalah

A contract, which gives the power to a person to nominate another person to act on his behalf as long as he is alive based on the agreed terms and conditions.

Zakat

A tax, which is prescribed by Islam on all persons having wealth above a certain amount and that, is fixed by the Shariah, Quran.



Market Statistics (April—June 2010)

Total Trades: 49

Total Market Turnover: 615,353 (Rf.)

Market Capitalization: 1,770,906,755 (Rf.)

MASIX Closing: 217 points

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