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Maldives Securities Act (02/2006) with first amendments

Preamble 1. This Act is to make provision for the establishment of the Capital Market Development Authority, for the purpose of developing and regulating a capital market in the Maldives, issue of licenses in relation to capital market activities of the securities market where necessary and for matters connected therewith or incidental thereto. This is the law governing securities business in the Maldives.

Short title 2. This Law shall be cited as "Maldives Securities Act".

Chapter 1- Capital Market Development Authority

Establishment of the Authority and its status 3. This Act establishes a separate legal entity to be known as the Capital Market Development Authority, which is a body corporate with perpetual succession. It may sue and be sued in its corporate name, may acquire, hold and dispose of real property and personal property and in general has the capacity to undertake different activities.

Principal objectives of the Authority 4. The principal objectives of the Authority are:-
(a) to develop a market in which securities can be issued and traded in a fair and orderly manner;
(b) to protect and promote the interests of investors and potential investors in securities;
(c) to regulate and supervise the securities market; and
(d) to take measures to prevent unconscionable conduct in relation to dealings in securities and loss of confidence in the securities market; and
(e) to undertake any other responsibilities vested in the Authority by any other Act.

General Powers of the Authority 5. The Authority shall have all such powers as are necessary to enable the Authority to achieve its objects under this Act and regulations made thereunder, in accordance with the law.

Board of Directors 6. (a) The Authority shall have a Board of Directors responsible for formulating the policies of the Authority.
(b) Members of the Board shall be appointed by the President on the advice of the cabinet.
(c) The Board shall be composed of 7 members and shall include:-
1. Chairman of the board;

2. Chief Executive Officer of the Authority;
 3. An official of the Maldives Monetary Authority;
 4. An official of the Ministry of Finance and Treasury;
 5. Registrar of Companies; and
 6. Two members from the private sector who are not employees of the Government and who shall be appointed on the basis of their recognized standing and experience in economic activities in the private sector.
- (d) Members appointed to the Board under sub-section (c) should satisfy the following criteria:-
1. hold at least a first degree in finance, business or law and has worked in a financial institution or gained financial experience through working in the business sector;
 2. shall be an educated person, who has work ethics and is capable of discharging the functions and duties of his office;
 3. shall not be a discharged bankrupt;
 4. shall not have been convicted of theft, fraud, robbery, swindling, embezzlement or corruption within the past ten years;
 5. shall not be a member of the Board of directors of any institution that falls under the regulatory jurisdiction of the Authority. and
 6. shall not be member of the Board, or hold any post in, or have more than 5 percent ownership interest in, any institution that falls under the regulatory jurisdiction of the Authority, in his name or by his nominee or by associated persons or a company in which he holds shares.
- (f) Members appointed under sub-section (c) shall have tenure on the Board of six years and may not hold office for more than two terms.
- (g) Four members shall constitute a quorum for meetings of the Board.
- (h) Meetings of the Board shall be presided over by the Chairman of the Board. In the event, the chairman is unable to attend a meeting the said meeting shall be presided by a member, elected by the members present from amongst themselves. A member so elected to preside over a meeting in the absence of the chairman shall not be the Chief Executive Officer of the Authority.

- (i) The Board shall meet at least once in each calendar quarter.
- Administration 7. Subject to the provisions of this Act, the Board shall formulate regulations pertaining to the activities of the Authority and ensure that the activities are carried out in accordance with them. The Board shall ensure that Board meetings are held according to rules pertaining to Board meetings, minutes of such meetings are recorded and kept, bank accounts of the Authority are opened and closed as needed, financial statements of the Authority are prepared and maintained and audits of activities of the Authority are undertaken where necessary.
- Chief Executive Officer and Chairman of the Board 8. (a) The Chairman of the Board shall be appointed by the President.
(b) 1. The Chief Executive Officer shall be responsible for conducting the day-to-day business of the Authority in accordance with the policy directions provided by the Board.
2. The Chief Executive Officer of the Authority shall be appointed by the President on the advice of the Board.
- Removal of Directors 9. (a) A Director may be removed from the office by the President under the following circumstances:
(1) adjudicated bankrupt by a Court
(2) Convicted of any criminal offence
(3) Has committed an act deemed inappropriate for the office of a Director
(4) Is incapable to undertake the responsibilities of a Director
(5) Fails to meet any requirement for a Director prescribed in this Act
(b) A director may resign by delivering a formal resignation letter to the President.
(c) Where the office of a director becomes vacant prior to the end of his/her term, a new member shall be appointed within 60 days.
- Duties and Responsibilities of the Authority ~~9.~~ 10 Duties and responsibilities of the Authority shall be:-
(a) to ensure that securities are issued to the public in compliance with relevant rules and regulations;
(b) to maintain surveillance over the securities market and the Stock Exchange and to ensure orderly, open, fair and equitable dealings in

- securities in compliance this Act and regulations made thereunder;
- (c) to take measures to suppress improper practices and contravention of the law in relation to dealings in securities;
 - (d) to regulate dealers, dealer's representatives, investment advisers and any other persons holding a license under this Act with a view to maintain acceptable professional standards;
 - (e) to monitor the solvency of any person holding a license under this Act and take measures to protect the interests of recipient of services where the solvency of any such person is in doubt;
 - (f) to give directions to the Stock Exchange Company on matters relating to the operation of the securities market;
 - (g) to make and implement rules and regulations on takeovers, mergers, acquisitions and all other forms of business combinations in relation to listed companies;
 - (h) to make rules and regulations to promote the securities market; and
 - (i) to make such inquiries in relation to matters pertaining to the securities market as the Authority thinks fit or as the Minister may direct.

Finances of the Authority

~~10-~~ 11

- (a)
 - 1. The authorized capital of the Authority shall be six million rufiyaa and may be increased from time to time by such amounts as may be proposed by the Board and approved by the President of the Maldives. No reduction of capital shall be effected except by an amendment to this Act.
 - 2. Upon establishment of the Authority the Government shall pay towards its authorized capital an amount of three million rufiyaa and such further amounts from time to time, as may be proposed by the Board and approved by the President of the Maldives.
- (b) The income of the Authority shall be money that the authority gets in accordance with this section and shall include:-
 - 1. fees levied in relation to the licenses issued by the Authority;
 - 2. fines levied by the Authority under this Act;
 - 3. funds received from local and international

- entities in accordance with the law; and
4. Any other funds received to the Authority to undertake responsibilities required by any other Act.
 5. funds received from the allotted Government budget upon request of the Board, whenever the Board feels that the income received under subsections (b) (1), (2), ~~and~~ (3) and (4) is insufficient for the functioning of the Authority.
- (c)
1. The Authority shall establish its General Reserve to which shall be allocated at the end of each financial year 50 percent of the net profit of the Authority, until such time as the General Reserve is equal in amount to the authorized capital of the Authority after which 25 percent of the net profit shall be allocated to the General Reserve.
 2. After allocations have been made to the General Reserve under Subsection (c) (1), the remainder of the net profit of each year shall be transferred to the Government.
 3. If the Authority should make a net loss which exceeds the amount of the General Reserve at the end of that year, a sum equivalent to such excess shall be paid to the Authority by the Government in non-negotiable, non-benefit bearing securities.
- Annual report and financial statement ~~11-~~ 12 (a) Within four months after the end of each calendar year, the Authority shall prepare and submit to the Board a report on its operations during the past year together with a copy of its audited annual financial statements, to be approved by the Board. Once the Board approves the reports, it shall be published.
- (b) The financial statements of the Authority shall be audited by an auditor, acceptable to the Auditor General, appointed by the Board.
- Immunity of the Authority, employees and others acting under its direction ~~12-~~ 13 The Authority or any employee of the Authority or any person acting under the direction of the Authority shall not have to take responsibility for any damages incurred from or arising from any act done or purported to be done in good faith and taking reasonable care in the exercise or

performance of any duty or powers under this Act or the regulations made thereunder. However, where in an action brought against a person, a court of law finds that person is guilty of an offence, that person shall be directly responsible for that offence.

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| Power to appoint Employees and officers | 13. 14 | On recommendation of the Board, the President The Board shall employ persons, terminate their services, fix the amount and manner of their remuneration, prescribe the terms and conditions of their employment, as the Board may consider necessary for the due performance of the functions of the Authority. |
| Conflicts of interest | 14. 15 | <p>(a) No member of the Board shall solicit advice from a commercial, financial, agricultural, industrial, or other interest or receive or accept directions there from in respect of duties to be performed under this Act. However, this does not preclude the Board consulting, receiving and accepting advice from advisors, consultants and experts appointed to advise the Board or the authority.</p> <p>(b) All members of the Board shall fully disclose to the Board any commercial, financial, agricultural, industrial or other interest that they may have directly or indirectly in any matter which becomes the subject of Board decision prior to the commencement of the meeting to discuss the matter. And any such member shall not attend the Board meeting discussing or determining such matter.</p> <p>(c) No member of the Board nor any officer of the Authority shall accept any gifts for himself or for his spouse or children or for persons with whom he may have business or financial connections which would result in him being partial in the performance of his duties under the Act.</p> <p>(d) Any person who contravenes the provisions of this section is guilty of an offence punishable on conviction by a fine not less than 25,000 Rufiyaa and not exceeding 100,000 Rufiyaa or imprisonment for a term not less than 3 months and not longer than 1 year.</p> |
| Secrecy | 15. 16 | Disclosure to any person any material information relating to the affairs of the Authority, by a member of the Board, or any Officer of the Authority which has not been publicized, and which he has acquired in the performance |

of his duties except for the purpose of the performance of his duties under this Act or when lawfully required to do so by a Court of law shall be an offence, punishable on conviction to imprisonment for one year together with a fine of 75,000 Rufiyaa.

Chapter 2 – Interim Securities Trading Facility

- Interim Securities Trading Facility ~~16.~~ 17
- (a) Until a Stock Exchange authorized under Chapter 3 of this Act is established, the Securities Trading Floor, Securities Depository and other securities market functions carried on by the capital market Division of the Maldives Monetary Authority shall be transferred to an Interim Securities Trading Facility which, shall be operated by the Authority. This facility shall be operated by the Authority for a maximum duration of 2 years.
 - (b) The Provisions of this Act, other than sections ~~19~~ 21 and ~~24~~ 26 shall apply in its entirety, in relation to the Interim Securities Trading Facility established pursuant to subsection (a).
 - (c) The Authority may make those regulations it deems appropriate, in order to ensure orderly and fair trading in securities on the Interim Securities Trading Facility established pursuant to subsection (a) for the protection of investors.
 - (d) Where a Stock Exchange is established under this Act, the operation of the interim Securities Trading Facility shall be transferred to the Stock Exchange, in accordance with regulations made pursuant to subsection (c).
- Only an approved stock exchange or Interim Securities Trading Facility may establish or maintain a securities market ~~17.~~ 18
- (a) No person shall establish or maintain or hold himself out as providing or maintaining a securities market unless it is the Interim Securities Trading Facility established under this Chapter or a Stock Exchange approved under Chapter 3.
 - (b) No person shall assist in establishing a securities market unless it is the interim stock trading facility established under this Chapter or a Stock Exchange approved under Chapter 3.
 - (c) Contravention of this section is an offence and an individual who contravenes subsection (a) is guilty of an offence punishable on conviction by a fine of not less than 75,000 Rufiyaa and not exceeding 150,000 Rufiyaa or imprisonment for a term of

not less than 1 year and not longer than 5 years or both. Where a company or an institution contravenes subsection (a) it shall be liable on conviction to a fine not less than 100,000 Rufiyaa and not exceeding 500,000 Rufiyaa. Any person who contravenes subsection (b) is guilty of an offence punishable on conviction by a fine not less than 25,000 Rufiyaa and not exceeding 100,000 Rufiyaa.

Providing assistance to foreign regulatory Authorities ~~18-~~ 19 Authority may provide assistance to foreign regulatory Authorities in connection with any legal or regulatory requirement which the foreign regulatory Authority enforces or administers, and for that purpose, may carry out investigation of any alleged breaches of the legal or regulatory requirements or provide such other information, opinion or assistance to the foreign regulatory Authority as the Authority thinks fit.

Chapter 3 – Maldives Stock Exchange

Invitation to establish a stock exchange ~~18-~~ 20 (a) The right to establish a stock exchange in the Maldives shall be granted, in accordance with rules made by the Authority, to the person who makes the best offer, on an invitation to the public, made by the Authority.
(b) Where the Authority is of the view that there is no suitable offer under subsection (a), the Government may establish and operate a Stock Exchange in accordance with policies formulated by the Board of Directors of the Authority. The stock Exchange established under this subsection shall be exempt from the operation of section ~~19~~ 21 (a) of this Act.

Establishment of a stock exchange ~~19-~~ 21 The Authority may, in consultation with the Minister, approve a company registered under Companies Act (Law no 10/96), to establish and operate a stock exchange. A company can apply for a license under this section provided the following conditions are satisfied:-
(a) at least three members of the applicant company are dealers who will carry on the business of dealing in securities independent of and in competition with each other;
(b) the Memorandum of Association and Articles of Association of the applicant company are in a

- form directed or approved by the Authority and shall not be altered or amended without the approval of the Authority; and
- (c) The rules of the stock exchange must make provision for the matters referred to in Section ~~24~~ **26** of this Act.
- Stock Exchange Company ~~20-~~ **22**
- (a) The Stock Exchange Company shall be incorporated under the Companies Act (Law no 10/96).
- (b) The Stock Exchange shall comply with this Act in establishment, carrying out its duties and functions and in the exercise of any other powers.
- (c) The Stock exchange Company shall have the right and power to do the following:-
1. the right to operate and maintain a Stock Exchange; and
 2. the right to establish a company to act as a Central Depository, to be operated in accordance with policies formulated by the Board of Directors of the Authority.
- Control and Supervision of the stock exchange company ~~21-~~ **23**
- (a) Upon issuance of a license to a company to operate as a stock exchange, the Authority shall make a public announcement of notice of approval and where the approval is revoked or suspended a public announcement to that effect has to be made accordingly.
- (b) Where the stock exchange company contravenes this Act or regulations made thereunder, the Authority has the power to revoke a license granted under Section ~~19~~ **21** of this Act.
- (c) Where a license is revoked under subsection (a) of this Act, the Authority may give a temporary license to an authorized dealer, or any other party that the Authority deems capable, to operate the functions of a Stock Exchange in continuance, in accordance with policies formulated by the Board of Directors of the Authority.
- (d) Where a license issued to a stock exchange company is revoked under subsection (b), the company has the right to apply to court to reverse that decision, within 30 days of notice of that decision.
- Objects of the Stock exchange company ~~22-~~ **24**
- The objects of the Stock Exchange company shall be:-
- (a) To provide facilities for buying, selling and otherwise dealing in securities on the Stock Exchange.
- (b) To establish a mechanism for disciplining of

- persons involved in dealing in securities on the Stock Exchange.
- (c) To establish a clearing service for securities dealt on the Stock Exchange.
- (d) To develop and promote the securities market.
- Memorandum of Association and Articles of Association of the Stock Exchange Company ~~23-~~ 25 The Memorandum of Association and Articles of Association of the Stock Exchange Company shall be formulated in compliance with regulations of the Authority. The Stock exchange company can only make rules and amendments to such rules, to the extent and in such manner as may be approved by the Authority and this must be stated in the Memorandum and Articles of Association of the Stock Exchange Company.
- Formulation of rules by the stock exchange company and referral thereof to the Authority ~~24-~~ 26 (a) The Stock Exchange Company shall make rules which include satisfactory provisions with respect to the following matters:-
1. membership of the company;
2. listing of companies on the Stock Exchange and obligations of issuers of listed securities;
3. conditions governing dealings in securities; and
4. clearing and settlement of securities.
(b) Rules made by the Stock Exchange Company and the entity established pursuant to Section ~~20~~ 22 (c) (2) shall come into effect only upon approval by the Authority.
- Stock Exchange Company to furnish its information to the Authority ~~25-~~ 27 The Stock Exchange Company shall provide information to the Authority in relation to its income, business, dealings in securities, and any other information relating to or incidental to the said activities as the Authority may require for the performance of the Authorities duties and functions. The Stock Exchange shall maintain such records for at least six years to ensure that they may be easily produced where required by the Authority.
- Power to issue directions to the Stock Exchange company ~~26-~~ 28 (a) Where it appears to be in the public interest, the Authority has the power to issue directions to the Stock Exchange company as specified in the regulations.
(b) Where the Stock Exchange, without a valid reason, fails to comply with a directive given under subsection (a), it is guilty of an offence punishable on conviction to a fine not exceeding Rufiyaa 100,000. In addition, every director and every officer of the Stock Exchange Company which

committed the offence, shall be liable on conviction to a fine not less than Rufiyaa 25,000 and not exceeding Rufiyaa 100,000 or imprisonment for a term of not less than three months and not longer than one year with a fine of Rufiyaa 75,000, unless such director or officer proves that such contravention occurred without his knowledge or consent. However, such a defense shall not be available to a person where by virtue of the duties of his office, he ought to have known of the matter.

- Failure to comply with the listing rules of the stock exchange by a person who has to comply with them
- ~~27-~~ 29 (a) A person, who has sustained damages due to the failure of a party to observe their duties under the listing rules of the stock exchange or contravention of the said rules, may apply for a court order compelling performance of a duty or an act or an order for damages as the case may be. Before issuing an order under this section, court shall give the respondent reasonable opportunity to be heard.
- (b) An issuer whose securities have been admitted to listing on the Stock Exchange or a person associated with an issuer whose securities have been admitted to listing on the Stock Exchange is under an obligation to comply with the Listing Rules of the Stock Exchange.

Chapter 4 – Licensing of persons to deal in securities

- Dealers license
- ~~28-~~ 30 (a) No person shall carry on a business of dealing in securities or hold himself out as carrying on such a business unless he is the holder of a dealer’s license issued under this Section.
- (b) A dealer’s license shall be issued under this Act only to companies registered under the Companies Act.
- Dealers representative license
- ~~29-~~ 31 (a) No person shall act as a dealer’s representative unless he is the holder of a dealer’s representative’s license issued by the Authority under this Act.
- (b) A dealer’s representative’s license shall be issued under this section to a person who is over the age of 18 years.
- Investment Advisors license
- ~~30-~~ 32 (a) No person shall act as an investment adviser or hold himself out to be an investment adviser unless he is the holder of an investment adviser’s license issued under this Act.
- (b) An investment adviser’s license shall be granted to

a company provided it is a company registered under the Companies Act, or an individual provided that person is over the age of 18 years.

- License to operate an investment fund or similar arrangements ~~31-~~ 33
- (a) Investment funds or similar arrangements may only be operated by persons licensed under and in accordance with this Act.
 - (b) 'Investment funds or arrangements' for the purpose of this Act shall mean any fund constituted or arrangements formulated consisting of any assets, including money, acquired, held, operated or sold to general or a specific type of investors, for the purpose of providing a return on, or participating in the return from the investment or for a similar purpose.
 - (c) License to operate an investment fund or similar arrangements shall be granted to legal entities stipulated in Law number 18/2014 (Business Registrations Act).
 - (d) No person shall act as a fund manager or hold himself out to be a fund manager unless that person has obtain a fund manager's license under this Act.
- Licensing conditions ~~31-~~ 34
- (a) (1) A dealer's license or an investment adviser's license or fund management license shall only be granted or renewed provided the applicant meets such financial requirements as may be prescribed by this Act and Regulations made thereunder.
 - (2) No person shall be granted a license under this Act unless the person satisfies the conditions laid down in this Act and within the last 10 years has not been convicted of any offence involving fraud or dishonesty, or where the applicant is a company provided none of the directors of the company has been convicted of any such offence.
 - (3) Where the license is issued to an individual he should not have been adjudged a bankrupt in the Maldives or elsewhere, or if a company, it should not be wound up or an order or resolution for winding up has not been made.
 - (b) Where the Authority thinks fit, by written notice they may vary a licensing condition or may impose additional conditions in relation to a license.
- Application for license and other matters pertaining ~~32-~~ 35
- (a) The Authority may renew a license on such terms and conditions as may be prescribed by the Authority under this Act.

- to renewal of licenses
- (b) A person who, in connection with an application for a license or for renewal of a license, willfully or knowingly makes a statement which is false or misleading or omits to state relevant matters is guilty of an offence punishable on conviction by a fine not less than Rufiyaa 25,000 and not exceeding Rufiyaa 100,000 or imprisonment for a term of not less than 3 months and not longer than 1 year together with a fine of Rufiyaa 75,000.
 - (c) Where on an application for a license or renewal of a license, the Authority refuses to grant or renew the license the aggrieved party may appeal to the Minister within 30 days of decision of Authority. The Minister's decision on the matter shall be final and binding and the Authority shall act in accordance with that decision.
 - (d) Where the Authority revokes a license, the aggrieved party may apply to court within 30 days of that decision.
- Term of license
- ~~33-~~ 36 With the exception of the license granted to the Stock Exchange and the Securities Depository, unless otherwise specified, all licenses granted or renewed under this Act shall be valid for a period of ~~two~~ 5 (five) years from the date of the grant or renewal as the case may be.
- Revocation or suspension of license
- ~~34-~~ 37
- (a) A license shall be deemed to be revoked on the occurrence of the following events:-
 1. where the license was granted to an individual, upon his demise or where he is adjudged a bankrupt;
 2. Where the license holder is a company, an order or resolution for winding up has been made. Where a company holding a license decides to wind up the company, the Authority has to be informed of that decision 3 months prior to the winding up of the company.
 - (b) The Authority may revoke a license issued under this Act provided:-
 1. In the case of a licensed person who is an individual –
 - (i) Where a court order for levy of execution in respect of any of his debts has not been satisfied;
 - (ii) if he has not carried out any business under the license issued to him or he

- ceases to carry on the business for which he was licensed;
 - (iii) if he has been adjudged a bankrupt in any jurisdiction;
 - (iv) if, in the case of a representative, the license of the dealer, in relation to whom the representative's license was granted, is revoked and within a month after the said revocation he has not started representing another dealer licensed under this Act;
 - (v) if the Authority has reason to believe that the licensed person is not performing his duties efficiently, honestly or fairly;
 - (vi) If he is convicted of an offence involving fraud or dishonesty;
 - (vii) If the licensed person fails to comply with any provision of this Act or regulations made thereunder or condition(s) applicable in respect of the license.
 - (viii) If a holder of a license issued under this Act is sentenced to imprisonment for a term longer than 6 months or banishment or house arrest for the same duration.
- (2) In the case of a licensed company -
- i. If an order for winding up of the company is made under section 93 of the Companies Act or the process of winding up of the company has already commenced;
 - ii. Where a court order for levy of execution in respect of any debts of the company has not been satisfied;
 - iii. if a receiver or a receiver and manager has been appointed whether in the Maldives or elsewhere by a court or creditors in respect of the company's property;
 - iv. if it has entered into any arrangement in relation to its debts with its creditors;
 - v. if it ceases to carry on the business for which it was licensed under this Act;
 - vi. if the Authority has reason to believe that the licensed entity, or any of its directors or employees, is not performing his duties efficiently, honestly or fairly; or

- vii. If the licensed entity contravenes any provision of this Act or regulations made thereunder or any condition(s) applicable in respect of the license.
 - (c) In the case to which subsection (b) applies, the Authority may instead of revoking a license, suspend the license for such a period as may be prescribed and the Authority may at any time remove such a suspension order.
 - (d) Due to revocation or suspension of a license issued under this Act:
 - (1) any agreement or transaction relating to the trading in securities entered into prior to the suspension or revocation or after the suspension or revocation will not be deemed terminated; and
 - (2) any rights or obligations arising under such a transaction or agreement shall not be affected.
- License register ~~35-~~ 38
- (a) The Authority shall maintain a register of all licenses issued under this Act.
 - (b) The register shall contain the following particulars-
 - (1) the name of the licensee;
 - (2) the business address of the licensee;
 - (3) the name under which the licensee conducts his business;
 - (4) the type of business conducted by the licensee; and
 - (5) Date of grant, renewal and expiry of the license.
 - (c) Arrangements must be made in accordance with regulations made under this Act to ensure, that on payment of a prescribed fee, a person may inspect the register, copy extracts of it, and have any such extract certified.
- Underwriters license ~~36-~~ 39
- (a) An underwriter's license may be issued, upon an application to the Authority for an underwriter's license by a financial institution or a securities dealer.
 - (b) The Authority if satisfied that the applicant has sufficient financial standing to undertake the underwriting of issues of securities, and meets such requirements as may be prescribed by regulations made under this Act, may grant the applicant an underwriter's license on such terms and conditions as may be prescribed by the Authority.
- Underwriting by ~~37-~~ 40
- Notwithstanding any provision of this Act, a bank which is

banks authorized by the Maldives Monetary Authority authorized by the Maldives Monetary Authority may, subject to such terms and conditions as may be determined by the Authority, enter into agreements and engage in transactions to underwrite securities without holding a dealer's license or an underwriter's license.

- Authorization for other services related to securities
- ~~38-~~ 41 (a) ~~In addition to the categories of licenses referred to in Sections 28, 29, 30 and 36 of this Act, in accordance with Regulations made under this Act, licenses may be issued to financial institutions to provide stewardship service and other services related to securities prescribed in the Regulation.~~
- (a) With the exception of the licenses stated below permission may be granted to provide credit rating services, custodial services, steward service by financial institutions and other services related to securities shall be provided only after obtaining permit from the Authority and in accordance with the Regulations made under this Act.
- (i) dealer's license
 - (ii) dealer's representative license
 - (iii) investment adviser's license
 - (iv) license to manage investment funds or similar arrangements; and
 - (v) underwriter's license
- ~~(b) Stewardship services and such other services related to securities shall only be provided by holders of appropriate licenses issued by the Authority.~~

Chapter 5 – Regulations on securities Trading

- Disclosure of interests in securities
- ~~39-~~ 42 (a) Where a person who holds a license under this Act, makes a recommendation, whether expressly or by implication, with respect to securities or a class of securities, he shall make a concise statement of any interest he has or a person associated with him has in the acquisition or disposal of those securities or any other interest thereof. The disclosure statement should be as apparent as the other documents through which the recommendation was communicated.
- (b) In a prosecution for an offence under subsection (a) where the defendant is able to establish that, at the time at which the recommendation was given, he was not aware and could not reasonably be expected to have been aware of the following, he shall not be guilty of that offence:-

- (1) That he had an interest in those securities or an interest in the acquisition or disposal of securities included in a class; or
 - (2) That the person associated with him had an interest in those securities or an interest in the acquisition or disposal of securities included in a class.
- (c) For the purposes of subsection (a) and (b):
- (1) An interest in the disposal of securities shall include any financial benefit or any other advantage that will, or is likely to accrue directly or indirectly;
 - (2) without limiting the generality of subsection (b) (2) a person who has entered into an underwriting agreement in respect of securities shall be deemed to have an interest in the acquisition and disposal of those securities;
 - (3) A person is not associated with another person by reason only that he is a director of a body corporate of which the other person is also a director, whether or not the body corporate carries on a business of dealing in securities, unless the person and the other person are acting jointly or together or in accordance with an arrangement made between them, in relation to the making of recommendations or sending communications.
- (d) Where a person who holds a license issued under this Act has subscribed for or purchased securities for the purpose of offering all or any of them to the public for purchase, he shall not make a recommendation unless he has disclosed orally or in writing that he purchased the securities for the purpose of disposing of it.
- (e) Where a party licensed under this Act has purchased a security under an underwriting or sub-underwriting obligation, by virtue of the fact that no one has purchased the security or part of the security or made payment to purchase thereof, such security shall be offered for sale only through the stock exchange. Any recommendation pertaining to such securities shall be given after disclosing the fact that the securities were obtained under an underwriting or sub-underwriting

agreement.

- (f) A person who holds a license issued under this Act shall not send to any person a circular or other written communication or written offer or recommendation to which subsection (a), (d) or (e) applies unless it is signed by:
 - 1. the person, if he is a natural person;
 - 2. a person authorized by the Board of Directors, if the person is a body corporate; or
 - 3. by a partner, if the person is a partnership.
- (g) Where a person who is a dealer or a dealer's representative sends to a person a circular, communication, written offer or recommendation to which subsection (a), (d) or (e) applies, he shall preserve a copy of the circular, communication, written offer or recommendation duly signed as specified in subsection (f), for 6 years from the date of signing.
- (h) Reference in this section to an offer of securities shall be construed to include not only an offer but also the duration within which expressly or impliedly a person is invited to make an offer to acquire securities.

Recommendations on securities trading ~~40-~~ 43

- (a) An adviser who is licensed under this Act to make recommendation with respect to securities shall not make recommendation to a person, who may rely on the recommendation, without having a reasonable basis for the recommendation.
- (b) Where the adviser has, for the purposes of ascertaining that the recommendation is appropriate, having regard to the information possessed by him concerning the investment objectives, financial situation and particular needs of the person, given such consideration to, and conducted such investigation of, the subject matter of the recommendation as is reasonable in all circumstances, it shall be deemed for the purposes of subsection (a) that the adviser has a reasonable basis for the recommendation.
- (c) Where an adviser makes a recommendation to a person in contravention of subsection (a) and the person relying on the recommendation, acts in accordance with that recommendation and it is reasonable, having regard to the recommendation

and all other relevant circumstances, for the person to have acted in that manner relying on the recommendation and the person suffers loss or damage as a result of that, the adviser is liable to pay damages to the person in respect of that loss or damage.

(d) In this section:

- (1) A reference to an advisor is a reference to a person who is a dealer, dealer's representative and investment advisers; and
- (2) A reference to the making of recommendation is a reference to the making of a recommendation, whether express or by implication.

Power to
Prohibit
advertising

- ~~41.~~ **44** (a) In the following circumstances, publication of an advertisement or an advertisement relating to securities can be prohibited by the Authority:-
- (1) if it is likely to mislead or confuse with regard to any securities or any particular contained in the advertisement that is material in relation to securities; or
 - (2) if the advertisement is inconsistent with any registered prospectus referred to in the advertisement; or
 - (3) if the advertisement is in contravention of this Act, or the Companies Act.
- (b) An order issued under this section may be made on such terms and conditions as the Authority thinks fit.

Power to register,
suspend or cancel
a prospectus

- ~~42.~~ **45** (a) A Prospectus can be issued to the public only after submission to the Authority and registration has been issued by the Authority. ~~Registrar of companies and upon registration thereof.~~
- (b) Where at any time the Authority is of the opinion that a Prospectus ~~issued in accordance with the companies Act~~ registered with the Authority contains information which is false or misleading or has had omissions made (irrespective of whether the omission was made before or after registration of the Prospectus), or does not comply with this Act ~~or the Companies Act~~, the Authority may act in the following manner with respect to the Prospectus.
- (1) Where it considers that suspension of the prospectus is desirable, the Authority may

- suspend it for a period not exceeding one month; or
- (2) After giving the issuer of the prospectus not less than 7 day's written notice within which to amend the prospectus, and the issuer of the prospectus does not amend it, the Authority may cancel the Prospectus.
- (c) Where the Authority suspends a registered prospectus pursuant to this section:
- (1) The Authority shall forthwith notify the issuer and the registrar of companies of the reasons for the suspension;
- (2) The Authority and the Registrar shall not, nor any of its or his officers or employees, except following cancellation of the registered prospectus under this section or in the course of any criminal proceedings, divulge or communicate to any other person the fact of the suspension or any matter relating to the suspension.
- (d) Subject to Subsection (e) where a registered prospectus has been suspended by the Authority:
- (1) The Company shall not sell any shares irrespective of whether the agreement for such sale was made prior to or after the suspension of the Prospectus; and
- (2) All subscriptions received for securities under the Prospectus, not being subscriptions received for sale of securities prior to the suspension of the Prospectus, shall be confiscated.
- (e) Where the Authority cancels a Prospectus ~~registered under the Companies Act~~, it shall notify the issuer and the Registrar, of the cancellation and the reasons for the cancellation, and shall forthwith make a public announcement in relation to the cancellation.
- (f) Where a registered prospectus is cancelled:
- (1) The Company shall not sell any security after such cancellation of the Prospectus, irrespective of whether the agreement for such sale was made prior to or after the cancellation of the Prospectus.
- (2) all subscriptions received for securities including subscriptions held pursuant to subsection (d) (2) shall forthwith be repaid to the subscribers entitled to them.
- (g) Where any subscriptions which are required to be

repaid to the subscribers entitled to them are not so repaid within one month after the date of cancellation of the registered prospectus, the issuer named in it and in case of a company all the directors shall be jointly and severally liable to repay the subscriptions with a surcharge as maybe prescribed by Regulations made under this Act.

- (h) A director of an issuer shall not be liable to repay any subscriptions and surcharge pursuant to subsection (g) where that director proves that the default in the repayment of the subscriptions was not due to misconduct or negligence on his part.

Chapter 6 – Register of interests in securities

Application of this Chapter ~~43.~~ ⁴⁶ The following persons have to act in accordance with the provisions in this Chapter:

- (1) a dealer;
- (2) a dealer's representative;
- (3) an investment adviser;
- (4) financial journalists and reporters;
- (5) a holder of a license issued under Sections 28, 29 and 36.
- (6) In addition to licensed persons, directors and management of listed Companies.

Register of interest in securities ~~44.~~ ⁴⁷ (a) A person to whom this Chapter applies shall maintain and keep at the principal place of business of that person a register in the prescribed form, of the securities in which he has an interest.

(b) Particulars of the securities in which a person to whom this Chapter applies has an interest and particulars of his interest in those securities shall be entered in the register within 15 days of the acquisition of the interest.

(c) (1) Where there is a change in the interest or interests of a person to whom this Chapter applies in securities, he shall enter in the register full particulars of the change, including the date of the change and the reason for such change.

(2) The entry in the register shall be made, in accordance with this Section, within 15 days after the date of such change.

(3) For the purposes of this subsection where a person purchases or sells securities, that shall be deemed to be a change in the interest or interests of that person in relation to the securities.

- Financial Journalists ~~45-~~ **48** Only those who have authorization to give recommendation on financial matters can act as a financial journalist.
- Furnishing particulars of Financial Journalists to the Authority ~~46-~~ **49** (a) The Authority or any person authorized by it in that behalf, may by notice in writing require to supply him with the name and address of the financial journalist, who has prepared or contributed to the preparation of a report or the like that was published in a newspaper or magazine, and the recipient of the request shall furnish such information within the period specified in the notice.
(b) The newspaper or the magazine in which the report has been published shall be responsible to furnish the information requested under subsection (a) unless there is a reasonable excuse not to do so.
- Disclosure of register ~~47-~~ **50** (a) The Authority or any person authorized by it may require any person who has to maintain a register pursuant to section ~~44~~ **47** to produce it for inspection and the Authority or any person authorized by it may make a copy of the register where needed.
(b) Any person who fails to produce a register for inspection or fails to allow any person authorized under subsection (a) to make a copy of the register shall be guilty of an offence.
(c) The Authority may disclose information in relation to securities' transactions held in the copy of the register obtained pursuant to Subsection (a), to any person who in the opinion of the Authority, should in the public interest, be informed of such transactions.

Chapter 7 – Accounts and audits

- Duty to furnish financial statements and other information ~~48-~~ **51** Every person conducting a business authorized under this Act and every person holding a license under this Act shall furnish financial statements and provide such information relating to his business as the Authority may require or as may be prescribed by Regulations made under this Act in the manner and form prescribed by such regulation.
- Accounts to be kept by dealers ~~49-~~ **52** (a) Every dealer shall maintain the following records:
1. Such accounting records as will correctly explain the transactions and financial position

- of the business of dealing in securities carried on by him;
2. his accounting records in such a manner as will enable true and fair profit and loss accounts and balance sheets to be prepared;
 3. his accounting records in such a manner as will enable profit and loss accounts and balance sheets of the business to be conveniently and properly audited.
- (b) A dealer shall be taken to have complied with subsection (a) in relation to records to be kept by him, if the records are maintained and kept in the manner stated below:
1. are kept in writing in English or Dhivehi language or in such a manner as will enable them to be readily accessible and readily converted into writing in Dhivehi or English language;
 2. are kept in sufficient detail to show particulars of:
 - i. accounts of all moneys received or paid by the dealer, including moneys paid to, or disbursed from the account kept pursuant to Section ~~50~~ **53** of this Act;
 - ii. all purchases and sales of securities made by the dealer, the charges and credits arising from them, and personal particulars of the buyers and sellers of those securities;
 - iii. all income received from commissions, interest, and other sources, and all expenses paid by the dealer;
 - iv. details of all assets and liabilities, including contingent liabilities arising under contracts entered, of the dealer;
 - v. all securities that are the property of the dealer, details of persons who has custody of deeds of title in relation to such securities and where another person has custody of the securities whether they are held as a collateral against a loan or not;
 - vi. all securities that are not the property of the dealer and for which the dealer

- or any nominee controlled by the dealer is accountable, details of persons who has custody of deeds of title to such securities, including particulars of person who handed thereof to that person, and where the deeds of title were handed over for safe keeping, details of that and extent to which they are either held for safe custody or where deposited with a third party as security for loans, details thereof;
- vii. all arbitrage transactions entered into by the dealer; and
- viii. all underwriting transactions entered into by the dealer;
- (3) are kept in sufficient detail to show separately, particulars of every transaction entered by the dealer;
- (4) Specify date or period during which each transaction took place; and
- (5) contain copies of acknowledgement of receipt of securities dealt, clearly showing the names of persons under whose name particular securities are registered.
- (c) In addition to subsection (b), a dealer shall keep records to show separately, particulars of all transactions made by the dealer with, or in relation to the following parties:
1. clients of the dealer;
 2. the dealer himself;
 3. other dealers carrying on business in the Maldives;
 4. dealers outside the Maldives; and
 5. employees of the dealer.
- (d) An entry in the accounting and other records of a dealer, required to be kept in accordance with this section shall be deemed to have been made by, or with the authority of the dealer.
- (e) Where accounting or other records are kept by a dealer at a place outside the Maldives, the dealer shall cause to be sent to and kept at a place in the Maldives such particulars with respect to the business, as will enable a true and fair profit and loss accounts and balance sheets to be prepared.

Separate Bank

~~50-~~ 53

- (a) Every dealer shall open and maintain a separate

- account and distinct bank account in which, he shall keep all amounts received for the purchase and from sale of securities.
- (b) No dealer shall withdraw any money from the bank account mentioned in subsection (a) except for the purposes stated below:
- (1) to a person entitled to get money from the account or his agent; or
 - (2) defraying brokerage and other proper fees and charges.
- (c) Moneys held in the bank account mentioned in subsection (a) shall not be available for payment of the debts of the dealer or liable to be paid or taken in respect thereof in execution of a court order against the dealer for payment of debt.
- Appointment of auditor ~~51.~~ ⁵⁴ Every dealer shall comply with the following requirements in the manner stated below:
- (a) appoint an auditor acceptable to the Auditor General, to audit the financial accounts of the dealer;
 - (b) Lodge the auditor's report with the Authority and the Stock Exchange Company within 3 months after the end of the financial year or such further period as may be permitted by the Authority or the Stock Exchange Company.
- Duties of the auditor ~~52.~~ ⁵⁵ (a) Where, in the performance of this duties as an auditor of a dealer, the auditor becomes aware of the following matters, he shall notify without delay to the Stock Exchange company and the Authority thereof.
1. any matter which, in his opinion, may adversely affect the financial position of the dealer;
 2. any matter which, in his opinion, may constitute a breach of any provision of this Act or shall constitute fraud or dishonesty; and
 3. any irregularity that constitutes a contravention of regulations that may have a material effect on the funds and property of clients of the dealer or that may have an impact on the accounts of the business.
- (b) No liability, civil or criminal, shall arise from an act done by an auditor in good faith in the performance of his duties under subsection (a).

Chapter 8 – Register of persons who hold more than 5% shares in the company

- Register of persons who hold more than 5% shares in the company
- ~~53-~~ 56 (a) All public companies selling shares in the Maldives shall keep a register of shareholders who directly or indirectly control more than 5% of shareholding in a public company. This register shall include particulars specified in subsection (b) in respect of every share held by such substantial shareholders and information on all shares in which the shareholder directly or indirectly has an interest.
- (b) The following particulars shall be entered in the register referred in subsection (a).
1. the name and address of the shareholder;
 2. the serial number, class and face value of the share in which the shareholder has an interest;
 3. Where more than 5% of the shares are bought by a person other than the owner of the shares, name of the owner;
 4. nature of the shareholder's interest and where the interest is for a limited time, duration thereof;
 5. date of acquisition of the interest in the share; and
 6. date of disposal of interest by the shareholder or date of any change in the nature of the interest held by the shareholder as the case may be.
- (c) Every person who acquires more than 5% shareholding in a public company as prescribed in subsection (d) **or increase or decrease shareholding percentage up to a multiple of 5%,** or for any other reason an entry is required to be made in the register, within 14 days after ~~he acquires more than 5% shareholding in the company or after any other matter which requires an entry arises,~~ **he should occurrence of any of the events stated in this session, shall** send in written notice of that fact with particulars specified in subsection (b) to the company.
- (d) A person holding more than 5% of the shareholding in a public company at the commencement of this Act shall send notice of that fact as prescribed in subsection (c).
1. Where a person ceases to hold more than

- 5% shareholding in a company, the entry made in the register shall not be removed from it.
2. Even after a person ceases to hold more than 5% shareholding in a company, an entry may be made in the register in respect of a matter which occurs or arise after cessation of holding.
- (e) A person who gives notice under subsections (c) and (d) to a company shall, on the day on which he gives that notice, submit a copy of the notice to the Authority and to the Stock Exchange Company.
- (f) The Authority may, on the application of a person who is required to give notice under subsection (e), in its discretion, extend the time stated thereto.
- (g) Every company referred to in subsection (a) shall maintain records of every person from whom it has received notice under subsection (c) and (d), and the information given in such notice, in the form and manner prescribed by the Authority.
- (h) The register of persons who hold more than 5% shares in the company shall be maintained in accordance with Section 16 of the Companies Act, and in the same place as the members' register is maintained.
- (i) A company shall not, by reason of any act done pursuant to this Act be taken for any purpose to have notice of, or be put upon inquiry as to, a right of a person to or in relation to a share.
- (j) Where shares in a company referred to in subsection (a) are transferred to the directors of the company and upon entry of that in the register of shareholders, there is reason to believe that one of the director's of the company will become the owner of more than 5% shareholding in the company, the company shall give notice to the said director of that belief and direct his attention to comply with the requirements under subsection (a).

Chapter 9 – Prohibited dealings

- Insider dealings ~~54-~~ 57
- (a) This section applies to the following persons.
1. any body corporate whose securities are officially listed on the Stock Exchange.
 2. a public company incorporated under the Companies Act.
- (b) A person who has at any time been or is connected with a body corporate to which this section applies

- shall not deal in any securities of that body corporate if he is in possession of information of that body corporate, that is not generally available but, if it were, would likely affect the price of those securities
- (c) A person who has at any time been or is connected with a body corporate to which this section applies and by virtue of that connection has come into possession information in relation to another company, he shall not deal in securities of the said company if he is in possession of information that –
1. is not generally available but, if it were, would be likely to affect the price of those securities; and
 2. relates to any transaction actual or expected involving both those bodies corporate or involving transactions in securities of one company by the other company.
- (d) Where a person has possession of information specified in subsection (b) or (c) that, if generally available, would be likely to affect the price of securities, but is not proscribed by either of those subsections from dealing in those securities, he shall not deal in those securities if;
1. he has obtained the information, directly or indirectly from a person who is proscribed from dealing in certain securities by subsections (b) or (c) and he is aware, or ought reasonably to be aware that the informant is proscribed from dealing in those securities; and
 2. When the information was obtained, the recipient of the information was connected with the informant, or had an arrangement with the informant to exchange the information mentioned in Subsections (b) and (c), in order to deal in those securities together or by either one of them.
- (e) A person who is precluded by Subsections (b) and (c) from dealing in securities shall not deal with such securities through another person.
- (f) A person who is precluded by subsection (b), (c) or (d) from dealing in any securities by reason of being in possession of any information, shall not disclose that information to another person if:
1. trading in those securities is permitted on a stock exchange in the Maldives or in another

- jurisdiction;
2. He knows, or ought reasonably to know, that the other recipient of the information, if disclosed will make use of the information for the purpose of dealing or dealing through another person in those securities.
- (g) A body corporate shall not deal in any securities at a time when any officer of that body corporate is precluded by subsections (b), (c) or (d) from dealing in those securities.
- (h) Where a body corporate is precluded from dealing in securities under subsection (g) solely due to the fact that an officer of the body corporate is in possession of inside information, notwithstanding that, the body corporate may deal in securities in the following circumstances.
1. the decision to enter into the transaction was taken by a person other than the officer in possession of information; and
 2. the Body corporate had in place at that time arrangements to ensure that such information was not communicated to the person who made the decision, and recommendation with respect to the transaction was not given to him by the person in possession of the information; and
 3. the information was not so communicated to that person and recommendation was not given to that person by the person in possession of the information.
- (i) A body corporate to which this section applies is not precluded by subsection (g) from dealing in securities of another body corporate at any time by reason only of information in the possession of an officer of that first-mentioned body corporate, being information that was obtained by the officer in the course of the performance of his duties as an officer of that first-mentioned body corporate and that relates to proposed dealings by the first mentioned body corporate in securities of the other body corporate.
- (j) For the purpose of this section, a person is connected with a body corporate if , being a natural person-
1. he is an officer of that body corporate or of a related corporation; or
 2. he can influence greater than 5% shareholding in the body corporate or in a

- related corporation; or
3. he occupies a position that may reasonably be expected to give him access to information of a kind to which subsections (b) and (c) apply by virtue of:
- i. any professional or business relationship existing between himself or his employer, or a body corporate of which he is an officer or an employee, or a company related to that body corporate; or
 - ii. his being an officer of a person who can influence greater than 5% shareholding in the body corporate or in a related corporation.
- (k) This section does not preclude the holder of a license issued under sections ~~28~~ 30 and ~~29~~ 31 from dealing in securities of a body corporate, if-
- (1) the holder of the license enters into the transaction concerned as an agent for another person pursuant to specific instruction by that other person to effect that transaction;
 - (2) the holder of the license has not given any advice to the other person in relation to dealing in securities, or rights or interests in securities, that are in the same class as the securities of the named body corporate; and
 - (3) the other person is not associated with the holder of the license.
- (l) A defendant in a action for the offence of entering into a transaction while having possession of certain information in contravention of this Section, shall be guilty if he cannot prove to the court that the other party to the transaction knew or ought reasonably to have known of the information before entering into the transaction..
- (m) For the purpose of subsection (i), "officer" in relation to a body corporate, includes-
1. a director, secretary, executive officer, manager or employee of the body corporate;
 2. a receiver, or/and manager, of property of the body corporate;
 3. a court appointed manager of the body corporate;

4. a liquidator of the body corporate; and
 5. a person appointed to administer the body corporate under an arrangement or agreement made between a party and the body corporate.
- (n) Contravention of this Section is an offence and an individual who contravenes this Section, is guilty of an offence punishable on conviction by a fine of not less than 25,000 Rufiyaa and not exceeding 100,000 Rufiyaa or imprisonment for a term of not less than 3 months and not longer than 1 year or both. Where a company or an institution contravenes this section, it shall be liable on conviction by a fine not less than 50,000 Rufiyaa and not exceeding 200,000 Rufiyaa.
- (o) Where an advantage is gained from a dealing in securities in contravention of the provisions of this section, any person who gained that advantage shall, be liable for the following:
1. for any loss incurred by a person due to the advantage gained;
 2. where the body corporate that issued or made available those securities, avoided loss due to any profits made or gains accrued by reason of that advantage, the loss avoided; and
 3. any amount which the Court considers to be an appropriate pecuniary penalty provided that the amount is not greater than which ever amount is greater from among the following:-
 - i. the money or consideration for the securities; or
 - ii. three times the amount of the gain made or loss avoided.
- (p) Where a loss or profit referred to in subsection (o) is incurred by means of an advantage gained from dealing in securities, the amount of the loss or profit shall be the difference between-
1. the price at which the dealing was effected; and
 2. the price that, in the opinion of the Court would have been the market price of the securities at the time of the dealing if the specific information used to gain that advantage had been generally known at that time.

- (q) The Authority may bring an action for recovery of a loss or profit referred to in subsection (o) to maintain and protect public confidence in the securities market.
 - (r) An action to recover a loss or profit referred to in subsection (o) may not be brought after the expiry of which ever term starts to operate first from among the following -
 - 1. three years from the date of the dealing in securities to which the action relates; or
 - 2. twelve months from the date that the person who incurred loss or seeks to recover the profit came to know of the relevant fact.
 - (s) Where prosecution has commenced against a person for dealing in securities in contravention of this section, any civil actions brought against the person prior to the commencement of the prosecution case or after the commencement of case, the civil claims will be stayed till judgment in the prosecution case is delivered.
 - (t) Nothing in subsection (r) affects any other liability a person may incur under any other law.
 - (u) For the purpose of subsection (o) "person" includes company.
- Fraudulent inducement to invest
- ~~55-~~ 58
- (a) Any person who, by any fraudulent means, induces or attempts to induce a person to do any of the following is guilty of an offence.
 - 1. induce a person to make an offer for acquisition or disposition of securities or enter into an underwriting arrangement or offer to enter into an underwriting arrangement; or
 - 2. To enter into or offer to enter into an agreement for the purpose of securing a profit for any person from the fluctuation in the value of securities.
 - (b) Punishment for the offence proscribed in this section on conviction is a fine not less than 25,000 Rufiyaa and not exceeding 100,000 Rufiyaa or imprisonment for a term not less than 3 months and not longer than 1 year with a fine of 75,000 Rufiyaa.
 - (c) For the purposes of subsection (a), fraudulent activity shall include the following:
 - 1. make a statement, promise or forecast knowing that it is misleading, false or

- deceptive;
2. dishonest concealment of material facts; or
 3. negligently or recklessly make a statement, promise or forecast which is misleading, false or deceptive.
- False statements and transactions ~~56-~~ 59 (a) A person who knowingly or recklessly does any of the following commits an offence.
1. spread false information to influence price of securities;
 2. obtains admission to the official list of the stock exchange company by means of a false statement; or
 3. pass off as having dealt in securities listed in the Stock Exchange Company.
- (b) Punishment for the offence proscribed in this section on conviction is a fine not less than 25,000 Rufiyaa and not exceeding 100,000 Rufiyaa or imprisonment for a term not less than 3 months and not longer than 1 year with a fine of 75,000 Rufiyaa.
- Misleading documents ~~57-~~ 60 (a) Distributing or causing to be distributed any document with the knowledge that the document contains any of the following matters is an offence.
1. Issue, incite a person to issue or try to incite a person to issue a statement that is misleading or deceptive;
 2. information calculated to lead directly or indirectly to the doing of any of the acts specified in paragraph (1) by the recipient of the information;
- (b) A person who contravenes subsection (a) is guilty of an offence punishable on conviction by a fine not less than 25,000 Rufiyaa and not exceeding 100,000 Rufiyaa or imprisonment for a term not less than 3 months and not longer than 1 year with a fine of 75,000 Rufiyaa.
- (c) Any person, who with knowledge that the document falls within subsection (a) keeps it in his possession is guilty of an offence punishable on conviction by a fine not less than 10,000 Rufiyaa and not exceeding 75,000 Rufiyaa.
- Stock market manipulation ~~58-~~ 61 (a) A person shall not, with fraudulent intent induce other persons to purchase or subscribe for securities of a body corporate or of a related

corporation effect, take part in, be concerned in or carry out, either directly or indirectly, two or more transactions in securities of the body corporate, being transactions that have, or are likely to have, the effect of abnormally or artificially raising the price of securities which are being traded through a Stock Exchange.

- (b) A reference in this section to a transaction, in relation to securities of a body corporate includes the following:
1. making an offer to sell or purchase securities of the company;
 2. expressly or impliedly inviting a person to offer to sell or purchase securities of the company.
- (c) Contravention of this Section is an offence punishable on conviction by a fine not less than 25,000 Rufiyaa and not exceeding 100,000 Rufiyaa or imprisonment for a term not less than 3 months and not longer than 1 year with a fine of 75,000 Rufiyaa.

Chapter 10 – Miscellaneous Provisions

- Other Penalties ~~59-~~ 62 (a) Every person who fails to comply with any provision of this Act, for which no separate penalty is provided, shall commit an offence, punishable on conviction by a fine not less than 25,000 Rufiyaa and not exceeding 100,000 Rufiyaa or imprisonment for a term not less than 3 months and not longer than 1 year with a fine of 75,000 Rufiyaa.
- (b) Every person who fails to comply with Regulations made under this Act shall commit an offence punishable on conviction by a fine not exceeding 15,000 Rufiyaa.
- (c) Every person who, without reasonable cause, fails to comply with any directions given by the Authority under this Act shall commit an offence, punishable on conviction by a fine not exceeding 15,000 Rufiyaa and the Court may, in addition, order the person to comply with the direction of the Authority.
- Regulations ~~60-~~ 63 (a) The Authority may make such regulations as are necessary for the proper execution of this Act.
- (b) In particular and without derogating from the

generality of the power under Subsection (a), the Authority may make regulations in relation to the following matters:

1. taking of fees and laying of other charges;
2. regulating the listing of securities;
3. providing for the provision of a service for the clearing and settlement of securities;
4. regulating the conduct of trading operations in relation to the trading of securities;
5. regulating the activities of and standards to be maintained by the dealers, dealers representatives and investment advisers;
6. establishing and maintaining a compensation fund for the purpose of compensating persons who suffer pecuniary loss from any defalcation or fraud committed by any licensed dealer, its representative or investment adviser or any employee of such dealer or investment adviser or by any officer or employee of a Stock Exchange;
7. in addition to subsection (b) (5), the provision and maintenance of fidelity insurance by licensed dealers and investment advisers or other holders of a license or authorization under this Act, on terms and conditions approved by the Authority.
8. Issuance and trading of Islamic securities
9. Provision of credit rating services
10. Provision of custodial services
11. Formulation, operation and management of Collective Investment Schemes

(c) The Ministry of Finance and Treasury shall make the necessary regulations pertaining to the powers of the Authority to conduct investigations, summon persons to give evidence and require the production of books, the searching of the premises and carrying out of the inspections and the power to prohibit trading or any other powers that may be required.

Commencement ~~61.~~ 64 This Act shall come into effect on such date as the President may appoint and appointing different dates for the coming into operation of different Chapters or provisions of this Act is allowed.

Definitions

~~62-~~ 65 (a) In this Act –

"*Nominee*" means a person or persons appointed directly or indirectly by the owner of a share, debenture or other property to represent and exercise his right in relation to a share, debenture, or other property, in accordance with directions given by the owner thereof. A person is deemed a nominee of another person where he is entitled to exercise such a right only in accordance with instructions given by that other person;

"*Registrar*" means the Registrar of Companies under the Companies Act;

"*Companies Act*" means the Companies Act No 10/96 or any other amendments made thereunder;

"*Advertisement*" means any form of communication not being a registered prospectus under the Companies Act, that is to be or has been distributed to any person by any means and which is authorized or instigated by or on behalf of the issuer or prepared with the co-operation or by arrangement with the issuer, and –

1. that contains or refers to an offer of securities to the public for subscription; or
2. that is reasonably likely to induce persons to subscribe for securities of the issuer, being securities to which that communication relates and which have been or are to be offered to the public for subscription.

"*Authority*" means the Capital Market Development Authority under Section 3 of this Act;

"*investment adviser*" means a person or persons who-

1. carries on the business of advising others concerning securities; or
2. as part of a regular business issues or publishes analysis or reports concerning securities; or
3. pursuant to a contract or arrangement with a client, undertakes on behalf of the client the management of a portfolio of securities for the purpose of investment.

"*official list*" means the list of all securities which have been admitted to quotation by a Stock Exchange;

"*officer*" includes a director, secretary, manager, executive and in the case of a partnership includes a partner;

"*underwriting*" means the purchase and sale of any issued securities or purchase or offer to purchase

securities for immediate or prompt public distribution by or through them.

'issuer' means a person who issues any security;

"financial Institution" means a bank or any person doing banking business or a person that is regularly engaged in or that intends to or has as its principal objective to regularly engage in a financial business activity approved by the Authority.

"financial journalists" means a person or persons who contributes advice concerning securities or prepares analyses or reports concerning securities for publication.

'this Act' or *'the Act'* includes regulations made under this Act

'book' includes any register, document or other record of information and any account or accounting record, however compiled, recorded or stored whether in written or printed form of microfilm by electronic process or otherwise;

'listed company' means a company in relation to which securities have been listed for trading under listing rules made by the Stock Exchange Company pursuant to section ~~27~~ 29.

'listing rules' means rules governing or relating to-

1. the admission to the official list of the Stock Exchange for the purpose of the quotation on the stock market, or the removal from that official list and other miscellaneous purposes; or;
2. rules made pertaining to the activities or conduct of listed companies in relation to the following:
 - i. made by the body corporate or are contained in any of the constituent documents of the body corporate; or
 - ii. are made by another person and adopted by the body corporate.

'related corporation' in relation to a corporation has the same meaning as in the Companies Act;

'dealer' means a person who has a license under section ~~28~~ 30 of this Act to act as a dealer and who carries on the business of dealing in securities whether he carries on any other business or not;

'dealing in securities' means whether as principal or agent making or offering to make with any person, or inducing or attempting to induce any person to enter into or to offer to enter -

1. any agreement for or with a view to acquiring,

disposing of, subscribing for or, subject to this Act, underwriting securities; or

2. any agreement the purpose or intended purpose of which is to secure a profit to any of the parties from the yield of securities or by reference to fluctuations in the price of securities;

“dealer’s representative” means -

1. a person, by whatever name described, who is in the direct employment of, or acting for or by arrangement with, a dealer, and performs for that dealer any of the functions of the dealer other than work ordinarily performed by accountants, clerks or cashiers, whether his remuneration is by way of salary, wages, commission or otherwise; and
2. includes any director or officer of a dealer who performs for the dealer any of those functions;

“securities” means -

1. debentures, bills or bonds issued or proposed to be issued by the government;
2. debentures, stocks, shares, bonds or notes issued or proposed to be issued or any right warrant or option in respect thereof by a body corporate or any other institution;
3. any other instruments as the Authority may prescribe to be securities for the purposes of this Act;

“Stock Exchange” means a market, exchange or other place at which securities are offered for sale, purchase or exchange, including any clearing, settlement or transfer services therewith which is being conducted by a company approved for the purpose under section ~~19~~ 21 of the Act by the Authority;

“debenture” has the same meaning as in the Companies Act;

“stock market” means a market through which, or a facility by means of which, securities are regularly offered for sale, purchased or exchanged;

“person who holds more than 5% shares in the company” means a person, who holds by himself or by his nominee or by an associated person, a share or an interest in a share which entitles him to exercise not less than 5% of the aggregate voting power exercisable at a general meeting of the Company.

“Minister” means the Minister of Finance and Treasury or

where the president transfers the responsibility for Finance and Treasury to another person that person;

"Financial Year" means the period from 1 January to 31 December. This includes 1st January and 31st December.

"Central Depository" means an institutional mechanism for the clearing and settlement of securities.

"Foreign Regulatory Authority" shall mean any person or body outside the Republic of Maldives exercising regulatory functions in relation to securities under a securities law corresponding to the functions of the Authority and in respect of which the Authority considers it desirable and necessary to render assistance in the public interest.

"Fund management" shall mean investing, on commercial basis and by terms of an agreement with a client, money belonging to a client, and managing and promoting investments or any rights associated with it.

"Fund manager" shall mean the person who undertakes fund management.

"Prospectus" shall mean any document published for an offer of securities.

- Associated person ~~63~~ 66 (a) A reference in this Act to "associated person" shall be construed as follows:-
1. where the other person is a body corporate –
 - i. a director or secretary of the body corporate;
 - ii. a body corporate that is related to the other person; or
 - iii. a director or secretary of such a related body corporate;
 2. Where the matter to which the reference relates is the extent of powers to exercise, or to control the exercise of, the voting power attached to voting shares in a body corporate, a person with whom the other person has, or proposes to enter into, an agreement, understanding or undertaking, whether formal or informal and whether express or implied-
 - i. by reason of which either of those persons may exercise, directly or indirectly control over the exercise of, or substantially influence the exercise of any voting power attached to a share in

- the body corporate;
 - ii. with a view to controlling or influencing the composition of the Board of directors, or the conduct of affairs of the body corporate, or
 - iii. under which either of those persons may acquire from each other shares in the body corporate or may be required to dispose of such shares in accordance with directions of the other person;
 - 3. a person in concert with whom the other person is acting, or proposes to act, in relation to the matter to which the reference relates;
 - 4. where the matter to which the reference relates is a matter, other than the extent of power to exercise, or to control the exercise of, the voting power attached to voting shares in a body corporate subject to subsection (a) (2), a person who is a director of a body corporate of which the other person is also a director.
 - 5. a person with whom the other person is, by virtue of any law regarded as associated in respect of the matter to which the reference relates;
 - 6. a person with whom the other person is, or proposes to become, associated, whether formally or informally, in any other way in respect of the matter to which the reference relates; or
 - 7. where the other person has entered into, or proposes to enter into, a transaction, or has done, or proposes to do, any other act or thing as stated in subsection (a).
- (b) Where, in proceedings under this Act, it is alleged that a person referred to in subsection (a) (4), (5) and (6) was associated with another person at a particular time, that person shall be deemed not to have been associated in relation to a matter to which the proceedings relate unless the person alleging the association proves that the first mentioned person at that time knew or ought reasonably to have known the material particulars of that matter.
- (c) A person shall not be taken to be associated with another person by virtue of subsection (a) (4), (5), (6) or (7) by reason only that one of those person furnishes advise to, or acts on behalf of, the other person in the proper performance of functions that relate to his professional capacity

or to his business relationship with the other person.

Interest in securities

- ~~64.~~ ⁶⁷ (a) Where any property held in trust consists of or includes securities in which a person knows, or has reasonable grounds for believing, that he has an interest, that person shall be deemed to have an interest in those securities
1. A person shall be deemed to have an interest in a security where a body corporate has an interest in the security, and the Directors of the body corporate acts or are obliged to act, officially or unofficially, in accordance with the wishes or instructions of the person.
 2. Where a body corporate has an interest in a security, and any person has the power to exercise control over the body corporate, then such person shall be deemed to have an interest in the security.
 3. Where a body corporate has an interest in a security and a person or associated person of such person has control of or power for control of not less than 30% of votes attached to voting shares of the body corporate, such person shall be deemed to have an interest in the security.
- (b) A person shall be deemed to have an interest in a security in any of the following circumstances-
1. where he has entered into a contract to purchase a security;
 2. where he has a right, otherwise than by reason of having an interest under a trust, who have a security transferred to himself or to his order, whether the right is exercisable presently or in future and whether on the fulfillment of a condition or not;
 3. where he has the right to acquire a security or an interest in a security, under an option, whether the right is exercisable presently or in the future and whether on the fulfillment of a condition or not;
 4. where he is entitled, otherwise than by reason of his having been appointed a proxy or representative to exercise or control the exercise of a right attached to a

- security, registered to another person;
5. A person shall be deemed to have an interest in a security if that security is held by him jointly with another person; and
 6. For the purpose of determining whether a person has an interest in a security, it is immaterial that the interest cannot be related to a particular security.
 7. A person shall not be regarded as having an interest in a security in the following circumstances-
 - i. where that person is holding the security as a trustee;
 - ii. where a person whose ordinary business is lending money, and the interest held by such person in the security is only by way of collateral in a transaction entered into in the ordinary course of business of lending money;
 - iii. where the interest of the person in a security is by virtue of his prescribed office; and
 - iv. where the interest held in a security by a person or persons is by virtue of the right to determine who holds an interest in a security.
 8. An interest in a security shall not be disregarded by reason only of –
 - i. its remoteness;
 - ii. the manner in which it arose;
 - iii. the fact that the exercise of a right conferred by the interest is, or is capable of being made subject to restraint or restriction.