



CMDA

Capital Market Development Authority

QUARTERLY REPORT

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CMDA Quarterly Report

PREFACE

The Capital Market Development Authority (CMDA) hereby releases its Quarter 3, 2012 Report with an update of the key developments and news in the Maldives Capital Market. This publication is part of CMDA's effort to communicate regularly with its domestic and international stakeholders.

HIGHLIGHTS:

- ◆ Commencement of the Legal & Regulatory Consultancy Project
- ◆ CMDA signs Regulatory Dialogue TOR with the Capital Markets Board of Turkey for Regulatory Cooperation
- ◆ Participation in the COMCEC Capital Market Regulators Forum in Istanbul, Turkey
- ◆ Attachment Program conducted for the Royal Exchange of Bhutan Limited
- ◆ Participation in the SAARC-ADB Workshop on finalization of Studies on Trade, Economics & Finance in Kathmandu, Nepal
- ◆ CMDA signs MoU with the Civil Service Training Institute (CSTI) for collaborating in conducting Investor Education & Training Programs
- ◆ Regulatory Activities
- ◆ Pension Supervision
- ◆ Training & Awareness
- ◆ Corporate Governance initiatives

All queries with regards 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 3014121.



LEGAL & REGULATORY CONSULTANCY PROJECT

The Legal & Regulatory Consultant Mr. Robert H. Singletary visited Maldives during the first week of September to carry out the On-Site phase of the Legal & Regulatory Consultancy Project.

This project was initiated following the receipt of World Bank funding for strengthening the legal and regulatory framework for the development of new products and services for the purpose of creating investment avenues for the Pension Fund.

The first On-Site visit of the Consultant was focused on collecting material facts needed for the project. At the preliminary level, it was observed that reforming the existing legal & regulatory framework is essential to enable the Capital Market to provide products and services matching the investment appetite of the Pension Fund.

REGULATORY COOPERATION WITH CAPITAL MARKET BOARD OF TURKEY

CMDA and the Capital Markets Board of Turkey (CMB) have agreed to a "Regulatory Dialogue TOR" on 26 September 2012. Within the context of this TOR, CMB Turkey and CMDA will collaborate on regulatory issues and technical training with the aim to promote investor protection and foster market integrity. This collaboration will enable both parties to exchange information and establish private sector collaborations as well.



COMCEC CAPITAL MARKET REGULATORS FORUM HELD IN ISTANBUL, TURKEY

CMDA participated in the COMCEC (Committee for Economic & Commercial Cooperation of the Organization of Islamic Cooperation) held in Istanbul, Turkey from 26th to 27th September 2012.

The Forum brought together Capital Market Regulators from various jurisdictions that are Members States to the OIC. The Forum was themed around the foundation of four (4) Tasks-Force including Market Development, Capacity Building, Islamic Finance & Financial Literacy. The event created a platform for learning and networking for CMDA.

ATTACHMENT PROGRAM FOR ROYAL EXCHANGE OF BHUTAN LIMITED

CMDA conducted an Attachment Program on request by the Royal Exchange of Bhutan Limited. The program provided a platform for both parties to exchange information and observe the similarities and differences in approach towards Capital Market development & regulation in the Maldives and Bhutan.

During the 6 day program, Bhutan Delegates were provided with an outlook of the Securities Market in the Maldives, an overview of the CMDA and the operations of the Market Intermediaries.



CMDA notes the support and cooperation extended by the Maldives Stock Exchange, Maldives Securities Depository, Aariya Securities Private Limited and Dhiraagu PLC in making this program a success.

SAARC-ADB WORKSHOP ON FINALIZATION OF STUDIES CONDUCTED ON TRADE, ECONOMICS & FINANCE HELD IN KATHMANDU, NEPAL

CMDA participated in the SAARC-ADB Workshop on Finalization of Studies conducted on Trade, Economics & Finance held in Kathmandu, Nepal. This was a joint effort of SAARC Secretariat and the Asian Development Bank (ADB).

CMDA–CSTI MoU

CMDA and the Civil Service Training Institute (CSTI) have agreed to a Memorandum of Understanding (MoU) aimed at collaborating in conducting Investor Education & Training Programs.

The major impediment facing the Investor Education & Training Agenda of CMDA is the resource constraints, especially the lack of space for accommodating the participants. Hence, by signing the MoU, CMDA and CSTI agree to share resources and collaborate in reaching a wider audience base.



REGULATORY ACTIVITIES

Board Meetings

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

Resolutions & Important Discussions

- ◆ Endorsed CMDA Budget for 2013.
- ◆ Endorsed CMDA Audit & Risk Committee. Audit & Risk Committee of the CMDA has the objective to assist the CMDA Board of Directors in

discharging its responsibilities with respect to overseeing all aspects of financial reporting, audit & internal control function, and management of risk, including specifically the risk associated with the objectives of the CMDA.

- ◆ Resolved to issue a Dealer's Representative License to Mr. Ahmed Mubthadha registered as a broker with Aariya Securities Private Limited.
- ◆ Approved amendment to Section 7 of the Stock Exchange Company Licensing Regulation.

CAPITAL MARKET LICENSE & REGISTRATIONS

During the quarter under review, Mr. Ahmed Mubthadha was issued a Dealer's Representative License to act as Broker for Aariya Securities Private Limited. With this license, the "License Register" of CMDA records a total of (5) five Dealer's Representatives as active in the Market.

MARKET REGULATION AND SUPERVISION

Dealing Company

On-site inspections of Dealing Companies, Aariya Securities Pvt Ltd and Stock Brokers Maldives Pvt Ltd were conducted during the quarter. The objectives of these inspections were to check procedural matters relating to trading activities and level of compliance to rules & regulations.

MSE/MSD

An On-Site inspection of the Maldives Stock Exchange and Maldives Securities Depository was conducted during the quarter. The main focus of the inspection was to check compliance to the respective laws and regulations. CMDA made recommendations to the Stock Exchange and Securities Depository to rectify operational issues and compliance to regulations.

CARE Ratings Maldives

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

On-Site inspection of the Share Registers of Listed Companies

During the quarter, CMDA conducted On-Site inspection of the Share Registers of listed companies. The objective of these inspections was to ensure that all companies comply to Section 53 of the Maldives Securities Act. All companies with publicly held shares are required to keep a register of shareholders who directly or indirectly control more than 5% of shareholding.

CMDA has completed inspections of all the listed companies except MTDC.

Annual General Meetings (AGM)

Annual General Meetings of Listed Companies are required to be held within 5 months following the closure of the financial year. During the quarter under review, two companies published notices of their Annual General Meetings:

1. Maldives Transport and Communication Company Plc held its AGM on 30th July 2012 at Nasandhura Palace Hotel.
2. DHIRAAGU Plc held its AGM 30th August 2012 at Maldives National University's Main Auditorium.

Disclosures of Listed Companies

With the publication of Annual Reports and Quarterly Reports, CMDA checked compliance to disclosure requirements set forth in the Minimum Quarterly Reporting Requirements, Securities (Continuing Disclosure Obligations of Issuers) Regulations 2010, Maldives Stock Exchange's Listing Rules and the CMDA Corporate Governance Code.

CMDA prepared reports on the compliance level for BML, ATM, STO, MTCC and MTDC for their 2nd quarter reports, DHIRAAGU and MTDC for their 1st quarter reports and MTCC, DHIRAAGU and MTDC for their Annual Reports. CMDA made recommendations to enable the listed companies to improve corporate

disclosures to the public.

Enforcement Actions:

Granted extension for submitting Annual and Quarterly Reports

CMDA granted an extension to MTDC for submitting their 1st and 2nd quarter reports till 7th August 2012. The extension was granted on 1st August 2012 warning that the failure to publish these reports will result in temporary trade suspension.

MTDC was also given a deadline till 6th September 2012 to submit their Annual reports for the year 2011. This action was taken by CMDA due to the company's failure to publish the reports by 28th June 2012, though it was made public that the company will publish reports during this timeline.

Meetings and Programs:

Capital Market Stakeholder Gathering

During the quarter, CMDA initiated an annual event "Capital Market Stakeholder Gathering" which was held on 18th July 2012. The objective of the gathering was to create a forum where all stakeholders can raise their issues and concerns. Similarly, stakeholders were also given the opportunity to make suggestions on market development.

CMDA will be drawing up an Action Plan based on the areas identified during this year's Stakeholders Gathering.

Regulatory Meeting

Regulatory meeting with the Maldives Stock Exchange and Maldives Securities Depository was held during the quarter. Participants of the meeting deliberated on matters relating to regulation, market development and investor awareness.

PENSION SUPERVISION

Quarterly Investment Analysis Report

Pension Supervision Department (PSD) conducted quarterly investment analysis of Maldives Retirement Pension Scheme (MRPS) based on Investment Activity Reports submitted by Maldives Pension Administration Office (MPAO). The main objective of investment analysis is to ensure that all investments are made in accordance with the Statement of Investment Principles (SOIP) and to assess investment performance.

Reporting Framework for MRPS

PSD is mandated under the Maldives Pension Act 5 (b), to formulate procedures for preparation and publication of reports in relation to the MRPS. As such, Guidelines and Templates for Reporting on the MRPS were drafted during the quarter.

This document provides guidelines and explanations for preparing financial reports for the purpose of evaluating performance. These guidelines will be prescribed to MPAO in order to strengthen the reporting framework.

Regulation on Institutions Providing Custodial Services

CMDA granted exemptions to the Custodian (Bank of Maldives Plc.) from the requirement to comply with certain provisions of the Regulation on Institutions Providing Custodial Services. These exemptions were provided considering the nascent stage of this service and costs associated with providing this service to Maldives Pension Administration Office (MPAO).

Developing Annuity Products

Discussions were held with MPAO, Maldives Monetary Authority (MMA) and CMDA to understand the regulatory structure for annuity products which may be offered to the participants of the MRPS.

The objective of the series of discussions was to ensure that such products are offered to the participants of the MRPS with an appropriate Legal & Regulatory framework. Further discussions with MPAO are scheduled for upcoming quarter.

MPAO Board

Following the receipt of the list of shortlisted candidates to the MPAO Board, CMDA verified the candidacy of these candidates. As the Board Membership of 4 members expired on 20th August 2012, new members were appointed to the Board.

Furthermore, Income & Asset Disclosure forms were received from the appointed members to the MPAO Board as well as the representatives who ceased to act as Board Members.

TRAINING & AWARENESS

Investor Education & Training

1. A half-day Awareness Program was conducted for 17 staff of the Civil Service Commission. The program was themed as “Introduction to Islamic Finance”.
2. A half-day Awareness Program was conducted for 13 Civil Service Staff at the Fuvahmulah Atoll Council. The program was themed as “Introduction to Sukuk and possible Sukuk Structures for Maldives”
3. A presentation was delivered to 450 students of Fuvahmulah Schools. The title for these presentations was “Introduction to Capital Markets”.



4. A public Forum on Capital Markets & Islamic Finance was conducted for 22 participants from Fuvahmulah.
5. Presentation was delivered on Capital Market to 110 students of Thaaajudeen School.

PUBLIC & MEDIA RELATIONS

The Publication Arm of the CMDA Research & Publication Section assists the Authority in making the work of CMDA understandable to the investors. The Section coordinates CMDA’s relations with the Media and the public. RPS has initiated Media Interviews with Rajje TV during the quarter. The objective of this initiative is to spread information about the Maldives Capital Market & Pensions. This is a combined effort of CMDA and the Market Intermediaries.



CORPORATE GOVERNANCE

During the quarter, Rainbow Private Limited was registered with the CMDA for voluntary adoption of the CG Code. As such, a CG presentation was delivered to educate the Board of Directors and the Management of Rainbow on good governance practices for private companies. CMDA also provided the necessary assistance to the company for adopting the CMDA CG Code.

The Institute of Corporate Directors & Secretaries of CMDA conducted 2 Directors Training Programs for 27 participants during the quarter.

Upcoming Events:
 Dealer’s Representative Exam scheduled for 18th October 2012. Interested individuals may submit EOI to CMDA.
 Training Course on Fundamentals of Islamic Capital Market scheduled for 7th October 2012 at Nasandhura Palace Hotel.
 Read ICM Bulletin for news on Islamic Capital Market www.cmda.gov.mv

