



CMDA

Capital Market Development Authority

QUARTERLY REPORT

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CMDA Quarterly Report

PREFACE

The Capital Market Development Authority (CMDA) releases its Quarter 3, 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:

- ◆ Introduction of Sukuk (Islamic Bonds)
- ◆ COMCEC 2nd Capital Market Regulators Forum
- ◆ Signing of the agreement to handover the management of ICDS to Villa College
- ◆ Regulatory Activities
- ◆ Pension Supervision
- ◆ Training and Awareness

Introduction of Sukuk

It is one of the foremost priorities of the CMDA, to develop the Islamic Capital Market, and create a greater number of Shari'ah compliant investment opportunities, for investors in the Maldives. The CMDA's work towards this end resulted in Islamic equities being listed on the Maldives Stock Exchange, as of 2012. Furthermore, to cater the needs of investors and businesses, seeking Shari'ah compliant investment opportunities and means to raise capital, CMDA has undertaken all the regulatory work required to facilitate the first

issuance of Sukuk, a new Islamic financial product, to the capital market in the Maldives.

During the quarter under review, Housing Development Finance Corporation (HDFC), a company jointly owned by the Government of Maldives in partnership with foreign investors, issued the first Sukuk (Islamic Bonds) in the country, The HDFC Sukuk opened for subscription on 1st October and will close on 27th November 2013.

COMCEC 2nd Capital Market Regulators Forum

During the quarter under review, the CMDA participated in the 2nd Capital Market Regulators Forum, held in Istanbul, Turkey on the 19th of September. The conference was attended by the securities market regulators of all 20 member countries.



Participants of the Forum

The main focus of the conference was on evaluating the work carried out by the participating authorities, with respect to the areas of capacity building, market development, Islamic finance and financial literacy.

During the conference, it was decided that Securities Commission (SC) Malaysia and the CMDA will continue to be chair and co-chair respectively, of the Islamic Finance Taskforce forum for another year. Additionally a draft report on 'Enhancing Infrastructures of Islamic Capital Markets' was jointly presented by SC Malaysia and CMDA.

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) 3014121.



BOARD MEETINGS AND RESOLUTIONS

The Board of directors met 6 times during the third quarter of 2013. Important issues deliberated upon and resolved include:

- ◆ Endorsed the decision to grant Shariáh compliant status to Amana Takaful Maldives Plc., following the Shariáh screening of its Audited Financial Statements for the year 2012.
- ◆ Decided to reject the appeal filed by Dhiraagu, to overturn the enforcement action taken against the company, for breach of disclosure requirements in the 4th quarter of 2012.
- ◆ Decided to reject the appeal filed by HDFC against enforcement action imposed upon the company by the CMDA for failing to publish the 2nd quarter report of 2013, before the stipulated date.
- ◆ Approved the budget of CMDA for the 4th quarter of 2013.
- ◆ Endorsed the strategic targets for the coming year of 2014.
- ◆ Reviewed the HDFC Sukuk prospectus and endorsed the decision to commence the issuance of Sukuk, upon receiving approval from the Registrar of Companies.
- ◆ Reviewed and approved the proposal for CMDA staff promotions.

REGULATORY ACTIVITIES

Cancellation of license

The dealers license issued to First Option Maldives Pvt Ltd expired during the quarter. As no application for renewal was received, CMDA cancelled the dealers licenses issued to First Option Maldives Pvt. Ltd and their nominated representative Mr. Shafee Abdul Raheem. Subsequently, there are two remaining licensed dealing companies operating in the capital market, they are Stock Brokers Maldives Pvt Ltd and Aariya Securities Pvt Ltd.

Inspections

MSE/MSD

Quarterly inspections of MSD and MSE were carried out by the CMDA during the quarter under review. Inspections were conducted for the 4th quarter of 2012, and the 1st and 2nd quarters of 2013. The areas of inspection included governance, operations, regulations and implementation of previous recommendations. Recommendations were made to adhere to the regulations and rectify operational issues that were identified during the inspection.

Pension Supervision

Annual onsite inspection of the Maldives Pension Administration Office (MPAO) was carried out during the quarter. The inspection team conducted interviews with the board of directors and senior executives, made observations of key operations relating to the Maldives Retirement Pension Scheme (MRPS), conducted physical verification of documents, made comparisons with information retrieved for the purpose of inspections as well as conducted dummy runs to understand the functionality of the information systems.

Based on the information obtained from the field work, the inspection team re-assessed the risk scores and prepared an Inspection Findings Report which was communicated with MPAO for management commentary. Furthermore, recommendations were given to MPAO as part of the annual inspection.

Regulatory meetings

MSE

Meetings were conducted between the CMDA and the Maldives Stock Exchange (MSE) to discuss the preliminary findings of the aforementioned quarterly inspections of MSE, conducted during the quarter.

MSD

The regulations of the CMDA stipulate that MSE and MSD must obtain CMDA's approval prior to the introduction of any new services. As such MSD approached the CMDA to hold discussions regarding an IPO (Initial Public Offering) Management service that they intend to introduce. Subsequently, meetings were held between the CMDA and MSD to discuss the details of the service.

A separate meeting was also conducted between the CMDA and MSD to discuss a proposed change to the account opening process that MSD wishes to implement.

Maldives Securities Depository - Paying Agent for HDFC Fixed Income Bond Issue

As the paying agent for HDFC Fixed Income Bond Issue, Maldives Securities Depository (MSD) is responsible for receiving coupon payments from HDFC and distributing them to the bondholders.

The first coupon payment to HDFC bondholders was announced by MSD on 10th September 2013. The press release of MSD stated that the coupon payments were deposited to the respective bank accounts of the bondholders. The announcement further noted 10th March 2014 as the due date for the next coupon payment.

New services introduced by MSD - SIMS

The Securities Issue Management Services (SIMS) is a new service introduced by MSD to enable greater outreach to investors during IPOs. Under SIMS, MSD will assist the Issuing Company in reaching the investors in islands and Male', by making prospectuses and application forms available, and accepting securities applications from Post Office Branches.

Furthermore, the issuer will be relieved of the need to establish collection points in Islands, and ensure a wider coverage of the issue increasing subscription levels. It is anticipated that SIMS will assist the issuers build awareness of their public offerings and enable impactful investor participation in the future.

Listed Companies

Announcement of interim dividends

Bank of Maldives (BML) Plc. announced interim dividend of 9.29 (MRV) Rufiyaa for its shareholders, during the quarter. The interim dividend was announced for the first 6 months of the current year and was issued to its shareholders on the 28th of July 2013.

Annual General Meetings (AGM)

During the quarter under review, Dhiraagu Plc. held their AGM on 12th August 2013. In its capacity as the securities market regulator, CMDA participated in the AGM to observe proceedings. Im-

portant issues resolved included the appointment of an independent director to the board, passing of the resolution to approve final dividend for the year 2013 and passing of the resolution to re-appoint KPMG as the auditor of the company.

Extraordinary General Meetings (EGM)

During the quarter, the CMDA participated as an observer in an Extraordinary General Meeting (EGM), called by the State Trading Organization Plc. The EGM was held to determine the validity of votes cast by shareholder's at the company's Annual General Meeting (AGM) of 2012. The EGM established the votes to be valid.

Enforcement action

Enforcement action was taken against two listed companies during the third quarter. HDFC and MTDC contravened Section 7 of Securities Regulations (Continuing Disclosure Obligations of Issuers - CDOI), by failing to publish the quarterly report for the 2nd quarter of 2013, by the 30th of July. Consequently, the CMDA took enforcement action against both companies by imposing a fine of 30,000 (MVR) Rufiyaa on each.

TRAINING AND AWARENESS

Islamic Capital Market Workshop

An Islamic Capital Market awareness workshop was conducted at the seminar hall of the Islamic Center on the 28th of August 2013.

The workshop was one among a series of workshops conducted every month, by the Islamic Capital Market Development Section (ICMDS) of the CMDA. The series of workshops aim to educate the public on the basic concepts of Islamic Finance and Islamic Capital Market.



Islamic Capital Market awareness workshop

The workshops are conducted by Dr. Aishath Muneeza and concepts covered include the components of Islamic Finance, types of contracts, Islamic bonds and equities, Islamic finance and capital market in the Maldives and the main challenges faced by the sector.

CORPORATE GOVERNANCE

Management of ICDS handed over to Villa College

The Institute of Corporate Directors and Secretaries (ICDS) was founded in 2011 and has been administered by the CMDA, since its inception. The core mission of ICDS is to promote high standards of corporate governance among the board members and secretaries of listed companies by conducting training programs .



ICDS agreement signing ceremony

The agreement to handover the management of the ICDS to Villa College, was signed during the quarter. The decision to handover the management of ICDS to Villa College, was made after a thorough evaluation of the bids put forward by all interested parties.