



CMDA

Capital Market Development Authority

QUARTERLY REPORT

QTR 04, 2010

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CMDA Quarterly Report

PREFACE

This report covers capital market news and developments during the 4th quarter of 2010. Please contact the Authority for details of activities covered in this quarterly report.

REGULATORY ACTIVITIES

Board Meetings

The Board of the Authority met five times during the quarter and the following matters were approved / resolved by the Board:

- Resolved to license a Credit Rating Agency (CRA) to provide rating services in the Maldives.
- Passed “Licensing Conditions” for CRAs.
- Endorsed the Employee of the Year Award 2010.
- Approved revised Physical Share Transfer Fee proposed by the MSE.
- Approved Debt Listing Fees proposed by the MSE.
- Approved the Ministry of Finance and Treasury representative to the MPAO Board.
- Approved the revised roles and responsibilities of the Authority’s Board Secretary.
- Passed “Securities (Continuing Disclosure Obligations of Issuers) Regulations 2010”.
- Passed Regulation on “Anti-Money Laundering in Securities Related Transactions”.
- Passed “Debt Securities Listing Guidelines”.
- Passed “Securities (Compensation Fund) Regulation”.

New Regulations

The following regulations issued by the Authority are available on www.cmda.gov.mv

- *Securities (Continuing Disclosure Obligations of Issuers) Regulation 2010* was issued to ensure high standards of disclosure, which is to be complied by the companies listed on the MSE.
- *Regulation on Anti-Money Laundering in Securities Related Transactions* was issued to ensure market intermediaries comply with anti money laundering activities.
- *Debt Securities Listing Guidelines* was approved to facilitate listing of debt securities on the MSE.

Revised Regulations and Proposed Regulations

- *Revision to Rules on Credit Rating Agencies* was brought to incorporate licensing conditions for CRAs.

Furthermore, first drafts of the following regulations were compiled during the quarter. These drafts will be opened for public consultation in due course.

- Regulations on Issuance of Securities
- Regulation on Underwriters of Securities
- Regulations on Discipline and Appeal Procedures
- Regulations on Mergers and Acquisitions

Strengthening of Pension Supervision

On the request of the Authority, an inception Mission on Strengthening of Pension Supervision, visited the Authority in December 2010. The main objective of the visit was to support institutional capacity building to become an effective regulatory Authority for Pensions, in line with international standards and best practices.

The Mission conducted technical level discussions with the relevant regulatory Authorities. The Mission is expected to compile a paper addressing the gaps and deficiencies in the existing regulatory framework, to enable implementation of an effective and robust supervisory structure for the pensions industry.

Identifying Private Pension Schemes

The Authority is in the process of identifying the pension funds operated by private entities. The main objective of identifying these funds are to develop an effective regulatory framework to operate private pension schemes in the Maldives.

An announcement was made in November 2010 requesting private sector employers to submit ‘Initial Enquiry Form of Private Pension Funds’ by 31st December 2010.

Off-site Supervision and On-site Inspections

Off-site supervision of the MPAO was carried out during the quarter to identify the areas for the on-site inspection which will be conducted during January 2011.

Furthermore, the 3rd quarter’s on-site inspections of the dealing companies were completed. The areas identified by the inspection team and the recommendations for improvement was communicated to the respective dealing companies.

Off-site supervision of the dealing companies were introduced during the quarter. Under the new arrangement, off-site supervision of the dealing companies will be carried out prior to on-site inspections. The first off-site supervision forms in this regard are required to be submitted before 10th January 2011.

Complaint Handling

A total of four complaints were lodged with the Authority during the period under review. The complaints were raised mostly on governance issues of the listed companies, issues related to the election of board members and voting rights of the shareholders at AGMs. All the complaints were responded in a timely manner through the complaint handling mechanism of the Authority.

Meeting with Licensed Institutions & Audit Firms

- Brokers meeting was held to discuss ways on how to extend brokerage services to the islands. Furthermore, views were also exchanged on holding market awareness seminars in the islands and matters in relation to adoption of the Regulation on Anti-Money Laundering in Securities Related Transactions. Based on the discussions, a paper on expansion of services to atolls/islands was drafted and circulated to the market intermediaries for comments.
- A regulatory meeting was held with the MSE to discuss the proposed membership rules. Membership rules will govern the admission of trading members to the MSE.
- Quarterly Auditors meeting was held to discuss the practice notes for Appointment of Auditors of the Listed Companies.

LICENSING

Licensing a Rating Agency

Work is underway to licence a CRA during the first quarter of 2011. The rating services by CRAs will increase the transparency of the financial system, assisting the development of the capital market. CRA can thus potentially help to allocate capital efficiently across all sectors of the economy by pricing risk appropriately.

Licensing of Dealing Companies & Brokers

Licence renewal process of the dealing companies were carried out during the quarter. In this regard, licences of Stock Brokers Maldives, Aariya Securities and First Options was renewed for two years commencing from November 2010.

License of three brokers were also renewed during the period while a licence was granted to a new broker.

TRAINING & AWARENESS

Credit Rating Training Program

An introductory training program on Credit Rating was held to provide training and awareness for the staff of the Authority and other key stakeholders. A total of 35 participants attended the two-day program, which was led by an expert from Credit Analysis and Research Limited, India.

Fund Management Training Program

A four-day training program on Collective Investment Scheme and Fund Management were held in collaboration with the SiiA of Australia. A total of 35 participants attended the program. The main objective of the program was to train the staff of the Authority, key stakeholders and parties interested to act as Fund Managers in the capital market.



Going Public Campaign

A project has been launched to promote 'Going Public' focused on private sector companies. The staff of the Authority met several private sector companies and held discussion sessions to provide necessary information. Some companies expressed their concerns on the legal and regulatory obstacles.

Educating Young Investors

The Authority proposed Ministry of Education to include an 'Interschool Financial Literacy Spelling Bee' competition in the 2011's Activity Calendar for the schools.

Expanding the Investor Education Program

An investor education trip was made to Haa Dhaalhu Atoll to create awareness on capital markets and retirement savings.

IMPORTANT MEETINGS

- Discussion session was held with the ADB Credit Rating Economist, to assist in the study on best practices for regulatory framework and use of Credit Rating Information of Domestic Credit Rating Agencies in South Asia.
- Meetings were held with the banks, financial Institutions and other key players in the financial market to promote rating services and sensitize the parties on the services of a CRA.
- Information was given to the consultants who undertook the study on Corporate Social Responsibilities (CSR) in the Maldives on the Authority's initiatives to introduce CSR as part of the Corporate Governance implementation framework.

- Meetings were held with the IMF delegation on Anti-Money Laundering and Counter-Financing Terrorism to discuss on the measures taken by the Authority on Anti-Money Laundering in Securities Related Transactions.
- A Meeting was held with the Governor and Deputy Governor of the Maldives Monetary Authority to discuss on the issues relating to the development of corporate debt market in the Maldives.

CORPORATE GOVERNANCE IMPLEMENTATION

Adoption of CG Code

The Waste Management Corporation Ltd, Works Corporation Ltd, South Central Utilities Ltd and Upper North Utilities Ltd voluntarily declared to adopt the principles of the CMDA Corporate Governance Code and has submitted application forms for registration. The Directors of these companies also registered in the Directors and Secretaries Registry of the Authority.

As of date, fourteen companies have adopted the CMDA Code on Corporate Governance.

Institute of Corporate Directors & Secretaries

Groundwork to officially launch the Institute of Corporate Directors & Secretaries established by the Authority was started during the quarter. The main objectives of the Institute include the following:

- Promote transparency on Boards and activities of companies.
- Introduce principles of “risk management” on Boards and inculcate good directorship.
- Promote good corporate governance.
- Create a new breed of professional Directors and Company Secretaries.
- Provide a pool of quality Directors and Secretaries.
- Pooling of ideas and networking.
- Affiliation to international bodies to provide for networking internationally and in the region.

STOCK MARKET REVIEW— 2010

Overall trading performance of the year 2010 dipped noticeably against the preceding year. In terms of trading turnover, a decline of 53 percent was registered in comparison to the preceding year. A total of 12,852 shares changed hands by executing 170 trades.

The market capitalization stood at Rf1,726,056,099 as at 31st December 2010 indicating a decline of 7 percent in contrast to the past year’s figure. The MASIX depreciated to 211.17 points from 229.57 points of the last year.

INFORMATION ON CREDIT RATING

All CRAs are required to comply with the CMDA Regulations on CRAs and also the following licensing conditions:

- A CRA must be engaged in the business of credit rating and related services.
- A CRA shall have a paid up capital of not less than MRF250,000 (Two Hundred and Fifty Thousand Rufiyaa).
- A CRA registration is valid for 2 years and will be renewed after evaluating performance of the CRA.
- A CRA shall have a reasonable and adequate basis for performing rating evaluations, with the support of appropriate and in-depth rating research.
- A CRA shall disclose its rating methodology to clients, users and the public.
- A CRA shall ensure that there is no misuse of any privileged information including prior knowledge of rating decisions or changes.
- A CRA shall not offer fee-based services to the rated entities, beyond credit ratings and research.
- A CRA must observe high standards of integrity, dignity and fairness in the conduct of its business.
- A CRA must have business operations office in the Maldives.
- A CRA should comply with the IOSCO Code of Conduct Fundamentals for Credit Rating Agencies and also adopt ADB Handbook on International Best Practices in Credit Rating.
- A CRA should only conduct solicited (mandated) ratings.
- A CRA should have in place arrangements to monitor and regularly review credit ratings.
- A CRA should commence operations within 60 days following the grant of license.
- A CRA must disseminate relevant information in the form of a Monthly Report to the market.
- A CRA must co-operate with the Authority to promote market development.

Stock Market Quarterly Highlights (4th Qtr)	
Number of Trades.....	34
Volume Traded	2,098
Turnover (Rf)	265,266
Surveillance reports.....	5