



CMDA

Capital Market Development Authority

QUARTERLY REPORT

QTR 04, 2009

Capital Market Development Authority,
MTCC Tower, 4th floor, Boduthakurufaanu Magu,
Republic of Maldives, Male'
Phone: 00960 333 6618, Fax: 00960 333 6624,
Website: www.cmda.gov.mv
Mail: mail@cmda.gov.mv

CMDA Quarterly Report

PREFACE

This report covers market news and the most recent activities of the CMDA during the 4th quarter of 2009.

REGULATORY ACTIVITIES

Board Activities

The Board of Directors met 7 times during the quarter under review and following matters were resolved/discussed by the Board:-

- Approval of amendments to the First Board and Second Board Listing Rules.
- Discussion of Investor Compensation Fund.
- Approval of fines on failure to submit share allotment list to MSE on time.
- Appointment of CEO as the signatory to the IOSCO membership matters.
- Approval of CMDA training requirements.
- Discussion on Staff allowances.
- Decision to introduce Employee of the Year Award commencing from 2010.

Drafting of Rules and Regulations

The following rules and regulations were drafted and sent for stakeholder consultation. All draft regulations are uploaded to the CMDA website.

(Compensation Fund) Regulations 2009

The purpose of the regulation is to compensate persons who suffer pecuniary loss from defalcation or fraud committed by licensed intermediaries and employees of the Stock Exchange.

Practice Notes for Appointment of Auditors of Listed Companies

The purpose of the practice notes is to assist listed companies in improving the risk management processes within their companies and thereby improve the standards of accountability and transparency.

Moreover, these notes mainly cover the qualification framework for external auditors of listed companies, mandatory rotation of the auditors, criteria to determine the independence of auditors and external auditors advisory capacity.

Credit Rating

CMDA is in the process of formulating a regulatory framework to license credit rating agencies as part of developing a debt market in Maldives and also to

disclose financial health of listed companies.

The licensing conditions and other requirements will be announced during the 1st quarter of 2010.

Anti Money Laundering Guidelines

As the Authority is responsible for ensuring that industry participants comply with anti-money laundering obligations through the enforcement activities, a guideline was drafted and sent for stakeholder consultation. The guideline is proposed to be implemented in 2010.

Approval of New Fees and Fines

CMDA has approved new fees and fines proposed by the MSE and MSD effective from 1st January 2010.

Fees Approved

- Depositors list (entries from 1 to 1,000) - MRF300.
- Withdrawal list (entries from 1,001 to 5,000) - MRF600.
- Inter Account Transfer list (entries from 5001 to 10,000) - MRF800.
- Physical Transfer List (More than 10,000) - MRF1,000.

Fines Approved

- MRF 2,500 will be charged per day for the first 10 days after the due date for failure to submit share allotment lists to the MSE as required.
- MRF 5,000 per day will be levied starting from the 11th day after the due date for failure to submit share allotment lists to the MSE as required

Pension Supervisory Activities

During the quarter discussion sessions were held with the World Bank project team to pave the way for seeking Technical assistance from FIRST Initiative on pension regulation.

On-site Inspections & Regulatory Meetings

Market Intermediaries

Routine inspections of the MSE, MSD and Dealing Companies were carried out during the period under review.

Regulatory Meetings

Regulatory meetings were held with the MSE to discuss regulatory issues. The issues discussed includes Dealing Companies Rules, Listing Rules, Proposed fees and fines of the MSE and MSD, Cross Listing, Foreign investment in the stock market, IPOs and licensing of

Brokers and Dealing companies.

Auditors Quarterly Meetings

During the quarter, CMDA started scheduled quarterly meetings with the international audit firms operating in the Maldives. The first Auditors Meeting held at CMDA was attended by Ernst & Young, KPMG and PWC .

Issues relating to Auditor Independence and the need to develop and formalize the accounting profession in the Maldives to ensure maintenance of ethical and professional standards was discussed.



Appointment Representative to CPA

During the quarter, CMDA appointed the Deputy Manager, Ms. Azza Mohammed to the Oversight Committee of the Certified Practicing Accountant of Maldives (CPA) The Oversight Committee will be managing the issuance of Practice Direction and Certificate of Practice under the provision of regulations.

The CPA mission is to develop CPA Maldives as the Premier Accounting Institute of the Maldives and to devise a system of regulations which will govern the accountancy practice.

CG IMPLEMENTATION

Directors & Company Secretaries Manual

The Corporate Governance Section started working with KPMG to compile a Directors and Company Secretaries Manual. The manual which is expected to be completed by the first quarter of 2010 will be a practical guide for directors and company secretaries. The manual will be finalized after wide consultation among stakeholders which includes listed companies market intermediaries and members of the Directors and Secretaries Registry maintained by CMCGL.

Onsite Inspections

An onsite inspection of MTCC was carried during the quarter to check their compliance with the Code of Corporate Governance.

The inspection results indicated that efforts were made by MTCC to comply with the CG code. Many areas for

improvement were identified and the company was advised to take action to rectify the shortcomings.

STO Corporate Governance

CMDA advised STO on electing board members to its subsidiaries and requested STO to implement a Corporate Governance Strategy for the subsidiaries during the quarter.

TRAINING AND AWARENESS

TVM Quiz Competition 2009

The first TVM interschool quiz competition on 'Capital Markets' ended on 30th September 09. From a total of 8 schools , Dharumavantha School won the first place of the quiz competition.

Broker Training Program 2009

The 4th Brokers Training Program was held in collaboration with the Securities Investments Institute Asia Specific (SiiA). The training program which was held for two weeks was lectured by two experts from the SiiA and staff of the CMDA.

The exam of the Training program invigilated by the Department of Public Examinations, is scheduled to be held on 13th February 2010.

Small & Medium Enterprises (SMEs) - Seminar

A two day seminar was held for the SMEs in association with KPMG. The main objective of the seminar was to sensitize and encourage SMEs to implement a corporate governance framework.

Going Public Survey 2009

A Going Public Survey was initiated during the quarter. A questionnaire on going public was sent to 50 selected local companies to identify issues related to raising finance from capital market. An awareness campaign was also launched to convince companies to raise finance through IPOs.

Democracy Fair 2009

CMDA and MSE jointly opened a stall in the Democracy Fair 2009 to create awareness of the role and responsibilities of the CMDA and market intermediaries to the public. Information of the services available from the capital market institutions were provided by the employees of the CMDA and the Exchange.

CMDA NEWS

Strategic Plan

During the quarter under review International Securities Consultancy Limited (ISC), Hong Kong was awarded the contract to draft the CMDA Strategic Plan 2010-2014. ISC won the bid competing among 9 international parties who send applications in response to the invitation from CMDA.

INTERNATIONAL COOPERATION

International Organization of Securities Commission

IOSCO accepted the application of CMDA to join as a signatory to the IOSCO Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information (IOSCO MMoU).

The application for ordinary membership with IOSCO will be effective upon approval by the IOSCO Presidents Committee which is scheduled to be held on 9th June 2010.

Asia Forum for Investor Education (AFIE)

The Authority accepted an invitation from Korea Financial Investment Association (KOFIA) to join the proposed Asian Forum for Investor Education (AFIE) as a founder member. The Inaugural meeting of the AFIE is proposed for February 2010.

The mandate of the AFIE is to create a network for the region to facilitate exchange of information and experience between the region's education providers, thus advancing investor education programs in the Asia-Pacific region.

MARKET NEWS

MTDC IPO

MTDC raised Rf82,295,565 from its 3rd IPO by issuing a sum of 498,761 shares. The shares were issued at a rate of Rf165 including a premium of Rf65. Despite the continued legal battle that MTDC fought during the duration of the IPO regarding the sublease of an island and the negative market sentiments, MTDC managed to sell more than 70 percent of the IPO as at 4th November 2009.

Reducing Government Ownership of STO

The government of Maldives took a decision to divest its holding of STO from 92.7 percent to 80 percent. According to the prospectus issued for the purpose, a sum of 138,472 shares would be issued to the public to raise a fund of Rf55,388,800. As of 31st December 2009, 24,829 shares were sold and the IPO is expected to close on 10th January 2010.

Stock Market Performance

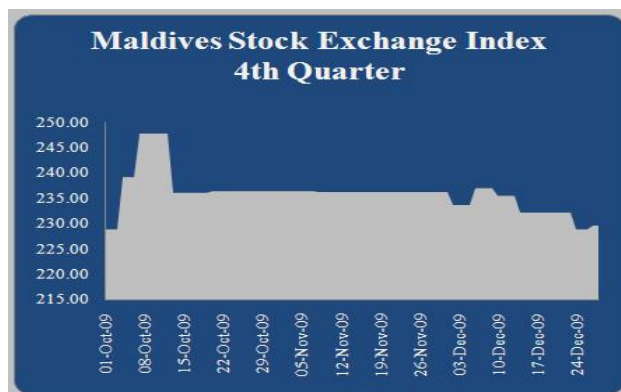
The stock market index closed for the year at 229.57 points indicating an appreciation of 0.33 percent in comparison to preceding quarter's figure.

On the contrary, the trading turnover of the quarter declined by 58 percent in comparison to the previous quarter. It was observed that no trades of MTCC were executed throughout the quarter.

The total trading turnover for the quarter was recorded at Rf759,980. A breakdown of this reflected that BML holds 50.5 percent of the trading turnover while MTDC and STO holds 39.6 percent and 9.9 percent

respectively.

The market capitalization as at the end of the quarter was recorded at Rf1,862,012,112. A year-on-year comparison reflected that the market capitalization decreased by 17 percent against the figure Rf2,246,082,000 on 31st December 2008.



Attract New Licensed Entities

CMDA plans to undertake a review of the adequacy of licensing and registration requirements, including minimum standards and prudential requirements, for market intermediaries in the near future.

In the medium term, CMDA intends to issue Regulations and licenses governing the following activities:

- Dealers,
- Custodians,
- Fund Managers,
- Asset Managers,
- Investment Advisors,
- Underwriters,
- Credit Rating Agencies.

OUTLOOK FOR 2010

Following the contraction of GDP by 4% in 2009, real GDP growth is expected to rebound in 2010, supported by tourism inflows and tourism related investment and services given the positive outlook of global economic recovery. (Information:- IMF).

CMDA believes the capital market has vast potential in future given the ambitious privatization program the government is planning to implement starting 2010.

Happy New Year



“CMDA invites expression of interest from Credit Rating Agencies to start Rating Service in Maldives”