



# CMDA

Capital Market Development Authority

## QUARTERLY BULLETIN

QTR 4, 2014



Capital Market Development Authority

MTCC Tower, 4th Floor, Boduthakurufaanu Magu,

Republic of Maldives, Male'

Phone: 00960 333 6619, Fax: 00960 333 6624,

Website: [www.cmda.gov.mv](http://www.cmda.gov.mv)

Mail: [mail@cmda.gov.mv](mailto:mail@cmda.gov.mv)

## PREAMBLE

The Capital Market Development Authority (CMDA) is pleased to present the fourth “CMDA Quarterly Bulletin” for the year 2014.

### BOARD MEETINGS AND RESOLUTIONS

The CMDA Board of Directors met a total of 7 times during the quarter. Important decisions and issues resolved upon include:

- ◇ Resolved to open a Current Account for CMDA at the Maldives Islamic Bank.
- ◇ Resolved to appoint Uza. Samiya Zakariyya as a member of the Capital Market Shariah Advisory Council.
- ◇ Endorsed Job criteria set for the positions of CMDA.
- ◇ Endorsed to absolve the regulatory fines levied on MSE and MSD.
- ◇ Endorsed the resignation and recruitment of staff.
- ◇ Endorsed performance appraisal forms.
- ◇ Endorsed 2013 Annual Shariah Screening of Amana Takaful Maldives.
- ◇ Endorsed Bi-Annual Shariah Screening of Amana Takaful Maldives for 2014.
- ◇ Endorsed the 2<sup>nd</sup> and 3<sup>rd</sup> Quarter 2014 Sukuk Progress Report of Housing Development & Finance Corporation Plc.

### CHANGES TO CMDA BOARD OF DIRECTORS

CMDA Board’s private sector representative Mr. Ibrahim Athif Shakoor, who has been a board member since 25<sup>th</sup> March 2014 submitted his resignation during the quarter. His resignation was accepted on 4<sup>th</sup> November 2014.

### CAPITAL MARKET STRATEGIC PLAN (CMSP) COMMITTEE

The first draft of the Strategic Plan 2015 – 2019 was

### Highlights:

- ⇒ Board Meetings and Resolutions
- ⇒ Changes to CMDA Board of Directors
- ⇒ Capital Market Strategic Plan Committee (CMSPC)
- ⇒ Laws and Regulations
- ⇒ Market Regulation and Supervision
- ⇒ Pension Supervision
- ⇒ Training and Awareness
- ⇒ Islamic Capital Market Developments
- ⇒ Important Meetings
- ⇒ Interview with Associate Professor Dr. Ahcene Lahsana

formulated during the quarter. The plan was drafted based on the preliminary findings from CMDA’s internal assessment of the market.

### LAWS AND REGULATION

#### CMDA Corporate Governance Code

Works on publishing CMDA Corporate Governance (CG) Code in the Gazette was carried out during the quarter. Final version of the CG Code has been sent to the Gazette for publication.

#### OTHER REGULATIONS

##### Regulation on Conduct of Securities Business

The ‘Regulation on Conduct of Securities Business’ was published in the Gazette on 5<sup>th</sup> November 2014.

##### Regulations on Investment Advisers

The ‘Regulations on Investment Advisers’ was published in the Gazette on 14<sup>th</sup> October 2014.

## MARKET REGULATION AND SUPERVISION

### Quarterly Disclosure by Listed Companies

Listed companies published their Quarterly Reports towards the end of October 2014 in accordance with the Securities (Continuing Disclosure Obligations of Issuers) Regulations 2010. Compliance reviews of the reports were made to ensure that the information disclosed in the reports met with the requirements set forth in the Minimum Quarterly Reporting Requirements (MQRR).

Quarterly Reports are available in the Websites of the Listed companies.

### Reviewing of HDFC Sukuk's Progress Report

During the quarter, Capital Market Shariah Advisory Council (CMSAC) reviewed the Progress Report of HDFC Mudaraba Sukuk for the 2nd and 3rd Quarter of 2014. The 'Regulation on Issuance of Sukuk Securities' requires all issuers to publish a Progress Report at the end of each quarter.

### Licensing and Registrations

The Authority announced interested parties to submit expression of interest to obtain the following licenses.

#	License Name	Applicable Regulation
1.	Investment Adviser	Regulation on Investment Advisers
2.	Investment Adviser Representative	Regulation on Investment Advisers
3.	Credit Rating Agency	Rules on Credit Rating Agencies

During the Quarter, Authority received 1 expression of interest for Investment Adviser and Investment Adviser Representative License.

Stock Brokers Maldives Pvt Ltd (SBM) renewed its license till 31st October 2016.

## MARKET HIGHLIGHTS

Particulars	Q3, 2014	Q4, 2014
Trades	21	35
Volume	707,624	51,629
Value (in MVR)	2,976,392	751,355

## PENSION SUPERVISION

### On-site Inspection of the Custodian of Maldives Pension Administration Office

A routine on-site inspection of the Custodial operations of Bank of Maldives was carried out in the month of October. During the inspection, senior officials of the finance department and Custodial Services Unit of BML were interviewed and documents were checked for verification. Prior to the onsite inspection, an offsite assessment was carried out to check the compliance with the 'Regulations on Institutions Providing Custodial Services' and Custodial Agreements.

### Quarterly Assessment of the Maldives Retirement Pension Scheme (MRPS) for Q3, 2014

Quarterly assessment of the MRPS was carried out for the 3<sup>rd</sup> Quarter of 2014. The Quarterly Assessment Report of MRPS comprises of analysis of the investment and performance of the assets of the MRPS.

The aim of this analysis is to provide information on the current status of the fund in order to guide policy and supervisory activities.

### Monitoring appointment of members to MPAO Board

MPAO Board director Mr. Ibrahim Ahmed Nasir (private sector representative) resigned from his post during the quarter. Furthermore, following the receipt of the shortlisted candidates for the vacant post, the Authority verified whether the candidates meet the criteria and qualifications set forth in the Maldives Pension Act 08/2009.

The Authority's review was sent to MPAO.

### Review on allowing withdrawals from Maldives Retirement Pension Scheme (MRPS)

The objective of this review was to identify circumstances where it can be allowed to withdraw from MRPS for other purposes prior to retirement and the mechanisms in place in other countries to facilitate this. A working paper has been prepared based on this review.

### IOPS/OECD Global Forum, IOPS Technical Committee Meeting and Annual General Meeting

CMDA representative Mr. Muznee Mohamed (Senior Manager) attended the International Organization of Pension Supervisors (IOPS) Technical Committee meeting, Annual General Meeting and the Global Forum on Private Pensions, which was held in Swakopmund, Namibia from 1 – 3 October 2014. The Global Forum focused on topics that have been identified as priority areas for pension reform by both the Namibian government and within the program of work of the OECD and the IOPS.

### World Bank's Pension and Social Protection Administration Project – CMDA highlights

Under the World Bank's Pension and Social Administration Project, funding is provided for CMDA to strengthen the Pension Supervision Department and development of capital market. The following activities were initiated during the quarter:

- ◇ A System Architect was hired to review the operations of the MSE and MSD and suggest an appropriate architecture for market operations. This has been completed on 31<sup>st</sup> December 2014.
- ◇ A firm was selected and contracted to design and develop a new website for CMDA.
- ◇ An individual was selected to design and carry out a program on 'Going Public'.
- ◇ A TOR was published seeking a firm to conduct an audit of the MRPS software system. Applicants are being evaluated.
- ◇ A firm to conduct the National Financial Capability Survey is being evaluated.

## TRAINING AND AWARENESS

### Investment Adviser Training Program

The objective of this program is to allow participants to acquire practical skills required for an Investment Advisor.

However, this training program was rescheduled for the next quarter.

### Masters in Islamic Finance Practice (MIFP) Program – January 2015 intake

Only 8 applications were received for the January 2015 intake. The applications were sent to INCEIF for processing after it has been reviewed by CMDA.

### Seminar on Women on Boards

This Seminar was held in the month of November at Villa College, QI Campus. The objectives of the seminar are to raise awareness about board diversity, with particular focus on women's participation in the Boards. Seventy participants took part in the seminar including 12 male & 58 female participants. The chief guest was Uz. Mohamed Anil, Attorney General/Minister of Law and Gender. Speakers were Mr. Andrew Healy, CEO/Bank of Maldives, Uza. Noorbaan Fahmy, Legal Counsel/CMDA, Ms. Safahath Ahmed Zahir, CMDA, Ms. Maya Nasih, Senior Manager/ICDS/Villa College. Panelists included Dr. A. D. Priyanka Baddevithana, Managing Director/HDFC and Fathimath Shafeega, CEO/CMDA.



During the 'Seminar on Women on Boards'

### Public lecture on 'Understanding Islamic Finance'

This lecture was held during the month of October at the Islamic Centre's hall and lectured by Dr. AHCENE LAHSANA, an associate professor of International Centre for Education in Islamic Finance (INCEIF). The purpose of this lecture was to provide a basic understanding of Islamic finance.

## ISLAMIC CAPITAL MARKET DEVELOPMENTS

### ICM Monthly Awareness Workshop

An ICM awareness workshop was conducted during the month of October. A total of 45 individuals participated in this workshop, which was facilitated by Dr. Aishath Muneeza.

### Training Course on Islamic Capital Market

During the quarter, a 'Training Course on Islamic Capital Market' was carried out in collaboration with Islamic Research & Training Institute (IRTI) of Islamic Development Bank (IDB). A total of 23 individuals participated in this training course including 16 locals and 7 international participants from 4 countries— namely, Brunei, Indonesia, Malaysia & Turkey. This training course was facilitated by Dr. Aishath Muneeza & Mr. Adiwarman Azwar Karim.



Participants of 'Training Course on Islamic Capital Market'

### Development of ICM Info graphics video

This video includes vital information related to Islamic finance and Islamic capital market. The aim was to develop a video that could not only be aired on television but also can be uploaded to YouTube and other such websites for the convenient viewing of the public.

### Shariah Screening

The Bi-annual Shariah Screening of Amana Takaful Plc. was carried out during the quarter to check the compliance with the 'Regulation on Shariah Screening of Equity Securities'.

### Capital Market Shariah Advisory Council (CMSAC) Meeting

During the quarter, a meeting of the Capital Market Shariah Advisory Council was held and the following issues were resolved:

- Advice to the CMDA Board to endorse biannual screening of Amana Takaful (Maldives) Plc. for the first half of 2014.
- Advice to the Board on the compliance of HDFC Amna Sukuk Progress Report of 2014 for the 2nd and 3rd quarter, with the 'Regulation on Issuance of Sukuk Securities'.

### IMPORTANT MEETINGS

- ⇒ Meeting with Maldives Monetary Authority (MMA) to discuss the draft 'Prevention of Money Laundering and Terrorism Financing Regulation' for the securities market.
- ⇒ Meetings were held with State Minister of Education, Dr. Abdulla Nazeer; the CEO of Allied Insurance Company; and the CEO of Maldives Pension Administration Office to discuss the Capital Market Assessment Survey. The objective of the proposed survey was to reach out to the stakeholders in the business sector and get their input in formulating the CMDA Strategic Plan 2015 – 2019.
- ⇒ Meetings were held with MSE and MSD to review the Licensing Regulations.

**Opportunity to Register & Operate Investment Funds in Maldives**

**Become a Licensed Investment Adviser**

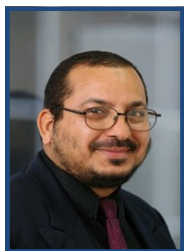
**Foreign participation is encouraged!**

### UPCOMING EVENTS

#### Investment Advisor Examination



*An Investment Advisor Examination is scheduled for next quarter.*



**Interview with the Associate Professor Dr. Ahcene Lahsasna (PhD, CFP, ACIP, RFP, Shariah RFP, Shariah Advisor)**

**Deputy Director, Center of Research & Publication, (INCEIF, Malaysia)**

*Q1. Could you please brief your roles at the INCEIF?*

A. First of all I would like to thank you for your kind invitation for this interview. Well, I am Ahcene Lahsasna, an Associate professor at INCEIF, teaching Shariah subjects for PhD and Master (students) in the academic programme, and teaching Shariah subjects, as well in the professional programme MIFP (Master in Islamic Finance Practices). I am also the deputy director of the Center of Research and Publication at INCEIF.

*Q2. Can you please briefly state about the subject “Shariah Aspects of Business and Finance”?*

A. Well, “Shariah aspects of business and finance” is a fundamental subject in the MIFP programme. Basically it is a combination of three major subjects integrated in one single module; the first one is Islamic jurisprudence; the second one is Shariah governance and the third one is the theory of contracts. This subject is regarded as a pre-requisite course for other Shariah subjects in order to provide an overview on Shariah aspects in business and finance.

*Q3. In your view, what are the main obstacles to develop Islamic Finance?*

A. Well, every country has its own challenges and obstacles in developing Islamic finance. As for the Maldives, maybe the size of the population and the nature of landscape of the country can be regarded as a challenge. However in many cases the challenge itself become a unique niche for the country to leverage on it, and make it as a strength and not a weakness point. Hence the Islamic finance portfolio in Maldives can be adjusted to suit the unique features of the country. However you need a comprehensive framework in Islamic finance including legal and Shariah (in addition) to diversify the market that has a wide range of financial products and services to accommodate the local and international demand. In my view if there is a political will and commitment of the authorities towards developing Islamic finance, more than 50% of the problems and obstacles are already resolved, as it represents the key success of the journey of Islamic finance, and the mission can be very possible, where the goals can be achieved quickly through a reasonable and progressing agenda.

*Q4. Maldivian population is scattered into 200 inhabited islands. In your view what are the opportunities for Islamic microfinance in rural areas and what role can Shariah scholars play to enhance public awareness in Islamic banking and finance?*

A. The Shariah compliance solutions always has a space in any environment regardless of the size of the country or its population, as long as there is a need for banking and finance. Islamic finance has space, and always have what to offer to the public from products and services. As you mentioned there is always opportunity for Islamic microfinance in the rural areas, in addition to other Islamic finance facilities that support the main economic sectors of Maldives such as tourist industry, and small and medium sized businesses. Of course Shariah scholars have great responsibility to promote Islamic finance products through the different means available to enhance the penetration of Islamic finance in the market, and provide answers to the different inquiries from the consumers who represent an important stakeholder for Islamic finance. In addition to that, Shariah scholars have a significant role in Islamic finance in providing proper direction, advice, resolutions on IFI (Islamic Financial Instruments) to ensure that their operation is in compliance with Shariah rules and principles.

*Q5. Can you tell us how we can use Zakat fund for country's economic development?*

A. In order for Zakat to play its role in the economic development beyond the distribution, Zakat should be a well-established institution that has a great support from the authorities in addition to the support from the society (individual & corporate) that represent the donor channel. A strategic planning and management for Zakat (that must involve collection, distribution in cash, distribution in kind, and in the form of projects) is a key factor for the success of Zakat fund, combined with the objective of converting the poor population from being a recipient to being a productive workforce (that in return) will donate more Zakat in the future. The future planning and management should be based on available data and additional empirical studies that the Zakat institutions conduct to ensure proper planning and management of Zakat fund. The aim is to reduce the poverty level in the short term and achieve prosperity of the society in the long term and for everyone to be part of the economic development of the country.

*Q6 & Q7. What kind of incentives government can offer to attract Islamic Finance? And in your view how do we create Islamic Finance opportunities and demand in Maldives?*

A. Maldives can develop a sophisticated and comprehensive market which represent a one-stop business and finance solution centre that can attract international market players similar to Hong Kong, Singapore, Labuan and Luxembourg. However primary focus can be on specific financial sectors that suit your needs, such as stock market for international securities listings, private banking and fund listing. In addition to these, other financial services also can be provided, where the focus should be on the offshore services to meet and accommodate the international demand in banking, finance, investment and other services. I can give a small example here. As you know Takaful is a part of the Islamic finance structure and solutions. It can play a significant role in the country similar to the experience of Taiwan which is a good example, because Taiwan is the top country in the world in life insurance. So why not the Maldives be a part of the top Takaful family in the world. As it is known Taiwan is a small country but leading the world in some aspects of business and finance. Hence the Maldives can play the same role and benchmark on the experience of similar countries such as Taiwan, Hong Kong, Singapore, Luxembourg and Labuan in Malaysia. I have to mention one important point here related to the support needed from the OIC countries. I believe that OIC countries should provide the needed support to the Maldives in Islamic finance to ensure its success. The OIC countries can give more support to the Maldives in different ways, for e.g. establishment of a sophisticated and robust offshore platform in the region.

*Q8. What is your observation on the success of Islamic Finance in Maldives?*

A. Well, as a part of our faith and belief we have to always look at things positively. Hence the future of Islamic finance in Maldives is bright and promising. The beauty of Islamic finance in Maldives, which is also a sign of a successful journey, is that the Islamic finance initiative and promotion is undertaken by the authorities which put the Islamic finance agenda in the right path and proper direction similar to the Malaysian model. The future collaboration expected between the authorities, the private sector, the Shariah scholars, and the academician will foster the growth of Islamic finance and keep it under ongoing enhancement in a very healthy environment. The current initiatives undertaken by the authorities towards expanding the portfolio of Islamic finance industry in the Maldives is a clear observation of the wise decision and direction of the government towards Islamic finance. I wish Maldives the best for its journey in Islamic finance.

*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@cma.gov.mv](mailto:mail@cma.gov.mv) or contact the Information Officer on (960) 3014114. While reasonable care has been taken to prepare the bulletin, CMDA accepts no responsibility or liability whatsoever, resulting from the use of information herein.*