



CMDA

Capital Market Development Authority

QUARTERLY REPORT

QTR 04, 2013

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CMDA Quarterly Report

PREFACE

The Capital Market Development Authority (CMDA) releases its Quarter 4, 2013 report with an update of the key developments and news on the Maldives Capital Market. This publication is aimed at increasing awareness of legal, regulatory and developmental activities carried out by CMDA and the activities of market participants.

HIGHLIGHTS:

- ◆ Board Meetings & Resolutions
- ◆ IDB Group's High Level Regional Forum
- ◆ Regulatory Activities
- ◆ Pension Supervision
- ◆ Training and Awareness

BOARD MEETINGS AND RESOLUTIONS

The Board of Directors of the Authority met a total of 6 times during the quarter under review. Important decisions and resolutions include:

- ◆ Endorsement of retention policy and salary increment policy.
- ◆ Endorsement of decision to create the position of Deputy CEO, under succession planning policy and allotment of criteria and qualifications for the post.
- ◆ Appointment of members to the Capital Market Shari'ah Advisory Council.
- ◆ Endorsement of Investment Adviser Regulation.

- ◆ Endorsement of CMSAC Fit & Proper Guideline.
- ◆ Endorsement of MSD's membership for Association of National Numbering Agencies (ANNA).

CMDA participates in IDB Group's High Level Regional Forum

Ms. Fathimath Shafeega, Chief Executive Officer of CMDA participated in the Kuala Lumpur High Level Regional Forum organized by the Islamic Development Bank Group (IDBG) on the occasion of its 40th anniversary held in Grand Hyatt, from 16th–17th December 2013. She participated in the Panel of Experts for the first session of the Roundtable on—"Promoting the Development of the Regional Islamic Financial Sector". The theme of the session was "Assessing Effectiveness of IDB Group as Partner for Regional Development of Islamic Finance Sector".

In her deliberations CEO acknowledged the significant role of IDB in the development of Islamic Finance in Maldives and highlighted ways in which Maldives can assist in the promotion and development of Islamic Finance in the SAARC Region.

REGULATORY ACTIVITIES

Fit & Proper Guidelines

The 'Fit and Proper' Guidelines for Directors of Listed Companies was published in the National Gazette on 19th November 2013.

The Nomination Committee of listed companies are required to consider these criterion in determining whether a candidate is 'fit and proper'. A candidate who is 'fit and proper' should be financially solvent, should have integrity, good reputation and professional competence.

ANNA Membership

During the 4th quarter of 2013, on request by MSD, CMDA Board of Directors endorsed MSD's membership for Association of National Numbering Agencies (ANNA).

National Numbering Agencies issue International Securities Identification Numbers (ISIN) to securities that are traded on the Stock Exchange. One of the key advantages of being able to issue ISIN, is that this unique identification numbers, confers an international status on securities, by making it recognizable globally, through its unique ISIN. As such, this provides a platform for cross-listing on other international capital markets.

Cancellation of License

During the quarter under review the Dealer's Representative license of Mr. Mohamed Janah was cancelled. With this change the "License Register" of CMDA records a total of three (3) active Dealer's Representatives in the market.

Inspections

Dealing Companies

On-site inspections of Dealing Companies, Aariya Securities Pvt Ltd and Stock Brokers Maldives Pvt Ltd were conducted during the quarter. The objective of these inspections were to check the compliance level to the respective laws, regulations and procedures applicable. The focus

areas of these inspections were governance, operations, regulation, infrastructure and implementation of recommendations.

CARE Ratings Maldives

Off-site inspections were carried out during the quarter for CARE Ratings Maldives to check the level of compliance to the Rules on Credit Rating Agencies.

Annual General Meetings (AGM)

Annual General Meetings of listed companies are required to be held within 5 months following the closure of the financial year. Except for BML, all the listed companies have held their AGMs for the year 2012.

As the board members had not been appointed by the Government, the AGM for BML is scheduled to be held on 6th February 2014. BML has however, held an Extraordinary General Meeting on the 28th December 2013 to pass the minutes of previous AGM and appoint an external auditor for the company.

Interim Dividend

An interim dividend of MVR 9.29 was declared by Bank of Maldives Plc on 14th November 2013. The dividend is payable to the registered shareholders of the company as of 31st October 2013.

Disclosures of Listed Companies

Upon publication of Quarterly Reports of Listed Companies, CMDA made an assessment of the level of compliance to the Minimum Quarterly Reporting Requirements, Securities (Continuing Disclosure Obligations of Issuers) Regulations 2010. Recommendations were also communicated

with the respective companies regarding the amendments required.

CMDA prepared reports on regulatory compliance levels for ATM, BML, HDFC, MTCC, MTDC and STO, for the 3rd quarter.

Regulatory Meeting

Regulatory meeting with the Maldives Stock Exchange (MSE) and Maldives Securities Depository (MSD) was held during the quarter. Participants of the meeting deliberated on matters relating to regulatory activities, issuers, ancillary services, market development and investor awareness.

PENSION SUPERVISION

Custodian Inspection

On-site Inspection of Bank of Maldives Plc's custodial operation was carried out during the quarter. Prior to the on-site inspection, an off-site assessment was carried out to check the level of custodian's compliance with the Regulation on institutions providing custodial services and custodial agreements.

The Inspection team conducted interviews with the Chief Compliance Officer (CCO) and staff responsible for the custodial operations and carried out physical verifications of documents. Based on the observations and findings an inspection report was communicated to the Custodian. The Pension Supervision Department also made recommendations to strengthen the existing operations in relation to custodial services.

MRPS Investment Analysis for Quarter 3

Analysis of the Investment Activity Report of MRPS

for quarter 3, 2013 was carried out during the quarter. The report was analyzed against the Statement of Investment Principles (SOIP) and Strategic Asset Allocation (SAA) Policy of MPAO.

IOPS/OECD Global Forum, IOPS Technical Committee Meeting and Annual General Meeting

CMDA representatives Ms. Mariyam Visam (Director General) and Ms. Sara Mohamed (Assistant Manager) participated in the IOPS Technical Committee Meeting and Annual General Meeting which was held in Seoul, Republic of Korea from 4th–6th November 2013. During the Technical Committee Meeting, IOPS Good Practices for Governance of Pension Supervisory Authorities and Stress Testing and Scenario Analysis of Pension Plans paper was approved.

In addition to this, informative panel discussions were carried out during the IOPS/OECD Global Forum on private pensions sharing lessons for the world from Asian Pensions. The Global Forum brought together high-level officials from regulatory and supervisory authorities and leading experts from the pension fund industry from OECD, IOPS member countries as well as Asia Pacific Region. International organizations including the World Bank and Asian Development Bank also participated in the forum.

Guidelines on Pension Fund Asset Management

A questionnaire was formulated in order to check the level of compliance of the Asset Management Function of MPAO with the Guidelines on Pension Fund Asset Management. Based on the assessment, it was agreed to commence full implementation of the Guidelines from 1st January 2014.

3rd Multi Stakeholder Advocacy Moot

Since June 2012, CMDA has been engaged with South Asian Federation of Exchanges (SAFE) to support the Regional Financial Integration Project, an initiative of the SAFE to achieve financial growth and economic stability in the SAARC Region.

The Project was concluded by the 3rd Multi Stakeholder Advocacy Moot held in Islamabad, Pakistan on 5th October 2013. Panel discussions were held amongst regulators regarding the challenges in the adoption of the SAFE proposed Rule Book which details uniform model of regulations for adoption by all SAARC nations to work towards financial integration. As a panel discussant, CMDA highlighted the importance of cooperation amongst member countries for removing legal barriers, information sharing, market development and cross-border supervision.



Capital Market Development - Issues & Challenges

The 1st focus group discussion on 'Capital Market Development - Issues & Challenges' was held during the quarter. A concept paper which examines the status quo of the Maldives Capital Market in the context of the wider financial sector and the economy was discussed with the focus group. Discussants flagged the importance of

tapping into innovative ideas such as crowd funding to enable access to finance. They also reiterated the importance of amending the Maldives Securities Act (2/2006) to derive all the powers to operate as an independent institution. CMDA's key objective of these focus group discussions is to identify ways in which capital market development can be integrated to the national plan for development.



CORPORATE GOVERNANCE

Discussion Forum on "Women on Boards"

A discussion forum themed "Women on Boards" targeted at female Board Directors, in Maldives was held on 15th December 2013. The forum was co-hosted by the Capital Market and Corporate Governance Institute (CMCGI) of CMDA and the Institute of Corporate Directors and Secretaries (ICDS) of Villa College.

Participants of the forum included Board level executives from listed companies, state owned enterprises, NGOs and the private sector.

The purpose of the forum was to educate, raise awareness, discuss and exchange views on board level opportunities for women in Maldives. The topics covered included issues of women on Boards in Maldives, experience sharing by the participants, recommendations and improvements

needed.

The major recommendations of the participants were to increase women's participation in listed companies and SOE boardrooms through policies and to amend the CMDA Corporate Governance Code.

The participants also recommended the Authority to approach the relevant government agencies with the matter and to play a more proactive role in promoting gender balance in the corporate sector in Maldives. It was also suggested to promote awareness through training sessions for women and the general public and to include a module related to gender diversity and sensitization in training programs conducted by ICDS.

CMDA aims to continue this dialogue and to conduct gender sensitization program in collaboration with ICDS & other relevant partners.

Corporate Governance Code Amended

In order to facilitate greater female participation in the boards of listed companies in the Maldives, the Authority proposed amendments to the Corporate Governance Code, during the quarter. The suggested changes requires companies to draw up a board diversity policy, and take adequate steps to ensure that female candidates are sought and considered for board seats. Furthermore, a target of 30% female participation in boardrooms will be set for 2016, and companies are encouraged to take the necessary steps to achieve this target.

TRAINING AND AWARENESS

Public Seminar

A public Seminar was held on 4th & 5th December 2013, for the general public. The emphasis was on Capital Markets, Pensions and Islamic Capital Market of Maldives. The seminar was conducted by Capital Market and Corporate Governance Institute (CMCGI), CMDA. A total of 18 people participated in the seminar.

Shareholders Rights

An awareness program aimed at educating the general public, on the rights of shareholders', was conducted during the quarter under review. The two day program was attended by shareholders' of listed companies, and various stakeholders of the capital market. During discussions that took place among participants, it became evident that, one of the biggest impediments to the effort of protecting shareholders' rights in the Maldives was the absence of a civil society association to carry out the work.

Consequently, participants of the program resolved to form an association to undertake the work of protecting shareholders' rights. Maldives Shareholders' and Investors Association (MSIA) was registered with the Ministry of Home Affairs, on 13th November 2013. The stated objectives of MSIA are to protect the rights and promote the interests of shareholders' and investors in the Maldives and ensure compliance by listed companies to the international best practices of corporate governance, as stipulated in the Corporate Governance Code. Additionally, MSIA will also undertake the work of representing Maldivian shareholders' on various international platforms.

Educating Young Investors

School Activities

CMDA conducted Art & Essay writing competition during the year with the objective of educating young investors. The certificates and awards for the winners of the competitions were distributed during the quarter.

Winners of Essay Competition		
Under 16		
	<i>Name</i>	<i>School</i>
2 nd Place	Mariyam Rafaa Abdul Latheef	Jamaluddin School
3 rd Place	Aminath Nausha Ahmed	Jamaluddin School
Under 21		
2 nd Place	Fathimath Zahiya	Villa International High School
3 rd Place	Fathimath Asfaa	Villa International High School
Winners of Art Competition		
Grade 7		
1st Place	Mariyam Azka Hassan	Kalaafaanu School
2nd Place	Aishath Samahath Abdul Hameed	Jamaluddin School
3rd Place	Mariyam Yumnu Yooshau	Jamaluddin School
Grade 6		
1st Place	Aishath Nasha Binth Ibrahim	Kalaafaanu School
2nd Place	Mariyam Mnaaal Ayyoob	H Dh. Atoll Education Center
3rd Place	Minhath Mohamed	Kalaafaanu School
Grade 5		
1st Place	Aishath Yumn Niyaz	Kalaafaanu School
1st Place	Aishath Dhaniya Mohamed Shifah	Kalaafaanu School
2nd Place	Aminath Hiba Faisal	Iskandar School
3rd Place	Mohamed Layaan Ali	Naivadhoo School



Important Meetings

- Meeting with company Secretaries of Listed Companies regarding Annual General Meetings
- Meeting with the delegates from World Bank to provide information on Accelerating sustainable private investment in renewal energy
- CMDA Board of Directors and Maldives Stock Exchange Board of Directors meeting was held on 3rd December 2013
- ICDS Governing Board Meeting was held on 9th October 2013

Stock Market Performance

The trading turnover of 4th quarter 2013 increased tremendously, compared to 4th quarter of the preceding year. The total trading turnover of the quarter for the current year was recorded at around MVR 1.02 Million whilst it was MVR 0.57 Million for the preceding year's 4th quarter. However, by the end of the current quarter, the Maldives Stock Exchange Index (MASIX) had gone down by 35.14 index points, in comparison to 2012's 4th quarter.

The market capitalization for the 4th quarter 2013 was noted at MVR 5.9 billion.

CMCGI TRAINING CALENDAR 2014

UPCOMING EVENTS January - June 2014



January	Scope
Workshop for Journalist	Enhance understanding on Capital Market for media personnel
ICM Monthly Awareness Workshop	Basic Concepts of Islamic Finance & Islamic Capital Market products
February	
Seminar on Finance Literacy	Basics on saving & investment
Public Seminar on investor protection	Importance of AGM , Voting rights & Information Disclosure (Related Laws & Regulations)
ICM Monthly Awareness Workshop	Basic Concepts of Islamic Finance & ICM products
ICM Monthly Training Program for issuers	Basic Concepts of Islamic Finance and Structuring ICM products
March	
Financial Literacy workshop to College Students	Basics on saving and investment & stock market & its operations
Investor awareness program in collaboration with Shareholders Association	Enhance awareness on shareholder's rights
Investment Adviser/Broker Training	Training program for licensing on Investment Adviser / Brokers.
ICM Monthly Awareness Workshop	Basic Concepts of Islamic Finance & Islamic Capital Market products
Seminar on Women on Boards / board diversity in collaboration with ICDS	Enhance awareness on CG Code & importance of board diversity
ICM Monthly Training Program for issuers	Basic Concepts of Islamic Finance and Structuring ICM products
April	
Regional Training on CG and Compliance in collaboration with ADB	Implementation of CG and compliance issues
ICM Monthly Awareness Workshop	Basic Concepts of Islamic Finance & ICM products
ICM Monthly Training Program for issuers	Basic Concepts of Islamic Finance and Structuring ICM products
May	
Training of ToT on Financial Literacy	Basics on Capital Markets products and services Saving and investment opportunities Pension and Retirement schemes
Training on Financial Statement Analysis	Basic understanding of financial statements and analysis Types and purpose of financial reports and statements
ICM Monthly Training Program for issuers	Basic Concepts of Islamic Finance and Structuring ICM products
ICM Monthly Awareness Workshop	Basic Concepts of Islamic Finance & ICM products
<i>Shari'ah</i> Scholars Round Table Discussion	Focus on introducing new ICM products in Maldives
June	
ICM Seminar (Regional/Local)	ICM Development in Maldives and abroad (Knowledge sharing)
ICM Monthly Awareness Workshop	Basic Concepts of Islamic Finance & Islamic Capital Market products
ICM Monthly Training Program for issuers	Basic Concepts of Islamic Finance and Structuring ICM products