



CMDA

Capital Market Development Authority

QUARTERLY REPORT

QTR 02, 2009

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CMDA Quarterly Report

PREFACE

This report covers market news and main activities of the Authority during the 2nd quarter of 2009.

REGULATORY ACTIVITIES

Board Meetings

The CMDA Board met eight times during the course of the quarter and following decisions were made.

- Approved the Annual Report 2008.
- Appointed Pricewaterhouse Coopers as the External Auditor for 2009.
- Approved fees proposed by the MSE.
- Approved the structure and staffing of the Pension Supervision Department.

Establishment of a Pension Supervision Department

CMDA established a Pension Supervision Department, on 13th May 2009 upon ratification of Maldives Pension bill.

The highlight of the pension related activities of the Authority:-

- Receive reports from the Pension Office such as Statement of Investment Principles, Audited annual financial statements and analyze the reports and make recommendations.
- Specify the format in which certain reports and documents should be submitted as well as any additional information that may be required.
- Conduct inspections of the Pension Office/ documents/records where appropriate.
- Provide consultation to the Pension Board when it determines the administration fee rate.
- Verify that candidates for Board positions meet the requirements of Board members.
- Receive personal, confidential, income and asset disclosure statements from appointed Board members; define the format and content of these statements; ensure confidentiality of the collected information.
- Report concerns to President of Maldives regarding continuing eligibility of Board members.
- Define types of derivative instruments in which the pension assets may not be invested.

- Define other types of investment vehicles in which pension assets may not be invested.
- Identify countries where regulation is sufficiently developed to permit investment by the Pension Office in international classes of assets.
- Implement a licensing and regulatory structure for asset managers that are legal entities in the Maldives and ensure adequate monitoring of the asset managers.
- Implement a licensing and regulatory structure for open-ended vehicles that are legal entities in the Maldives.
- Implement a licensing and regulatory structure for custodians that are legal entities in the Maldives.
- Develop conditions with which foreign custodians must comply in servicing the Pension Office.

Onsite Inspections

Routine onsite inspections of the three active dealing companies; Island Securities & Brokerage; Stock Brokers Maldives and First Option were carried out during the quarter.

Overall, it was observed that Dealing companies have improved their performance in comparison to the preceding quarter. However, minor administrative issues identified by the inspection team were informed to the respective companies.

The second inspection of the MSE and MSD had also been carried out during the quarter. The inspection team identified areas for improvement on the managerial and administrative levels of the company. No apparent trading faults were identified in the inspection. The inspection report has been communicated to the company.

Regulatory Meetings

To maintain the standard of quarterly reporting, the Authority worked on drafting minimum reporting requirements for listed companies and communicated draft guidelines to the listed companies for comments.

Meetings with the listed companies were held to discuss publishing the quarterly report of the listed companies commencing from the first quarter of 2009.

Regulatory meetings were also held with MSE to exchange views on current market issues.

Circulars / Directives

A circular was sent to remind the listed companies to payout dividend only from the profit generated by the company. Moreover, the Authority advised MTDC specifically, on its proposed dividend policy as the company's accumulated reserves reflected a deficit at the end of 2008.

To reduce conflicts of interest the listed companies were informed on "Auditors Advisory Capacity" stating that companies should not undertake any work in advisory nature from Auditors. Advisory work includes undertaking of valuation of business or shares, preparation of prospectus and undertaking internal audit work.

In addition, listed companies were directed on disclosure of current Corporate Governance practices and relevant corporate responsibilities on their website.

Prospectus Review

Initial review of MTDC prospectus was undertaken during the quarter.

TRAINING AND AWARENESS ON CAPITAL MARKET

- Awareness programs in association with the Voice of Maldives (VOM) continued throughout the quarter. The Authority participated and acted as a resource person in these programs which were mainly focused on corporate governance and savings.
- Presentations on capital market were delivered to the Billabong High EPS International School and to Maafannu Madharusaa.



Quiz Competition 09 and Essay Writing Competition 09

The interschool quiz competition on capital market in association with the VOM continued during the quarter. A total of 9 schools competed in the competition and Dharumavantha School was declared as the winner of the competition for the third consecutive time.

The Interschool Essay Writing Competition 09 was also held during the quarter. A total of 92 essays were submitted from 18 different schools in Maldives. The essay marking process is ongoing and the winner will be announced in the next quarter.

CORPORATE GOVERNANCE (CG) IMPLEMENTATION

CG Surveillance

Onsite visits were made to assess the MTDC and STO on the extent of which the companies are complying with the CG code.

Overall, the result of the findings reflected that the listed the companies are taking steps to implement good governance.

ROSC Assessment

The first draft of the ROSC assessment has been completed during the quarter. Moreover, a representative from World Bank, Mr. David Robinette visited Maldives to obtain necessary information to complete the project. During his visit, meetings were held with different stakeholders in order to find further insight on the ROSC assessment.

The final report from the World Bank is expected to be published in the forthcoming quarter.

Training Program for State Owned Enterprises

A one day training program was held for the company secretaries of the State Owned Enterprises (SOEs). A panel of four local experts delivered the lectures in related fields. A total of 10 SOEs participated in the training program. The initiative was taken as the company secretaries play a key role in advancing Corporate Governance within the board room and the company by improving Board and overall efficiency.

Expert on CG

A Professor from the Corporate Governance Academy, India, Y.R.K Reddy worked with the CMDA Team to advice the Authority on Corporate Governance implementation issues.

A detailed criteria for the CG National Award was formulated by the Authority with the assistance of Professor Reddy. Moreover, a meeting was also held at the President's Office to discuss way forward for the National Award.

Furthermore, in association with Professor Reddy, the following awareness programs were conducted during his four-day visit.

CG Awareness Session for Board Members

A refresher session on Corporate Governance awareness was held for the Board Members of CMDA. The session focused on the importance given to Corporate Governance principles in the international Capital Markets and the necessity of enhancing

existing Corporate Governance practices in the Maldives.

CG Awareness Session for SOEs and CG Technical Committee Members

An awareness program was conducted for CG technical committee members and SOEs on Corporate Governance. The program mainly focused on the techniques used to assess the CG compliance by the companies and also to facilitate SOEs to adopt a CG framework before 30th June 2009 as all SOEs are required to abide by the CG code at their earliest convenience.

CG Information Session for Media

An information session on the Role of Media in Enhancing Corporate Governance was conducted for the local media. Journalists from various media organizations participated in the session.

CMDA NEWS

Meeting with IMF mission

The senior management of the Authority met with the IMF mission to discuss on recent developments of the Capital Market in Maldives.

Staff Enrichment Programs

An in-house training program was conducted for the staff of the Authority to familiarize with implementation the Maldivian Pension Act. An overseas expert and the project manager of the Pension and Social Protection Administration Project were the resource persons of the training program.

Publishing the Annual Report 2008

The Authority's Annual Report 2008 was published on the CMDA website, www.cmda.gov.mv.

Information to Media

Information on Corporate Governance and the role of Pension Supervision Department were disseminated through famous programs hosted by the TVM.

Moreover, developments and issues relating to Capital Market and its stakeholders were communicated to the public through media on a real time basis.

MARKET DEVELOPMENT

Development of a Financial Service Centre

Discussions were held with the Hulhumale' Development Corporation (HDC) on developing a Financial Service Centre in Hulhumale'.

MTDC is to Issue New Shares to the Public

MTDC would begin issuing of shares to the public for the 3rd time commencing from 6th of July 2009.

According to the draft prospectus reviewed by CMDA, a sum of 688,122 shares at a rate of Rf165 would be issued to the public. The company expects to raise around Rf113.5 million from this issue which is scheduled to be closed on 18th August 2009.

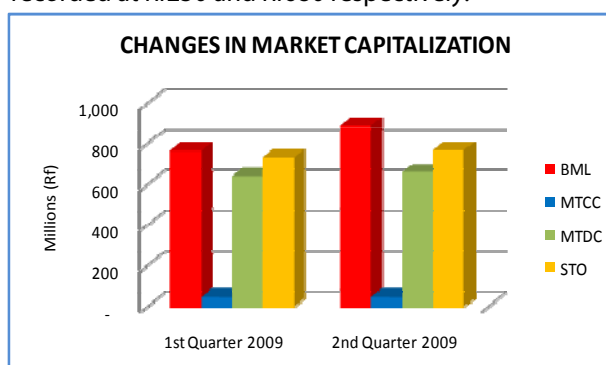
The CMDA hopes this issue would stimulate the share market with the increased number of trades which would possibly affect the Capital Market of the Maldives positively.

STOCK MARKET REVIEW

The quarter ended with a turnover of Rf895,065 by reflecting a decline of 17 percent in comparison to the preceding quarter's figure of Rf1,081,124.

It was observed that BML shares were traded more frequently compared to the other three listed stocks. From a total of 4,273 shares traded, BML holds around 56 percent of shares while MTDC and STO hold around 41 percent and 3 percent respectively. No shares of MTCC changed hands during the quarter.

On the other hand, the number of trades increased by 10 percent against the previous quarter. Furthermore, the share prices reflected a more volatile trend over the price pattern of the last quarter. During the quarter, the Last Traded Price (LTP) of BML was recorded at Rf165, while MTDC and STO LTP were recorded at Rf250 and Rf680 respectively.



The market capitalization at the end of the quarter has increased to Rf2,360,618,100 from Rf2,181,864,960 of the last quarter. This would possibly be due to the increase of share prices towards the end of the quarter.

The MASIX at the end of the quarter stood at 301.71 points appreciated by around 8 percent compared to the previous quarter's figure of 278.86.

Quiz



TV Quiz Competition

The 1st interschool TV quiz competition of CMDA would begin on 9th July 2009. A total of 8 school will be competing in the quiz competition.