

Securities Market Regulation for Foreign Investors

(Regulation Number: 2025/R-97)

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SECURITIES MARKET REGULATION FOR FOREIGN INVESTORS

Chapter 1

Preamble

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| Introduction and title | <p>1. (a) This Regulation is issued by the Capital Market Development Authority under section 63 of Law no: 2/2006 (Maldives Securities Act).</p> <p>(b) This Regulation shall be cited as “Securities Market Regulation for Foreign Investors”.</p> |
| Scope | <p>2. These regulations shall apply to foreign investors participating in the securities market authorized by the Authority, as well as to all entities duly licensed to operate within the securities market in accordance with the provisions of these regulations.</p> |

Chapter 2

Criteria for Foreign Investors

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| Eligibility Criteria for Foreign Investors | <p>3. An applicant seeking to register as a FI under this Regulation shall meet the following criteria:</p> <p>(a) The applicant shall be an individual or an entity that meets the eligibility criteria provided under the Law No: 11/2024 (Foreign Investment Act) (or any other law that amends, replaces, or supersedes this criteria);</p> |
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- (b) The applicant's country of residency shall be a country where the Securities Market Regulator is a signatory to the International Organization of Securities Commission (IOSCO);
- (c) The applicant shall not be mentioned in the Sanctions List notified from time to time by the United Nations Security Council;
- (d) The applicant shall not be a resident of a country that is identified in the Public Statement of Financial Action Task Force as-
 - (1) A jurisdiction identified with significant AML/CFT weaknesses requiring enhanced measures and safeguards.
 - (2) A jurisdiction that has not made sufficient progress in addressing the deficiencies or has not committed to an action plan with the Financial Action Task Force, requiring enhanced measures and safeguards.

**Approved
Investments**

- 4. FIs may invest in securities, assets, and other financial instruments approved by the Authority.

Investment Limits

- 5. An FI investing in the securities, assets, and other financial instruments under this Regulation shall be subject to the following conditions:
 - (a) Where the investment is made in equity of a company;
 - (1) FI shall not hold more than 10%, singly or jointly with others, including through related parties, or entities where they have significant control or influence.

(2) Beneficial Ownership (BO) rules shall be applied to identify and aggregate ownership interests held via multiple accounts or legal entities. The Authority shall treat such holdings as attributable to a single BO for the purpose of enforcing investment limits, ensuring that no BO exceeds the prescribed ownership threshold.

(3) Where the ownership threshold specified under subsection (a)(1) of this section is exceeded, or in the event of any similar non-compliance, the Authority may require the FI to undertake corrective measures, including divestiture or any other action deemed necessary by the Authority to restore compliance.

(b) Where the investment is made in instruments other than equity, a FI may invest up to 100% unless stated otherwise by the requirements of the offer or invitation to invest, or by the Authority.

Registration of FI 6. (a) Prior to provision of any service to FIs under this Regulation, the FI-Agent shall submit an FI registration request to the Authority via the FI-Portal in the prescribed format by the Authority.

(b) FI-Agents shall be responsible for managing the registration process, including providing all the information and documentation of the FI as required by the Authority for the purpose of the registration in accordance with the requirements of the Law and this Regulation.

- (c) FIs shall not be permitted to invest in the Maldives Capital Market without a prior registration issued by the Authority in accordance with the requirements of the Law and this Regulation.

Chapter 3

Registration of FI-Agents

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| Criteria of FI-Agents | <p>7. (a) An applicant seeking to register as an FI-Agent under this Regulation shall be a licensed Dealer under Regulation No: 2022/R-15 (Dealers and Dealers Representatives (Brokers) Licensing Regulation).</p> <p>(b) The FI-Agent status will remain valid for the entire duration of the Dealer's License unless it is revoked.</p> |
| Application to Register as an FI-Agent | <p>8. (a) The applicant shall submit the prescribed application form through the Authority's Licensing Portal. The application shall include the applicant's service charter, setting out the scope of services, applicable service standards, operational procedures, and fee structure relating to the provision of services to FIs.</p> <p>(b) The Authority shall publish and maintain a list of Registered FI-Agents on its official website.</p> |
| Revocation of Registration | <p>9. (a) The Authority shall retain the right to revoke the FI-Agent registration based on grounds including, but not limited to, non-compliance with regulatory obligations, failure to uphold investor protection standards, or any other criteria as set out in this Regulation or specified by the Authority.</p> |

- (b) Where an FI-Agent seeks to terminate its FI-Agent registration, it shall submit a termination request through the Licensing Portal in the manner prescribed by the Authority. The FI-Agent shall lay out a process to ensure the proper closure and reconciliation of all client accounts prior to termination. The FI-Agent should seek prior approval of the Authority to implement the process laid out for closure and shall be obliged to follow all the instructions advised by the Authority including but not limited handing over all the client information maintained in the FI-Accounting System of the FI-Agent.

Chapter 4

Obligations of FI-Agents

- General Obligations** 10. (a) FI-Agent shall ensure the FI meets the eligibility requirements prescribed under this Regulation prior to submission of the registration request via the FI-Portal to the Authority.
- (b) FI-Agent shall ensure the required AML/CFT assessments are carried out in accordance with Law No: 10/2014 (Prevention of Money Laundering and Financing of Terrorism Act) and Regulations thereunder at the time of registration of the FI and implement a process of continuous AML/CFT monitoring of the FI.
- (c) FI-Agents shall enter into a client agreement with the FI as prescribed under Regulation No: 2014/R-383 (Regulation on Conduct of Securities Business) by the Authority for the purpose of conducting securities transactions on behalf of the FI.

- FI-Accounting System** 11. (a) FI-Agent shall develop a FI-Accounting System to operate and manage individual FI Accounts. This system shall be approved by the Authority.
- (b) The system developed by the FI-Agent shall provide for the proper record keeping and reconciliation of financial transactions of the FI.
- (c) The system developed shall have individual ledgers with details of all the financial transactions conducted on behalf of the respective FI.
- Bank Account** 12. The FI-Agent shall open and maintain a bank account by its own name with a licensed banking institution for the purpose of facilitating securities transactions of FIs. This account shall be used exclusively for securities transactions.
- Securities Account** 13. (a) All securities transactions conducted by the FI-Agent on behalf of FIs, unless otherwise specified in the prospectus, shall be executed in dematerialized form through the Securities Accounts of the FIs, which must be opened and maintained with a licensed Securities Depository.
- (b) The licensed Securities Depository shall establish a mechanism that permits an FI to open a Securities Account in their own name and authorize an FI-Agent to manage the account on their behalf.
- Client Privacy and Data Protection** 14. FI-Agents shall establish and maintain appropriate systems, controls, and safeguards to ensure the confidentiality, integrity, and protection

of client information. All data and documentation collected in the course of onboarding, registering and subsequent transaction of FIs shall be securely recorded, stored, and retained by the FI-Agent in compliance with applicable data protection laws, regulatory requirements, and any directives issued by the Authority.

**Reporting
Requirements**

15. (a) The FI-Agent shall, within one (1) month following the end of each calendar quarter, submit to the Authority a report outlining all securities transactions carried out by foreign investors during that quarter. The report shall include a comprehensive register of foreign investor holdings (clearly indicating any investor whose holdings exceed seven percent within the investment limit set out in subsection (a)(1) of Section 5 of this Regulation), along with details of beneficial ownership.
- (b) The FI-Agent shall submit to the Authority an annual audit report prepared by an external licensed auditor, covering the FI-related business operations and compliance with applicable regulatory requirements. The audit report shall be submitted within 3 (three) months following the end of each financial year.
- (c) The FI-Agent shall promptly notify the Authority of any breach of the investment limit specified under subsection (a)(1) of Section 5 of this Regulation. The notification shall include the extent of the breach, the date of occurrence, and any other relevant information concerning the matter.

Chapter 5

Exit procedures for FIs

Market Procedures

Exit 16. (a) FIs may exit the Maldives Capital Market under the following circumstances:

- (1) Self-initiated withdrawal;
- (2) Exit due to regulatory non-compliance; or
- (3) Exit resulting from the death.

(b) FI-Agent shall establish a mechanism to enable exit outlined in subsection (a), including timelines, documentation requirements, and conditions applicable to the transfer or liquidation of holdings. These procedures shall be submitted to the Authority for prior review and approval and shall be communicated to FIs at the time of registration and shall be published on the website of the FI-Agent.

Chapter 6

Enforcement

Penalties for Non- Compliance

17. (a) For any violation of the Law or this Regulation, the Authority shall have powers to take enforcement actions in accordance with the Enforcement and Appeal Procedure of the Authority.

(b) Violations referred to in subsection (a) that are subject to penalties are, but not limited to:

- (1) Submission of false or misleading information during the FI registration process.
 - (2) Failure to maintain accurate and complete accounting records of the securities transactions of FIs.
 - (3) Non-submission of required quarterly transaction reports to the Authority within the specified timeframe.
 - (4) Failure to submit annual audit reports to the Authority within the specified timeframe.
 - (5) Identification of material weaknesses or qualifications in the audit report indicating non-compliance or financial mismanagement.
 - (6) Receipt of investor complaints that indicate severe lapses in regulatory compliance, financial management, or unethical conduct, as determined by the Authority.
- (c) Any failure to comply or negligence shall result in penalties ranging from MVR 10,000 to MVR 100,000, depending on the severity of the violation.

Chapter 7:

Miscellaneous Provisions

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| Right to Appeal | 18. In the event of an unresolved dispute between a FI and an FI-Agent concerning any matter governed by the Law and this Regulation, either party may submit an appeal to the Authority for resolution. The decision issued by the Authority shall be final and |
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binding and shall be accepted and implemented by all parties concerned.

**Transitional
arrangements**

19. Effective from the date this Regulation comes into effect, FI-Agents shall cease executing any new FI transactions using previous methods. A transitional period of 3 (Three) months shall be provided for the execution of any pending transactions initiated under the former framework. Upon the expiry of this period, all FI transactions shall be conducted strictly in accordance with the requirements set forth in this Regulation.

**Authority's power
to issue guidelines,
circulars, or
directives**

20. The Authority shall have the power to issue such guidelines, circulars, or directives as it deems necessary in respect of any matter not expressly addressed in this Regulation, for the purpose of ensuring its effective implementation and enforcement.

Tax

21. Foreign Investors shall be subject to taxation, where applicable, in accordance with the provisions of the Tax Administration Act (Law No. 3/2010).

Fees

22. (a) Any fees charged by the FI-Agent on the FI shall be subject to the approval of the Authority.
- (b) The FI-Agent shall pay the following fees to the Authority:
- (1) FI-Agent registration applications must be accompanied by a registration process fee of MVR 5000 (Five thousand).
- (2) Registered FI Agents shall pay an annual fee of MVR 10000 (Ten thousand) to the Authority.

- (3) FI registration applications must be accompanied by a registration process fee of MVR 200 (Two hundred).

Definitions

23. Unless the context otherwise requires, the following terms and phrases shall have the meanings given to them below.
- (a) “Law” or “Act” shall mean Law No: 2/2006 (Maldives Securities Act).
 - (b) Authority shall mean the Capital Market Development Authority established under Law No: 2/2006 (Maldives Securities Act).
 - (c) “Beneficial owner” shall have the meaning assigned to it under Law No: 10/2014 (Prevention of Money Laundering and Financing of Terrorism Act).
 - (d) “Foreign Investor (FI)” shall mean a legal entity or a natural person who is not a national of the Maldives and who invests in approved securities as defined in this Regulation.
 - (e) “FI-Portal” shall mean the centralized digital platform provided by the Authority that streamlines the end-to-end approval process for FIs to participate in securities transactions.
 - (f) “FI-Agent” shall mean a securities market service provider authorized by the Authority to assist FIs in their registration and compliance processes.
 - (g) “FI-Accounting System” shall mean a client-level accounting system developed and maintained by an FI-Agent to manage funds of the FIs registered through FI-Agent. It is an arrangement under which the FI-Agent operates a consolidated

bank account with a licensed banking institution in the Maldives, where in the aggregated assets and transactions of multiple FIs are held. While the banking institution recognizes only the FI-Agent as the account holder, the FI-Agent maintains detailed, segregated internal records in the FI-Accounting System reflecting each FIs individual holdings, transactions, and balances.

- (h) “Licensed Securities Depository” shall mean a securities depository licensed by the Authority under the Law No: 2/2006 (Maldives Securities Act).
- (i) “Securities Account” shall mean an account opened in the name of the FI in accordance with the Rules of the Securities Depository and the mechanisms established by it, for the purpose of facilitating the securities transactions of FIs.
- (j) “Related Parties” shall mean a director, major shareholder of the company, or person connected with such director or major shareholder;

(k) “Securities Transactions” shall mean any act or arrangement involving the acquisition, disposal, transfer, conversion, subscription, or dealing in securities, assets, and other financial instruments governed under Law No: 2/2006 (Maldives Securities Act), undertaken by a person or entity who meets the criteria for a FI as prescribed under this Regulation. Such transactions may include, but are not limited to, primary and secondary market investments, private placements, capital contributions, and any contractual or beneficial interest in securities, assets, and financial instruments, executed directly or through nominees, custodians, or intermediaries.

Commencement 24. This Regulation shall come into effect on the date it is published on the Gazette of the Government of Maldives.