

Guidelines on Approving Advertisements Relating to Securities

1. Preamble

In exercise of the powers conferred by Section 41 of the Maldives Securities Act (2/2006), the Capital Market Development Authority issues the Guidelines set out below, for approval of advertisements relating to securities

2. Interpretations

In these Guidelines:-

“Act” means the Maldives Securities Act (Law No. 02/2006)

“Advertisement” means any form of communication not being a registered prospectus under the Companies Act, that is to be or has been distributed to any person by any means and which is authorized or instigated by or on behalf of the issuer or prepared with the co-operation or by arrangement with the issuer, and –

1. that contains or refers to an offer of securities to the public for subscription; or
2. that is reasonably likely to induce persons to subscribe for securities of the issuer, being securities to which that communication relates and which have been or are to be offered to the public for subscription.

An advertisement includes every form of public notice, whether in a publication, brochure, handout, or letter-head, or by the display of notices, or by means of circulars or other documents, or by an exhibition of photographs or cinematography films or videos, or DVD's or by way of sound broadcasting or television, or by way of communication through the internet for the purpose of computer screen display or printout, or other transmission, or by way of text or other communication by way of mobile phone or by way of the distribution of recordings or in any other manner;

“investment advertisement” means any form of advertisement made to any person in Maldives which contains or refers to an invitation or inducement to subscribe for or purchase any form of investment whether that investment constitutes particular securities which are or are to be offered for subscription or purchase or related generally to investment in some form of securities;

“securities” means -

1. debentures, bills or bonds issued or proposed to be issued by the government;
2. debentures, stocks, shares, bonds or notes issued or proposed to be issued or any right warrant or option in respect thereof by a body corporate or any other institution;
3. any other instruments as the Authority may prescribe to be securities for the purposes of the Act;



3. Prominence of required statements

The significance of any statement or other matter required by the provisions of this Guideline to be included in an investment advertisement shall not be disguised either through lack of prominence in relation to the remainder of the advertisement or by the inclusion of matter calculated to minimize the significance of the statement or the other matter required to be included.

4. Advertisements to be clear, fair and not misleading

- a. The content of an investment advertisement and the manner of its presentation shall be such that the advertisement is not misleading and is not likely to be misunderstood.
- b. An investment advertisement shall not contain any statement, promise or forecast unless the issuer of securities has taken all reasonable steps to ensure that each such statement, promise or forecast is not misleading in the form or context in which it appears.
- c. No advertisement shall be inconsistent with any registered prospectus or disclosure statement issued under Capital Market Development Authority's rules.
- d. An investment advertisement shall not contain any statement purporting to be a statement of fact that the issuer of securities does not reasonably believe at the time, on the basis of evidence of which it has a record in its possession, to be true.
- e. If the securities investment to which the advertisement relates is available in limited quantities, or for a limited period or on special terms for a limited period, the advertisement may say so but, if that is not the case, the advertisement shall not contain any statement or matter that implies it is so.

5. Advertisements to be distinguished from other matter

- a. The terms of an investment advertisement and the manner of its presentation shall be such that it appears to be an advertisement issued with the object of promoting the investment to which it relates.
- b. Where the medium in which the advertisement is carried contains or presents other matter the advertisement shall be distinguished from that other matter so that the part that is an advertisement clearly appears as such.

6. Promotions to be genuine

No investment advertisement shall be issued with the intention or effect not of persuading persons who respond to the advertisement to pursue the subject matter of the advertisement but, with the intention or effect instead, of persuading them to enter into an agreement, or use business services, of a description not mentioned in the advertisement.

7. Advertisements not to imply Government or Authority approval

An investment advertisement shall not contain any matter that states or implies that the securities investment that is the subject of the advertisement or any matter in the advertisement has the approval of any Government department or of the Authority.



8. Synopses to be fair

a. An investment advertisement that does not state all of the rights and obligations attaching to an investment or all of the terms and conditions of an agreement relating to investment shall –

(1) state sufficient of them to give a fair view of the nature of the investment, of the financial commitment undertaken by an investor in acquiring the investment and of the risks involved; and

(2) state how a written statement of all of them can be obtained.

9. Comparison with other investments or services

An investment advertisement shall not compare or contrast one investment with an alternative investment unless the comparisons and contrasts are fair in relation to what is promoted and to the alternative having regard to what is not stated as well as to what is stated.

10. Past performance

a. An investment advertisement shall not contain information about the past performance of investments of any description unless –

i. it is relevant to the performance of the investment the subject of the advertisement;

ii. the source of the information is stated;

iii. if the whole of the information is not set out –

(a) what is included is not misrepresentative, unfair or otherwise misleading; and

(b) the exclusion of what is excluded does not have the effect of exaggerating the success or performance over the period to which the information that is included relates;

iv. if the information is presented in the form of a graph or chart, no part of the information is omitted so as to give a misleading impression of the rate at which variable quantities or amounts have changed;

v. the period which is selected as illustrating past performance is a period of not less than 3 years which period must end no more than 1 month before the date of the issue of the investment advertisement, provided that where the investment has been available for less than 3 years, the whole of its period of availability shall be covered; and

vi. the investment advertisement contains a warning that the past is not necessarily a guide to the future.

11. Indication of the scale of business activities

a. An investment advertisement shall not contain any statement indicating the scale of the activities or the extent of the resources of the advertiser, so as to imply that the resources available to support the performance of the advertiser's obligations are greater than they are.

b. Statements shall not be made that refer to that to resources of members of a group other than the advertiser except in compliance with rule 13 .



12. Risk warnings

- a. An investment advertisement shall contain a statement in accordance with this paragraph warning of the risks involved in acquiring or holding the investment the subject of the advertisement.
- b. Where the investment advertisement relates to an investment that can fluctuate in value in money terms, the statement shall draw attention to that fact and to the fact that the investor may not get back the amount he has invested.
- c. Other than in the case of fixed income securities, where the advertisement offers an investment as likely to yield a high income or as suitable for an investor particularly seeking income from his investment, the statement shall draw attention to the fact that income from the investment may fluctuate in value in money terms; and in all cases shall draw attention to the fact that the income may fluctuate in value in real terms due to inflation.
- d. Where the investment advertisement relates to an investment denominated in a currency other than that of the country in which the advertisement is issued, the advertisement shall draw attention to the fact that changes in rates of exchange between currencies may cause the value of the investment to diminish.
- e. Where the investment advertisement contemplates the investor entering into a transaction the nature of which is such that the investor may not only lose what he pays at the outset but may incur a liability to pay unspecified additional amounts later, the statement shall draw attention to the fact that the investor may or, as the case may be, will have to pay more money later and that accordingly a transaction in that security can lose the investor more than his first payment.
- f. Where there is no established securities market for the investment, or it is traded on an established market only irregularly or infrequently, so that it may be difficult for an investor to sell the security, or to obtain reliable information about the value or the extent of the risks to which it is exposed, the statement shall draw attention to that fact.

13. Guaranteed, secured, assured or promised returns

An investment advertisement shall not describe a prospective investment return as being in any way guaranteed, secured, assured or promised, or having the backing or support of resources from any members of a group other than the advertiser either expressly or impliedly, unless the advertisement has been approved in writing by the Authority prior to its issue.

14. Dating

- a. An investment advertisement in a newspaper publication shall state in the bottom right hand corner of the advertisement the date on which it was first issued.
- b. An investment advertisement by way of a brochure, handout or similar marketing literature shall state the date on which it was first issued on the front outside cover page.
- c. An investment advertisement by way of cinematography film, video, DVD, TV broadcast or internet communication shall bear the date on which it was first issued prominently at the beginning or end of the advertising material.



15. Identification of advertiser

An investment advertisement shall identify the person who issues or causes the advertisement to be issued, and where the advertisement is issued or caused to be issued by a person other than the advertiser, it shall identify the advertiser on whose behalf the advertisement is published.

16. Power to prohibit Advertising

- a. In the following circumstances, publication of an advertisement or an advertisement relating to securities can be prohibited by the Authority:-
- I. if it is likely to mislead or confuse with regard to any securities or any particular contained in the advertisement that is material in relation to securities; or
 - II. if the advertisement is inconsistent with any registered prospectus referred to in the advertisement; or
 - III. if the advertisement is in contravention of this Act, or the Companies Act.
- b. An order issued under this section may be made on such terms and conditions as the Authority thinks fit.
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