



CMDA

Capital Market Development Authority

QUARTERLY REPORT

QTR 03, 2010

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CMDA Quarterly Report

PREFACE

This report covers market news and developments during the 3rd quarter of 2010.

REGULATORY ACTIVITIES

Board Meetings

The CMDA Board met eight times during the quarter and the following matters were resolved / discussed by the Board:-

Resolutions

- Approved changes to the Second Board Listing Rules.
- Approved the section mandates of the Authority in alignment with the Capital Market Strategic Plan.
- Approved the Authority's budget for the year 2011.
- Approved to appoint PwC as the external auditor for 2010 & 2011.
- Resolved to commence staff contribution of the Authority to the Maldives Retirement Pension Scheme.

Discussions

- Ways of getting assistance for the implementation of the Strategic Plan.
- The Board discussed a consultant's report on division of the roles and responsibilities of the Authority and the Exchange.
- Regulation on Anti Money Laundering .

MARKET REGULATION AND DEVELOPMENT

Regulatory & Enforcement Notices

The Authority sent reminders to listed companies to hold the AGM's on time as stated in the Listing Rules. In this regard six reminders were sent to listed companies and the reasons for delay as communicated by the companies were published on the CMDA website.

Furthermore, the Authority reminded the companies duties of the Board to hold the meetings on time and also informed the companies the sanctions which may be imposed under the Securities Act.

Inspections of Market Intermediaries

Routine inspection of licensed institutions were undertaken. In this regard inspection of MSE, MSD, dealing companies and inspection of the custodial services of BML were undertaken during the quarter.

The MSD system and the trading system were checked to ensure proper arrangements were in place to restore the system in case of a disaster. The inspection team also checked the extent to which trading rules were complied.

Inspections of dealing companies showed no significant regulatory issues compared to the last quarter's inspection.

Overall, improvements were noted from all the areas in comparison to the preceding quarter.

Inspection of BML Custodial services revealed that BML is conducting its custodial services in accordance with the rules and regulations.

The main areas for the inspection include checking custodians accounts, checking for proper internal controls and procedures for safe keeping of custodial assets and investment activities.

The areas for improvement identified in the inspection which includes strengthening internal procedures and record keeping has been communicated to BML.

Market Surveillance

Weekly market surveillance reports were prepared to observe any unfair trading activities in the market. There were no alerts from the MSE based on trading analysis.

Furthermore, to enhance the supervisory activities of the Authority, offsite surveillance of dealing companies was introduced during the quarter. Information gathered from the offsite surveillance will be utilized to identify and focus areas for onsite inspections.

Complaints Handling

The types of complaints received during the quarter includes delay in AGMs of listed companies, shortcomings of the Authority to enforce the CG Code and concerns relating to the declaration of dividends and voting rights of shareholders.

All the complaints were answered by the senior management of the Authority in writing or by meeting

with the complainant. The Authority spent considerable time to clarify further information on the complaints from listed companies and licensed institutions.

Quarterly Reporting Standards

STO, BML and MTCC raised the quarterly reporting standard to the level stipulated by the Authority. MTDC has requested for more time to comply with the requirements and informed the Authority that the company will be ready to comply by 1st quarter of 2011.

All listed companies listed on the Main Board are required to comply with the Minimum Quarterly Reporting Requirements set by the Authority from the second quarter of 2010 onwards.

Registering of Licensed Credit Rating Agencies

An application was received from a foreign company to register under Rules on Credit Rating Agencies to provide rating services in the Maldives. The Authority is currently in the process of evaluating the application.

Licensing Dealing Companies

Dealing license was issued to T.H.E Financial Services Pvt. Ltd. The company is expected to commence operations after registering a Dealers Representative.

Capacity Building for Pension Supervision

“Strengthening Supervision of Pensions” project aided by the World Bank is expected to commence in December 2010. Ground work to start the project was undertaken during the quarter.

Corporate Disclosure

The 2009 Annual Reports of the listed companies were analyzed against the CG code and the Listing Rules to check on the extent to which the companies disclosed relevant information to the public.

Furthermore, the Authority has identified the need to strengthen information disclosure of listed companies and provide a framework for the Authority to impose sanctions. In this regard, “Securities (Continuing Disclosure Obligations of Issuers) Regulations” was drafted and open for public consultation on the Authority’s website.

Introduction of a CG Registry

The Authority opened invitations for companies to register at CMDA for voluntary adoption of the CMDA Corporate Governance Code.

As at the end of the quarter, the Maldives Airports Company Ltd, Maldives Ports Ltd and State

Electric Company Ltd have declared to adopt the Code. The Authority will continue to answer the queries of companies adopting the Code.

Underwriters Rules

Regulation on Underwriting of Securities was drafted during the quarter. The regulation will permit qualified entities to underwrite public offerings of listed companies by guaranteeing to purchase unsubscribed securities of such company for a fee or commission. The proposed regulation is expected to be open for public consultation in November 2010.

Currently the Securities Act allows banks licensed by the MMA to engage in transactions to underwrite securities without holding an underwriters license.

Introducing Sustainability Reporting

During the quarter, the Authority liaised with international organizations and relevant government agencies to seek their assistance to facilitate introduction of Sustainability Reporting in the Maldives. Sustainability reporting will require companies to report on Environmental, Social and Governance (ESG) aspects as part of disclosure and reporting.

The President of the Maldives supported the Authority’s initiative to introduce Sustainability Reporting as it is an important tool for achieving economic development and sustainability goals of the country.

Company Secretaries Training

“Company Secretaries Training Program 2010” was conducted by CMCGI in collaboration with the FT Knowledge Management Company Ltd. India.



The 3 day program which was led by Dr. Jinesh Panchali, Senior Vice President of FTKMC was attended by 30 participants. Furthermore, industry practitioners from 3 local companies also shared their experience in the field.

Awareness Programs

During the quarter the following Presentation were delivered by the staff of the Authority:

- Presentation to the students of Faculty of Education on Capital Market.
- Presentation on Corporate Governance to the senior management of the Anti Corruption Commission.
- Presentation to the participants of the Seminar on Corporate Social Responsibility 2010 organized by the Maldives NGO Federation.

Important Meetings

- Brokers meeting was held to discuss the draft Agent Framework to facilitate brokers to provide their services to the islands.
- Scheduled Regulatory meeting with the MSE was held to discuss on the proposed Trading Membership Rules and the fees for debt listing.
- Series of meetings with the Rating Economist of the Asian Development Bank to provide information to the study on Use of Credit Rating Information of Domestic Credit Rating Agencies in South Asia.
- Meeting with the Investment Expert of the Maldives Pension Administration Office to provide information on the pension regulatory activities of the Authority.
- Meeting with STELCO and MIFCO to advise the company on going public.
- Meeting with Financial Sector Assessment Mission to the MMA.
- Meeting with the largest brokerage firm in Sri Lanka to exchange ideas on opening up of the brokerage services.

CMDA NEWS

- The Authority approached donor agencies to source technical assistance for the implementation of the Strategic Plan.
- The Authority announced for the recruitment of a consultant to undertake the revision of the Corporate Governance Code.
- Mr. Ibrahim Saleem rejoined the Authority as the Manager of Licensing Section and Ms. Zihna Naseer rejoined the Authority as Assistant Legal Counsel.
- Ms. Mariyam Visam was appointed as Head of Pension Supervision Department.

Best Practices on Dividend Declarations

The following information which is disseminated as part of the awareness creation on dividend issues is sourced from the www.cmda.gov.mv.

- Dividend recommendation is a matter of Board. It is recommended by the Board and declared at the general meeting.
- Shareholders may accept the recommendation and pass the resolution; with this dividend is considered declared and accepted by the company; and the company is obliged to pay the dividend approved by the shareholders.
- Shareholders can propose the lower rate or amount at the general meeting and pass the resolution and the company is obliged to pay such lower rate.
- Shareholders can insist for higher amount or rate of dividend than what is recommended by the Board. Shareholders can suggest reduction but not increase in the rate of dividend or amount distributed as dividend.
- If the shareholders insist on higher rate of dividend or larger portion of profits as dividend, then they can request the Board to reconsider their recommendation.
- If Board revises the recommendation, then it would be again put up for shareholders' consideration and to be passed by the shareholders.
- If Board do not revise, then it would be difficult for the shareholders to get higher dividends than what is recommended.
- Board should keep the shareholders informed on major issues before taking up to the general meetings.
- There has to be synchronization between the shareholder and the Board.
- The Board should take the balanced decision when the shareholder demands something that questions fundamental growth and survival of the company.

Important Statistics of Capital Market (3rd Qtr)	
Investor Complaints.....	4
Number of Trades.....	38
Volume Traded	2,667
Turnover (Rf)	486,505
Surveillance reports.....	5