

## SECURITIES (GENERAL) REGULATIONS 2007

ORIGINAL

(Under section 60(c) of the *Maldives Securities Act (Law No: 02/2006)*)

In exercise of the powers conferred on the Minister of Finance and Treasury by section 60(c) of the *Maldives Securities Act (Law No: 2/2006)*, these Regulations are made this 30<sup>th</sup> day of December 2007 and amended on 20<sup>th</sup> July 2009.

### PART I PRELIMINARY

#### **Title**

1. These Regulations may be cited as the *Securities (General) Regulations, 2007*.

#### **Interpretation**

2. In these Regulations, unless the context otherwise requires any term defined in the *Maldives Securities Act* shall have the meaning so assigned to it in the Act.

“Act” means the *Maldives Securities Act (Law No: 02/2006)*;

“Authority” means the Capital Market Development Authority;

“foreign regulatory authority” means any person or body outside the Republic of the 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;

“key person” means any current or former controller, beneficial owner, director, manager, employee or associate of a regulated person;

“licensed person” means a person, including a body corporate licensed or approved under the Act.

“Minister” means the Minister of Finance and Treasury;

“regulated person” means any person who has been granted a license under the *Maldives Securities Act* or an approved or formerly approved stock exchange or interim securities trading facility under the *Maldives Securities Act* or any persons associated with such licensed persons or approved stock exchange or interim securities trading facility.

### PART II

#### POWERS OF CAPITAL MARKET DEVELOPMENT AUTHORITY

##### **Power of the Authority to require production of books**

3. (a) The Authority may by notice in writing, at any time, where it considers that there is sufficient cause to do so, give a direction to any of the persons referred to in subregulation (b) to produce to a person authorized by the Authority such books and information, subject to subregulation (c), as may be specified in the direction.



- (b) The persons to whom a notice may be given under subregulation (a) are -
- (i) a regulated person;
  - (ii) a key person;
  - (iii) a person who is or has been an officer or an employee of or an agent, lawyer, auditor or other person acting in any capacity for or on behalf of the stock exchange or a person referred to in paragraphs (i) and (ii);
  - (iv) any other person who has at any time been a party to any dealing in securities; or
  - (v) any other person, including banks and financial institutions licensed by the Maldives Monetary Authority who the Authority believes has possession of any books of the persons in sections (3)(b)(i) to (3)(b)(iv) of this regulation.,
- (c) For the purposes of subregulation (a), books or information which may be the subject of a request to produce shall relate to any of the following matters -
- (i) the business or affairs of the regulated person;
  - (ii) any dealing in securities;
  - (iii) any advice concerning securities or the issuing or publication of a report or analysis concerning securities;
  - (iv) the integrity, competence, financial standing or organization of any regulated person or key person; or
  - (v) an audit of, or any report of an auditor concerning a dealing in securities or any accounts or records of a regulated person.
  - (vi) The compliance of any regulated person or key person with the *Maldives Securities Act* or any other Act for whose administration the Authority is responsible;
  - (vii) Any information which the Authority may reasonably require by way of explanation of any books which have been requested by the Authority and information on any other matter that the Authority may reasonably require for the performance of its functions.
- (d) No direction to produce shall be made to any person pursuant to subregulation (c)-
- (i) unless the Authority has reason to believe that the person has in his custody or under his control books relating to a matter specified under subregulation (c) and the direction may be exercised at a time or place that may not unduly interfere with the proper conduct of the normal daily business of that person;
- (e) The Authority may in writing authorize any person to exercise the power to request the production of books conferred on it under this regulation.
- (f) The Authority may require any information provided under this regulation to be provided in such form as it may reasonably require.
- (g) The Authority may require -



- (i) any information provided, whether in a document or otherwise, to be verified in such manner, as it may reasonably require; or
- (ii) any document produced to be authenticated in such manner as it may reasonably require.
- (h) A reference in subregulation (a) to dealing in securities by a person includes a reference to dealing in securities by the person as an agent, nominee, trustee or otherwise on behalf of any other person.
- (i) Where the Authority, or a person authorized by the Authority requires the production of any books under this regulation and a person has a lien on the books, the production of the books does not prejudice the lien.
- (j) An authorized person under subregulation (e) shall where required to do so produce evidence of his authorization.
- (k) No action shall lie against any person for complying with a direction or requirement made or given under this regulation to produce books.
- (l) A power conferred by this regulation to give a direction to a person extends, if the person is a body corporate, to giving that direction to any person who is or has been an officer of the body corporate whether that body corporate is in the course of being wound up or has been dissolved.

**Action on production or non-production of the books**

- 4. (a) Where the required books are produced under regulation 3 the person to whom they are produced-
  - (i) may take possession of them, make copies of them, or take extracts from them;
  - (ii) may require the other person or any person who was party to the compilation of the books to make a statement providing an explanation of any of the books;
  - (iii) may retain possession of the books for as long as the Authority considers necessary to enable the books to be inspected and copies of or extracts from the books to be made or taken by or on behalf of the Authority; and
  - (iv) shall permit the person who produced them, upon giving a reasonable notice and specification of the books, to have access to them.
  - (v) May instruct an accountant or other expert to examine the books or any of them and report to the Authority, and for that purpose the books may be delivered to the accountant or expert for such examination.
- (b) where the books are not produced, the Authority or the authorized person under regulation 3(e) may require the person who should have produced the books-
  - (i) to state, to the best of his knowledge and belief, where the books may be found;



- (ii) to identify the person who, to the best of his knowledge and belief, last had custody of the books and where he may be found; or
- (iii) to state the reasons why the books cannot be produced.

**Power of the Authority to search premises**

5. (a) The Authority may, at any time and without prior notice, if it has reason to believe that there are on premises any books the production of which has been directed by the Authority and which have not been produced in compliance with the direction, authorize in writing an officer of the Authority with his assistants and any other person or persons instructed by the Authority as an expert to—

- (i) use such force as is necessary and reasonable to enter any premises that the Authority has reason to believe are premises at which the said books are kept or may be located;
- (ii) search for the said books and for that purpose break open any cupboard drawer, container or receptacle whether a fixture or not on the premises;
- (iii) seize or make a copy of such books;
- (iv) question any person who is present on the premises referred to in paragraph (i), or the directors, officers, members, employees or partners of any person conducting business on the premises as to the location of the books;
- (v) direct that the premises referred to in paragraph (i) or any part of it shall be left undisturbed for as long as it is necessary to search the premises for any such books;
- (vi) by notice in writing addressed and delivered to any person who has control over the custody of any such books to the officer of the Authority issuing the notice, at the time and place referred to in the notice; and
- (vii) examine any such book and seek from any person referred to in paragraph (iv) an explanation regarding any entry in the books.

(b) The officer of the Authority referred to in subregulation (a) shall, at the request of any person on the premises affected by the entry and performance of functions under this section, exhibit to the person the written authorization referred to in that subregulation.

(c) No person shall—

- (i) hinder or obstruct an officer under subregulation (a) or persons assisting him in the performance of his functions;
- (ii) refuse or fail to comply with any request made by an officer of the Authority referred to in subregulation (a) in the performance of the officer's functions;
- (iii) refuse or fail to answer any questions which the officer of the Authority or any expert instructed by the Authority directs at that person in the performance of that person's functions;
- (iv) intentionally furnish false or misleading information to an officer



- of the Authority or expert instructed by the Authority;
- (v) falsely claim or give himself or herself out to be an officer of the Authority.
- (d) For the purposes of this section “premises” includes any building or structure, or part of a building or structure, whether above or below the surface of the land or water, or any vehicle, vessel or aircraft.

#### **Incriminating statement**

6. (a) A person is not excused from failing to provide a statement explaining any matter relating to the compilation of any books or any matter requested of him under regulation 4 or 5 on the grounds that statement might tend to incriminate him.
- (b) Notwithstanding subregulation (a) where the person claims before making a statement required of him, that the statement provided in answer to the request shall, if it would in fact incriminate him, not be admissible in evidence against him in any criminal proceedings other than proceedings under regulation 3, 4 or 5.
- (c) Subject to subregulation (b) of this regulation, a statement made by a person in compliance with a requirement under regulation 4 or 5 may be used in evidence in any criminal or civil proceedings against the person.

#### **Penalties**

7. A person who-
- (i) without reasonable excuse, refuses or fails to comply with a direction given under regulation 3, 4 or 5; or
  - (ii) knowingly furnishes information or makes a statement that is false or misleading in a material particular for the purposes of regulations 3, 4 or 5; or
  - (iii) without reasonable excuse, obstructs or hinders the Authority or any person in the exercise of a power under regulations 3, 4 or 5 commits an offence and shall be liable on conviction to a fine not exceeding 150,000 (One hundred and Fifty Thousands) Rufiyaa.

#### **Copies of extracts of books to be admitted in evidence**

8. (a) Subject to this regulation and regulation 10 a copy of or extract from a book relating to a matter specified in subregulation (c) of regulation 3 is admissible as if it were the original book.
- (b) A copy of or extract from a book is not admissible in evidence under subregulation (a) unless it is proved that the copy or extract is a true copy of the book or of the relevant part of the book.
- (c) For the purpose of subregulation (b), evidence that a copy of or extract from a book is a true copy of the book or of a part of the book may be given by a person who has compared the copy or extract with the book or the relevant part of the book and may be given orally or by an affidavit or statutory declaration.



### **Protecting privileged communication with advocate**

9. Nothing in regulation 3, 4 or 5 shall compel an advocate to produce a document that contains a privileged communication made by or to him in his professional capacity or authorize the taking of possession of any such document which is in his possession: provided that, an advocate shall not be entitled under this regulation to withhold the name and address of the person to whom or by or on whose behalf the communication was made.

### **Secrecy of information**

10.

- (a) Subject to subregulations (b) and (c), a person who receives information relating to the business or other affairs of any person –
- (i) under or for the purposes of this Act or any other Act for whose administration the Authority is wholly or partly responsible; or
  - (ii) directly or indirectly from a person who has so received it;
- commits an offence if he or she discloses the information without the consent of the person to whom it relates and (where subparagraph (ii) applies) the person from whom it was received.
- (b) This regulation does not apply to information which at the time of the disclosure is available to the public from other sources, or to information in the form of a summary or collection of information so framed as not to permit information relating to any particular person to be ascertained from it.
- (c) This regulation does not apply to the disclosure of information where that information is disclosed:
- (i) for the purpose of enabling or assisting the Authority or any person acting on its behalf to discharge their functions under this Act, or any other enactment under which they are charged with duties;
  - (ii) by the Authority, or any person acting on its behalf, to a foreign regulatory authority;
  - (iii) with a view to the investigation of a suspected offence, or the institution of any criminal proceedings, whether under this Act or not;
  - (iv) in connection with any other proceedings arising out of this Act;
  - (v) with a view to the institution of, or otherwise for the purposes of, any disciplinary proceedings by a professional body relating to the exercise of professional duties by a member of that body;
  - (vi) by the Authority, or any person acting on its behalf, to the Attorney General or to a police officer or to any other law enforcement agency, being information in the possession of the Authority which may be of assistance to the Attorney General or a police officer or other law enforcement agency in the performance of their duties, provided that the Attorney General or police officer





or other law enforcement agency may not disclose the information to any other person except where, in their discretion, such disclosure is necessary to perform their duties or to assist others in the performance of their duties, whether in the Republic of the Maldives or elsewhere;

- (vii) without prejudice to the generality of subsection (a), disclosure by the Authority to the auditor of a regulated person, if it appears to the Authority that disclosing the information would enable or assist the Authority to discharge the functions mentioned in subsection (a) or would otherwise be in the interests of persons who have transacted or may transact business with a licensed person or,
  - (viii) to a qualified person if, in order to enable or assist the Authority properly to discharge any of its functions under this Act, the Authority considers it necessary to seek advice from any qualified person on any matter requiring the exercise of professional skill and the disclosure appears to the Authority to be necessary to ensure that the qualified person concerned is properly informed with respect to the matters on which the person's advice is sought;
  - (ix) By the Authority, or any person acting on its behalf, to persons appointed under regulation 13 or under any other enactment under which they exercise a function;
  - (x) where disclosure is required as a result of a legal obligation, including an order of the court relating to a specific item of confidential information or disclosure is made under any statutory obligation to report certain matters to the Authority or other appropriate authority;
  - (xi) Where disclosure is permitted by regulations.
- (d) No information shall be disclosed under subregulation (c)(ii) unless the Authority, or any person acting on its behalf, has taken into account the considerations set out in regulation 13(b).
- (e) Without prejudice to the generality of subregulation (a), this regulation also applies to –
- (i) information supplied to the Authority by a foreign regulatory authority for the purposes of the Authority's functions whether under this Act, or any other Act which confers duties on the Authority; and
  - (ii) information relating to the business or other affairs of any person which the Authority may receive in connection with its functions under any other Act.
- (f) A "qualified person" for the purposes of subsection (c)(ix) is a person who is professionally qualified and skilled to give advice on securities transactions and matters and includes a practising lawyer, accountant, auditor and valuer.



### **Disclosure to the Authority**

11. (a) The Authority may, where it considers it necessary for the protection of investors, require a dealer to disclose to it, in relation to any acquisition or disposal of securities, the name of the person from or through whom or on whose behalf the securities were acquired or disposed of and the nature of the instructions given to the dealer in respect of the acquisition or disposal.
- (b) The Authority may require a person who has acquired, held or disposed of securities to disclose to it –
- (i) whether he acquired, held or disposed of securities as agent or otherwise on behalf of another person as a nominee;
  - (ii) the name of that person;
  - (iii) the name of any person on whose behalf he has acted or who is the beneficial owner of the securities; and
  - (iv) the nature of any instruction given to him as agent, trustee or nominee or otherwise on behalf of any other person in respect of the acquisition, holding or disposal.
- (c) The Authority may require a stock exchange to disclose to it, in relation to an acquisition or disposal of securities on the stock market of that stock exchange, the names of the members of the stock exchange who acted in the acquisition or disposal.

### **Investigations by the Authority**

12. (a) Where the Authority considers –
- (i) that it may be necessary to prohibit pursuant to any regulation the trading in securities of, or made available by a body corporate; or
  - (ii) that a person may have contravened the provisions of the Act or any regulations made under that Act including these regulations, or any rules issued by the Authority or an approved stock exchange in relation to securities of, or made available by, a body corporate; or
  - (iii) that a person may have contravened the provisions of the Companies Act in relation to securities in a body corporate; or
  - (iv) where any matter is referred to the Authority for investigation by any foreign regulatory authority

the Authority may itself or by a committee of not less than three members of the Authority appointed by the Authority for the purpose of conducting investigations, conduct such investigation as it thinks proper in relation thereto and may, without derogating from any other powers conferred under the Companies Act or this Act, require a regulated person or key person to disclose to the Authority any information of which that person is aware, being information that might have affected any dealing that has taken place, or that might affect any future dealing in securities of, or made available by, the body corporate or that might relate to any contravention of the Acts, regulations or matters referred to in subparagraphs (i) to (iv) of this section.

- (b) For the purpose of subregulation (a), the Authority or committee of the Authority appointed pursuant to subregulation (a) may require a person





whom the Authority or committee believes on reasonable grounds to be capable of giving information concerning -

- (i) any dealing in relevant securities;
- (ii) any advice given by a dealer, an investment advisor or a dealer's representative concerning securities;
- (iii) the issuing or publication of a report or analysis by a dealer, an investment advisor or a dealers representative concerning relevant securities;
- (iv) the financial position of any business carried on by a person who is or has been either alone or together with other persons, a dealer or an investment advisor and has dealt in, given advice concerning relevant securities;
- (v) the financial position of any business carried on by a nominee controlled by a person referred to in paragraph (iii) or jointly controlled by two or more persons at least one of whom is a person referred to in that paragraph; or
- (vi) an audit of, or any report of an auditor concerning any accounts or records of a dealer, being accounts or records relating to dealings in relevant securities; or
- (vii) any other matter that the Authority considers to be relevant to the matter before it,

to disclose to the Authority the information that the person has in relation to any of the matters specified in this subregulation and the Authority may exercise all the powers of the Authority under regulations 3 and 4.

- (c) The Authority may delegate the exercise of the power to conduct an investigation under subregulation (a) and (b) to the Chief Executive Officer of the Authority who shall report the outcome of the investigation to the Authority.
- (d) The Authority or any committee of the Authority appointed to conduct investigations pursuant to subregulation (a) may, where it considers this to be desirable for the efficient conduct of the investigation, issue a summons to any person required to provide information to the Authority under subregulation (b), requiring that person to appear (in the case of a body corporate to appear by authorized representative) before the Authority or Committee or before the Chief Executive Officer to give evidence on the matter before the Authority.
- (e) A summons issued under subregulation (d) must be in writing signed by the Chairman or Chief Executive Officer of the Authority and state-
  - (i) the date and time when and the place where the person is required to attend; and
  - (ii) the documents and information that the person is required to provide (either generally, specifically or by reference to class, nature, content or effect); and the penalty for failing to attend under regulation. .
- (f) A summons under subregulation (d) shall be served -



- (i) in the case of a natural person by delivering it personally or to the person summoned or by leaving it at his or her usual place of business or residence no later than 24 hours before his or her attendance is required.
- (ii) in the case of a body corporate, by leaving it at the body corporate's usual place of business at least 24 hours before its attendance is required.
- (g) For the purpose of subregulation (b), the term "relevant securities" means securities of, or made available by, the body corporate referred to in subregulation (a) of this regulation.
- (h) A person is not excused from disclosing information to the Authority pursuant to a requirement made of him under subregulation (a),(b) or (d) on the ground that the disclosure of the information might tend to incriminate him.
- (i) Where person claims, before making an oral statement disclosing information that he is required to disclose under subregulation (a), (b) or (d), that the statement might tend to incriminate him, and the statement would in fact incriminate him, evidence of that statement is not admissible in evidence against him in criminal proceeding other than proceeding under this regulation.
- (j) Any person including any body corporate who without reasonable excuse, refuses or fails to comply with a requirement of the Authority under subregulation (a) (b) or (d) of this regulation commits an offence.
- (k) Any person who, for the purpose of subregulation (a), (b), (c) of regulation 12 or subregulation (a) or (b) of this regulation discloses information, or makes a statement which he knows or has reason to believe is false or misleading in a material particular, commits an offence.
- (l) It is a defence to a prosecution for an offence under subregulation (k) for the defendant to prove that he believed on reasonable grounds that the information or statement was true and was not misleading.
- (m) In this regulation a reference to disclosing information includes, in relation to information that is contained in a document, the furnishing of the document.
- (n) a person shall not be subject to any liability by reason only that he complied with a requirement made or purporting to have been made under this regulation.

**Authority may provide assistance to foreign regulatory authority**

**13.**

- (a) Notwithstanding any provision to the contrary in this Act, the Authority may, subject to subregulation (b) provide assistance to a foreign regulatory authority in connection with any legal or regulatory requirement which the foreign regulatory authority enforces or administers, and for that purpose may carry out investigations 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.



- (b) The Authority shall determine whether to provide assistance would be consistent with its functions or would otherwise be in the interests of the maintenance of the integrity of the capital market in the Republic of the Maldives. In reaching a determination on this point for the purposes of this regulation, the Authority shall have regard to any relevant matter, including:
- i. Whether the foreign authority is a proper foreign regulatory authority as defined in this Act;
  - ii. whether the assistance provided would be used by a foreign regulatory authority in exercising its functions for a proper regulatory purpose;
  - iii. whether the foreign regulatory authority would provide comparable assistance to the Authority;
  - iv. whether the foreign regulatory authority is prepared to assist with the cost of the investigation;
  - v. whether the assistance would be relevant to the foreign regulatory authority in implementing or enforcing its laws and regulations relating to securities and derivatives;
  - vi. whether the foreign regulatory authority would comply with any conditions the Authority may impose on the transmission of information;
  - vii. whether the foreign regulatory authority is able to provide adequate protection to any confidential information that may be passed to it.
  - viii. Whether the provision or assistance would maintain or enhance the reputation of the capital market in the Republic of the Maldives;
  - ix. Whether a criminal proceeding has already been initiated in the Republic of the Maldives based upon the same facts and against the same persons as are the subject of the request for assistance.
- (c) The Authority may make a presumption that the considerations listed in subregulation (b) should be deemed to be fully and satisfactorily taken into account when assistance is provided to a foreign regulatory authority that is a signatory to a memorandum of understanding or other agreement to which the Authority is also a party and the information falls within the scope of the memorandum of understanding or agreement and any request for assistance is within the terms of the memorandum of understanding or agreement.
- (d) The Authority may conduct an investigation at the request of a foreign regulatory authority or otherwise provide assistance regardless of whether or not any offence has been committed in the Republic of the Maldives, or whether any conduct under investigation would, if committed in the Republic of the Maldives, be an offence.
- (c) If it considers it desirable in order to fulfill its functions or to maintain the integrity of the capital market in the Republic of the Maldives, the Authority may exercise other powers where to do so would provide assistance to a foreign regulatory authority, including imposing a



condition on a license, revoking a license, requiring the removal of a controller, beneficial owner, director, manager, or employee of a licensee, or withdrawing approval of a stock exchange.

#### **Duty to report to the Authority**

14. (a) Any person who, in the course of providing services to a regulated person or a key person, or a company whose securities are listed on an approved stock exchange, comes into possession of information indicating that such regulated person or key person or company is engaged in any conduct prohibited by this Act which involves fraud or dishonesty or one of the prohibited dealings in Chapter 9 of the Act, shall report the matter to the Authority.
- (b) A person who contravenes subregulation (a) commits an offence.
- (c) No action or proceeding, including any criminal proceeding or administrative action in relation to that person's employment or otherwise may be taken against a person who in good faith provides information confidentially to the Authority under subregulation (a).
- (d) Subregulation (a) shall not apply to an advocate who receives information in the course of providing legal professional advice regarding compliance with this Act that is sought by the regulated person or key person or company in relation to the conduct referred to in subregulation (a).

### **PART III**

#### **POWER OF THE AUTHORITY TO PROHIBIT TRADING**

##### **Power to suspend or close trading**

15. (a) Subject to subregulations (a) and (b), the Authority may after consultation with an approved stock exchange order that the stock exchange be closed for transactions or dealings in securities for a period of time of not more than three days.
- (b) The Authority may make an order under subregulation (a) on the ground that, in the opinion of the Authority, the orderly transaction of business on the stock exchange is likely to be adversely affected due to –
- (i) an emergency or natural disaster in the Maldives; or
  - (ii) an economic or financial crisis whether in the Maldives or elsewhere; or
  - (iii) an actual or threatened major market manipulation or disruption.
- (c) An order made under subregulation (a) may be renewed for a further period of not more than five trading days.
- (d) Any dealer, broker or representative who deals in securities listed on a stock exchange while an order under subregulation (a) or (c) is in force, being an order that has been notified to the stock exchange commits an offence in relation to each day on which there is a dealing and is liable on



conviction to a fine not exceeding MRf 15000 (Fifteen Thousand Rufiyya) for each day of the recurrent offending.

- (e) Where the Authority issued an order under subregulation (a) or (c), notice of the order shall be published in the *Gazette* and in two daily newspapers in wide circulation in the Maldives.

**PART IV**  
**MISCELLANEOUS**

**Administrative fines**

16. The Authority may impose by way of penalty an administrative fine not exceeding MRf 10,000 (Ten Thousand Rufiyya) on any person who is found by the Authority following an investigation under regulation 12 to be in breach of any requirement of the Act or these Regulations or of any other Act or regulations for whose administration the Authority is responsible or of any breach of the rules of the Authority or an approved stock exchange.

