

RULES ON CREDIT RATING AGENCIES

Effective Date: 20th June 2010

Revised on 26 December 2010



RULES ON CREDIT RATING AGENCIES

These Rules are made by the Capital Market Development Authority (CMDA) in exercise of powers conferred by Section 9 and 60 of the Maldives Securities Act 2/2006.

These Rules are applicable for all the Credit Rating Agencies which are engaged in the business of providing rating services in the Maldives.

1 Title and commencement

These rules may be called as the “Rules on Credit Rating Agencies”.

The rules shall come into force at a date decided by the board of directors of the Authority.

2 Interpretation

In these Rules, unless the context otherwise requires, any term defined in the Maldives Securities Act 2/2006 shall have the meaning assigned to it in the Act.

3 Definitions

In these rules, unless there is anything repugnant in the subject or context: -

“*Authority*” means the Capital Market Development Authority;

“*Company*” means a company registered as a body corporate under the Maldives Companies Act 10/96 or a company incorporated under the Companies Act of any recognized overseas jurisdiction;

“*Credit Rating Agency*” means any firm which is engaged primarily in the business of evaluation of credit risk through a recognized and formal process of assigning ratings to present or proposed loan/debt obligations of any company or other borrowing entity;

“*Form*” means a form set out in the Schedule to these rules; and

4 Registration

- All Credit Rating Agencies proposing to commence credit rating business in Maldives shall be registered with the Authority under these rules.

5 Application for registration

All Credit Rating Agencies shall comply with the conditions set by the Authority for registration including the following-

(a) Applicants should comply with conditions in the **Appendix** of this Rule;

(b) An application for registration of a Credit Rating Agency shall be made in the manner prescribed in **Form in the Schedule I**;

(c) The application to the Authority for registration shall be accompanied with the prescribed fee as per **Schedule II**;

(d) All Credit Rating Agencies shall be licensed by a regulatory Authority or Securities Commission which is a member of the International Organization of Securities Commissions (IOSCO) and is approved by the Authority;

(e) A Credit Rating Agency that applies to be registered with the Authority shall have sufficient technical expertise and qualified staff to properly discharge its functions and shall have been on satisfactory evidence provided to the Authority an internationally recognized credit rating institution for a period of not less than 3 years immediately preceding the application;

(f) No director, officer or employee of the Credit Rating Agency shall be a person who has been convicted of fraud or breach of trust or in the case of a director, officer or senior manager has been adjudicated as insolvent.

6 Fit and proper requirements

(a) A registered Credit Rating Agency and every person who is, or is to be, a director, chief executive and key personnel of the applicant shall be fit and proper persons.

(b) In determining whether a person is fit and proper to hold the above position in a registered Credit Rating Agency, regard shall be had by the Authority as to his probity, diligence, competence and soundness of judgment of fulfilling the responsibilities of that position, to whether the interest of customers, if any, of the applicant are likely to be in any way threatened by his holding that position as well as to the previous conduct and activities in business or financial matters of the person in question.

7 Grant of a Certificate of Registration

(a) The Authority shall consider an application for registration and inform the applicant of its decision within not more than 45 days after the application has been lodged with it provided that where in any instance further information has been required by the Authority, the period of 45 days shall be calculated from the time that the required information is submitted to the Authority.

(b) If no decision is made by the Authority within the period stated in subrule (a), the Authority shall forthwith notify the applicant of the reasons for the delay.

(c) The registration of a Credit Rating Agency shall be valid for the term stated in the registration document until and unless the period stated is revoked or ceases to have effect for any other reason.

8 Renewal of registration

- (a) The Certificate of Registration of a Credit Rating Agency shall be valid for 2 year and shall be renewable on payment of fees as per **Schedule II** through an application to the Authority.
- (b) The Authority shall, after making such enquiry and after obtaining such further information as it may consider necessary, renew the registration of such Credit Rating Agency for 2 year, within 45 days of the receipt of the application or further information provided that where in any instance further information has been required by the Authority the period of 45 days shall be calculated from the time the information is submitted to the Authority. .

9 Cancellation of registration

Where the Authority is of the opinion that a Credit Rating Agency has contravened any provision, or has otherwise failed to comply with any requirement of the Maldives Securities Act 2/2006, or of any rule or direction made or given, by the Authority thereunder, the Authority may, if it considers it necessary in the public interest to do so, by order in writing, cancel the registration of the Credit Rating Agency; Provided that, no such order shall be made except after giving the credit rating agency an opportunity of being heard.

10 Power of the Authority to give directions

The Authority may, if it is satisfied that it is necessary or expedient so to do in the public interest or in the interest of the capital market in the Maldives, by order in writing, give direction to a Credit Rating Agency.

11 Submission of ratings report to the Authority

- (a) Every Credit Rating Agency shall submit to the Authority a report giving particulars on a sector-related basis of credit rating assigned and notified during the year, fee structure and any other information, as may be specified by the Authority in writing from time to time, such particulars to be given within 3 months of the close of its accounting year.
- (b) Without prejudice to the provisions of this rule, Credit Rating Agencies shall furnish to the Authority such other documents, information or explanation relating to its affairs as the Authority may, at any time, by order in writing, require

12 Restriction on Directors of Credit Rating Agencies

- (a) No director of the Credit Rating Agency shall be a director of a corporate entity or a business firm or be a share holder, holding 5% or more of any corporate entity or business firm or in any other way interested in such an entity that is subject to rating by the rating agency:
- (b) Change in the shareholding of a rating agency shall be notified to the Authority in writing.

(c) Any changes to the management of Credit Rating Agencies such as the Chairman or the Chief Executive Officer of the rating agency shall be notified to the Authority, in writing.

13 Secrecy

(a) No director, officer or employee of the Credit Rating Agency shall communicate the information, acquired by him for use for rating purposes, to any other person except where required under law to do so.

APPENDIX

All Credit Rating Agencies shall comply with the conditions stated in the Rules on Credit Rating Agencies and the following conditions set by the Authority-

1. A Credit Rating Agency must be engaged in the business of credit rating and related services.
2. A Credit Rating Agency shall have a paid up capital of not less than MRF250,000 (Two Hundred and Fifty Thousand Rufiyaa).
3. A Credit Rating Agency registration is valid for 2 years and will be renewed after evaluating performance of the Credit Rating Agency.
4. A Credit Rating Agency shall have adequate infrastructure and experienced manpower.
5. A Credit Rating Agency must develop and execute a structured Human Resource Development Plan.
6. A Credit Rating Agency shall enter to a written agreement between Credit Rating Agency and the client, and agreement shall provide for the Fee to be charged by the Credit Rating Agency.
7. A Credit Rating Agency shall at all times exercise due diligence, ensure proper care and exercise independent professional judgment in order to achieve and maintain objectivity and independence in the rating process.
8. A Credit Rating Agency shall have a reasonable and adequate basis for performing rating evaluations, with the support of appropriate and in-depth rating researches. It shall also maintain records to support its decisions. The Credit Rating Agency shall maintain such records for at least six years to ensure that they may be easily produced where required by the Authority.
9. A Credit Rating Agency shall not indulge in any unfair competition nor shall it wean away the clients of any other rating agency on assurance of higher rating and should at all time refrain from 'notching' credit ratings for any anti-competitive purpose.
10. A Credit Rating Agency shall disclose its rating methodology to clients, users and the public.
11. A Credit Rating Agency shall ensure that there is no misuse of any privileged information including prior knowledge of rating decisions or changes.
12. A Credit Rating Agency or any of his employees shall not render, directly or indirectly any investment advice about any security in the publicly accessible media.
13. A Credit Rating Agency shall not offer fee-based services to the rated entities, beyond credit ratings and research.
14. A Credit Rating Agency must observe high standards of integrity, dignity and fairness in the conduct of its business.

15. Where a Credit Rating Agency is licensed by the Authority, which is also licensed by a foreign regulatory authority the license granted by the Authority will be conditional upon maintaining the license of the home country regulatory authority.
16. Official business hours of a Credit Rating Agency must be notified to the Authority.
17. A Credit Rating Agency must have business operations office in Maldives.
18. A Credit Rating Agency should comply with the IOSCO Code of Conduct Fundamentals for Credit Rating Agencies and also adopt Handbook on International Best Practices in Credit Rating
19. A Credit Rating Agency should annually lodge with the Authority, Annual Report and Annual Compliance Report to the IOSCO Code of Conduct Fundamentals for Credit Rating Agencies.
20. A Credit Rating Agency should only conduct solicited (mandated) ratings.
21. A Credit Rating Agency should employ 25% of local staff during the first year of its operations; and 70% of local staff should be employed within 3-5 years of its operation.
22. A Credit Rating Agency should inform the Authority its procedures, fee structure, methodologies and assumptions for ratings.
23. A Credit Rating Agency should have in place arrangements to monitor and regularly review credit ratings.
24. A Credit Rating Agency should review ratings affected by material changes to rating methodologies on a regular basis.
25. A Credit Rating Agency should conduct training programs for its staff.
26. A Credit Rating Agency is required to disclose to the Authority information pertaining to the introduction of new services.
27. The Credit Rating Agency is required to give prior notice to the Authority where it decides to establish a new branch in a different location other than that already established at the time of grant of the license.
28. A Credit Rating Agency shall establish and implement a detailed business continuity and contingency plan which should be disclosed to the Authority.
29. A Credit Rating Agency shall facilitate on-site and off-site surveillance and inspection and other regulatory activities undertaken by the Authority by allowing access to its premises, books, records and giving support to designated authorized persons.
30. A Credit Rating Agency shall ensure that its staff, authorized persons and agents meets fit proper standards set forth by the Authority and comply with the Securities Act, Rules, Regulations, Guidelines, relevant Codes of Conduct and any other applicable laws that may govern the activities of the Credit Rating Agency.
31. A Credit Rating Agency shall adopt the principles of the CMDA Corporate Governance Code.

32. A Credit Rating Agency shall refrain from engaging in any form of illegal financial transactions, including money laundering activities.
33. A Credit Rating Agency in Maldives shall notify the Authority upon the appointment or removal of its senior management and the Credit Analysts.
34. A Credit Rating Agency should commence operations within 60 days following the grant of licence.
35. A Credit Rating Agency shall make all the disclosures prescribed by the Authority on its websites. In case of listed securities, the CRA shall also make disclosures to the stock exchanges as specified by the Authority. For ratings assigned and their periodic reviews, the Credit Rating Agency shall issue press releases which shall also be kept on their websites. Where a specific format has been prescribed, the disclosures shall be made in that format.
36. A Credit Rating Agency must disseminate relevant information in the form of a Monthly Report to the market.
37. A Credit Rating Agency must co-operate with the Authority to promote market development.

SCHEDULE I

Form : Application for Registration as a CMDA recognized Credit Rating Agency

To: Manager,
Capital Market Development Authority
4th Floor, MTCC Tower, 20057
Male', Maldives

Dear Sir,

1. We hereby apply for registration of (*name of credit rating agency*) under the Rules on Credit Rating Agencies issued under the Maldives Securities Act 2/2006.
2. Necessary information required in the table below is furnished. We undertake to keep the information up to date at all times.

1	Name, address and telephone number(s) of the company	
2	Date and place of incorporation	
3	Names and addresses of directors	
4	Details of joint venture or technical collaboration agreement with an internationally recognized credit rating agency and a copy of such an agreement and documentary evidence in respect thereof.	
5	Proposed rating methodology and scale of rating	
6	Whether any director has been convicted of fraud or breach of trust.	
7	Whether any director has been adjudicated as insolvent or has suspended payment or compounded with creditors	
8	Names and addresses of senior management officers	
9	Whether any officer or employee has been convicted of fraud or breach of trust	
10	Whether any senior management officer has been adjudicated as insolvent or has suspended payment or has compounded with creditors	
11	Previous experience of the directors in the credit rating field	
12	Previous experience of senior management officers	
13	Copy of license of Credit Rating Agency from an IOSCO recognized regulatory body	

3. A copy of the Memorandum and the Articles of Association or other form of charter of the Rating Company is enclosed.
4. We are aware of the provisions of section 32 of the Maldives Securities Act 2/2006 relating to false statements in applications.
5. We declare that all information given in this application and in the attached annexure (if any) is true and correct.

Yours Sincerely,

Chief Executive
(Address of Credit Rating Agency)

SCHEDULE II

1. Application Processing Fee	Rf. 10,000
2. Annual License Fee	Rf.120,000
3. Renewal Fee	Rf. 5,000

1st Revision to the Rules was made on 26th December 2010: Section 5 Application for Registration part (a) Licensing Conditions, Appendix was added.



Ms. Fathimath Shafeega
Chief Executive Officer