



CMDA

Capital Market Development Authority

QUARTERLY REPORT

QTR 01, 2011

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

CMDA Quarterly Report

PREFACE

This report covers market news and developments during the 1st quarter of 2011.

REGULATORY ACTIVITIES

Board Meetings

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

Resolutions

- Approved the Practice Note for the Appointment of Auditors of Listed Companies.
- Approved the MoU on exchange of information and technical cooperation with regional securities regulators.
- Approved the Policy on Impairment of Assets .
- Approved the establishment of Maldives Institute of Directors and Secretaries.
- Approved the amendments to the CMDA Scholarship Rules.
- Approved the Trading Membership Rules of Maldives Stock Exchange.
- Passed the Authority's Audited Financial Statements for the year 2010.
- Passed the Regulation on Collective Investment Schemes.
- Passed the Regulation on Asset Management.

Important Discussions

- Reviewed the Rating Methodology of CARE Ratings Maldives.
- Reviewed the Strategic Plan (2010-2014) implementation progress report.
- Discussion on the way forward for market development and priority areas for the year 2011.
- Discussion on CMDA Scholarship 2011.
- Discussion on performance evaluation and promotions.
- Discussion with the World Bank Mission on the way forward for supervision of the Pension Industry.

Rules and Regulations

- **Securities (Continuing Disclosure Obligations of Issuers) Regulation** was issued to ensure high standards of disclosure, which is to be complied by the listed companies. The regulation was published in the Gazette and came in to effect from 1st January 2011.
- **Practice Notes for the Appointment of Auditors of Listed Companies** was issued to strengthen the effectiveness of the audit of listed companies and enhance transparency and reliability of financial reporting. The practice notes are mandatory for listed companies commencing from 6th February 2011.
- **Trading Membership Rules of Maldives Stock Exchange** was issued to govern the trading member firm registered with MSE. Trading member firms are required to abide by the Trading Membership rules for admittance as a trading member and maintain the membership.
- **Regulation on Asset Management** was passed to set the essential standard for the conduct and supervision of asset managers and to ensure protection of the assets under management. The regulation will be effective on the date published in the Gazette.
- **Regulation on Collective Investment Schemes** was passed to set essential standards for the establishment, operation, promotion and sale of various types of collective investment schemes. The regulation will be effective on the date published in the Gazette.

Licensing Credit Rating Agencies



"Mr. Mahmood Razeed handing over the Credit Rating Agency Licence to Mr. D.R. Dogra of CARE Ratings Maldives"

Credit Rating Agency Licence was issued to Credit Analysis & Research Ltd (CARE) on the 6th of January 2011 to operate as a domestic credit rating agency in the Maldives. The operations of CARE Ratings was inaugurated on 29th March 2011 by the Chairman of CARE Ratings (India).

CARE Ratings will be operating at 4th Floor, Champa Center Point, Chaandhane Magu.

MARKET REGULATION AND SUPERVISION

Regulatory & Enforcement Notices

A Circular was sent to the listed companies reminding the responsibilities of information disclosure as per the 'Securities (Continuing Disclosure Obligation of Issuers) Regulation'. The Board of Directors of listed company's were also informed of their responsibilities under the new regulation.

Market Surveillance

Weekly market surveillance reports were prepared to observe any unfair trading activities in the market. There were no alerts from the MSE based on trading analysis during the quarter.

Inspections

Routine inspections of supervised institutions were undertaken during the quarter. In this regard, inspection of MSE, MSD, Dealing Companies and MPAO was completed. The initial inspection of the newly licensed Credit Rating Agency, CARE Ratings Maldives was carried out to observe the extent to which they are in compliance with the rules and regulations set by the Authority.

Cancellation and Suspension of License

On the request of First Option Pvt. Ltd, the company's license was cancelled on 6th January 2011. The dealers' representative of First Option, Mr. Shafee A. Raheem's licence was also cancelled due to failure in registering as a representative of another brokerage firm within the required duration.

Capacity Building for Pension Supervision

During the quarter, the second mission on "Strengthening Supervision of Pensions" project continued discussions with the relevant authorities .

Furthermore, the project consultants revised the 'Regulation on Institutions Providing Custodial Services and assisted in developing the Regulation on Asset Management and a Code of Conduct for the staff and Board of Directors of regulated entities.

TRAINING AND AWARENESS

Presentations

Presentations on Corporate Governance were delivered to the Board of Directors of Maldives Roads Development Corporation, HulhuMale' Development Corporation, Male' Health Services Corporation, Maldives Airports Company, and Tropical Paradise Ltd.

Furthermore, Presentations on Capital Market were delivered to the students of Galolhu Madharusa, Aminiya School and Majeedhiyya School.

Advanced Credit Rating Training Program



A training program on Credit Rating and Risk Assessment was hosted by the Capital Market & Corporate Governance Institute from 28th February to 1st March 2011.

The prime objective of this program was to educate stakeholders on the subject of advanced credit rating and risk management. A total of 27 participants attended this program.

Important Meetings

- Discussion was held with the officials of Economic Policy Division of President's Office on establishing Investment Houses in the Maldives.
- Discussions were held with the Minister of State for Finance and Treasury on the capital market development and the impediments faced by the Authority.
- Brokers meetings were held to discuss the possibilities of broadening the Dealers service and collaborating to conduct market awareness activities.
- Regulatory meetings with the MSE were held to discuss on the Dhivehi translation of Listing Rules, Agent Framework, CMDA approval process and investor education calendar for the year 2011.
- Meetings with banks, financial institutions, and other key players in the financial market were held to sensitize the parties on the services provided by credit rating agencies.
- Meeting with Ministry of Economic Development to discuss the Authority's proposed amendments to the Companies Act.
- Meeting with MMA to discuss the Authority's recommendation for the Islamic Banking Regulation.
- Meeting with Consultant working with the Ministry of Economic Development to discuss the Authority's recommendation for the Micro- Small and Medium Enterprises Bill.
- Meeting with World Bank Consultants to discuss Maldives Financial Sector Development Strategy Report and establishing Scrippless Securities Settlement System.
- Meeting with IMF Consultant formulating the Payment System Law to discuss the settlement aspect in relation to securities market.
- Discussion was held with the MMA and market intermediaries to explore possibilities of utilizing KEESA-mobile phone banking in the brokerage business.

CG IMPLEMENTATION

Adoption of CG Code

Male' Health Services Corporation, All Structure Pvt. Ltd, E.S.S Enterprises, Maldives Roads Development Corporation, Maldives Airports Company and Tropical Paradise Ltd. registered with the Authority as companies voluntarily adopting the principles of the CMDA Corporate Governance Code. The Authority is currently working with the companies to facilitate the preparatory work for the adoption of the Code.

MARKET DEVELOPMENT

Development of an Islamic Capital Market

The Authority announced for the recruitment of a consultant to build capacity and support the Authority to undertake the necessary functions to develop a Sukuk market and other Shariah compliant products in the Maldives.

The consultant is expected to conduct a fact finding study and advise on the legal framework and infrastructure for the introduction of Islamic Capital Market products.

Work is also underway to establish a Shariah Committee to advise the Authority on Islamic Capital Market Products.

Furthermore, the Authority met with the Maldives Islamic Bank , Islamic Financial Services Board and Amana Takaful Insurance Company (Maldives) to explore the possibilities of introducing Islamic Capital Market products.

Paving the way for an Islamic Capital Market

With a bank-dominated financial sector, it is important that the Capital Market is developed at an accelerated pace as part of the overall financial sector strategy for Maldives.

The Capital Market in the Maldives is yet to flourish. It is imperative that the government takes the right steps to pave the way for sustaining it. Neither the government nor the private sector can single-handedly drive the growth of the Islamic banks and Islamic Capital Market. Both must work together and effectively play their respective roles. Broad policies and initiatives must receive buy-in from, and be cascaded to the industry. It is important to introduce the relevant products, the issuers, the investors and the intermediaries. To develop an Islamic Capital Market, the role of the private sector becomes even more critical. The Government and the regulators will continue to play their roles as catalyst and facilitator. Product innovation, ensuring compatibility and acceptance, branding and promotion must be pursued by the private sector.

Going Public Campaign

During the quarter, discussions and presentations were conducted to attract more companies to list on the Stock Exchange. As part of the Going Public campaign, the Authority held sessions with the Management and Board of Directors of State Electric Company and Hulhumale' Development Corporation to discuss on the various methods of raising finance from the Public.

Developing a Bond Market

The development of a bond market is a key strategic priority for the capital market development in the Maldives. Initiatives in developing the bond market focused on the regulatory framework.

Moreover, awareness programs were conducted to promote the bond market as an alternative source of financing developmental projects. In this regard, the Authority held meetings and delivered presentations to Listed Companies and State Owned Enterprises.

Licensing Investment Houses

The Authority opened invitations for interested parties to submit their expression of interest to setup Investment Houses to establish and operate Collective Investment Schemes in the Maldives. Expression of interest were received from three parties and currently the Authority is working on the assessment of these proposals.

CMDA NEWS

CMDA's 5th Anniversary

The Authority Celebrated its 5th Anniversary on 26th January 2011. A ceremony was held at the Authority to mark the occasion. The Authority announced the "Employee of the Year 2010" during the ceremony.

Employee of the Year 2010



Ms. Fathmath Nadha received the Employee of the Year Award 2010. She is currently positioned as the Authority's Board Secretary and Section Head of the CEO Secretariat. The certificate and shield was awarded by the Chairperson of the Authority. Speaking on the occasion the Chairperson congratulated on Ms.Nadha's achievement and commended for her professionalism and dedication to the Authority.

"Success is attained by being an opportunist and exercising simple means of ordinary qualities"
~ Fathmath Nadha ~