



# CMDA

Capital Market Development Authority

## QUARTERLY REPORT

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# CMDA Quarterly Report

## PREFACE

The Capital Market Development Authority (CMDA) hereby releases its Quarter 4, 2012 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.

## HIGHLIGHTS:

- ◆ Appointment of CMDA Chairman
- ◆ Working level meeting with the Capital Markets Board of Turkey under the Regulatory Dialogue TOR
- ◆ CMDA participated in the IOSCO–APRC Meeting 2012 held in Thailand, Bangkok
- ◆ Legal & Regulatory Consultancy Project of CMDA
- ◆ Approval of Guidelines on Voting by Proxy at General Meetings of Listed Companies
- ◆ National Financial Literacy Strategy (NFLS) of CMDA
- ◆ ICDS Spin-Off
- ◆ Anti-Corruption Fair
- ◆ Training & Awareness
- ◆ Regulatory Activities

*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.*



## APPOINTMENT OF CMDA CHAIRMAN



Mr. Ashraf Abdul Raheem was appointed as the Chairman of CMDA by the President on 8th November 2012.

He currently serves as General Manager at the Sun Group of Companies, one of the leading business conglomerates in the Maldives Tourism Industry. He has over 15 years of experience in public service.

He holds a Master's Degree in Management from the International Islamic University, Malaysia.

## WORKING LEVEL MEETING WITH CMB TURKEY

A working level meeting with CMB Turkey was held in Maldives from 12th to 13th December 2012. The delegation for the meeting consisted professionals from the CMB Turkey & Istanbul Stock Exchange (ISE).



The objective of this meeting was to familiarize the regulatory systems of both countries and identify ways for future collaborations.

The interactive sessions with the delegation deepened knowledge and understanding of capital

markets as well as the regulatory arrangements of the Turkish market.

The interactions also focused on organizing exchange programs, study tours & opportunities for market intermediaries.

#### APRC MEETING 2012—THAILAND, BANGKOK

CMDA participated in the IOSCO Asia Pacific Regional Committee (APRC) Meeting held in Thailand from 28th to 30th November 2012.

The meeting focused mainly on ‘SME financing through Capital Markets’, ‘Capitalizing on Regional Growth Prospects: Enlarging Opportunities for Asset Management Companies’ & ‘Enforcement’.

The meeting provided an avenue for CMDA to network with the executives and policy makers of both, private and public sectors of IOSCO member jurisdictions.

Additionally, participation in the APRC Meeting 2012 opened doors for strengthening regulatory cooperation for CMDA.

#### NATIONAL FINANCIAL LITERACY STRATEGY

Section 4(a) of the Maldives Securities Act (2/2006) mandates CMDA to develop a market in which securities can be issued and traded in a fair and orderly manner. As achieving this objective relies on a population that knows how to make sound financial decisions, a National Financial Literacy Strategy (NFLS) was drafted for the purpose of carrying out a nationwide campaign to enhance financial literacy in the Maldives.

Increasing financial literacy (financial education) contributes to increasing participation in financial markets by empowering individuals to make well-informed & rational financial decisions and educating individuals on their rights and

obligations.

The strategy will be directed by a working group consisting of representatives from various institutions that have a stake and interest in increasing financial awareness and education in the country. These institutions include, MSE, MPAO, MIRA, LGA, HDFC and the National Institute for Education.

The first meeting of the Working Group on the NFLS was held on 17th December 2012. The meeting focused on discussing communication and coordination strategies between various institutions in conducting awareness and education programs.

As part of the strategy, a Personal Financial Planning Book focusing on the basics of budgeting and investing towards set goals is expected to be published during the first quarter of 2013. To this date, working group members have given feedback on the book and the final version is being designed and illustrated.

#### LEGAL & REGULATORY CONSULTANCY PROJECT



The Legal & Regulatory Consultancy Project of CMDA focuses on strengthening legal & regulatory framework for the development of new products and services for the purpose of creating investment avenues for the Pension Fund.

The legal and regulatory assessment report was circulated for stakeholder consultation during the quarter.

CMDA attended various meeting with the MSE and other key stakeholders with regard to the

suggestion and recommendations made by the consultant.

The observations and concerns of the stakeholders were raised & discussed during the second onsite visit of the consultant from 18th to 27th December 2012.

## BOARD MEETINGS & RESOLUTIONS

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

### *Resolutions & Important Discussions*

- ◆ Approved the Sukuk Structure of Housing Development Finance Corporation (HDFC) as recommended by the Capital Market Sharia Advisory Committee (CMSAC).
- ◆ Resolved to sign MoU with the Ministry of Islamic Affairs with the aim of developing Islamic Finance & Islamic Capital Market in the Maldives.
- ◆ Approved renewal of Dealer's License of Aariya Securities & Stock Brokers Maldives Private Limited.
- ◆ Approved renewal of Dealer's Representative License of Mr. Ahmed Zayyan (Broker of SBM).
- ◆ Endorsed amendments to the Listing Rules of the Maldives Stock Exchange (amendments dated 19th Nov 2012).
- ◆ Approved Fitness & Propriety Guidelines for Market Intermediaries.
- ◆ Resolved to open for Eol to identify private sector interest in ICDS spin-off (Institute of Corporate Directors & Secretaries).
- ◆ Endorsed the CMDA Staff Regulation.
- ◆ Approved Guidelines on Voting by Proxy at

General Meetings of Listed Companies.

- ◆ Approved amendments to the Dealers & Dealer's Representative Licensing Regulation to facilitate the adoption of the Clearing & Settlement function by the MSD.

## REGULATIONS & GUIDELINES

### Amendments to Listing Rules

Amendments to the Listing Rules proposed by MSE were reviewed and approved by the Board of Directors on 19th November 2012.

The main objective of this amendment was to combine the equity & debt listing rules into one single rule and to incorporate provisions related to listing of Sukuk.

### Amendments to Dealers & Dealer's Representative Licensing Regulation

Amendments to Section (14) of the Dealers & Dealer's Representative Licensing Regulation were approved by the Board of Directors on 25th December 2012 to facilitate the adoption of the new Clearing & Settlement function by MSD.

### Guidelines on Voting by Proxy at General Meetings of Listed Companies

Guidelines on Voting by Proxy at General Meetings of Listed Companies was approved by the Board of Directors on 25th December 2012.

The guideline prescribes a set of rules for Listed Companies with regard to proxy voting at the Annual General Meetings.

### Fit & Propriety Guidelines for Market Intermediaries

The Fit & Propriety Guidelines for Market Intermediaries was approved by the Board of Directors on 19th November 2012.

These guidelines relate to the process a licensed entity must undertake when determining fitness and propriety of its directors and key personnel.

The above mentioned amendments to the existing regulations and the new guideline approved by the Board of Directors during the quarter will become effective from the time it gets published on the Gazette.

## REGULATORY ACTIVITIES

### Capital Market License & Registrations

Dealers License of Aariya Securities Pvt. Ltd. and Stock Brokers Maldives Pvt. Ltd. were renewed for a period of 2 years. Moreover, Dealers' Representative License of Mr. Ahmed Zaiyan, representing Stock Brokers Maldives Pvt. Ltd was renewed.

### Inspection of MSE & MSD

On-site inspection of MSE & MSD was carried out during the quarter. The on-site inspection of MSE & MSD was focused on ensuring the level of understanding of the staff of MSE & MSD on operations and to check the level of compliance to the respective laws and regulations applicable to MSE & MSD. Based on the findings, CMDA made recommendations to further strengthen the operations of MSE & MSD.

### Disclosure of Listed Companies

The quarterly reports of listed companies were reviewed in order to ensure compliance to the disclosure requirements set forth in the Minimum Quarterly Reporting Requirements issued under the Securities (Continuing Disclosure Obligations of Issuers) Regulations, MSE's Listing Rules and CMDA's Corporate Governance Code.

Reports were prepared based on the level of

compliance for MTCC, MTDC, BML, ATM and STO for their 3<sup>rd</sup> quarter's reports and Dhiraagu PLC for their 2<sup>nd</sup> quarter's report. CMDA suggested areas in which disclosure can be enhanced.

### Annual General Meetings (AGM)

During the quarter under review, two companies held their Annual General Meetings:

MTDC held its AGM on 6<sup>th</sup> November 2012

BML held its AGM on 8<sup>th</sup> November 2012

An official from the Market Regulation team of CMDA attended the AGMs of the listed companies to observe the level of compliance to the applicable rules & regulations.

### Regulatory Meeting

Regulatory meetings with the MSE & MSD were held to discuss regulatory issues. A major focus was on strengthening operations, market development and awareness. Deliberations also focused on the implementation of the new Clearing & Settlement Procedure of MSD and amendments to the Listing Rules of MSE.

### Enforcement Actions

Enforcement actions were taken against BML for their failure to comply with Section (11) of the Securities (Continuing Disclosure Obligations of Issuers) Regulations.

## PENSION SUPERVISION

### Quarterly Investment Analysis Report

Pension Supervision Department (PSD) conducted quarterly investment analysis of Maldives Retirement Pension Scheme (MRPS) for Q3-2012 based on the investment Activity Reports submitted by the Maldives Pension Administration Office (MPAO). PSD analyzed the Report against

the Statement of Investment Principles (SOIP) of MPAO.

The main purpose of the analysis was to assess legal compliance, financial strength, risk management and market conduct as per the PSD's risk based approach.

#### Pension related Brochures

One of the main objectives of PSD is to build confidence in the pension system of Maldives through awareness amongst both the existing participants and the potential participants of the Maldives Retirement Pension Scheme (MRPS). As such, Brochures with basic information on the role of custodian & asset management were prepared and published on CMDA's Website.

#### Pension Fund Risk Assessment Review

PSD conducted a risk assessment review of MPAO and MRPS during the quarter. The purpose of the assessment was to review status quo and progress of steps taken to mitigate risks in line with recommendations given to MPAO after the last on-site inspection which was carried out in March 2012.

#### Guidelines on Pension Fund Asset Management

Asset management is a regulated activity; therefore it is the responsibility of the CMDA to prescribe guidelines which will enable MPAO to develop its asset management capabilities in line with international best practices. As such, Guidelines on Pension Fund Asset Management was drafted by the PSD during the quarter.

### **TRAINING & AWARENESS**

#### Training Program on Financial Journalism

MSE & CMDA in collaboration with the Bombay Stock Exchange (BSE) Brokers Forum

conducted a 4 day training program on financial journalism from 4th to 7th November 2012.

The Program was designed to train journalists on professional standards on reporting business, economic and financial news.

The participants of the program included journalist from the media and officials from investor relations departments of listed companies.

For More information, please refer to:

<http://www.bsebrokersforum.com/knowledge-management-/newsletter.html>

#### Presentation to Villa College

The Investor education & Training Section of CMDA organized presentations on request by Villa College. The presentations focused mainly on Islamic Capital Market, Corporate Governance & Pensions. A total of 37 students attended the sessions conducted by CMDA.

#### Examinations:

A Broker's Examination was conducted on 16th December 2012 to provide opportunity for the people who are interested to obtain a Dealer's Representative license.

### **CORPORATE GOVERNANCE**

#### Institute of Corporate Directors & Secretaries (ICDS)

The Institute of Corporate Directors & Secretaries (ICDS) conducted 2 Directors Training Programs and 1 Company Secretary Training Program during the quarter. The participants of these two training programs included officials from the Listed Companies & State Owned Enterprises.

### ICDS Spin-Off

CMDA invited expression of interest (Eoi) from the private sector to partner with CMDA in providing a wide range of programs in the area of corporate governance through the Institute of Corporate Directors & Secretaries (ICDS).

The Information Memorandum (IM) on ICDS spin-off was announced & made available to the public through the CMDA website.

[http://www.cmda.gov.mv/docsInformation\\_Memorandum.pdf](http://www.cmda.gov.mv/docsInformation_Memorandum.pdf)

Information sessions were held with interested parties for discussing possible structures for collaboration.

### Anti-Corruption Day Fair

The Anti-Corruption Fair was organized by the Anti-Corruption Commission (ACC) to mark the International Anti-Corruption day.

The objective of this event was to promote integrity and anti-corruption values of various institutions to the general public including children and youth.



The event provided CMDA the opportunity to advocate & advertise the corporate governance efforts of CMDA and create awareness of Corporate Governance among socially conscious citizens.

ICDS—RFP to close on 20th January 2013

Eoi for Dealer's Representative Examination open until 8th January 2013



### Media Interviews with Rajje TV

Media Interview Series with Rajje TV was continued during the quarter. The interviews for the quarter mainly focused on Islamic Capital Market & Pension Supervision. Media Interview is an important tool to make the public understand and engage with CMDA in relation to the regulation of Capital Markets. Thus, the role of media is vital in shaping public understanding.

### Important Meeting attended during the Quarter

- ◆ Meeting with the Economic Committee of the Parliament regarding CMDA budget for 2013.
- ◆ CMDA attended meeting with PO regarding adoption of the CMDA CG code by SOEs. The meeting was also attended by high level officials of SOEs. Discussions were also carried out regarding participation of directors of SOEs in the Directors Training Program of ICDS.
- ◆ Meeting with the Vice President, Hon. Waheed Deen to provide updates on capital market policies and developments.
- ◆ Meeting with MED regarding the National Economic Diversification.
- ◆ Meeting with the Auditor General's Office regarding Maldives Financial Reporting Standards.
- ◆ Meeting with a private company regarding establishment of a Commodity Exchange.

### Highlights from CMDA-ICM Bulletin (Q4-2012)

CMDA- Ministry of Islamic Affairs MoU

Technical Assistance from IDB

Islamic Finance Center

Seminar- Dawn of Sukuk in Maldives

Collaborations with INCEIF

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

