

ISLAMIC CAPITAL MARKET QUARTERLY BULLETIN

2ND QUARTER 2012

This edition covers the Islamic Capital Market news and developments during the second quarter of 2012.

ICM DEVELOPMENT

The vision of CMDA is to develop the ICM parallel to the existing conventional capital market as it would create a competitive environment in the financial market and also contribute to the stabilization of the overall economy of the Maldives.

HIGHLIGHTS

- During the quarter, CMDA Board passed 3 Guidelines on Islamic Capital Market: Read FAQs (Page 2)
- Terms of Reference of ICM Consultant were drafted under the proposed Technical Assistance Grant by Islamic Development Bank (IDB)
- Discussions were carried out on ways to obtain assistance from Dubai Financial Centre and Regulator of Tehran
- Signed MoU with International Centre for Education in Islamic Finance (INCEIF)
- A meeting was held with Athamaa Hajj Group to discuss Islamic Fund Management
- Meetings were held with ACT Maldives and Huraa Council to discuss options for raising funds with the use of Islamic products
- HDFC publicly announced the issuance of the very first Sukuk in the Maldives

Upcoming Events

Training on Islamic Capital Market in collaboration with Islamic Research Training Institution, the research arm of Islamic Development Bank - tentatively scheduled for September 2012.

INFORMATION SEGMENT ON HAJJ SCHEME

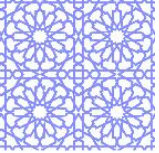
At no point in time have all Muslims of the world ever been Hajjis. Hajj expenses are going up year after year. On the average, it takes a Maldivian more than seven to eight years to save up for Hajj. During this period, we often save money in unsystematic and traditional manner. Many of us believe that money kept under the bed, pillow, in a pot or even in bank locker is not only safe but also such methods of saving are free of Riba.

Most of us do not like to keep these savings in the conventional banking system to ensure that our pious savings are not utilized for interest based commercial activity prohibited in Shariáh. Yet, in modern times, at any place other than a bank the safety of savings is not fully guaranteed. This is a paradox.

If the individual amounts saved for Hajj are added up, we find that a huge amount of money remains stagnant and does not generate any economic benefit. This is against Islamic spirit.

A Hajj Scheme operates as a service agency to facilitate safe keeping of your savings for a holy purpose while giving you the opportunity to grow your saving through series of investment channels that comply with the principles of Shariáh.





FAQS ON THE MOST RECENT ICM GUIDELINES

SUKUK GUIDELINES

The Sukuk Guidelines will regulate any issue, offer or invitation of Sukuk.

What is the meaning of Sukuk?

Sukuk refers to certificates of equal value which evidence undivided ownership or investment in an asset, using Shariáh principles and concepts approved by the Capital Market Development Authority (CMDA).

If sukuk is opened for public subscription, when must the information memorandum be available to the public?

The information memorandum must be available to the public, 7 days before the issue of the sukuk.

SHARIÁH SCREENING GUIDELINES

What is the purpose of Shariáh Screening Guidelines?

Shariáh Screening Guidelines lay down a uniform process of Shariáh screening of equities. These guidelines also outline the criteria and methodology for the Shariáh Screening of Companies that have been listed or that applies to be listed in the Maldives.

What is the main objective of Shariáh screening?

The main objective of Shariáh screening is to ensure that the securities are in compliance with the principles of Shariáh.

Who is eligible to apply for Shariáh securities screening?

Existing listed companies or companies applying for initial listing may opt for Shariáh Securities screening.

How is the screening process of mixed companies carried out?

The screening process of mixed companies consists of three main stages:

Qualitative screen - screening in terms of company's core activities, products and industry.

Quantitative screen - Computation of set of financial ratios and it's comparison against specified benchmarks.

Purification process - The portion of income derived from non-halal activities would be given for charity.

GUIDELINES ON REGISTRATION OF SHARIÁH ADVISERS

What are the main purposes of Guidelines on Registration of Shariáh Advisers?

The main purposes of registration of Guidelines on Registration of Shariáh Advisers are to introduce the mode of registration of Shariáh advisers to advise on the conception of Islamic capital market products and set out the criteria for the registration and renewal of registration of a Shariáh Adviser.

What is the minimum educational qualification required to apply for registration of Shariáh Adviser?

The applicant should at least have a degree in Shariáh, particularly in Fiqh muamalat or Islamic jurisprudence or Islamic law from an institution recognized by the Maldives Qualification Authority.

Is there an examination for Shariáh Advisers?

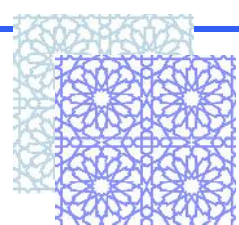
Yes. Any person who wishes to be registered as a Shariáh Adviser shall pass an examination conducted by the Authority.

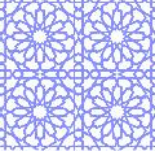
How does a person apply for registration as a Shariáh Adviser?

An application to be registered as a Shariáh Adviser can be made to the Authority via the relevant form and documents specified in the Guidelines on Registration of Shariáh Advisers.

Is there a fee to register as a Shariáh Adviser?

Yes. A person is required to pay an annual fee of MRf. 1200/-





A MARKET PLAYER'S PERSPECTIVE

For this issue of ICM Bulletin, an interview is conducted with the Managing Director and CEO Mr. Harith Harun of Maldives Islamic Bank, to find out future prospects of MIB and his views on the Maldivian Islamic Capital Market.

Do you have any interest in going public in the near future?

Yes we do have plans to go public at the appropriate time.

Are you interested to invest in sukuk in order to manage your liquidity?

Investing in Shari'ah-compliant instruments such as sukuk is essential for us for the purpose of liquidity management and also to generate sustainable revenue for our operations.

In your opinion, what would be the role of Islamic Capital Market in sustainably developing Islamic banking in the Maldives?

Islamic Capital Market is an important component of the Islamic financial infrastructure that needs to be put in place to support not only the growth of Islamic banking but also for the development of a viable Islamic financial system in the Maldives. This market will be a platform for companies to raise funds by way of sukuk or shares, and for institutions and the investing public to invest and trade in Shari'ah-compliant instruments.

From our perspective, the market will be useful as an avenue to invest our surplus funds in medium to long term Shari'ah-compliant instruments in line with our liquidity and asset diversification strategy.

In your opinion, what are the challenges facing Islamic banking in the Maldives?

As the pioneer in Islamic banking, there are several challenges that we face mindful of the fact Islamic finance is still at the nascent stage in the Maldives. I do not wish to get into the

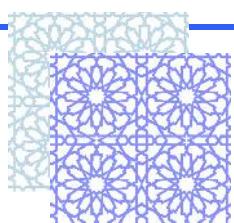
specifics; however, the overriding challenge if I can sum them up is in creating the right and conducive legal, regulatory and institutional framework to foster the development of Islamic banking in the country.

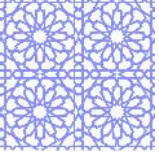
The challenges, I must stress, are not unique to the Maldives. As we have seen in countries where Islamic banking has made significant inroad, with proper planning and implementation in addressing these challenges, we should be able to reach a stage where Islamic banking can operate efficiently and profitably, and compete on the same level field with the other long-established conventional banks in the country. What is important is that there has to be a strong will and commitment by the various stakeholders to actively play their role to achieve this goal.

What are your future plans to expand Islamic Banking in the Maldives?

Building on the strong foundation that we have laid out in the initial year of our establishment, and the overwhelming response we have been receiving from the public to our services, our future plans include;

- To expand our branch network and delivery channels in order to reach out to potential customers in other parts of the country;
- To broaden the range of products and services catering to the various sectors of the economy and different segments of the population;
- To leverage on technology to continuously enhance our service quality;
- To train and develop a pool of local talent with knowledge and skill in Islamic finance to meet our manpower requirements as we grow; and
- To continuously engage in public awareness program on Islamic finance as part of the bank's mission to educate the public on the subject.





HOUSING DEVELOPMENT FINANCE CORPORATION

INTERVIEW ON THE PROGRESS OF SUKUK

How soon are you planning to issue a sukuk?

Hopefully within next three months.

What type of sukuk structure are you trying to introduce?

Sukuk Mudharabah.

Why do you plan to issue a sukuk?

To raise funds to introduce Islamic Finance in the Maldives and also to provide a Shariah-compliant investment opportunity.

What are the benefits that you hope to achieve from issuing a sukuk?

- Development of Islamic Finance through Maldives Stock Exchange
- A competitive investment product
- Local funds to finance Islamic housing facilities
- A product that can be traded in Maldives Stock Exchange
- The very first Islamic bond in the country

IMPORTANT MEETINGS & DISCUSSIONS

- Meeting with Dr. Abdul Majeed Abdul Baaree to discuss progress of ICM and the most recent Guidelines approved by the Board of Directors of CMDA.
- Discussions with Athamaa Hajj Group regarding Islamic Fund Management.
- Meeting with Members of the Shariáh Advisory Council of Amana Takaful Maldives, to discuss possible avenues for the conception of Takaful Act. Further deliberations were made regarding Shariáh Review and plans for business expansion through Bullion trade and Hajj Fund Management.
- Meeting with Huraa Council and ACT Maldives Pvt.(Alora) to provide information on Islamic Capital Market products including Sukuk.

- Courtesy meeting with visiting Shariáh Advisory Council members of Amana Takaful (Maldives) Plc.

PRESENTATIONS

ISLAMIC MONEY MARKET INSTRUMENTS AND ISLAMIC LIQUIDITY OPERATIONS

A presentation on Islamic Capital Market in Maldives was delivered to the participants of the seminar on Islamic Money Market Instruments and Islamic Liquidity Operations. The seminar was conducted jointly by Maldives Monetary Authority, Maldives Islamic Bank, Bank Negara Malaysia and Government of Maldives.

PRESENTATION TO COUNCIL MEMBERS

A presentation on Islamic Capital Market and Sukuk was delivered to Council Members at Kaafu Atoll Thulusdhoo. This presentation was organized by the Local Government Authority.

PRESENTATION TO JOURNALISTS

A presentation on Islamic Capital Market was delivered to the participants of the Workshop for Journalists on Capital Market and Pensions.

CAPITAL MARKET SHARIÁH ADVISORY COMMITTEE

During the Quarter under review, the Capital Market Shariáh Advisory Committee (CMSAC) met to discuss three Guidelines related to Islamic Capital Market and put forward their advice to the Board of Directors of CMDA, regarding endorsement of three guidelines.

The Guidelines are;

- Shariáh Screening Guidelines
- Guidelines on Registration of Shariáh Advisers
- Sukuk Guidelines

The Board of Directors Endorsed these Guidelines on 8th May 2012.

