



# CMDA

Capital Market Development Authority

## QUARTERLY REPORT

QTR 02, 2013

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# CMDA Quarterly Report

## PREFACE

The Capital Market Development Authority (CMDA) hereby releases its Quarter 2, 2013 report with an update of the key developments and news on the Maldives Capital Market. This publication is aimed at increasing awareness of legal, regulatory and developmental activities carried out by CMDA and the market participants.

## HIGHLIGHTS:

- ◆ CMDA became a founder member of Global Compact Local Network Maldives, a strategic initiative for the Maldivian business community to work towards a sustainable and inclusive domestic economy which delivers lasting benefits to the people
- ◆ Maldives Finance Forum 2013
- ◆ CMDA attended Asia Pacific Regional Committee (APRC) Meeting in Delhi, India
- ◆ CMDA to attend the Multi-Stakeholder Advocacy Moot in Mumbai, India under SAFE's Regional Financial Integration Project (RFI)
- ◆ National Financial Literacy Initiative (NFLI) - Workshop on Basics of Finance for Ministry of Home Affairs
- ◆ Regulatory Activities
- ◆ Pension Supervision
- ◆ Training & Awareness - CMDA Essay Competition 2013

All queries with regard to the content of this report should be addressed to the Research & Publication Section (RPS) of the CMDA via email to [mail@cmda.gov.mv](mailto:mail@cmda.gov.mv) or contact the Information Officer on (960) 3014121.



## GCLN MALDIVES

United Nations Global Compact (UNGC) is a UN initiative to encourage businesses worldwide to adopt sustainable and socially responsible policies and strategies, and to report on their implementation. It is a principle-based framework stating ten principles in the areas of human rights, labor, environment and anti-corruption.

CMDA became a member of United Nations Global Compact (UNGC) and a founder member of the Global Compact Local Network Maldives (GCLN Maldives) in June 2013, the local association proposed to be registered within Maldives. This development is expected to expand the UNGC network and promote the ten principles among the Maldivian business community.

As a founder member of GCLN Maldives, CMDA will advocate these ten principles within its sphere of influence. CMDA will participate in the activities through engagements with the local network and partnering agencies; involvement in specialized initiatives and work streams; engagement in partnership projects; and providing commentary to participating companies on strengthening their communications on progress.

## MALDIVES FINANCE FORUM 2013



Maldives Finance Forum is an annual event hosted by the Maldives Pension Administration Office (MPAO) for bringing together the leading social &

financial sector institutions, legislators, intellectuals, business leaders and industry experts to a common platform for sharing financial insights.

The Maldives Finance Forum 2013 was conducted by MPAO in collaboration with the Maldives Monetary Authority (MMA), Capital Market Development Authority (CMDA), Bank of Maldives (BML) and Allied Insurance Company Pvt. Ltd.

With a theme of “Financial Literacy for Good Governance”, the Forum brought together stakeholders from the business community and finance & education sector as well.

The speakers of the Forum emphasized the importance of Government support for financial literacy. The Forum observed that financial literacy is not only important for individuals making decisions about money, but also supports and complements regulation and so contributes to better protection of consumers and investors.

The guest speaker of the Forum, Dr. Annamaria Lusardi, a Scholar and Professor of Economics and Accountancy at the George Washington University School of Business talked about the importance of financial literacy in a rapidly changing world. She offered a global perspective gained through her research for Financial Literacy and Retirement. She gave an overview of the current review of financial literacy in Maldives and reflected on the big question on how to achieve the greatest impact of financial literacy for the most people over time.

The Forum provided opportunity for CMDA to declare its National Financial Literacy Initiative (NFLI). Further to this, CMDA signed MoU with MPAO and partnering agencies including Ministry of Tourism Arts & Culture, BML, MMA, & Allied Insurance Pvt. Ltd to establish a Finance

Museum.

### APRC MEETING - NEW DELHI, INDIA

CEO of CMDA attended the APRC Meeting of IOSCO held in Delhi, India from 29th April to 1st May 2013. This three day meeting was designed for securities regulators of the Asia-Pacific region to exchange views on important global and regional issues.

Important highlights of the Meeting:

- ◆ A Central Enforcement Database was introduced to enhance sharing information on enforcement in the region;
- ◆ Discussions on IPOs in Asia: Role of regulators in ensuring fairness and alignment of interests of various stakeholders; and
- ◆ Discussion on Regulation and Innovation: Striking a balance from securities market perspective.

The meeting provided a platform for CMDA to network with the fellow regulators and share knowledge and experience related to market regulation and enforcement. Further to this, CMDA had discussions with the Securities & Exchange Board of India (SEBI) regarding technical assistance for Maldives Capital Markets.

### SAFE - RFI PROJECT

SAFE has organized a Multi-Stakeholder Advocacy Moot for discussing progress of the RFI project funded by USAID for harmonizing regulatory frameworks of the capital markets of South Asia.

CMDA, Maldives Stock Exchange (MSE), Maldives Securities Depository (MSD) & the broker/dealers attended meetings with the consultants who visited Maldives for collecting information for the project.

As part of the continuing support to the project,

CMDA will be attending SAFE's Multi-Stakeholder Advocacy Moot in Mumbai, India on 5<sup>th</sup> July 2013.

Discussions will focus on ways to address the challenges in the proposed framework and identify additional recommendations to incorporate into the Rule Book & anticipated support of regulators, exchanges, ministries and governments to adapt the proposed framework.

CMDA is currently reviewing the draft RFI report in order to identify the suitability of the proposed framework to the Maldives Capital Markets.

## BOARD MEETINGS & RESOLUTIONS

The Board of Directors of CMDA met six times during the quarter and the following matters were discussed/resolved:

### *Resolutions & Important Discussions*

- ◆ Endorsed CMDA Annual Report & Audited Financial Statements for 2012.
- ◆ Resolved to grant approval to MSD for providing Certificate Based Registry Service under CMDA Rules for provision of Certificate Based Registry Service.
- ◆ Resolved to grant approval to MSE for providing AGM related services.
- ◆ Resolved to change the Capital Market Shari'ah Advisory Committee (CMSAC) to Capital Market Shari'ah Advisory Council and passed amendments to the Operating Guidelines accordingly.
- ◆ Resolved to recommend the CEO of the Authority as CMDA representative for the Small & Medium Sized Enterprise (SME) Council to be established by the President under the Small & Medium Sized Enterprise Act.

- ◆ Passed the 'Fit & Proper' Guidelines for Directors of Listed Companies.

## REGULATIONS & GUIDELINES

### *Rules for the provision of Certificate Based Registry Service*

These rules apply for the provision of Certificate Based Registry Service by MSD for any company registered in the Maldives.

The traders (investors) transfer their securities (deposit) to the Depository prior to trading. Under secondary market rules, any trading should occur through depository in dematerialized form. However, there are still vast majority of investors who hold paper certificates.

The records of the 'Certificate based registry' is kept in the Company and the demat registry is maintained by MSD. Therefore, with the objective to combine the two registers in order to strengthen the shareholder registration and proxy processes at the AGM, and with a view that it will enhance the overall market efficiency, MSD was allowed to offer Certificate Based Registry Service under these rules.

### *'Fit & Proper' Guidelines for Directors of Listed Companies*

Fit & Proper Guidelines for Directors of Listed Companies stipulates fit and proper criteria applicable to the directors of listed companies. These guidelines will assist the Nomination Committee of the listed companies in determining whether a person is 'fit and proper' for the Directorship of the company.

The requirements set out in the guideline should be interpreted as complimenting the provisions of applicable laws and regulations, and other relevant regulatory conditions, and should be read

in conjunction with the Corporate Governance Code.

The Nomination Committee should ensure that the Directors fulfill the additional requirements set forth in the company's Articles of Association, the procedures and rules which would apply to the nomination and conduct of Directors.

The State Owned Enterprises are also encouraged to adopt these guidelines in their nomination process in order to ensure universal adoption of these standards.

## REGULATORY ACTIVITIES

### Regulatory Meetings

The regulations of CMDA require MSE & MSD to obtain CMDA approval prior to the introduction of new services to the market. As such, MSE & MSD approached CMDA with a request to approve new services including Certificate Based Registry Service & AGM services. The Regulatory Meetings with MSE/MSD during the quarter therefore, focused mostly on consultations related to these new services.

### Annual General Meetings (AGM)

The Annual General Meeting (2011) of listed companies including ATM, STO, MTCC and MTDC were held during the quarter.

### Listed Companies

#### Reporting

The quarterly reports (Q1-2013) of all listed Companies were published within the stipulated timeframe under the regulations.

Upon submission of the reports, CMDA made an assessment of the level of compliance to the

Minimum Quarterly Reporting Requirements (MQRR), Securities (Continuing Disclosure Obligations of Issuers) Regulations (CDOI), Listing Rules and the Corporate Governance Code.

All companies except MTDC published their Annual Reports & Audited Financial Statements (2012) within the timeframe stipulated under the CDOI Regulation.

### Enforcement Actions

- ◆ Dhiraagu Plc was fined with MVR 30,000 upon failure to publish 4<sup>th</sup> quarter report for 2012/13.
- ◆ MTDC was fined with MVR 30,000 upon failure to publish Annual Report for the year 2012.

### PENSION SUPERVISION

- ◆ Conducted review of documents retrieved for onsite inspection of the Maldives Pension Administration Office (MPAO) which is scheduled for July 2013.
- ◆ Discussions were carried out at a technical level on enhancing the Quarterly Reporting framework of the Maldives Retirement Pension Scheme (MRPS).
- ◆ CMDA representative to Pension Board, participated in the Financial Times Asset Management Seminar which was held on 5th June 2013.

#### Highlights from ICM Bulletin (Q1-2013)

- ◆ Completion of the First draft of COMCEC Islamic Finance Taskforce Report
- ◆ MTCC expressed interest for Sukuk issuance
- ◆ Islamic Finance Awareness Programs

<http://www.cmda.gov.mv/publications/cmda-reports/>

## TRAINING & AWARENESS

### *National Financial Literacy Initiative (NFLI)*

A one day workshop was conducted for the Ministry of Home Affairs. CMDA, MPAO & MSE collaborated in providing information on basics of finance to the staff of the Ministry.



### *Educating Young Investors*

#### *CMDA Essay Competition*

CMDA essay competition is conducted annually with the objective of educating young investors. A total of 35 students from 8 schools/colleges in the capital city, Male' participated in the competition. The theme for this year was "Investing in Islamic Capital Market". The certificates and the prizes for the winners of the competition will be distributed early next quarter.



## CORPORATE GOVERNANCE

### *ICDS Management*

Following a thorough evaluation process, the ICDS Management Bid was awarded to Villa College. The terms of the agreement have been negotiated and it is expected that agreement will be signed between CMDA and Villa College during the next quarter.

### CMDA Club— BBQ



**RAMADAN  
KAREEM!**

- Training on Islamic Capital Market in collaboration with Islamic Research Training Institution (IRTI) to be held from 25th to 29th August 2013.

