

Capital Market Development Authority

**REGULATIONS ON INVESTMENT ADVISERS
(unofficial translation)**

Regulation No: 2022/R-91 (Regulation on Investment Adviser)

Regulation No: 2022/R-113 (1st Amendment to Regulation on Investment Adviser)

CHAPTER 1

Introduction

- Introduction and title*
1. (a) This regulation is made pursuant to the powers conferred upon the Authority by section 63 of the Maldives Securities Act (Law No:02/2006).
(b) This Regulation shall be cited as “Regulations on Investment Advisers.”
- Interpretations*
2. In this Regulation, unless the context otherwise requires, any term defined in the Maldives Securities Act shall have the meaning so assigned to it in the Act.
- Scope*
3. This regulation shall apply to Investment Advisers and Investment Advisers’ Representatives.

CHAPTER 2

Eligibility requirements

- Eligibility requirements for corporate investment advisers*
4. Directors of the company applying for Investment Adviser license shall satisfy the following criteria.
 - (a) Has not been convicted of theft, embezzlement, robbery or fraud within 10 years immediately preceding the date of application.
 - (b) Has not been adjudged bankrupt.
 - (c) Satisfy the fit and proper criteria set by the Authority.
- Eligibility requirements for Investment Adviser’s Representatives*
5. Individuals applying for Investment Adviser’s Representatives license shall meet the following criteria.
 - (a) Satisfy the criteria of corporate investment adviser’s directors set forth in section 4 of this regulation.
 - (b) Should be a person above 18 years of age.
 - (c) Has passed an examination set by the Authority or holds an Investment Adviser’ license issued by any

other securities market regulator.

- (d) Has completed securities training programs conducted by the Authority.

CHAPTER 3

Licensing, Renewal, Capital Requirements and Fees

Application for license

- 6.** (a) An application for license or renewal of license shall be made by the form prescribed in Schedule 2.
- (b) The Authority may require an applicant to furnish the application form with such further information as the Authority considers necessary in relation to the application.
- (c) The Authority shall notify the applicant the decision made regarding the application, within 45 (forty-five) days from the receipt of application, or where the Authority requires further information on the application, 45 days from the date of receipt of such information.
- (d) License shall be valid for a period of 5 (five) years from the date of the issuance or renewal.
- (e) An application for a corporate investment adviser shall be accompanied by at least one application for Investment Advisers' Representative license.
- (f) Actions may be taken under Maldives Securities Act (Law no: 2/2006), against any person who, in connection with an application for license or renewal of license, willfully or knowingly makes a statement which is false or misleading, or omits to state the relevant matters.

Expiry, Revocation and Suspension of Licenses

- 7.** (a) License issued under this regulation is deemed annul ed upon occurrence of any event stated under Maldives Securities Act (Law no: 2/2006) regarding annulment.
- (b) Authority may annul or temporarily suspend the license issued under this regulation upon the occurrence of any event stated under Maldives Securities Act (Law no: 2/2006) giving the power to the authority to annul.

Licensing conditions

- 8.** Authority may stipulate conditions to license and by written notice, may vary such conditions or may impose additional conditions as per section 31 of Maldives Securities Act (Law no:2/2006).

Processing fee

9. Application for license shall be accompanied by the application processing fee prescribed in Schedule 1 of this regulation.

Annual fee

10. All licensees (including investment advisors and representatives of corporate investment advisors) shall pay an annual fee as prescribed in Schedule 1 of this regulation.

Capital requirements

11. A corporate investment adviser shall have a paid-up capital of not less than MVR 250,000 (two hundred and fifty thousand), and at all times maintain a net capital as prescribed by the Authority.

CHAPTER 4

Register of Interest in Securities

Maintenance of Register of interest in securities

12. Investment Advisers, Representatives of investment advisers and Financial Reporters shall maintain a register of their interests in securities as per Chapter 6 of the Maldives Securities Act (Law no: 2/2006).

CHAPTER 5

Financial and Compliance Requirements

Books and records to be maintained by Investment Advisers

13. Investment Advisers shall keep true, accurate and current information in the following books and records relating to its investment advisory service:

- (a) Journals, including cash receipts disbursement records, and any other records of original entry forming the basis of entries in any ledger.
- (b) General and special ledgers reflecting assets, liabilities, reserve, capital, income and expense accounts.
- (c) A memorandum of each order given by the investment adviser for the purchase or sale of any security, or memorandum related to any instruction received by the investment adviser from the client concerning the purchase, sale, receipt, or delivery of a particular security, and of any such order or instruction. Such a memorandum shall also include the terms and conditions of the order or instructions.
- (d) All cheque books, bank statements, cancelled cheques and reconciliations.
- (e) All bills or statement or copies thereof, paid or unpaid, relating to the Investment Advisers'

business.

- (f) All trial balances of financial statements, and internal audit working papers relating to the business prior to financial statements.
- (g) Originals of all written communications received and copies of all written communications sent relating to any recommendation made or advice given, or relating to any receipt, disbursement or delivery of funds or securities, provided however, that the investment adviser shall not be required to keep any unsolicited market letters or communications of general public distribution not prepared by or for the investment adviser.
- (h) A list or other record of all accounts in which the investment adviser is vested with any discretionary power with respect to the funds, securities or transaction of any clients.
- (i) All powers of attorney and other evidences for granting of any discretionary authority by any client to the investment adviser.
- (j) All written agreements entered into by the investment adviser with any client relating to the business/services of such investment adviser.
- (k) A copy of each notice, circular, advertisement, newspaper article, investment letter or other communication that the investment adviser circulates or distributes to clients or potential clients.
- (l) Records of every transaction in securities in which the investment adviser or a representative of such investment adviser has, or by reason of such transaction acquires, any direct or indirect benefit.

Appointment of Auditors **14.** An investment adviser shall appoint a qualified auditor holding an audit license issued by a relevant body overseeing audit profession in the Maldives.

Financial records **15.** An investment adviser with respect of its investment advisory business, must prepare its financial statements in accordance with International Financial Reporting Standard (IFRS) and submit to the Authority within 4 (four) months of end of the financial year, comprising of:

- (a) Balance Sheet;
- (b) Income Statement
- (c) Cash Flow Statement

(d) Statement of Changes in Equity

CHAPTER 6

Information Disclosure to Clients and Custody of Clients' Funds

Duty to act in the interests of the clients

16. (a) Investment adviser or representative of investment adviser should not act in a manner that is misleading, or omit material facts or engage in other fraudulent acts and practices in connection with the conduct of an investment advisory business.
- (b) As a fiduciary, an investment adviser or representative of investment adviser owes its clients undivided loyalty, and shall not engage in activity that conflicts with a client's interest without the client's consent.

Written disclosure statements to clients or prospective clients

17. (a) An investment adviser shall furnish each client or prospective client with a complete and accurate written disclosure statement or a brochure including the following: -
1. Educational background and business/investment experience of the Investment Adviser's Representative.
 2. Type of advisory services offered [e.g. Investment supervisory services, management of accounts, issuing of periodicals, issue of special reports on securities, etc.]
 3. Basis for charging fees and the rates [e.g. percentage basis, hourly basis, fixed fee basis, subscription fee basis, commissions or other specified basis]
 4. Type of client the investment advice is provided to [e.g. individuals, banks, charitable organizations].
 5. Type of investments on which advice is offered [e.g. equity securities, municipal securities, corporate debt securities, mutual funds, real estate and futures contracts etc.]
 6. Particulars about the duration of the investment
 7. Whether advise includes financial planning
 8. Whether investment adviser is actively engaged in a business other than providing

investment advice (giving a brief description of such other business)

9. The frequency and nature of regular reports to clients on their accounts.
10. Whether discretionary portfolio is managed by the investment adviser (if provided, the most recent fiscal year financial statements must be provided to the client or prospective client)

CHAPTER 7

Advertisements

General principles

18. (a) Requirements set forth in this section shall apply to all advertisements including documents and reports published by the investment advisers
- (b) All advertisements shall adhere to the following principles
 - 1) All advertisement shall be based on principles of good faith and fair presentation and shall not in any way mislead or deceive prospective investors.
 - 2) All advertisement shall adhere to the highest standards of accuracy.
 - 3) All advertisement shall be couched in clear language easily understandable by the public at large.
 - 4) All advertisement shall describe clearly and unambiguously the nature of the investment or the service offered.
 - 5) An advertisement shall state sufficient relevant information such that an adequate description of the investment or services offered is conveyed to the recipient.
 - 6) If a forecast or estimate is included, it's basis, risks associated with that forecast or estimate, capacity of exponent of that forecast or estimate should be stipulated. And that person should be responsible for the forecast or estimate.
 - 7) Performance figures quoted, referred to or reproduced in any advertisements shall provide comparison to the same figures of the preceding period
 - 8) Sufficient prominence shall be given in an advertisement to the risks associated with

the particular investment.

- (c) All advertisement shall contain a clearly displayed or audible statement which makes it plain that the advertisement contains promotional material and has a promotional purpose.
- (d) If the market value of the investment advertised could fluctuate, or the investment is in a foreign currency, and the advertisement stipulates the return of the investment, then it should clearly state that the return of the investment might not be as indicated in the estimate because of fluctuation in the value due to risks associated or changes in foreign currency values.

Amendments

- 19.** Amendments to this regulation can be brought by a meeting of the Board of Directors of the Authority upon approval of its majority.

Effective date

- 20.** This Regulation will be effective from the date of publication in the official Gazette

Regulation being repealed

- 21.** With this Regulation coming into effect, the Regulation on Investment Adviser (2014/R-375) shall be repealed.

Schedule 1

Fees

(1) *Application processing fee (to be paid with the application)*

a) Investment advisers – MVR 1000

b) Investment advisers' representatives – MVR 500

(2) *Annual fee (to be paid within one month of end of financial year)*

a) Investment advisers – MVR 15,000

Schedule 2

Application for grant of/renewal of license for Investment Advisers and Investment Advisers' Representatives

(This form is prescribed as a sample. It is sufficient to submit the information on the form in order)

(1) Type of application

1.1 Please indicate if this is an initial application for a license or an application for the renewal of an existing license.

- i. Initial application
- ii. Renewal

1.2 Category of license

Investment Advisers' license

Investment Advisers' Representative license

(2) General Information of the applicant

2.1 If for renewal of license, existing license number and issued date

2.2 Name and address

2.3 ID card number and Date of birth; in case of a body corporate Registration number and date of registration

2.4 Phone, fax and email

2.5 Principal bankers', address and account number(s)

2.6 Name and address of the Auditor

2.7 In case of individuals, the current employment details (employment and institution)

Numbers (3) to (6) apply only to body corporates; and does not need to be resubmitted where the application is for a renewal of license and there has been no change in these information

(3) Authorized, issued and paid up capital (number of shares and value)

(4) Names and addresses of the principal or majority shareholders of applicant

(5) Names, addresses, current employment(s), directorship(s), education and experience of the Directors and management

(6) Names and addresses of the parent, subsidiary and associate companies (if any) of the applicant

(7) Declaration of the applicant (where the applicant is a body corporate, declaration by directors)

a. I/We, (the undersigned), certify that the above information is true and accurate. I/We also agree to inform the Authority immediately of any change in any of the particulars stated in this application.

b. (if an individual is applying for an investment advisor license) If the Authority requires any further documentation to ascertain the financial status of the person, I agree to provide such documentation.);

c. I/We confirm that

1. the applicant is not in the course of being bankrupt;
2. no receiver or manager has been appointed under any law with regard to the business and assets of the applicant
3. That the applicant has not entered into any agreement with creditors, beyond its discretion, to pay its debts.
4. that the applicant (if a company, the directors and executive officers of the company) have been
 - (i) adjudged bankrupt;
 - (ii) convicted either in Maldives or elsewhere within 10 years immediately preceding the date on which this application is made of an offence involving theft, robbery, embezzlement, fraud or deception;

[Name of the applicant]

Signature(s) [in case of a company, all directors]

[Date]

[If a company, stamp]

** Following documents should be submitted along with the application, except if the application is for a renewal and there has been no change in this information*

- 1) For individuals – copy of the National ID card, copies of educational certificates, a Pass port size color photograph (No submission is required for license renewal)
- 2) For body corporates –
 - a. Copy of the registration certificate
 - b. Most recent two years' audited financial statements (latest if not two years)
 - c. Copies of National ID card and educational certificates of the Directors and executive staffs
 - d. Curriculum Vitae of the Directors and executive staffs
 - e. Copy of the memorandum and articles of association
 - f. Business proposal including organizational structure, roles and responsibilities
- 3) Where an employee of the applicant applies for Investment Advisers' representative license, a confirmation of that fact
- 4) Completed record clearance form of Investment Adviser, Directors of the Investment Adviser and Investment Adviser's Representatives (forms will be available from the Authority)