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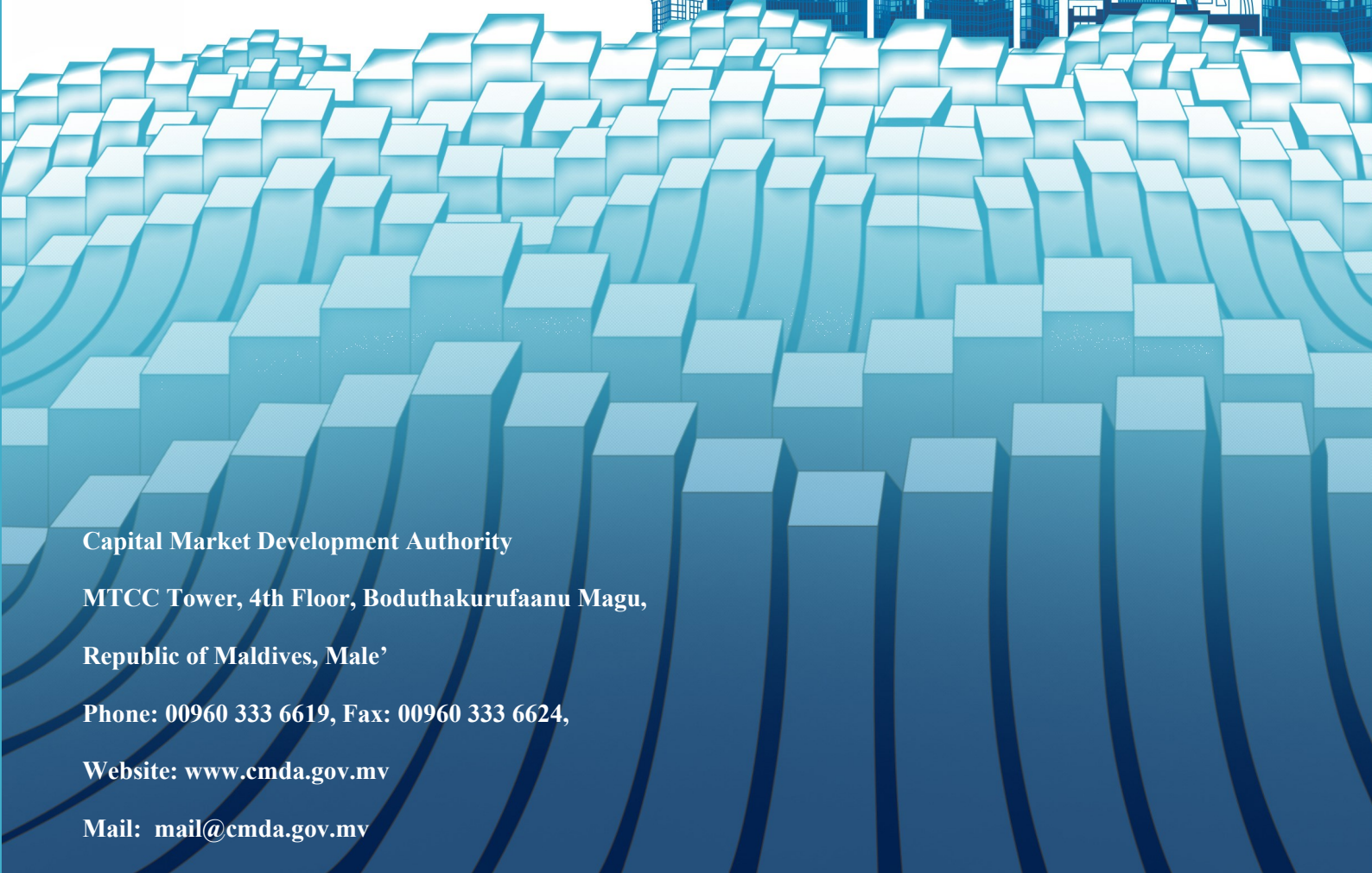


CMDA

Capital Market Development Authority

QUARTERLY BULLETIN

QTR 2, 2014



Capital Market Development Authority
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PREAMBLE

The Capital Market Development Authority (CMDA) is pleased to present the second CMDA Quarterly Bulletin for the year 2014. The ‘CMDA Quarterly Bulletin’ comprises of two segments, one for the conventional market and one for the Islamic Capital Market. Pages 8 to 9 of this Bulletin will contain news and developments on the Islamic Capital Market.

CHANGES TO CMDA BOARD

On 16th June 2014, long serving member and first Chairperson of the CMDA Board of Directors, Mr. Abdul Ghafoor Abdul Latheef, was replaced by Ms. Mariyam Hussein Didi, as the representative of the Maldives Monetary Authority on the CMDA Board of Directors.

Mr. Abdul Ghafoor Abdul Latheef was appointed to the Board on 8th March 2006 and served as its first Chairperson, until 28th January 2009. At this juncture, we would like to acknowledge the contribution of Mr. Abdul Ghafoor Abdul Latheef as a member of the Board and its Chairperson, in the development of the capital market. We wish him all the best in his future endeavours.

It gives us immense pleasure, to welcome back Ms. Mariyam Hussein Didi, to the Board. Ms. Mariyam Hussein Didi had previously served as the second Chairperson of the CMDA Board of Directors, from 28th January 2009 to 8th December 2011. Ms. Mariyam Hussein Didi is currently the Assistant Governor of Banking Operations at MMA.

BOARD MEETINGS AND RESOLUTIONS

The CMDA Board of Directors met a total of 5 times during the quarter under review. Important decisions and issues resolved upon include:

- ◇ Endorsement of CMDA annual accounts and annual report for the year 2013
- ◇ Formulation of 7 member committee to draft the Capital Market Strategic Plan 2015 – 2019

Highlights:

- ⇒ Changes to the CMDA Board
- ⇒ Board Meetings and Resolutions
- ⇒ Strategic Plan Formulation Committee
- ⇒ Signing and Renewal of MoU
- ⇒ Laws and Regulations
- ⇒ Market Regulations and Supervision
- ⇒ Stock Market Developments
- ⇒ Pension Supervision
- ⇒ Training and Awareness
- ⇒ “Market Development and Contractual Savings”
- ⇒ Islamic Capital Market Developments
- ⇒ Interview with the Dean of INCEIF

- ◇ Endorsement of Memorandum of Understanding, to be signed with the MMA
- ◇ Endorsement of Regulation on Investment Funds
- ◇ Deliberated on the proposal by MPAO, to reduce MRPS management fee
- ◇ Deliberated on succession planning and appointment of deputy CEO.
- ◇ Decisions on staff recruitment and termination

STRATEGIC PLAN FORMULATION COMMITTEE

In consideration of the fact that the CMDA’s current Strategic Plan, for the period 2010 - 2014, will expire by the culmination of the current year, the Board of Directors, formulated a 7 member committee, tasked with drafting the next Capital Market Strategic Plan (CMSP) for the period from 2015 to 2019.

The committee consists of the following 7 members:

- Mr. Ibrahim Athif Shakoor (Chairman - Private Sector representative of the Board of Directors)

- Ms. Mariyam Visam (Registrar of Companies)
- Ms. Fathimath Shafeega (Chief Executive Officer)
- Mr. Ahmed Munawwar (Minister of State for Finance and Treasury)
- Mr. Hassan Manik (CEO of MSE and MSD)
- Dr. Aishath Muneeza (Islamic Finance Adviser)
- Mr. Makhzoom Saleem (Director General/ CMDA)

The CMSP committee met once during the quarter, and is currently in the preliminary stages of stakeholder consultancy.

SIGNING AND RENEWAL OF MoUs

Memorandum of Understanding with MMA



Signing ceremony of the MOU (MMA Governor & CMDA CEO)

The CMDA entered into a Memorandum of Understanding (MoU) with the Maldives Monetary Authority (MMA) on the 20th of May 2014. The MoU was signed at a ceremony held at the MMA, attended by the Governor Dr. Azeema Adam, Deputy Governor, Ms. Aishath Zahira and Chief Executive Officer of the CMDA, Ms. Fathimath Shafeega. The MoU will facilitate mutual assistance and cooperation between the two institutions, in developing and regulating the financial sector. It is also hoped that, increased cooperation between the two regulators will enhance soundness of licensed entities and the development of financial sector as a whole.

MoU with National Library of Maldives

The Memorandum of Understanding between the CMDA and the National Library of Maldives (NLM) was renewed during the quarter under review. The primary purpose of the agreement is to facilitate cooperation between CMDA and NLM, in creating awareness of capital market developments in the Maldives. Under the terms of the agreement, the CMDA maintains a capital market corner at the library, which contains various information of significance to capital markets.

LAWS AND REGULATION

Regulation on Investment Funds

The Regulation on Investment Funds was endorsed by the CMDA Board of Directors on 5th June 2014. The regulation is currently in the process of being gazetted, pending approval from the Attorney General's Office. Once gazetted, the regulation will govern all aspects of the formation, registration and operation of investment funds in the Maldives. In accordance with the provisions of the regulation, all investment funds shall be close-ended funds, and will be organized as either public limited companies or partnerships.

Amendments to the Companies Act

During the quarter, CMDA submitted proposed amendments to the Companies Act upon the request of the Ministry of Economic Development. The ministry is currently in the process of amending the Company's Act and is consulting the major stakeholders in the government and the financial sector. A comprehensive Company's Act is required to facilitate capital market development.

Review of Special Economic Zone Bill

The Special Economic Zone Bill submitted by the Government to the Parliament was reviewed by the Authority with a view to ensure consistency with the relevant laws and regulations of the Authority and to ensure the Authorities undertakings are clearly set and identified in the Bill.

MARKET REGULATION AND SUPERVISION

AGMs of Listed Companies and Licensed Entities

All listed companies except MTDC plc, held their Annual General Meeting (AGM) within 5 months from the end of financial year, as stipulated in the Listing Rules of the Maldives Stock Exchange (MSE). Furthermore the MSE and MSD also held their AGMs for 2013, during the quarter.

The AGM notices issued by the listed companies and licensed entities were reviewed by the CMDA to ensure that all pertinent information had been disclosed to shareholders. Furthermore, supervision staff from the CMDA attended the AGM's to ensure that proceedings were in accordance with regulations relating to listed companies and licensed entities.

Continuing Disclosure Obligations

As per the disclosure requirements set out in the Securities (Continuing Disclosure Obligations of Issuer's) Regulations, all listed companies except MTDC Plc published their annual reports for the year 2013, and quarterly reports for the quarter ended at 31st March 2014 within the period stipulated.

The CMDA conducted a review of the annual reports, to ensure compliance with the CDOI Regulations. A compliance report was prepared for each company, outlining revisions deemed necessary by the CMDA.

Off-site Supervision and On-site Inspections

During the quarter under review, the CMDA conducted off-site supervision and on-site inspections of Maldives Stock Exchange (MSE), Maldives Securities Depository (MSD) and Dealing Companies.

The inspections focused on the main areas of governance, operations, regulations and infrastructure.

Enforcement Actions

Enforcement action was levied against MTDC Plc during the quarter, for failing to comply with the CDOI Regulations.

Under sections 5 and 7 of the CDOI Regulations, listed companies are mandated to publish their annual reports within

four months of the year end, and a quarterly report, within 30 days of the end of every quarter.

MTDC plc contravened the CDOI regulations by failing to publish their Annual Report for 2013 and quarterly report for the first quarter of 2014 by the stipulated deadlines, and was subsequently fined 60,000 rufiyaa. The penalty was imposed in accordance with section 17 of the CDOI regulations, which dictate that a maximum penalty of 30,000 rufiyaa maybe levied against listed companies, for a breach of the requirements set out in the regulation.

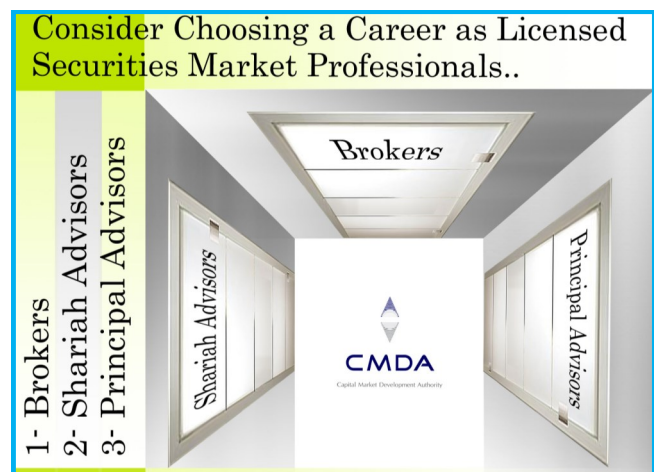
IOSCO Strategic Plan Survey

The CMDA completed the stakeholder survey circulated by the International Organization of Securities Commissions, during the current quarter. The survey was circulated by IOSCO to gather stakeholder input in, formulating its strategic plan for the period 2015 –2020.

STOCK MARKET DEVELOPMENTS

Online Voting System

During the quarter MSD introduced e-voting system in the name of "FahiVote". This programme is designed by the MSD to facilitate the registration and voting function at Annual General Meetings. FahiVote was first used at the MTDC AGM held on 18th June 2014. The system can be accessed from a smart phone or computer through a WIFI network. For further information please visit www.msd.com.mv.



PENSION SUPERVISION

Report to President

A report was sent to the President regarding the operations of Maldives Pension Administration Office (MPAO) and the Maldives Retirement Pension Scheme (MRPS). The report highlighted the activities of the Board of Directors of MPAO and an assessment on the quality of performance of the Board in carrying out their responsibilities.

The report was based on information provided by MPAO and audited financial statements of MRPS for the year 2013.

Quarterly Assessment of MRPS

Quarterly assessment of the MRPS was carried out during the quarter. This assessment presents analysis of the investments and performance of the assets of the MRPS; and assessment of risk, based on the status of implementation of recommendations made to the MPAO following the most recent on-site inspection by CMDA.

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

Guideline on Reporting by the MPAO

“Guideline on Reporting to the CMDA Pension Supervision Department (PSD) by the MPAO” was drafted during the quarter. This guideline details the reporting obligations of the MPAO to the PSD, as mandated by the Maldives Pension Act.

The objective of this reporting guideline is to detail the manner in which the reporting obligations prescribed under the Act shall be complied with by the MPAO Board and to prescribe the actions that the Authority shall take to ensure that the reporting obligations are complied with by the MPAO Board.

Feedback to the draft guidelines were obtained from MPAO and are currently being reviewed by CMDA.

MARKET DEVELOPMENT AND CONTRACTUAL SAVINGS—*The right conditions*

The development of institutions that obtain funds under long-term contractual arrangements (contractual savings institutions) and the capital market has the potential to complement each other under the right circumstances.

Contractual savings institutions such as pension funds, provident funds, and institutions that provide life insurance, funded unemployment benefits, disability insurance and so on are a significant source of long-term funds in an economy. The development of such institutions create demand for long-term financial assets. In addition, compared to individual investors, mutual funds and other investment funds, contractual savings institutions require lower risk and liquidity premiums. As a result, over the long run, they have the potential to stimulate the supply of long-term securities by lowering issuance costs. However whether such institutions stimulate the demand for securities issued in the capital market depends on the ability of the market to cater for the needs of such institutions.

The role of CMDA as regulator and the entity responsible for developing the capital market is crucial in this regard. In general, the level of investor protection stipulated by laws and regulations and ensured by the regulator is of importance. Investors require complete and accurate disclosure of information and assurances of good corporate governance from the issuers of securities. In addition, to encourage such investors, there needs to be measures to ensure the rights of minority shareholders. Often, maximum exposure limits imposed to mitigate credit risk prevents institutional investors from holding majority interests in investments. The development of market infrastructure is also of importance. Institutional investors require reliable and timely valuation of their investments. Modern and efficient trading, clearing and settlement services are required to facilitate this.

The extent to which contractual savings institutions encourage long-term securities in the capital market is also linked to the issuance of long-term public debt. In this regard,

it is important for the government to issue government bonds of longer maturities instead of relying on short term instruments. This aids corporate issuers by providing a benchmark for setting interest rates and eventually, it would help to build the yield curve.

Contractual savings stipulated by legislation has the potential to develop the capital market. This is especially true if such legislation comes with requirements to invest in securities listed on a licensed stock exchange. However, such stipulations on paper need to go hand in hand with real efforts to develop the capital market. More needs to be done to create the right conditions to encourage issuers as well as institutional investors in the capital market.

Preparatory Work for the MPAO On-site Inspection

Preliminary inspection plan and off-site assessment questionnaire was drafted during the quarter. This questionnaire is designed to gather information required to conduct the off-site risk assessment and on-site inspection of the MRPS. On-site Inspection is tentatively scheduled to be held from 6 – 14 August 2014.

Providing Information to IOPS

Information was provided for the International Organization of Pension Supervisors (IOPS) questionnaire 2013. Information provided included the financial variables related to pension supervision, developments and significant changes to the pension industry in the Maldives.

The objectives of the IOPS for requesting this information is to prepare timely statistical material to circulate to the Working Party on Private Pensions and to provide pension statistics with analytical material on the pension market trends.

TRAINING AND AWARENESS

Regional Seminar on Corporate Governance and Compliance

In collaboration with the Asia-Pacific Economic Cooperation Financial Regulators Training Initiative (APEC FRTI) of the Asian Development Bank, the CMDA conducted a regional seminar on Corporate Governance, from 7-11 April, at Traders Hotel.

The seminar covered best practices in corporate governance, roles and responsibilities of directors in promoting investor confidence and meeting stakeholder expectations. It outlined the balance of skills, experience and independence required at director level that is appropriate to the nature and extent of company operations. Various structures of boards and how director's performance should be assessed were examined. Case studies were utilized to demonstrate the major developments, reforms and challenges in corporate governance.

A total of 53 participants from the securities market regulatory authorities of 10 different countries, participated in the seminar.



*Chief Guest, Minister of Economic Development
Hon. Mohamed Saeed*

Seminar on Women on Boards

During the quarter CMDA conducted a seminar titled "Women on Boards" in collaboration with ICDS / Villa College. A total of 49 participants from the government, private sector and representatives from NGO's attended the

seminar which focused on the importance of gender diversity in corporate board rooms.

Hon. Aneesa Ahmed, Chairperson of the Family Protection Authority, was the Chief Guest of the seminar. Dr. A. D. Priyanka Baddevithana, Managing Director, HDFC, also gave a presentation in the seminar, which was followed by a panel discussion.



Chief Guest, Hon. Aneesa Ahmed, Chairperson of the Family Protection Authority

“One has to agree that because patriarchy is so deeply ingrained in our society there are many in the business community who are not sensitive to the importance of bringing about gender equality and social change.”
Quote from Hon. Aneesa Ahmed

To read the full speech visit: www.cmda.gov.mv

Presentations and Information Sessions

The Investor Education and Training Section (IETS) of CMDA delivered a presentation to Grade 10 students of Vilufushi School on 3rd April 2014, at the CMDA Conference Room. Three different focus areas were covered including basic financial literacy, capital market and stock market operations and basic concepts of Islamic Finance.

IETS also delivered a presentation to the students of CHSE and Villa International High School as part of their orientation programme for new students. 170 students from CHSE and 50 students from Villa International High School attended the presentations.

CMDA Art Competition

An art competition for students from grades 5, 6 and 7, was conducted during the quarter. The theme for the competition was “How to Grow Your Money”. A total of 54 students from 8 different schools submitted their works before the submission deadline of 23rd June 2014.

Debate Competition

The CMDA, in collaboration with the students union of Maldives National University, conducted a debate competition from 1—3 of May 2014. A total of 24 students from 6 faculties of the MNU and 2 other local colleges participated in the competition. All topics of the debate competition were related to capital markets and included broad areas such as investor protection and investor rights, going public concerns, positive discrimination for gender diversity in corporate board rooms, and the regulation of the pension industry in the Maldives.

INCEIF Dean’s Visit to the Maldives

Mr. Ezamshah Ismail, Dean of Professional Studies Department of INCEIF visited the Maldives from 5 – 8 June. The primary purpose of his visit was to hold discussions on the delivery of INCEIF Masters in Islamic Finance Practice (MIFP) programme, which will commence in the Maldives in September 2014, in affiliation with the College of Islamic Studies.

During his stay, the Dean called upon the CEO of CMDA and delivered a presentation to the CMDA Staff on MIFP. He also visited College of Islamic studies and held discussions with Dr. Ibrahim Zakariyya Moosa, Rector of CIS on arrangements for the MIFP programme.

Additionally, the Dean lectured at an information session organized by the CMDA, titled “Islamic Finance Education: What and Why”. A total of 80 participants attended the session conducted at FMC auditorium. The Dean and the CMDA staff also provided information on the MIFP Programme to the participants of the information session.

ISLAMIC CAPITAL MARKET DEVELOPMENTS

CMSAC Meeting & Changes to the Council

The Third Meeting of the Capital Market Shari'ah Advisory Council was held on 15th May 2014.

The main agenda item for the meeting was to discuss Shari'ah Screening of Annual Financial Reports of Amana Takaful Maldives as of 31st December 2013.

During the quarter CMSAC member Uza. Anara Naeem resigned from CMSAC as she was elected to the Parliament.

We would like to acknowledge Uza. Anara Naeem's contribution during her short tenure as a CMSAC member.

ICM Monthly Awareness Workshop

ICM monthly workshop was first initiated in 2013 and aims to create awareness and education among the stakeholders on Islamic finance and Islamic capital markets. The workshops are conducted by Dr. Aishath Muneeza and covers the basics of Islamic finance and capital markets.

A book on Islamic Finance, authored by Dr. Aishath Muneeza and published by Ministry of Islamic Affairs, was freely distributed to the participants along with a certificate of participation, upon successful completion of the ICM awareness programmes.

During the second quarter of 2014, three such awareness workshops were conducted at the Islamic Centre Conference Hall. The workshops were attended by a total of 113 participants from various government institutions and the public. These workshops were sponsored by Amana Takaful Maldives and the Maldives Islamic Bank.

First Sukuk Investment Guide in Dhivehi

The first Sukuk Investment Guide in Dhivehi language authored by ICM Adviser Dr. Aishath Muneeza was launched during the quarter. The Guide is used as reference material by CMDA in the training and awareness programmes.

Visit www.cmda.gov.mv to download the Guide.

CMDA to Introduce Masters in Islamic Finance Practice

A Memorandum of Agreement was signed between the CMDA and INCEIF (International Centre for Education in Islamic Finance) on 12th May 2014. Under the terms of the agreement, INCEIF in affiliation with the CMDA and the College of Islamic Studies, will conduct the Master's in Islamic Finance Practice (MIFP) programme, in the Maldives. Administrative work to start the programme has been carried out throughout the quarter, and it is expected that the MIFP will commence in September.

MOA signed by CMDA and College of Islamic Studies

A Memorandum of Agreement was signed between CMDA and College of Islamic Studies (CIS). The primary purpose of the MOA is to facilitate cooperation between the CMDA and CIS in conducting INCEIF's "Masters of Islamic Finance Practice (MIFP)" program in the Maldives.


CMDA Examination System

During the quarter CMDA started work on an automated system to conduct examinations, for Licensing Shari'ah Advisors, Dealer's Representatives and Principal Advisors. The system is expected to reduce the delay in the declaration of the examination results and improve the entire process as a whole, which also includes managing and maintaining permanent records of participants, results and other exam related statistics required by the Authority.

COMCEC Financial Literacy Survey

During the quarter CMDA started work on COMCEC Financial Literacy Task Force survey to assess financial literacy levels among retail investors of COMCEC member countries. CMDA is currently in the process of collecting data to compile samples to complete the survey.

Upcoming Event



ICM Monthly Awareness Workshop in August 2014
Register Now for free!
For more information contact 333 6619

INTERVIEW WITH THE DEAN OF PROFESSIONAL STUDIES DEPARTMENT (INCEIF)

Mr. Ezamshah Ismail, the Dean of Professional Studies Department of INCEIF visited Maldives in June to finalize the Masters in Islamic Finance Practice (MIFP) programme to be conducted in the Maldives in affiliation with the CMDA. The following is a summary of our conversation with the Dean.

How do you perceive Islamic Finance Industry of Maldives?

Maldives has seen positive growth in Islamic Finance industry for the past 10 years. We note that up to 2013 there are two Islamic Banking windows and one full-fledged Islamic Bank. Takaful was introduced in 2003 when Amana Takaful from Sri Lanka started its operations as an offshore office in Maldives. Now Allied Insurance also has an Islamic window operation. Maldives issued its first Sukuk in 2013 – an innovative Mudarabah Sukuk.

Maldivian government's first step to appoint Shari'ah scholars from overseas (such as Malaysia and Bahrain) to work with its own is a good strategy, in order to gain experience from well-established Islamic Finance markets. In a country with 100% Muslim population Islamic Finance should be well accepted. Nonetheless, greater awareness and a comprehensive education of Islamic finance are necessary.

Can you please give a brief overview of INCEIF? Do you think MIFP will help the growth of Islamic Finance Industry in the Maldives?

INCEIF was set up in 2005 under the auspices of the Central Bank of Malaysia (BNM) to further the education and development of Islamic Finance in Malaysia and globally. It is one of many initiatives undertaken by Malaysia to develop and nurture talents and experts under the MIFC (Malaysia

International Islamic Finance Centre). INCEIF now offers three postgraduate programmes in Islamic Finance i.e. MIFP, Masters of Science in Islamic Finance and PhD in Islamic Finance. INCEIF has the vision "to be the knowledge leader in Islamic finance".

We do believe that our unique MIFP programme will help the growth of Islamic Finance in Maldives. The programme curricula on Islamic Finance are extensive and provide a well balance approach in both theoretical knowledge and industrial practice.

How will INCEIF conduct the MIFP in the Maldives?

The MIFP programme will be conducted through the collaborative efforts of INCEIF, CMDA and also the College of Islamic Studies (CIS). A blended learning approach of internet education and face-to-face tutorials will be adopted. Maldivian students interested in the programme may enroll as our online students. The students will then be able to learn from our Global online tutorial (webinar) session of at 4 hours per subject and Face-to-face tutorial of 18 hours per subject at CIS in Male. Regular examinations will be conducted at CIS.

How many Maldivians has graduated from INCEIF?

As of 2013 INCEIF has produced 619 graduates and there are 4 graduates from Maldives.

Is there an ever green future for Islamic finance in the Maldives and what would be your recommendations to the Maldives?

Yes, Islamic Finance has bright future in Maldives. To ensure positive growth of Islamic Finance, development of the right human talent is very important. Such talent must be both Shari'ah and technically competent (al Amin and al Qawi).

Islamic Finance products should be able to assist not only the growth of large enterprise but also the growth of the small and medium enterprise.

All queries with regard to the content of this report should be addressed to the Research & Publication Section (RPS) of the CMDA via email to mail@cmda.gov.mv 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.