

A BILL FOR AN ACT

CENTRAL SECURITIES DEPOSITORY BILL

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PART I

INTRODUCTORY PROVISIONS

1. **Short Title**

- (1) This Act may be cited as the Central Securities Depository Act.
- (2) This Act shall come into operation on such date as the President may appoint and different dates may be appointed for the coming into operation of different provisions of this Act.

2. **Interpretation**

In this Act, unless the context otherwise requires –

“Act” includes any regulations under this Act;

“Authority” means the Capital Market Development Authority established by the Maldives Securities Act 2006;

“Central Depository” means a Central Depository licensed pursuant to s.4 of this Act or the Securities Act:

- (a) to establish and operate a system for the central handling of securities, whether or not listed on any stock exchange:
 - (i) whereby all such securities are deposited with and held in custody by, or registered in the name of, the company or its nominee company for the depositors and dealings in respect of those securities are effected by means of entries in securities accounts without the physical delivery of scrips; or
 - (ii) which permits or facilitates the settlement of securities transactions or dealings in securities without the physical delivery of scrips; and

- (b) to provide other facilities and services incidental thereto;

“certificated securities” means securities in bearer, order or registered form, the title to which is evidenced by a certificate;

“charge” includes a mortgage;

“clearing” means the preparation of a securities transaction for settlement in the book-entry system of the Central Depository;

“Companies Act” means the Companies Act No 10/96;

“company” has the same meaning as in the Companies Act No 10/96;

“dealer” has the same meaning as in the Securities Act;

“deposited securities”, in relation to the Central Depository, means securities –

- (a) in relation to which the documents evidencing title to the securities are deposited by a depositor with the Central Depository and are registered in the name of the depository or its nominee; and
- (b) which are transferable by way of direct-entry in the Depository Register and not by way of an instrument of transfer;

“Depository Register” means a register maintained by the Central Depository in respect of deposited securities;

“depositors” means the persons who are named as depositors in the Depository Register;

“derivative instruments” in relation to debentures, stocks and shares, includes warrants, transferable subscription rights, options to subscribe for stocks or shares, convertibles and such other instruments as the Authority may prescribe;

“eligible security” means a security made eligible to the operation of the settlement service or the depository service in accordance with the rules of the Central Depository;

“entity” includes a company, partnership, association, government and agency thereof;

“Guarantee Fund” means the fund established under s.8;

“instrument” means a deed or any other instrument in writing;

“issuer” means a person who issues any security;

“listed securities” means securities which have been admitted for quotation on the Official List;

“listed issuer” means an issuer in relation to which securities have been admitted for quotation on the Official List;

“Minister” has the same meaning as in the Securities Act;

“Official List” has the same meaning as in the Securities Act;

“participant” means an entity which has agreed with the Central Depository to use the depository services or settlement service and which is continued, reinstated or remains as a participant;

“prescribed” means prescribed by Regulations made under this Act or the Securities Act;

“Registrar” means the Registrar of Companies;

“rules of the Central Depository” means rules and any amendments thereto made by the Central Depository under s.6 and approved by the Authority;

“securities”, in relation to this Act, means a security under the Securities Act and any units in a unit trust under an Act dealing with collective investment schemes;

“securities account” means an account established, in accordance with the rules of the Central Depository, by the Central Depository for a depositor or a participant for the recording of deposit or withdrawal of securities and for dealing in such securities by the depositor or the participant;

“Securities Act” means the Maldives Securities Act (Law No 02/2006) and any regulations under that Act;

“settlement” means the settlement of transactions in accordance with the settlement service;

“settlement service” means the service offered by Central Depository whereby Central Depository in accordance with its rules, provides facilities for the reporting and comparison of data respecting the terms of settlement of transactions, the reduction of the number of settlements of transactions, the allocation of settlement responsibilities, and acts as an intermediary in facilitating payments and deliveries of or in connection with transactions;

“Stock Exchange” has the same meaning as in the Securities Act;

“Stock Exchange Company” has the same meaning as in the Securities Act;

“substantial shareholder” means a shareholder entitled to exercise or control the exercise of 5% or more of the voting power at general meetings of the company or one that is in a position to control the composition of a majority of the board of directors of a company or such lesser percentage as may be prescribed;

“transactions” means a transaction in eligible securities on the Stock Exchange or otherwise permitted by the rules of the Central Depository involving eligible securities and which effects a deposit, sale, purchase, loan, pledge, gift, transfer, delivery or withdrawal of eligible securities, a registration thereof, a change in the information pertaining to a securities account and any other operation provided for in the rules of the Central Depository;

“transitional period” has the meaning given by s.33;

“uncertificated securities” means securities not evidenced by a certificate, the issue or transfer of which is registered or recorded in registers maintained for that purpose by or on behalf of the issuer;

“unit” means a unit in a unit trust;

“unit trust” means a unit trust established under any Act dealing with collective investment schemes.

PART 2

LICENSING OF CENTRAL DEPOSITORY

3. **Application for licensing of a central depository**
- (1) A company incorporated under the Companies Act may apply to the Authority for approval and the issue of a licence to establish, operate and maintain a Central Depository.
 - (2) The application under subsection (1) and the approval and issue of a licence shall be made in accordance with Regulations made under this Act or the Securities Act, and the approval may be granted subject to such terms and conditions as may be determined by the Authority.
 - (3) The central depository established prior to and existing at the date of the commencement of this Act pursuant to approval of the Authority under regulations made under the Securities Act shall be deemed to be approved under subsection (1).
4. **Restriction on establishment of a central depository**
- (1) No person shall establish and maintain or hold himself out as maintaining a central depository unless an approval in writing has been given by the Authority and a licence issued to that person under Section 3.
 - (2) A person who contravenes the provisions of subsection (1) shall be guilty of an offence and shall, on conviction, be liable to a fine not less than 75,000 Rufiyaa and not exceeding 500,000 Rufiyaa or to imprisonment for a term not exceeding five years or to both.
 - (3) Notwithstanding the provisions of subsection (1) a depository maintained by the Maldives Monetary Authority or Ministry of Finance and Treasury relating to Government securities such as treasury bills, notes and bonds shall be exempt from the operations of this Act.

PART 3

CENTRAL DEPOSITORY SCHEME

5. **All dealings on the Stock Exchange to be cleared and settled through Scheme**
- (1) All dealings on the Stock Exchange shall be cleared and settled in accordance with the rules of the Central Depository.
 - (2) The Central Depository may provide a settlement service in relation to eligible securities other than those the subject matter of dealings referred to in subsection (1).
 - (3) The clearing bank for the settlement of funds in respect of transactions cleared through the Central Depository shall be a bank approved by the Authority.

6. **Provisions of the Scheme**

The scheme established by the rules of the Central Depository shall –

- (a) provide for a central depository, clearing and settlement service whereby, in accordance with the rules of the Central Depository –
 - (i) documents evidencing title to securities, whether or not listed on the Stock Exchange are deposited with the Central Depository and are registered in the name of the Central Depository or its nominee;
 - (ii) securities accounts are maintained by the Central Depository in the names of the depositors so as to reflect the title of the depositors to the deposited securities; and
 - (iii) transfers of the deposited securities are effected by the Central Depository making an appropriate entry in the Depository Register of the deposited securities that have been transferred.
- (b) provide in accordance with regulations made under this Act for the making of rules, including any amendments thereto, with the prior approval of the Authority, for the proper and efficient operation, management and maintenance of the central depository and of the Central Depository register, clearing and settlement service to facilitate buying, selling and otherwise dealing in securities and the operations of the depository service;
- (c) provide that the rules may not be amended except to such extent and in such manner as may be approved or, after consultation with the Central Depository, directed by the Authority for the purposes of this Act;
- (d) provide for confidentiality and protection of information and documents relating to the affairs of persons holding securities accounts with the Central Depository and relating to their securities accounts.

7. **Central Depository to pay annual fee**

The Central Depository shall pay such annual fee as may be prescribed by regulations made under this Act.

8. **Central Depository to establish and maintain Guarantee Fund**

- (1) The Central Depository shall establish and maintain a Guarantee Fund for the purpose of providing an indemnity against any default in respect of payments for or delivery of securities by any participant and of obligations of participants towards the Central Depository.
- (2) The assets of the Guarantee Fund shall consist of all money accruing lawfully to that fund and such contributions as may be specified in the rules of the Central Depository.
- (3) Where the Central Depository has made payment from the Guarantee Fund in relation to any default, then, notwithstanding the fact that the Central Depository is not a counter party to the transaction between selling and buying participants, it shall be subrogated to all the rights and powers of the defaulting participant for the

purpose of the seizure and sale of unpaid securities and of operating the Guarantee Fund.

9. Issue of uncertificated Securities

Notwithstanding any provision of the Companies Act, a listed issuer may –

- (a) issue a security in uncertificated form where this is authorised by resolution of its board of directors or board of management;
- (b) convert a certificated security into an uncertificated security where this is authorised in its memorandum or articles of association and by resolution of its board of directors or board of management.

10. Central Depository deemed not to be a member

(1) Notwithstanding any provision of the Companies Act or in any other enactment or in the memorandum or articles of association of a company, where the Central Depository is named in the register of members or shareholders of the company or is named in a register of debenture holders or other security holders of any issuer –

- (a) the Central Depository shall be deemed not to be a member or shareholder of the company; and
- (b) the persons named as the depositors in a Depository Register shall, for such period as the deposited securities are entered against their names in the Depository Register, be deemed to be –
 - (i) members or shareholders of the company in respect of the amount of deposited securities (relating to the shares issued by the company) entered against their respective names in the Depository Register; or
 - (ii) holders of the amount of the issuer's deposited securities (relating to debentures or any derivatives, units or other deposited securities but excluding shares issued by a company) entered against their names in the Depository Register.

(2) Subject to para.(c), nothing in this Act shall be construed as affecting –

- (a) the obligation of a company to keep –
 - (i) a register of its members, and allow inspection of the register, under the Companies Act; and
 - (ii) a register of holders of debentures issued by the company, and allow inspection of the register, under the Companies Act.
- (b) the obligation of a collective investment scheme to keep a register of unit holders in a collective investment scheme, under any Act dealing with collective investment schemes.

(3) Nothing in this Act shall be construed as affecting the obligation of an issuer other than a company to keep a register of the holders of any securities issued by the

issuer except that the issuer shall be under no obligation to enter into such registers the names and particulars of securities under subsection (1)(b);

- (4) During the transitional period, this Act shall not affect the right of a depositor to withdraw his documents evidencing title in respect of listed securities from the Central Depository at any time in accordance with the rules of the Central Depository and to register them in his or any other name; or
 - (5) Nothing in this Act shall affect the enjoyment of any right, power or privilege conferred by, or the imposition of any liability, duty or obligation under the Companies Act, or in any Act dealing with collective investment schemes or in any other enactment or under any instrument or under the memorandum or articles of association of a company or any trust deed of a unit trust, upon a depositor, as a member or shareholder of a company or as a holder of debentures or any derivative instruments, or the holder of any units in a collective investment scheme except to the extent provided for in this Act or prescribed by regulations made under this Act.
 - (6) A company shall be under no obligation to enter in a register referred to in subsection (2)(a) the names and particulars of persons who are deemed members or holders of debentures or units under subsection (1)(b).
 - (7) Notwithstanding the Companies Act, or any Act dealing with collective investment schemes a depositor shall not be regarded as a member of a company entitled to attend any general meeting of the company and to speak and vote thereat unless his name appears on the Depository Register 48 hours before the general meeting.
 - (8) Where securities which have been deposited with the Central Depository are forwarded by the Central Depository to the relevant registry of the issuer as provided by the rules of the Central Depository, the registry of the issuer, on receipt of the deposited securities from the Central Depository, shall confirm to the Central Depository, within the period specified in the rules of the Central Depository, the authenticity of the security certificates which have been deposited.
11. **Shareholder may deposit shares for shareholder's credit in depositor's security account under the scheme**

During the transitional period, shareholder may, in accordance with the rules of the Central Depository, and on application by the shareholder or the shareholder's broker or safe custody agent, make application to the Central Depository to deposit the shares held by that shareholder in any listed company with the Central Depository to be held to the credit of a depositor's security account in the name of that shareholder who thereupon shall become a depositor in the scheme in relation to those shares.

12. **Withdrawal of security**

- (1) The provisions of this section have application only during the transitional period.
- (2) A depositor may, in accordance with the rules of, and on application to, the Central Depository, withdraw a security standing to the credit of that depositor's security account.

- (3) Where an application for the withdrawal of a deposited security is made under subsection (2) and the appropriate notification and withdrawal documents are received by the issuer or its share registry in accordance with the rules of the Central Depository, the issuer shall by itself, or its share registry, notwithstanding the provisions relating to the issue of certificates under the Companies Act or under any Act dealing with collective investment schemes, complete and deliver to the Central Depository, for forwarding to the participant, all appropriate certificates in connection with the transfer of the securities within 14 days after the date of the receipt by it of the withdrawal documents.

13. Register of substantial shareholders of a company

- (1) (a) Subject to paragraph (b), nothing in this Act shall be construed as affecting the obligation of a company to keep a register of substantial shareholders under the Companies Act and the Securities Act.
- (b) A company shall be under no obligation to enter into the register the names and particulars of persons deemed members under s.10(1)(b).
- (2) The Central Depository shall forthwith upon its becoming aware that any depositor is a substantial shareholder of an issuer notify the issuer and the Authority of that fact.

14. Transfer by depository

- (1) Subject to this Act, a transfer of deposited securities between depositors shall be effected, notwithstanding any provision to the contrary in the Companies Act or in any Act dealing with collective investment schemes or in any other enactment or in any instrument or in a company's memorandum or articles of association or the Deed of Trust relating to any unit trust, by the Central Depository making an appropriate entry in its Depository Register.
- (2) A transfer of securities by the Central Depository by way of direct-entry to a depositor under this Act shall be valid notwithstanding that the transfer is not accompanied by a proper instrument of transfer or that otherwise the transfer is not made in writing.
- (3) Under this Act, entries in relation to the transfer of securities may be made in respect of the same class of securities or interest therein as part of a fungible bulk and may refer merely to a quantity or par value of a particular security without reference to a certificate or bond number or the like and, in appropriate cases, may be on a net basis taking into account other transfer or pledges of the same security.

15. Maintenance of accounts

- (1) The Central Depository shall maintain accounts of deposited securities on behalf of depositors in accordance with the rules of the Central Depository.
- (2) A record of an entry in a securities account in respect of a dealing in deposited securities shall be prima facie evidence of the matters so recorded.

16. No rectification of Depository Register

- (1) Notwithstanding the Companies Act or any other enactment, no order shall be made by the Court for rectification of the Depository Register, except that where the Court is satisfied that –
- (a) a depositor did not consent to a transfer of the deposited securities; or
 - (b) a depositor should not have been registered in the Depository Register as having title to the deposited securities,
- it may award damages to the first mentioned depositor or to any person who would have been entitled to have been registered in the Depository Register as having title to the deposited securities, as the case may be, on such terms as the Court thinks equitable or make such other order as the Court thinks fit, including an order for the transfer of deposited securities to such depositor or person.
- (2) Where in the memorandum or articles of association of a company it is provided that the company is entitled to refuse registration of a transfer of deposited securities, it may, in relation to any transfer to which it objects, notify the Central Depository in writing of its refusal before the transfer takes place and furnish the Central Depository with the facts upon which such is considered to be justified.
- (3) Where the Central Depository has had prior notice of the company's refusal under subsection (2), but not otherwise, it shall refuse to effect and to enter the name of the transferee in the Depository Register and thereupon convey to the transferee the facts upon which such refusal is considered to be justified.

PART 4

DUTIES OF CENTRAL DEPOSITORY

17. Duties of Central Depository

- (1) A central depository shall provide or cause to be provided all such facilities as may be necessary –
- (a) to facilitate efficient deposit and during the transitional period the withdrawal of securities;
 - (b) to facilitate registration of dealings in deposited securities;
 - (c) to ensure the safe custody of scrips and other documents representing deposited securities;
 - (d) to facilitate the removal of securities from the depository where the securities come to be eligible securities in accordance with the rules of the Central Depository;
 - (e) to guard against falsification of any records or accounts required to be kept or maintained under the Act; and
 - (f) to establish a proper and efficient system for the verification, inspection, identification and recording of all securities deposited with the central depository.

- (2) The Authority may, from time to time, in accordance with Regulations made under the Securities Act prescribe other duties to be performed by a central depository as the Authority considers appropriate.

18. Duty of Central Depository to ensure orderly dealings in deposited securities

- (1) A central depository shall take all steps and do all things necessary to ensure orderly dealings in securities deposited or lodged with it.
- (2) A central depository may, in performing its function under subsection (1), give to an issuer of any deposited security directions –
- (a) to do a particular act or thing; or
 - (b) to refrain from doing a particular act or thing.
- (3) An issuer who fails to comply with any direction given by a central depository under subsection (2) may be reported by the Central Depository to the Authority which may direct the issuer to comply with the direction. An issuer who fails to comply shall commit an offence and may, on conviction, be liable to a fine of not less than 25,000 Rufiyaa and not exceeding 100,000 Rufiyaa.

19. Certification of names of depositors

- (1) The Central Depository, in accordance with the rules of the Central Depository, shall certify the names of persons on the Depository Register to an issuer in relation to security accounts held in relation to that issuer, upon a written request being made to it by the issuer and upon payment of a fee specified in the rules of the Central Depository.
- (2) Any member or shareholder of an issuer or any other person, may require the issuer to furnish him with a copy of the record of depositors or of any part thereof in accordance with regulations made under this Act, but only so far as it relates to the names, addresses, and the number of securities held, on payment in advance of a fee prescribed by regulations.
- (3) The copy of the record of depositors or any part thereof, required under subsection (2), shall be supplied to the person who required such copy within a period of 14 days or within such longer period as the Authority considers reasonable in the circumstances, commencing from the day after the date of receipt of the request by the issuer.
- (4) The Registrar may require the issuer, within the time specified in subsection (3), to furnish him with a copy of the record of depositors referred to in subsection (2), without payment of any fee.

20. Depository to be discharged from liability if acting on instructions

- (1) Subject to any regulations made under this Act or the Securities Act, the Central Depository, if acting in good faith and without negligence, shall not be liable for conversion or for any breach of trust or duty where the Central Depository has, in respect of direct entries in accounts maintained by it, made entries regarding the deposited securities, or transferred or delivered the securities, according to the instructions of a depositor or participant notwithstanding that the depositor or

participant had no right to dispose of or take any other actions in respect of the securities.

- (2) The Central Depository or participant, if acting in good faith and without negligence, shall be fully discharged of its obligations to the depositor by the transfer or delivery of deposited securities upon the instructions of the depositor.

21. Confirmation of transaction

The Central Depository shall, in accordance with the rules of the Central Depository, issue to each depositor directly or through his participant, following upon any transaction affecting deposited securities maintained for such depositor by the Central Depository under this Act, a confirmation note which shall specify the amount and description of the deposited securities and any other relevant transaction information.

PART 5

PROVISIONS RELATING TO INSOLVENCY, WINDING UP AND CHARGING OF SECURITIES

22. Non-application of provisions of insolvency and company liquidation

- (1) Subject to subsection (2), where, by virtue of the provisions of the Companies Act or any other enactment in relation to company liquidation or any enactment in relation to individual insolvency it is provided that any disposition of the property, of an individual or company after commencement of any order declaring insolvency or of a winding up, shall be void, unless the Court orders otherwise; those provisions shall not apply to any disposition of deposited securities.
- (2) Where the Court is satisfied that a party to the disposition, being a party other than the Central Depository, had notice that a petition had been presented for the winding up or bankruptcy of the other party to the disposition, it may award damages against that party on such terms as it thinks equitable or make such other order as the Court thinks fit, including an order for the transfer of deposited securities by that party but not an order for the rectification of the Depository Register.

23. Set-off

- (1) The Central Depository may terminate its agreement to clear or settle securities transactions or to act as a depository for securities, with an insolvent participant or with a participant in respect of which insolvency or bankruptcy proceedings are taken, whether such proceedings are voluntary or involuntary.
- (2) Upon terminating its agreement under subsection (1), the Central Depository may set off obligations between the insolvent participant and the Central Depository, in accordance with the provisions of the agreement, and if on termination there is a net termination sum owed to the Central Depository by the insolvent participant, the Central Depository shall be deemed to be a creditor of the insolvent participant in respect of that net termination sum.
- (3) The Central Depository may, notwithstanding any other enactment, realise assets of the insolvent participant pursuant to a pledge in favour of the Central

Depository or pursuant to the rules of the Central Depository or guarantees established by the Central Depository in accordance with its rules.

24. Non-application of provision of the Companies Act or Regulations

- (1) Subject to subsection (2), any provision in the Companies Act or regulations, insofar as it provides that a transfer or contract of sale of shares or debentures in contravention of a prohibition on a holding company holding shares in its subsidiary shall be void, shall not apply to any disposition of deposited securities.
- (2) The Court may, on being satisfied that a disposition of deposited securities would in the absence of subsection (1), be void, on the application of the Authority or the Registrar of Companies or any person, order the transfer of the shares acquired in contravention of such provision in the Companies Act or regulations.

25. Charging or pledging of securities

- (1) Where a deposited security is charged or pledged by a depositor (in this section referred to as “charger” or pledgor”) in favour of any person (in this section referred to as “chargee” or pledgee”), the Central Depository or a participant, with or through whom the securities account of the depositor is maintained, shall on a request in writing made by the depositor, chargee or pledgee, as the case may be, transfer or cause to be transferred such security into the securities account of the chargee or pledgee, as the case may be, maintained for such purpose.
- (2) Where a request is made by a chargee or pledgee as provided under subsection (1), such request shall be supported by documents evidencing such charge or pledge in his favour.
- (3) The securities account maintained by the chargee or pledgee pursuant to subsection (1) shall be designated as the “Pledged Securities Account”.
- (4) Where a charge or pledge over a deposited security has been discharged or released, the Central Depository or participant, as the case may be, shall, upon receipt of a notice in writing from the chargee or pledgee confirming the same, transfer the deposited security into the securities account of the charger or pledgor.
- (5) The provisions relating to the transfer or withdrawal of deposited securities shall apply, mutatis mutandis, to securities in the “Pledged Securities Account”.

PART 6

REPORTING COMPLIANCE AND CONFIDENTIALITY OBLIGATIONS

26. Reporting to the Authority

- (1) Subject to s.4(6)(d), the Central Depository shall, in accordance with the rules of the Central Depository, furnish to the Authority periodic reports on the activities and operations of the Central Depository.
- (2) The Central Depository shall forthwith, on the date of settlement, inform the Authority and where appropriate the Stock Exchange of any trade that fails to settle on its settlement date and provide the Authority with details of such trade and the reasons, as known in the Central Depository for such failure.

- (3) Notwithstanding s.6 (d), where the Authority is conducting an inquiry in the exercise of its powers under the Securities Act, or where the Authority conducts an inquiry into any breach of this Act or irregularity in the operations of the Central Depository or a participant, it may request in writing any information or documents from the Central Depository, and the Central Depository or participant shall forthwith comply with that request.
- (4) The provisions of this section shall apply in addition to and not by way of derogation from any reporting obligation to the Authority which is required of the Central Depository under the rules of the Central Depository or any other enactment.

27. Compliance orders

Where from any inquiry conducted by the Authority it appears to the Authority that there has been a contravention of the provisions of this Act or of regulations made under this Act or of rules of the Central Depository, the Authority may apply to the Court for orders directed to securing compliance with the said provisions of the Act, regulations or rules in such manner as the Court shall deem fit.

28. Duty to take reasonable security measures

The Central Depository and any participant shall take all reasonable measures in accordance with the rules of the Central Depository to protect information and documents relating to the affairs of the depositors, and in particular, relating to their securities accounts, against any unauthorised access, alteration, disclosure or dissemination.

29. Duty to maintain secrecy

- (1) Except as provided in this Act, no officer or employee of the Central Depository or a participant, whether during his tenure of office or during his employment or thereafter, and no other person who has, by any means, access to any information or document whatsoever relating to the affairs of any of the depositors, and in particular, relating to their securities accounts, shall give, divulge, reveal or otherwise disclose such information or document to any person.
- (2) No person who has any information which, to his knowledge, has been disclosed in contravention of subsection (1), shall disclose the same to any other person, or make any use of such information for himself or any other person other than the Central Depository.
- (3) A person who contravenes this section shall commit an offence and shall, be punishable on conviction to imprisonment for one year together with a fine of 75,000 Rufiyaa.

30. Restriction on disclosure of information by participants

Nothing in this Act shall authorise a participant which is a bank licensed by the Maldives Monetary Authority to disclose any information or document to any person in contravention of the Banking Act or relevant Act.

31. **Permitted disclosures**

Notwithstanding s.21, a person shall not be entitled to refuse to disclose any information or document –

- (a) which the depositor, or his personal representative, has given permission in writing to disclose;
- (b) in a case where the depositor is declared to be insolvent, or, if the depositor is a corporation, the corporation is being or has been wound up;
- (c) for the purpose of instituting or, in the course of, any civil proceedings –
 - (i) between the Central Depository or a participant and a depositor, relating to the securities account of the depositor; or
 - (ii) between the Central Depository or a participant and two or more parties making adverse claims to securities or monies in the securities account of the depositor, where the Central Depository or participant seeks relief by way of interpleader;
- (d) to any person who makes a request in writing and who is duly authorised under any law to investigate into any offence, such disclosure being, in any case, limited to the securities account and affairs of the depositor suspected of the offence;
- (e) to the Central Depository for purposes of the compilation of its record of depositors or any part thereof under s.6(a) or the register of substantial shareholders under s.13;
- (f) to an issuer in respect of a certification of names of depositors issued under s.19;
- (g) for the purpose of enabling or assisting a bank licensed by the Maldives Monetary Authority to discharge its functions under the Banking Act or any relevant Act;
- (h) for the purpose of enabling or assisting the Authority to exercise any functions under this Act or the Securities Act or any Act dealing with collective investment schemes, or any other written law or under the rules of the Central Depository;
- (i) for the purpose of enabling or assisting the Registrar to discharge his functions under this Act or under the Companies Act or under any Act dealing with collective investment schemes;
- (j) for the purpose of enabling or assisting a stock exchange to discharge its functions in accordance with the rules of the Central Depository;
- (k) for the purpose of enabling or assisting auditors of the Central Depository and any participants to discharge their functions;
- (l) for the purpose of enabling or assisting any person appointed under the Companies Act to discharge his functions;

- (m) for the purpose of disclosure to a foreign regulatory authority pursuant to the Securities Act, for the assistance of regulatory requirements of such foreign regulatory authority;
- (n) in a summary or collection of information, framed in such a way so as not to enable the identity of any depositor, to whom the information relates, to be ascertained;
- (o) where disclosure is otherwise required by and is given in accordance with the rules of the Central Depository.

32. **Central Depository to provide assistance**

The Central Depository shall provide such assistance to the Registrar and the Authority as either reasonably requires for the performance of their functions and duties under this Act and any other enactment.

PART 7

PROVISIONS TO APPLY AFTER TRANSITIONAL PERIOD

33. **Interpretation for the purposes of this Part**

- (1) In this Part, unless the context otherwise requires –

“dematerialisation date” in relation to a dematerialised security, means the date prescribed by the Authority under s.34 as being the last day on which a certificate representing such security may be recognised as *prima facie* evidence of title to the security under the Companies Act;

“immobilised security” means a security where the underlying physical certificates have been deposited with and are held by a Central Depository ;

“transitional period” means the period from the date of the commencement of this Act and ending on the dematerialisation date.

34. **Dematerialisation date to be publicly notified by the Authority**

- (1) The Central Depository shall following the commencement of this Act take appropriate measures to provide investors with information on the nature and working of the scheme effecting for the transfer and settlement dealings in securities provided by the Central Depository with the objective that within five years of the date of commencement of this Act the scheme should be a fully dematerialised one without the physical necessity of certificates.
- (2) The Authority shall, in consultation with the Central Depository, publicly notify by advertisement in the Gazette and in newspapers having a national circulation, the dematerialisation date after which the underlying physical certificate will no longer be recognised as providing *prima facie* evidence of a title to securities and by which all dealings in listed securities shall be effected through the Central Depository.
- (3) The dematerialisation date notified by the Authority shall be a date that is not less than 90 days from the date of public notification.

35. **All listed securities to become dematerialised on dematerialisation date**
- (1) On the dematerialisation date all listed securities shall become dematerialised securities and shall be deemed to be deposited with and held in the name of the Central Depository or the nominee named by the Central Depository for that purpose.
36. **Issuers of listed securities to take action following notification of the dematerialisation date to give effect and comply with dematerialisation of listed securities**
- (1) Upon and following the notification by the Authority under s.34 of the dematerialisation date an issuer of a listed security shall –
- (a) give notice to all security holders in relation to that issuer that on the dematerialisation date the securities held by that security holder shall become dematerialised securities; and
 - (b) do all such things as are necessary to amend the articles of association, constitution, or trust deed relating to the issuer, as the case may be, to give effect to and comply with this Act and to the Rules of the Central Depository within ninety days of the date of notification by the Authority.
37. **On and after dematerialisation date, register of security holders and relevant information to be provided to Central Depository**
- (1) On or after the dematerialisation date –
- (a) every issuer of a listed security shall surrender the physical register of members, debenture holders, holders of units in a unit trust, or other register of security holders, as the case may be, to the Central Depository; and
 - (b) any custodian or any securities registrar or other person having safe custody of securities or management of a register of securities shall give effect to the provisions of s.36 by surrendering to the Central Depository any register of security holders and any physical certificates of securities kept by such custodian, securities registrar or other person; and
 - (c) every issuer of a listed security shall provide information to the Central Depository of any member or debenture holder or holder of units in a unit trust or other security holder who appears in the appropriate register as a holder of a certificate or otherwise as the holder of securities.
38. **Central Depository to maintain official record of depositors**
- (1) The Central Depository shall maintain an official record which shall include the name and particulars of –
- (a) every depositor with particulars of the deposited security credited to the securities account held by such depositor; and
 - (b) where the prescribed security is issued by a listed company, every shareholder or debenture holder whose name would, save for this section,

appear in the appropriate register of shareholders or debenture holders of such company, as the case may be; and

- (c) where the prescribed security is a unit issued by a unit trust every unit holder whose name would, save for this Part, appear in the appropriate register of unit holders of such unit trust.
- (2) Notwithstanding the Companies Act, and any Act dealing with collective investment schemes, a record of depositors maintained pursuant to subsection (2) shall –
- (a) contain information in computerised record form;
 - (b) not be distinguished by any distinguishing number; and
 - (c) contain such other information as may be required under the Rules of the Central Depository.
- (3) The provisions of this section shall not apply to any bearer securities.
- (4) Nothing in this section shall be construed as making the Central Depository an agent of the issuer for the purpose of providing registration services.

39. Issuer not to issue certificates in respect of dematerialised securities

- (1) No issuer shall, after the dematerialisation date issue any certificate in respect of a dematerialised security.

40. Withdrawal of listed securities from Central Depository prohibited after dematerialisation date

- (1) After the dematerialisation date no person shall withdraw any securities from the Central Depository while that security is a listed security.

41. Effect of dematerialisation

- (1) With effect from the dematerialisation date and notwithstanding the provisions of the Companies Act or anything in the articles of association of the issuer, a reference in respect of a dematerialised security, to –
- (a) a register of members or debenture holders including branch registers, as the case may be, maintained by a company under the Companies Act, shall be deemed to be a reference to the record of depositors maintained by the Central Depository;
 - (b) a transfer of shares or debentures from a transferee under the Companies Act shall be deemed to be a reference to a book – entry transfer performed by direct entry in the Central Depository; and
 - (c) any certificate, instrument of transfer or any movable property representing any security which is used as *prima facie* evidence of ownership of the security shall be deemed to be a reference to a statement of account issued by the Central Depository.

42. Application to collective investment schemes and other securities

- (1) With effect from the dematerialisation date and notwithstanding the provisions of any other written law or any thing in a trust deed of any collective investment scheme, a reference in respect of a dematerialised security which represents an interest in a collective investment scheme, to –
- (a) a register of any collective investment scheme, shall be deemed to be a reference to the record of depositors maintained by the Central Depository;
 - (b) a transfer of an interest in a collective investment scheme from one investor to another, shall be deemed to be a reference to a transfer by direct entry in the Central Depository; and
 - (c) a certificate issued as evidence of an interest in a collective investment scheme, shall be deemed to be a reference to a statement of account issued by the Central Depository.
 - (d) the Authority may, in respect of dematerialised securities, prescribe Regulations –
 - i. to effect the replacement of physical certificates with records by way of direct entry in the Central Depository where the dematerialised security to be prescribed is a security other than a share or debenture under the Companies Act, or an interest in a collective investment scheme; and
 - ii. to prescribe forms for recording the interest in securities standing to the credit of any depositor before the dematerialisation date.

43. Depositor after dematerialisation date to be treated as a shareholder, debenture holder, unit holder or other security holder

- (1) Notwithstanding the provisions of the Companies Act or any Act dealing with collective investment schemes or any other written law governing the issuer, a depositor of any deposited security whose name appears in the record of depositors shall be entitled to all rights, benefits, powers and privileges and be subject to all liabilities, duties and obligations in respect of, or arising from such security (whether conferred or imposed by the Companies Act, or such any Act dealing with collective investment schemes or other written law or the deed of establishment or the memorandum or articles of association or deed of trust of the issuer, or otherwise) as if he were a member, debenture holder or unit holder registered in the appropriate register, as the case may be, maintained by the issuer of such security, pursuant to the said Acts or any other written law.

PART 8

MISCELLANEOUS

44. Indemnity

- (1) No officer, employee or agent of the Central Depository shall be subject to any proceedings in any Court for any act or matter done, or ordered to be done, or

omitted to be done, by that person in good faith in the intended exercise of any power or performance of any duty, conferred or imposed on that person by or under this Act.

45. Regulations

- (1) The Authority may, from time to time, make such Regulations as may be necessary or expedient for carrying out or achieving the objects and purposes of this Act.
- (2) Without prejudice to the generality of subsection (1), regulations may be made for –
 - (a) prescribing fees to be paid in respect of any matter or thing required for the purposes of this Act;
 - (b) regulating the appointment of nominee companies and the imposition of duties, obligations and sanctions on such agents and companies;
 - (c) regulating the setting up and operation of the computer system including computer terminals which form part of such system;
 - (d) regulating the manner in which immobilised deposited securities shall be kept for safe custody by a Central Depository;
 - (e) regulating the replacement of physical registers with records of deposited securities where the dematerialised security to be prescribed is a security other than a share or debenture under the Companies Act or an interest in a collective investment scheme;
 - (f) regulating the activities of, and the standards to be maintained by, a Central Depository, and its nominee companies under this Act;
 - (g) prescribing all matters relating to the maintenance of insurance, and the establishment and maintenance of guarantee and compensation funds, by a Central Depository, its nominee companies for the purpose of settling claims by depositors against them;
 - (h) prescribing such other persons who may have access to the computer system of a Central Depository;
 - (i) prescribing the extent to which any user or class of users may have access to the computer system of a Central Depository;
 - (j) matters relating to linkages between a Central Depository and other securities depositories established outside the Maldives;
 - (k) matters relating to pledging of deposited securities; and
 - (l) all matters or things which by this Act are required or permitted to be prescribed or which are necessary or expedient to give effect to this Act.
- (3) All rules, regulations and guidelines formulated by the Authority shall –
 - (a) take into account and be consistent with the objective of promoting and maintaining an effective and efficient securities market;

- (b) be passed by the Board of Directors of the Authority.

46. Offences

A person who knowingly contravenes or fails to comply with any of the provisions of this Act or regulations made under this Act, shall commit an offence and, unless otherwise expressly provided, shall be punishable on conviction by a fine not less than 25,000 Rufiyaa and not exceeding 100,000 Rufiyaa or imprisonment for a term not less than 3 months and not longer than 1 year with a fine of 75,000 Rufiyaa.

47. Consequential Amendment

- (1) The Securities Act is amended by –

- (a) deleting the definition of “Central Depository” in s.62 and replacing it by the following definition –

“Central Depository” means the Central Depository established or deemed to be established pursuant to the Securities (Central Depository) Act 2008;

- (b) inserting immediately after paragraph (d) in s.4 the following new paragraph –

- (aa) monitoring and regulating the operation of the Central Depository, established under the Securities (Central Depository) Act 2008.

- (2) The Companies Act is amended by -

- (a) inserting at the commencement of section 34 the words “Subject to the provisions of the Securities (Central Depository) Act 2008”;
- (b) inserting at the commencement of section 36 after the words “moveable property and” the words “subject to the provisions of the Securities (Central Depository) Act 2008.