



CMDA

Capital Market Development Authority

QUARTERLY REPORT

QTR 03, 2011

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CMDA Quarterly Report

PREFACE

This report covers market news and developments during the 3rd quarter of 2011.

REGULATORY ACTIVITIES

Board Meetings

The CMDA Board met five times during the quarter and the following matters were resolved:-

Board Resolutions & Important Discussions

- Approved the Business Plan of the ICDS.
- Approved to license a Credit Rating Agency.
- Approved the Regulation on Issuance of Securities.
- Approved the budget of the Authority for the year 2012.
- Approved the Policy for appointing the Deputy to the CEO.
- Passed the composition of the Advisory Committee of the Institute of Corporate Directors and Secretaries (ICDS).
- Approved the additional verification for the members nominated to the Maldives Pension Administration Office (MPAO) Board.
- Approved the Guidelines on Approving Advertisements Relating to Securities.
- Approved the Guidelines for Underwriting of Securities by Banks.
- Discussion on way forward of the Maldives Stock Exchange and Maldives Securities Depository.
- Approval to appoint the CEO of Maldives Stock Exchange and Maldives Securities Depository .

NEW REGULATIONS & GUIDELINES

- **Regulation on Issuance of Securities:** A regulation that governs the issuance of securities to the public by issuers.
- **Guidelines for Underwriting of Securities by Banks:** A guideline that stipulates the terms and conditions for underwriting of securities by banks.
- **Guidelines on Approving Advertisements Relating to Securities:** A guideline that governs the advertisements relating to securities and based on which the Authority will grant approval for such securities.

Please visit www.cmda.gov.mv for more information

LICENSING

Applications for licenses that were submitted to the Authority during the quarter were evaluated. As such, necessary checks were undertaken to ensure that the applicants meet the fit and proper and the eligibility criteria for holding a license to conduct regulated activities. The decisions on these applications are expected to be taken in the last quarter of this year.

MARKET REGULATION AND SUPERVISION

Regulatory & Enforcement Notices

- A circular was issued to the dealing companies stating to officially implement the Regulation on Anti Money Laundering in Securities related transactions and the revised Know Your Client Form (KYC).
- Additional licensing conditions were included in the Dealers/Dealer's Representative Licensing Regulation and the dealing companies were informed via a circular to comply with these additional conditions.

Market Surveillance

- The quarterly reports of the listed companies were reviewed and it was observed that the necessary disclosures as required by the Minimum Quarterly Reporting Standards and the CDOI Regulation were made by the listed companies.
- The Authority and the Maldives Securities Depository jointly conducted a review of the Securities Account Opening Procedures of the MSD to facilitate Securities Account opening for foreigners. This exercise was specifically undertaken to facilitate foreigners to invest in the Capital Market of the Maldives.

Inspections

- The third quarter onsite inspection of the dealing companies was undertaken. The primary focus of this inspection was to check the extent to which the dealing companies have complied to the necessary licensing conditions during the quarter. And the findings from the inspection were communicated to the dealing companies accordingly.
- An inspection of First Option Pvt. Ltd was conducted to observe the physical setup and the completion of certain initial arrangements as required by the Licensing Conditions under the Dealers/Dealer's Licensing Regulation.

Fees, Commissions & Charges

The Fee Schedule was updated and published on the CMDA website for easy access by the market intermediaries. As such, the schedule was updated to include the following fees:

| | |
|--------------------------------------|-------------|
| Registration fee for underwriters | MRF 120,000 |
| Annual fee for Underwriting services | MRF 50,000 |

Please visit www.cmda.gov.mv for more information

PENSION SUPERVISION

During the quarter, the 3rd mission of the World Bank on strengthening pension supervision visited on request by the Authority. The main objective of this visit was to review the existing regulations and supervisory standards of the Authority in line with the international best practices.

During the course, lengthy discussions were held with regard to the supervisory role of the Authority in regulating pensions and the establishment of a reporting framework between MPAO and the Authority. The Mission conducted technical level discussion with the relevant regulatory Authorities as well.

Several presentations were delivered regarding the risk based supervision both, to MPAO and CMDA. The presentations were targeted as passing the knowledge of a risk-based supervisory model which would be established in detail during the next mission. Further to this model, the mission will also assist in establishing annuity supervisory framework and specific net asset valuation guidelines in their next visit.

CORPORATE GOVERNANCE

Work was undertaken to revise the existing Corporate Governance Code. The idea was to formulate a flexible code that can be adopted by listed companies as well



as State Owned Enterprises and Private Sector Companies. During the course, the Authority conducted meetings and forums with important stakeholders to discuss the issues in the current code and to exchange ideas to improvise the new code.

The CG consultant of the Authority, Dr. Harilaos Mertzanis was the resource person in these forums. Further to the discussion forums of stakeholders, a public lecture was conducted to create awareness of Corporate Governance among the public.

CREDIT RATING

CARE Ratings Maldives has assigned its first Rating to the Works Corporation Limited. It has announced a rating of CARE MLD Single A (-) to the local currency debt of Works Corporation Limited. a Single A (-) rating is considered to offer adequate safety for timely servicing of debt obligations and carry low credit risks.

INSTITUTE OF CORPORATE DIRECTORS & SECRETARIES (ICDS)

The Advisory Committee for the ICDS was composed as follows:

- Ms. Fathimath Shafeega (Representative from the CMDA/CEO).
- Ms. Aminath Nisy (Representative from the CMDA/ICDS Administrator).
- Dr. Hassan Hameed (Representative from the Maldives National University).
- Mr. Ahmed Adheeb Abdul Gafoor (Representative from the Maldives National Chamber of Commerce & Industry).
- Ms. Juwairiya Saeed (Representative from the Private Sector).

TRAINING & AWARENESS

Training of Trainers Program

Training of trainers (ToT) was conducted by the ICDS in order to train individuals interested to become trainers of the Institute of Corporate Directors & Secretaries. The 3 day training was conducted by the CG consultant of the Authority.

ICDS Examination for Corporate Directors

An examination for corporate directors was held on the 28th of August 2011. The opportunity for undertaking this examination was opened for the directors' who previously took part in the Director's Training Program conducted by the CMCGI of the Authority.

The participants were given the opportunity to undergo a refresher session prior to the examination date. The lecturers for the session were local experts from the related fields. The examination for corporate directors is expected to be conducted once in every month.

Directors Training Program



A training program was conducted for the directors of the State Owned Enterprises (SOEs) in collaboration with the FTKMC of India. The

objectives of the 3 day training was to help the directors develop the necessary skills for operating in a demanding and an ever changing corporate environment. The focus of the training was specific on competencies of directors, business ethics, risk management and corporate governance code and other regulations.

Induction Program for Licensed Entities

An induction program was conducted for the staffs of the licensed entities in order to familiarize them with the regulations. The main focus of the session also was the AML regulation that was to be implemented during the quarter.

Furthermore, the participants were given recommendations about different strategies for market development. They were informed of the business opportunities they have in the upcoming IPOs.

Capital Market Business Center

A proposal on establishing a business center was compiled during the quarter. The main motive for the proposed business center is to provide accessibility to Capital Market information & services and induce demand for financial products and services by increasing awareness. This will also facilitate easy dissemination of market information & services to a broader audience.

Dhiraagu IPO

The listing committee of the Authority convened during the quarter to review the prospectus of Dhiraagu Plc. The committee met many times with Dhiraagu Plc to clarify issues with regard to the prospectus.

Dhiraagu IPO is the largest public offering announced in the Maldives market so far. Dhiraagu is also open for foreigners to invest. Dhiraagu is proposing to raise Mrf 912,000,000/- from the market initially with the option to go up to Mrf 2,006,400,000/- depending on the demand for the issue. The offer price of a share is Mrf 80/-

For more information visit www.dhiraagu.com.mv/ipo

= The Authority urges the investors to read and analyze the prospectus thoroughly and get advice from experts before making investment decisions =

GOING PUBLIC

The Authority is currently working with Island Aviation Services and Housing Development Corporation in the Going Public process. Several meetings were conducted with the officials from these companies in order to assist and guide them through the process of going public.

The companies are currently in the phase of converting from private to public companies. The companies are also reviewing their internal procedures and bringing the necessary changes to meet the requirements of public listed companies.

Appointment of Maldives Stock Exchange CEO

During the quarter the Authority approved the appointment of Mr. Hassan Manik as the CEO of Maldives Stock Exchange (MSE) and the Maldives Securities Depository (MSD). Mr. Manik has several years of experience in the banking and the financial industry of the Maldives. He holds a Masters Degree in International Banking and Financial Studies and a Bachelors Degree in Accounting and Finance from UK universities. Mr. Manik has also completed brokers training program and investment advisors training program conducted by the Authority.

IMPORTANT MEETINGS & SEMINARS

- Meeting with the Ministry of Economic Development on promoting Small & Medium sized Enterprises.
- Weekly meetings with the Minister of State for Finance and Treasury and other senior officials of the Ministry to discuss on capital market development and listings.
- CMDA delivered a presentation on Corporate Governance in the event of inaugurating the PEMEB at Aah-Rah.
- Meetings with the Listed Companies, Market Intermediaries, MSE, MSD, SOEs, & other important Government officials for discussing matters related to the revision of the Corporate Governance Code.
- Meeting with CARE Maldives for discussing the new services to be introduced in Credit Rating.
- CMDA CEO delivered the key note speech at seminar on "Maldives - A Development Perspective & the Role of Capital Markets" conducted by the CARE Maldives (<http://www.cmda.gov.mv/docs>).
- Meeting with the President's Office for discussing the Capital Market Strategic Plan 2010-2014 and developments in the Capital Market.

- The IPO of Amana Takaful Maldives Plc to close on 19 of October 2011

- The IPO of Dhiraagu Plc to close on 30th November 2011

For more information please visit : www.cmda.gov.mv

