



# CMDA

Capital Market Development Authority

## QUARTERLY REPORT

QTR 01, 2013

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# CMDA Quarterly Report

## PREFACE

The Capital Market Development Authority (CMDA) hereby releases its Quarter 1, 2013 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 and the activities of market participants.

## HIGHLIGHTS:

- ◆ CMDA receives Service Recognition Award at “Maalee Rey 2013”
- ◆ 7th Anniversary Celebrations of CMDA
- ◆ CMDA supports SAFE’s agenda for promoting Regional Financial Integration
- ◆ Raising finance from the Capital Market– Workshop series on Legal & Regulatory Overview
- ◆ National Financial Literacy Initiative (NFLI) –Updates
- ◆ Seminar on Asset Management & Custodial Services conducted by MPAO
- ◆ Market Statistics at closure of 2012
- ◆ Regulatory Activities
- ◆ Training & Awareness

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@cnda.gov.mv](mailto:mail@cnda.gov.mv) or contact the Information Officer on (960) 3014121.



## CMDA receives Service Recognition Award – “Maalee Rey 2013”

CMDA received “Service Recognition Award” at “Maalee Rey 2013”, a function hosted by MMA to mark the Maldives financial sector developments. The CEO of CMDA, Ms. Fathimath Shafeega received the award on behalf of CMDA.

The award is a prestigious award designed and presented by MMA to the leading financial institutions of the Maldives as recognition for their contributions to the Maldives financial sector.



CMDA extends its sincere thanks to MMA for recognizing & acknowledging its efforts to develop and regulate the Maldives Capital Market.

The event marked a milestone step towards encouraging the key financial institutions of the Maldives to achieve their goals and make their businesses more productive & efficient which will eventually lead to a greater positive impact on the overall finance industry of the Maldives.

## CMDA’s 7th Anniversary Celebrations

CMDA celebrated its 7th anniversary on 26th January 2013. In the function held to mark this occasion, the CMDA team & the Board of Directors met informally and marked the

developments & accomplishments in the Maldives Capital Market since the establishment of CMDA back in 2006.

The true flavor of the celebrations came into limelight when recognition awards were presented to the staff of CMDA. Mr. Muznee Mohamed (Manager of Pension Supervision Department) was awarded the “Employee of the Year Award 2012”. In addition to this, attendance and punctuality awards were presented to staff with 100% attendance and punctuality records.



*“Though it is not a very long time in CMDA’s life, it was very elevating to mark the completion of successful 7 years” - Chief Executive Officer, Ms. Fathimath Shafeega.*

### **CMDA supports SAFE’s agenda for promoting Regional Financial Integration**

South Asian Federation of Exchanges (SAFE) is a formal organization of Stock Exchanges in South Asian region providing its members with a platform to exchange technologies and experiences for the rapid growth and development of capital markets and work towards regional as well as global integration. CMDA is an associate member of SAFE since 2010.

SAFE’s project for Regional Financial Integration funded by USAID Small Grants Program was approved in late 2012. The concept for this project was developed under the specific needs identified by SAARC Secretariat to create

interlinked capital markets in the SAARC region.

SAFE’s consultant for RFI project Mr. Amir Raza Khan visited CMDA to discuss the outline of the project and importance of regional financial integration.

The CMDA team had various discussions with the consultant regarding harmonization of Securities Regulations, Corporate Disclosure Requirements, IPO processes, and standards for Market Intermediaries as well as secondary market and trading operations.



CMDA supports SAFE’s RFI project as the promotion of cross border investments would bring wide ranging economic growth in the region besides bringing the South Asian economies together.

### **Raising Finance from the Capital Market- Workshop series of Legal & Regulatory Overview**

The Legal & Regulatory Review Project of CMDA was concluded during the last quarter of 2012 and the final report was opened for public consultation. Further to this, the amendments proposed to the existing legal & regulatory framework under the project was officially communicated to the respective parties.

The major focus of this quarter was to conduct legal & regulatory overview workshops with the objective to sensitize the stakeholders about the proposed investment products and concepts.



The 5 types of investment products proposed under the project include classic and custom preferred shares, corporate bonds (both rufiyaa & dollar denominated), securitization, investment funds and real estate funds. The report discusses each of these concepts and its application to the market in detail.

The workshops were attended by officials from the respective government authorities and finance representatives from listed companies, state owned enterprises and private companies.

CMDA is open for any query from stakeholders and investors with regard to the new capital market infrastructure proposed in the Legal & Regulatory Assessment Report of Maldives Capital Market, which is made available for download on CMDA website.

#### National Financial Literacy Initiative—Updates

The National Financial Literacy Initiative (NFLI) of CMDA was introduced with the objective of educating the masses about the basics of finance.

As part of NFLI, CMDA published the first ever personal financial planning booklet written in Dhivehi in January 2013. The book explains the basics of budgeting, investing, investment products and financial markets.

Financial Planning Booklet is available for reading at: <http://www.cmda.gov.mv/docs/Financial->



This quarter also witnessed the collaboration between CMDA and the Maldives Pension Office, Maldives Stock Exchange, Maldives Police Service and Maldives National Defense Force in organizing workshops on personal financial planning.



#### Seminar on Asset Management & Custodial Services conducted by MPAO

The establishment of Maldives Retirement Pension Scheme (MRPS) under the Maldives Pension Act resulted in the introduction of Asset Management and Custodial Services in the Maldives.

Maldives Pension Administration Office (MPAO), as the administrator and the asset manager of MRPS, and, in collaboration with MMA, CMDA and

BML conducted a Seminar on Asset Management & Custodial Services on 21st January 2013.

The seminar provided interesting insights about the business of global asset management and custodial services. Further to this, a comprehensive presentation on investment securities for Maldives was delivered by the legal & regulatory consultant of CMDA.

The seminar provided the audience with the opportunity to interact with the experts panel established for the Seminar including Mr. Jeremy Cadbury (Investment Consultant of MPAO), Mr. Robert H. Singletary (Legal & Regulatory Consultant of CMDA) & Mr. Eraj Wimalasuriya (Country Manager of HSBC).

#### BOARD MEETINGS & RESOLUTIONS

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

##### *Resolutions & Important Discussions*

- ◆ Endorsed the Capital Strategic Plan for 2013.
- ◆ Endorsed the CMDA Budget for 2nd Quarter of 2013.
- ◆ Endorsed the CMDA Staff Regulation.
- ◆ Resolved to adopt amendments proposed to the existing legal & regulatory framework under the Legal & Regulatory Review Project.
- ◆ Resolved to issue a Dealer's Representative License to Mr. Mohamed Nasih (a broker registered with Aariya Securities Pvt. Ltd) for a period of 2 years under the Dealers & Dealer's Representative Licensing Regulation of CMDA.
- ◆ Discussions on Share Buy-back Rules.
- ◆ Endorsed the Capital Market Shariah Advisory

Council Regulation.

#### REGULATIONS & GUIDELINES

##### CMDA Staff Regulation

The CMDA Staff Regulation prescribes rules that are applicable to the staff of CMDA. The regulation is part of CMDA's effort to instill an acceptable organizational culture by clearly stating the expected behavior from the staff. Additionally, the regulation is expected to enhance good governance practices within CMDA as well as promote ethical behavior among the staff.

The regulation was reviewed and endorsed by the Board of Directors during the quarter. It will come into effect on the date it gets published on the government gazette.

##### CMSAC Regulation

The Board of Directors endorsed changes to the structure & mandate of the Capital Market Shariah Advisory Committee (CMSAC) via the endorsement of the Regulation of Capital Market Shariah Advisory Council.

The significant effect of the regulation is that the composition of CMSAC will be amended as per the new regulation and the conclusions of CMSAC will be published in the form of rulings. Follow our Islamic Capital Market Bulletin on:

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

##### Highlights from ICM Bulletin (Q1-2013)

- ◆ Completion of Sukuk Market Development Project under IDB Technical Assistance
- ◆ Operationalization of INCEIF MoU
- ◆ Progress of COMCEC Islamic Finance Task-force activities
- ◆ Islamic Finance Awareness Programs

## REGULATORY ACTIVITIES

### Capital Market License & Registrations

#### New licenses:

The following licenses were issued under the Dealers & Dealer's Representative Licensing Regulation of CMDA.

- ◆ A Dealer's Representative License was issued to Mr. Mohamed Nasih (broker registered with Aariya Securities Pvt. Ltd).
- ◆ A Dealer's Representative License was issued to Mr. Abdul Majid Thaufeeq (broker registered with Stock Brokers Maldives Pvt. Ltd).

#### License Renewals:

The Credit Rating Agency License issued to CARE Ratings Maldives Pvt. Ltd was renewed for a period of two years after reviewing their license renewal application based on the Rules on Credit Rating Agencies.

#### License Cancellation:

The license of Mr. Abdulla Mubthada (broker registered with First Option Pvt. Ltd) was cancelled on request from the license holder.

### Inspections

#### Dealing Companies

Onsite inspection of Aariya Securities Pvt. Ltd and Stock Brokers Maldives Pvt. Ltd for 3rd & 4th quarter 2012 was conducted during the quarter. The CMDA inspection team focused mainly on the procedural matters relating to trading activities and level of regulatory compliance. The recommendations based on the observations of the inspection team were communicated to the dealing companies. Additionally, discussions were carried out with regard to the rectification of the

identified operational issues and compliance to regulations.

#### MSE/MSD

Onsite inspection of MSE/MSD was also conducted during the quarter. The main focus of the inspection was to check compliance to the respective laws and regulations through its operations during the 3rd quarter of 2012. The CMDA made recommendations related to the rectification of identified operational issues and compliance to regulations based on the conduct of Stock Exchange & Securities Depository operations.

#### Credit Rating Agencies

Offsite inspections were carried out during the quarter for CARE Ratings Maldives Pvt. Ltd to check the level of compliance to Rules on Credit Rating Agencies.

#### Regulatory Meetings

Regulatory meetings with MSE/MSD were held once a month during the quarter. The CMDA and MSE/MSD deliberated on matters related to market development, regulation, and investor awareness.

A meeting with the licensed dealers and dealer's representatives was held during the quarter. Discussions were held regarding implementation of the new clearing and settlement procedure, fit and proper rules for licensed institutions, market development and investor education.

CMDA also met with officials from Listed Companies and carried out discussions on issues related to Securities (Continuing Disclosure Obligations of Issuers) Regulation 2010, Minimum Quarterly Reporting Requirements, Fit and Proper Rules for the Board Directors of Listed Companies, Action plan of Capital Market

Stakeholders Gathering, and implementation issues of Maldives Privatization Act.

### Listed Companies

The listed companies published their 3rd & 4th quarter reports of 2012 before the stated deadline under the Securities (Continuing Disclosure Obligations of Issuers) Regulation 2010.

With the publication of these reports, CMDA checked compliance to disclosure requirements set forth in the Minimum Quarterly Reporting Requirements and the Securities (Continuing Disclosure Obligations of Issuers) Regulation 2010.

Compliance were observed for 3rd quarter report of Dhiraagu and 4th quarter reports of MTDC, BML, MTCC, STO & ATM and based on this analysis, CMDA made recommendations to listed companies to enable improvement of corporate disclosures to the investors.

During the quarter MTCC and STO made directorship announcement as per the Corporate Governance Code and Securities (Continuing Disclosure Obligations of Issuers) Regulation 2010 as part of the preparation for the upcoming Annual General Meetings.

A final dividend was declared by the board of ATM and the announcement relating to this dividend was published on 27<sup>th</sup> March 2013.

### PENSION SUPERVISION

Subsequent to the deliberations at the Parliament to bring changes to the Maldives Pension Act, CMDA issued information to media emphasizing on the importance of continuing with the Maldives Retirement Pension Scheme (MRPS) as per its design envisaged in the Maldives Pension Act.

CMDA conducted a quarterly investment analysis of MRPS. The outcome of the quarterly investment analysis have been communicated to the MPAO.

#### NEW ISSUE

##### HDFC BOND ISSUANCE

Housing Development Finance Corporation Plc. (HDFC) announced its Fixed Income Bond Issue No. 1, 2013 during the quarter. The issue was opened for application from 14 February 2013 to 06 March 2013.

The bonds have been deposited to the respective accounts of deposit holders at MSD on 26 March 2013 and will be opened for trading from 03 April 2013 .

### TRAINING & AWARENESS

The investor education & training arm of CMDA organized the following workshops as part of the CMDA National Financial Literacy Initiative.

- ◆ A One day workshop was conducted for Maldives Police Service (MPS) on 5th February 2013.
- ◆ A One day workshop was conducted for Maldives National Defense Force (MNDF) on 20th March 2013.
- ◆ A training program was conducted for Maldives Judiciary with the objective to increase Capital Market awareness & Pensions among the judges.

### School Presentations

The investor education arm of CMDA conducted presentations for the following schools with the objective of educating young investors on the

basics of savings & investments.

- ◆ Muhyiddeen School
- ◆ Dhiggaru School
- ◆ Maafannu Madharusa
- ◆ Hiriya School
- ◆ Kalaafaanu School



### Corporate Governance

The Institute of Corporate Directors & Secretaries (ICDS) conducted 1 Directors Training Program (DTP) during the quarter. A total of 26 participants completed the program. Following the DTP, a Corporate Directors Examination was conducted and 8 participants undertook the exam.

### Corporate Governance Presentations

- ◆ CG presentation to the board of directors and senior management of Maldives Road Development Corporation Limited & Maldives Ports limited.
- ◆ CG presentation to students of Villa College.

### TRADING TURNOVER—QUARTERLY COMPARISON

STOCK	2012 (MVR)			2013 (MVR)		
	JAN	FEB	MAR	JAN	FEB	MAR
ATM	-	2,400	1,400	-	50,200	860,000
BML	-	-	700	-	21,460	16,000
DHR	-	-	21,600	-	700	17,070
MTCC	-	-	-	-	1,050	-
MTDC	-	-	33,000	-	5,000	5,000
STO	14,550	-	450	111,050	26,560	11,316
<b>Total</b>	<b>14,550</b>	<b>2,400</b>	<b>57,150</b>	<b>111,050</b>	<b>104,970</b>	<b>909,386</b>
Index (Points)	144.77	146.06	147.62	149.74	130.11	144.99
	▼	▼	▲	▲	▼	▲

The trading turnover of 1st quarter 2013 has tremendously increased compared to 1st quarter of the preceding year. The total trading turnover of the quarter was recorded at around MVR 1.12 Million whilst it was MVR 0.07 Million for the preceding year's 1st quarter. However, the Maldives Stock Exchange Index (MASIX) has reduced by 2.63 points towards the end of this quarter compared to the preceding year's 1st quarter.

The Market Capitalization of Maldives Stock Exchange stood at MVR 7.5 Billion for quarter ending as at 31 March 2013.

**CMDA Essay Competition will commence on 20th April 2013**

**Application deadline for CMDA Art Competition is 16th May 2013. For more information call +960 3014119**

**ICDS Directors Training Program - Interested individuals may contact on +960 3014110**

**Corporate Directors Examination scheduled for 30th April 2013**

**Islamic Capital Market (ICM) Awareness Monthly Workshop scheduled for 11th April 2013. For more information call +960 3014124**

