

ISLAMIC CAPITAL MARKET QUARTERLY BULLETIN

3RD QUARTER 2013

This bulletin focuses on Islamic Capital Market (ICM) news and developments in the Maldives during the third quarter of 2013.

OVERVIEW OF THE QUARTER :

This quarter witnessed unprecedented levels of growth in the Islamic Capital Market. Launching of the first corporate Sukuk in the country has marked the beginning of a Sukuk market in the Maldives. The success of the Sukuk market in Maldives will be determined by this issuance.

During this quarter, COMCEC Capital Market Regulators Forum was held and CMDA, being the co-chair of Islamic Finance Task Force presented the draft report at the Meeting with the Securities Commission (SC) of Malaysia, the Chair of the Taskforce. During this meeting it was also concluded that CMDA will continue to be the co-chair of the Islamic Finance Task Force for another year.

With the country's first corporate Sukuk, it is hoped that ICM in Maldives will continue to grow. We hope that there will be a full-fledge Islamic Finance industry in the Maldives soon with numerous market players that will create competition and upgrade quality of the products available in the market.

All queries with regard to the content of this report should be addressed to the Research & Publication Section (RPS) of the CMDA via email to mail@cmda.gov.mv or contact the Information Officer on (960) 3014121.



APPOINTMENT OF PRIVATE SECTOR MEMBER TO CMSAC

Mr. Hassan Kalaam was appointed to represent the private sector in CMSAC.

Mr. Hassan Kalaam holds a Masters Degree in Islamic Finance from International Centre for Education in Islamic Finance (INCEIF), Malaysia.

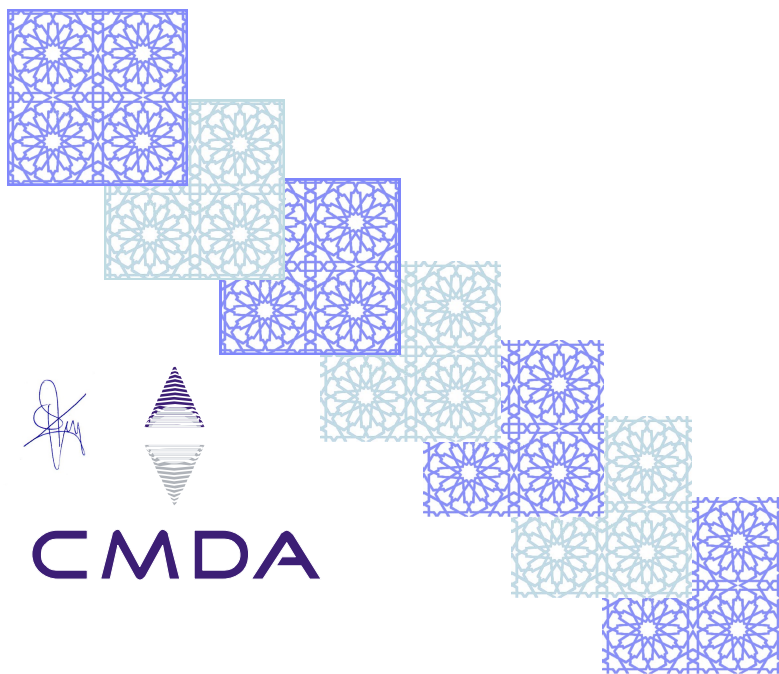
Mr. Hassan Kalaam has worked in the Maldives Monetary Authority and has experience in the Banking supervision area.

CMSAC MEETING

The CMSAC met once during the quarter and the following matters were discussed.

Shari'ah Screening of Amāna Takaful (Maldives) PLC.

The bi-annual audited financial statements of 2013 were reviewed to carry out Shari'ah Screening in accordance with Islamic Securities Screening Regulation (2013/R-55). It was concluded that Amāna Takaful Maldives Plc, is in compliance with the regulation.



CMDA



THREE ICM REGULATIONS BECAME EFFECTIVE

In July 2013, three important ICM regulations became effective upon being published in the national Gazette. These regulations are Sukuk Issuance Regulation (2013/R-53), Registration on Shariáh Adviser Regulation (2013/R-54), & Islamic Securities Screening Regulation (2013/R-55). These regulations can be viewed at <http://cmda.gov.mv/legislation/laws-and-regulations/>

CMSAC REGULATION

The new Capital Market Shariáh Advisory Council Regulation has been endorsed by the Board of CMDA. It will be effective, upon its inclusion in the Gazette. The most prominent change stipulated in the regulation is changing the composition and the qualification of CMSAC members. The regulation also emphasizes on the importance of publishing rulings made by CMSAC.

SHARIAH ADVISER REGISTRATION PROCESS

In ICM transactions, Shariáh Adviser plays an important role in achieving Shariáh compliance. CMDA has recently introduced a new market intermediary to assist in the process of structuring Sukuk.

The process to register as a Shariáh Adviser is stipulated in the Regulation on Registration of Shariáh Adviser (2013/R-54). Prior to the Submission of the application form to Register as Shariáh Adviser, the following criteria needs to be met:

1. Education Qualification

Applicant shall possess a degree in Shariáh specialized in Figh Muamalat (Islamic Commercial Law) or Usul al Figh (Islamic Jurisprudence); or a degree in Shariáh & law from a University approved by Maldives Qualification Authority

2. Experience Qualification

Applicant Shall have minimum one year experience in the field of Islamic Finance

3. Professional Qualification

Applicant have passed in Shariáh Adviser examination conducted by CMDA or shall be a registered Shariáh Adviser with any other Securities Commission or Capital Market Regulator

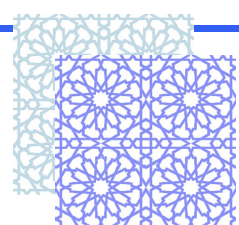
4. Fit & Proper Criteria

Applicant shall possess all the fit & proper requirements imposed by CMDA

CMDA announced that Shariáh Adviser Examinations are to be scheduled for November 2013. Interested candidates may apply to CMDA via a letter or by mail (cmcgi@cmda.gov.mv) indicating their interest to participate in the examination, by 09th October 2013.

HDFC LAUNCHES FIRST CORPORATE SUKUK IN MALDIVES

The Housing Development Finance Corporation (HDFC) PLC of Maldives has launched the first corporate Sukuk in the Maldives based on Mudarabah structure.



HDFC Mudarabah Sukuk intends to raise up to MVR 50 million (US\$3.2 million). Subscriptions are open to any individual or corporate legal entity at MVR 500 (US\$32.07) per certificate. The papers hold a maturity of 10 years from the allotment date with a bi-annual profit sharing ratio of 65:35. This Sukuk is listed on the Maldives Stock Exchange (MSE) as such is permitted to trade on the MSE.

The prospectus of the issue was launched on 11th September 2013 and the subscription will start from 1st October 2013. The closing date of subscription is 27th November 2013. The proceeds of the Sukuk will be utilized to provide Shari'ah compliant mortgage financing facilities under HDFC Amna, the Islamic window of HDFC, launched in May 2012.



HDFC Sukuk Prospectus Launching ceremony

MEETINGS

MEETING WITH COLLEGE OF ISLAMIC STUDIES

A meeting was conducted with the Rector of the College of Islamic Studies, Dr Ibrahim Zakariyya Moosa to discuss the ways in which CMDA could collaborate in conducting CIFP program in Maldives.

MEETING WITH ISRA CONSULTANTS

During the quarter, CMDA met with the consultants, who are currently working on the Legal & Regulatory Framework Development Project for Islamic Banking and Takaful from International Shari'ah Research Academy for Islamic Finance (ISRA). This was a fact finding meeting on the development of Islamic Banking and Takaful in the Maldives. In the meeting issues pertaining to the first Sukuk (Islamic Bond) were raised and discussed.



Meeting with the consultant from ISRA held on 08th July 2013

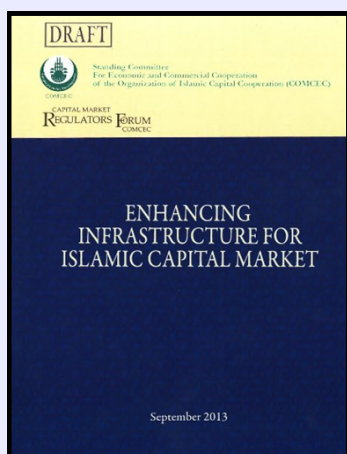
HIGHLIGHTS OF THE 2ND COMCEC MEETING

CMDA attended the COMCEC (Committee for Economic & Commercial Cooperation of the Organization of Islamic Cooperation) Regulators Forum held in Istanbul, Turkey on 19th September 2013.



Participants of COMCEC Capital Market Regulators Forum

The draft report prepared by COMCEC Islamic Finance Taskforce on “Enhancing Infrastructure for Islamic Capital Market” was jointly presented by the Securities Commission of (SC) Malaysia and CMDA as the Chair and Co-chair of the Taskforce.



Draft report on Enhancing Infrastructure for Islamic Capital Market

During the meeting it was resolved that SC Malaysia and CMDA will continue to be chair & the co-chair, respectively, of the Islamic Finance Taskforce, for another year.

A briefing on the development of Islamic Capital Market in Maldives was also presented in the COMCEC meeting.

TRAINING & AWARENESS

Creating awareness about ICM issues, among the key stakeholders and the general public was also focused upon during the quarter. This is essential to create a resilient ICM in Maldives.

MONTHLY AWARENES WORKSHOP

Islamic Capital Market Training Workshop on the basics of Islamic Finance was held on 11th April 2013, in collaboration with the Min-

istry of Islamic Affairs, Maldives Islamic Bank Pvt Ltd and Amāna Takaful (Maldives) PLC.

SUKUK AWARENESS

Awareness activities were carried out in order to enhance public knowledge on Sukuk. An article, FAQ and an infomercial were published, in accordance with the awareness strategy. These publications are available for viewing at <http://cmda.gov.mv/news/Sukuk-awareness>

IRTI TRAINING — FUNDAMENTALS OF ISLAMIC CAPITAL MARKET

The annual training program on Fundamentals of Islamic Capital Market jointly organized with IRTI is scheduled from 27th October 2013 to 31st October 2013.

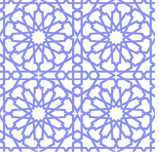
The program will be conducted by both international and local trainers. Some of the speakers are; Dr. Abdelkader Chichi, Mr Adiwarman A. Karim, Associate Professor Dr Rusni Hassan and Dr. Aishath Muneeza.

CMDA takes this opportunity to thank IRTI for all their kind assistance in conducting the training program in Maldives.

INTERNATIONAL EVENTS

Head of Islamic Finance of CMDA and the Chairperson of CMSAC, Dr. Aishath Muneeza participated in the following international forums.

- ◇ 5th Sri Lanka Islamic Banking & Finance Conference (SLIBFC) held on 3rd July 2013. A presentation was delivered on the obstacles facing the growth of Islamic



Finance in the SAARC region.

- ◇ Islamic Finance News Roadshow in Sri Lanka. This event was organized by RED money, on 29th August 2013. In her capacity as a panelist, Dr Aishath Muneeza discussed the securitization of micro-finance and Islamic Finance products used in Maldives to assist small & medium enterprises. Managing Director of Maldives Islamic Bank Pvt Ltd (MIB) & Managing Director of Housing Development Financing Corporation PLC (HDFC), Maldives also participated as a panelists in the event.
- ◇ 10th Kuala Lumpur Islamic Finance Forum held from 23rd September 2013 to 26th September 2013.

INFORMATION

ISLAMIC REAL ESTATE INVESTMENT TRUSTS (iREITs)

With the issuance of the first corporate Sukuk in the Maldives, the foundation to create a Sukuk market has been laid. As such, contemplations need to be made regarding the next suitable ICM product that could be introduced to the market. iREITs can be the next product in the Maldives that might attract investors.

Islamic Real Estate Investment Trust (iREITs), is an important product that could be introduced to Maldives. iREITs can be defined as an investment vehicle that raises capital for buying, managing and selling real estate property in a Shariáh compliant manner.

As land is one of the scarcest resources in the country, the value of land has no risk of de-

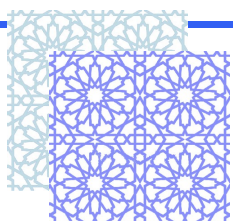
preciation in value. Land development project financing is quite common in Maldives and raising finance via iREITs is an option that can be explored. Some advantages of iREITs can be that it has steadiness and prospective value appreciation as a low risk investment product and it has lucrative income distribution.

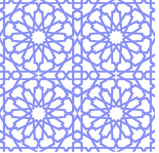
The world's first iREITs was Al-'Aqar Damansara Specialist Hospital KPJ iREITs' which raised RM 180 million. It was established as a Malaysian-based unit trust on 28th June 2006. The main objective of this issue was to develop six hospital buildings worth USD\$131.9 million. For this issue the managing underwriter, adviser, and sole placement agent was AM Merchant Bank. World's first guidelines on iREITs were issued by the Securities Commission of Malaysia in 2005.

RENEWAL OF SOVEREIGN SUKUK PAPERS ISSUED BY GOVERNMENT MALDIVES

Ministry of Finance & Treasury, on behalf of the Government of Maldives has renewed "Wakalah bil istithmar" papers issued to Maldives Islamic Bank Pvt. Ltd for a period of one year from September 2013. This is a transaction that has been concluded in February 2013 and the objective of this issue, is to assist Maldives Islamic Bank Pvt Ltd to resolve liquidity management issues faced due to the lack of Islamic money market instruments.

This issue is assisted by Maldives Monetary Authority (MMA) and the Shariáh & Legal





Adviser for the issue is to be Dr. Aishath Muneeza.

ISLAMIC FINANCE —INSTITUTIONS & PRODUCTS

Institutions

- ◇ Commercial Islamic Banks
- ◇ Takaful
- ◇ Islamic Investment Companies
- ◇ Islamic Investment Banks
- ◇ Asset management companies
- ◇ E-Commerce
- ◇ Brokers/Dealers

Products

- ◇ Commercial Islamic Banking Products
- ◇ Takaful
- ◇ Mutual Funds/Unit Trust
- ◇ Islamic Bonds
- ◇ Shari'ah Compliant Stocks
- ◇ Islamic Stockbroking

- ◇ Allied Insurance Maldives, the largest insurance company in Maldives has announced the inauguration of their Islamic insurance window, “Ayady Takaful”

INTERNATIONAL

- ◇ Government of a Pakistani province looks to establish an Islamic micro finance bank
- ◇ Pakistan to offer a 10-year sovereign Sukuk on the 1st October 2013
- ◇ World Bank to open Center for Islamic Financial Studies in Istanbul
- ◇ The UK Islamic Finance Task Force urges banks to offer Shari'ah compliant products
- ◇ The IDB is to enter the international market next year with a Sukuk worth up to US\$1 billion

Source: Islamic Finance News

ISLAMIC FINANCE NEWS UPDATES

LOCAL

- ◇ Maldives Islamic Bank Pvt Ltd has reported that more than 8000 customers use their debit card, FISA, as of July 2013. They also have officially announced that a branch of the bank will be opened in Addu City, the second most populated city in Maldives, before the end of this year

Upcoming Events

Training course on Islamic Capital Market in collaboration in collaboration with IRTI/IDB, from 27th - 31st October 2013.

“Wish you a blessed Eid Adha! & a very happy Hijree New Year”

