

# SECURITIES MARKET REGULATION FOR FOREIGN INVESTOR

## Chapter 1: Preamble and General Provisions

### 1 Preamble

- (a) This Regulation seeks to establish a comprehensive framework to facilitate and govern foreign investors' investment and trading in securities in the Maldives. The framework shall balance the need to attract foreign capital with the protection of the integrity of the capital markets.
- (b) This Regulation is formulated under the powers conferred on the Capital Market Development Authority by the Maldives Securities Act (Law No: 2/2006) Law No:

### 2 Title and Application of Regulations

- (a) These Regulations shall be known as "Securities Market Regulation for Foreign Investors" in Maldives.
- (b) These Regulations apply to individuals and institutions seeking to invest in Securities in the Maldives.

### 3 Commencement of Regulation

This Regulation shall take effect on the date of its publication in the Gazette.

#### **4 Definitions**

- (a) "Foreign Investor (FI)" means a legal entity or a natural person who is not a national or resident of the Maldives and who invests in approved investments as defined by this regulation.
- (b) "Foreign Investor Portal (FI-P)" is a centralized platform that facilitates foreign investors' interaction with regulatory, financial, and operational systems. It simplifies processes like e-KYC compliance, broker onboarding, and account integration while providing tools to monitor application and transaction statuses, serving as a one-stop resource for investment-related services. CMDA will host and facilitate these services to the FI-Agents, FI-Banks and other related party.
- (c) "FI-Agent (FI-A)" refers to a securities market service provider authorized by the Authority to assist foreign investors in registration, compliance, and market entry. FI-Agents ensure all regulatory requirements are fulfilled before foreign investors initiate their investments.
- (d) "FI-Bank (FI-B)" is a bank registered by the Maldives Monetary Authority (MMA) under the Maldives Banking Act, (Law No: 24/2010), with an approval from CMDA to provide banking services to foreign investors and responsible for opening FI-Bank accounts and providing banking services, including fund transfers, and other related banking services.
- (e) "Securities Investment Bank Account (SI-Bank Account)" is a specialized bank account created by the FI-Bank for FIs for the purpose of managing funds related to investments in securities.
- (f) "Approved Investment" Financial instruments including equity shares, bonds, derivatives, and other securities instruments permitted by the Authority. Securities encompass a wide range of financial products that can be issued and traded in the capital markets, providing liquidity and investment opportunities.
- (g) "Authority" or "CMDA" shall mean Capital Market Development Authority formed under the Maldives Securities Act (Law No:2/2006)
- (h) Maldives Securities Depository or MSD means an entity licensed by the CMDA under the authority of the Maldives Securities Act (Law No: 2/2006) to provide or operate facilities for the deposit and custody of securities, to maintain records of securities in

book-entry or electronic form, and to facilitate the transfer, clearing, and settlement of securities transactions in the Maldives.

- (i) "MSD Account" is an account created by Maldives Security Depository for depositing and transacting securities in dematerialized form.
- (j) "Beneficial owner" means the natural person who ultimately controls a customer, or the person on whose behalf a transaction is being conducted, or the person who exercises ultimate effective control over a legal person or arrangement.
- (k) "Institutional Investor" means any of the following entities, recognized as a Foreign Investor under this regulation: (a) Banks; (b) Trusts; (c) Mutual funds; (d) Insurance companies; (e) Sovereign wealth funds; (f) Pension funds; (g) Investment companies; or (h) Such other entities that are subject to recognized regulatory oversight in their country of residence and are engaged in the business of making investments. These investors are generally considered lower risk due to the comprehensive supervisory frameworks typically in place within their respective jurisdictions.
- (l) "High-Net-Worth Individual" means a Foreign Investor (FI) who is a natural person and who satisfies the financial thresholds and demonstrates the financial stability required for investment in the Maldivian capital market, as prescribed by the Authority.

## **Chapter 2: Foreign Investors and Other Actors**

### **5 Types of Eligible Investors:**

Institutional Investors and High-Net-Worth Individuals are categories of Foreign Investors (FIs) under this regulation, provided they meet the respective criteria set out in this regulation.

### **6 Eligibility Criteria for Foreign Investor (FI)**

- (a) The applicant is not a national of the Maldives in accordance with Maldivian law.

- (b) The applicant is an individual or entity that meet the applicable criteria and be of a type of individual or entity expressly recognized under the Foreign Investment Act (Law No: 11/2024) (or any other law that amends, replaces, or supersedes this law.) or;
- (c) The applicant is not a resident visa holder in Maldives.
- (d) The applicant's country of residency shall be a country where the securities market regulator is a signatory to the International Organization of Securities Commission (IOSCO)'s Multilateral MOU, and;
- (e) The applicant or its underlying investors shall not be the person(s) mentioned in the Sanctions List notified from time to time by the United Nations Security Council and is not a resident in the country identified in the public statement of Financial Action Task Force as –
  - i A jurisdiction identified with significant AML/CFT weaknesses requiring enhanced measures and safeguards.
  - ii A jurisdiction that has not made sufficient progress in addressing the deficiencies or has not committed to an action plan with the Financial Action Task Force, requiring enhanced measures and safeguards.
- (f) The applicant, if a bank, shall be a resident of a country whose central bank is a member of the Bank for International Settlements, except when the applicant itself is a central bank, in which case membership is not required.
- (g) Any other criteria specified by the Authority from time to time,

## **7 Approval of FI-Agent, FI-Bank**

- (a) FI-Agents are any existing registered dealers, principal advisors, and fund managers with a valid FI-Agent registration by the Authority.
- (b) Notwithstanding subsection (a), principal advisors shall only act as FI-Agents in connection with initial public offerings.

- (c) FI-Agents are required to submit a request to the CMDA, including all necessary documentation required under the Foreign Investor Portal (FI-P), internal standard operating procedures (SOPs), and fee schedules (if any) outlining the approach to serving FI.
- (d) FI-Banks shall hold a valid banking service license from MMA, with a valid FI-Bank registration by the Authority.
- (e) FI-Banks are required to submit a request to the CMDA, including all necessary documentation required under the Foreign Investor Portal (FI-P), internal standard operating procedures (SOPs), and fee schedules (if any) outlining the approach to serving foreign investors.
- (f) FI Agents and FI Banks will be granted approval to incorporate FI services into their list of activities upon CMDA's review of their request and submitted documents, provided they meet all compliance requirements.
- (g) The guiding principles and the ongoing compliance applicable on FI-Agents and FI-Banks shall be the respective licensing Regulations and any other relevant laws and Regulations stipulated by the relevant regulator.
- (h) FI-Agent and FI-Bank status shall remain as valid as long as the securities market service provider license or banking license by MMA remains valid.
- (i) Pursuant to subsection (g), the Authority may revoke the status of an FI-Agent or FI-Bank based on criteria or grounds established by the Authority.

## **8 FIs registration process:**

- (a) All FIs shall register with the Authority through an FI-Agent via the FI-Portal.
- (b) The FI-Portal shall provide a unified application form for FIs to request to register with FI-Agent, the opening of bank and MSD accounts, and to obtain approval for investing in securities.
- (c) All FI-Banks shall ensure the Know Your Customer (KYC) norms and Prevention of Money Laundering and Financing of Terrorism Act (Law No: 10/2014) requirements are sufficiently fulfilled before opening of SI-Bank Account.

- (d) MSD shall ensure the Know Your Customer (KYC) norms requirements are sufficiently fulfilled before opening of MSD Account.
- (e) FI-Agents shall facilitate access to the approved subscription systems to FIs through the single application form from the FI-Portal.
- (f) The FI-Agent shall ensure the requirements of FIs stipulated by this Regulation are met before approval.
- (g) Once all requirements are fulfilled, the FI-Agent shall issue a unique registration number upon completing the SI-Bank Account and MSD account opening process and shall notify the Authority of the details within three 3 (three) working days via the FI-Portal.
- (h) FI-Agent is responsible for assisting investors with the registration process, ensuring compliance with local Regulations, and submitting the required documentation to the Authority.
- (i) The FI information collected by FI-Agent must be stored and maintained by FI-Agent and should comply with AML/CFT Compliance - General Guidelines for Securities Institutions prescribed by MMA under the Prevention of Money Laundering and Financing of Terrorism Act (Law No: 10/2014)
- (j) FIs shall only invest in the Maldivian capital market upon registering in accordance with this section.

## **9 SI-Bank Account Framework**

- (a) The registered FI-Banks shall develop and publish the SI-Bank Account framework laying out the operating principle of such accounts.
- (b) Such accounts shall only be used for transactions carried out for securities investments and related services.
- (c) Under this framework, SI-Bank Accounts can be facilitated in both MVR and Foreign Currency.

## **Chapter 3: FI Investments**

## **10 Investment instruments**

FIs may invest in equity shares, debt instruments, sukuk, investment funds, government securities, derivatives, and other securities approved by the Authority.

## **11 Investment Limits - Sectoral Caps and Aggregate Limits:**

- (a) Overall Foreign ownership by a group or individual shall be as per the limits/caps outlined by the relevant Ministry concerning Foreign Direct Investments in the Maldives.
- (b) A foreign individual or entity can hold up to 10% equity in a single company. If a fund or unit trust is equity-based, the 10% limit will apply to fund units
- (c) There are no restrictions on foreign investment limits in debt instruments, bonds, sukuk, or fund units that do not have equity exposure.
- (d) The 10% equity cap applies not only to direct holdings but also to shares indirectly controlled through multiple entities, nominee arrangements, or trust structures.

Ultimate Beneficial Ownership (UBO) rules will be applied to trace common ownership across multiple accounts or entities, ensuring that a single beneficial owner does not exceed the permitted threshold.

- (e) The 10% equity cap represents the maximum total ownership an individual can hold, whether singly or jointly with others, including through related parties, family members, or entities where they have significant control or influence. This cap will be calculated based on the individual (natural persons) percentages held at different entities.

## **12 Currency of Investment**

- (a) Unless specified otherwise in the prospectus or offer document, all transactions shall be carried out in Maldivian Rufiyaa (MVR).

- (b) The FI-Bank shall provide the conversion of foreign currency into Maldivian Rufiyaa (MVR) as per the bank-to-bank foreign currency exchange rates.
- (c) Conversion requests may be subject to the availability of foreign currency, and the FI-Bank shall be transparent with investors about potential delays.

## **Chapter 4: Compliance and Reporting Requirements**

### **13 Ongoing obligation**

#### **13.1 KYC and AML/CFT Compliance Requirements:**

- (a) FI-Bank shall ensure ongoing compliance with the Prevention of Money Laundering and Financing of Terrorism Act (Law No: 10/2014).
- (b) FI-Agents, as licensed intermediaries of CMDA, must conduct comprehensive eligibility assessments of all foreign investors. This includes verifying the legitimacy of their funds and obtaining information on beneficial owners. Additionally, they must ensure compliance with the Prevention of Money Laundering and Financing of Terrorism Act (Law No: 10/2014) and other relevant regulations.

#### **13.2 Threshold monitoring**

- (a) MSD shall conduct ongoing monitoring of compliance to sectorial and product-based limit prescribed under this regulation, and shall have this information readily available upon request by the Authority.
- (b) MSD shall maintain records of individual thresholds, and shall monitor changes to the cumulative holding.
- (c) The issuers must conduct ongoing monitoring of compliance to sectorial and product-based limit prescribed under this regulation on a quarterly basis, and shall have this information readily available upon request by the Authority.



- (d) Where a breach of (a), (b) and (c) of section 13.2 is identified, MSD or Issuer shall promptly inform the Authority and implement the course of action as advised by the Authority.

## **Chapter 5: Exit procedures for FIs**

### **14 Limit on Foreign Capital Outflows:**

FIs are subject to limits on the amount of capital, profits, and dividends that can be repatriated out of the Maldives, as prescribed by the respective FI-Banks under their SI-Bank Account Framework.

### **15 Market exit:**

#### **15.1 Self-Initiated**

- (a) The FI-Agent is responsible for ensuring that all exit transactions are compliant with local regulations, including adherence to settlement timelines.
- (b) FI-Agents shall develop and publish a process for self-initiated exit for FIs and duly inform the process to the requesting FIs

#### **15.2 Due to non-compliance**

- (a) FI-Agent, FI-Bank or MSD shall promptly inform any non-compliance by the FI to the Authority and seek advice on the course of action.
- (b) FI-Agents shall not carry out any exit of a FI for non-compliance reasons without prior approval of the Authority.

#### **15.1 Due to death**

- (a) Upon being inform of the death of an Individual FI, FI-Bank will freeze the accounts to prevent unauthorized access. Banks require legal documentation to proceed which usually involves a death certificate and proof of authority from the executor or administrator of the deceased's estate.
- (b) Upon being informed of the death of a FI, FI-Agents shall also be responsible for transfer of any MSD Account to the designated beneficiary(ies) as per the rules provided for that purpose by the Authority.
- (c) Notwithstanding subsection (b) of this article, legal owners who elect to hold securities have the option to complete registration as an FI under this regulation, thereby allowing them to continue holding such securities.

## **Chapter 6: Enforcement and Appeal**

### **16 Penalties for Non-Compliance**

Any breaches by the FI, FI-Agents, FI-Banks and MSD in relation to this Regulation, the Authority shall have powers to take enforcement action as per the Maldives Securities Act (Law No: 2/2006)

### **17 Right to Appeal**

- (a) All participants, including FI, FI-Banks, FI-Agents, MSD, and other relevant entities involved in securities, have the right to appeal to the CMDA regarding penalties, sanctions, and regulatory decisions.
- (b) In the event of a dispute arising between a Foreign Investor (FI) and any other party authorized under this regulation, the Authority shall serve as the primary point of contact for the initial resolution of such dispute.

## **Chapter 7: Miscellaneous Provisions**

## **18 Transitional arrangements and Miscellaneous**

### **18.1 Existing investors:**

Any new trades or secondary market transactions initiated by existing FIs must fully comply with the provisions of this Regulation before execution. Furthermore, existing FIs must adhere to the regulatory requirements upon exit, ensuring full compliance before capital repatriation or divestment. Existing FIs are required to engage with an FI-Agent for guidance on meeting compliance obligations.

18.2 The Authority shall have the power to issue guidance regarding any matter not specifically covered in this regulation.

## **19 Fees**

- (a) The Authority, FI-Agents, FI-Banks and MSD shall prescribe a fee schedule for the services provide under this regulation.
- (b) Any fees stipulated under section 19 (a), shall be subject to the approval of the Authority.
- (c) All fees are non-refundable and shall be paid within the stipulated timeline.