

# PROPOSED REVISIONS TO THE STOCK EXCHANGE COMPANY LICENSING REGULATION

## Executive Summary

The Capital Market Development Authority (CMDA) has undertaken a comprehensive review of the Stock Exchange Company Licensing Regulation (2012/R-18) governing the licensing and operation of stock exchanges in the Maldives.

Since the regulation was first introduced, developments in global capital markets and evolving regulatory standards have highlighted the need to modernize and strengthen the regulatory framework. In line with international best practices, including the principles of the International Organization of Securities Commissions (IOSCO), CMDA has reviewed the existing regulation to enhance governance, ownership transparency, operational resilience, and regulatory oversight of stock exchanges.

The proposed revised regulation introduces reforms relating to:

- board governance and introduction of Public Interest Directors
- shareholding structure and ownership limits
- board tenure limits
- corporate governance requirements
- risk management and internal control mechanisms
- infrastructure, technology, and operational resilience requirements.

These reforms aim to strengthen market integrity, improve investor protection, and support the long-term development of the capital market in the Maldives.

CMDA is releasing the proposed regulation for public consultation and invites comments from stakeholders before finalizing the regulation.

## 1. Introduction

Stock exchanges play a critical role in the functioning of capital markets by providing an organized marketplace for trading securities and facilitating price discovery, transparency, and investor participation.

As market infrastructure institutions, stock exchanges also perform important regulatory functions, including monitoring trading activities, enforcing listing rules, and ensuring fair and orderly markets.

The regulatory framework governing stock exchanges must therefore ensure that exchanges operate with strong governance structures, transparent ownership arrangements, robust operational systems, and effective regulatory oversight.

CMDA has undertaken a review of the existing Stock Exchange Company Licensing Regulation to ensure that the regulatory framework governing stock exchanges in the Maldives remains consistent with international best practices and supports the continued development of the capital market.

## 2. Background

The Stock Exchange Company Licensing Regulation was introduced in **2008** and published in **2012**. Since then, there have been significant developments in global capital markets and regulatory standards.

In line with international best practices, including IOSCO principles for securities regulation, CMDA conducted a review of the regulation to strengthen key aspects of the regulatory framework.

The review identified several areas where the current framework could be enhanced, including:

- governance and board composition of the exchange
- shareholding and ownership structure
- risk management and internal control mechanisms
- operational and technological infrastructure requirements
- regulatory oversight and transparency.

The proposed revised regulation introduces reforms to address these areas and strengthen the regulatory framework governing stock exchanges in the Maldives.

### 3. Key Changes at a Glance

The proposed regulation introduces several reforms aimed at strengthening governance, transparency, and operational resilience of stock exchanges.

<b>Reform Area</b>	<b>Proposed Changes</b>	<b>Intended Outcome</b>
<b>Board Governance</b>	Introduction of Public Interest Directors	Strengthen independence and represent broader market interests
<b>Board Tenure</b>	Introduction of tenure limits for directors	Promote board renewal and stronger governance
<b>Shareholding Structure</b>	Clear ownership thresholds and approval requirements	Prevent concentration of control
<b>Corporate Governance</b>	Compliance with CMDA Corporate Governance Code and board committees	Improve accountability and oversight
<b>Risk Management</b>	Mandatory risk management and internal control framework	Enhance operational resilience
<b>Infrastructure</b>	Requirements for trading systems, cybersecurity, disaster recovery and BCP	Ensure reliability of market infrastructure
<b>Regulatory Oversight</b>	Enhanced disclosure and reporting obligations	Strengthen supervision of exchanges

### 4. Key Reform Areas

#### 4.1 Strengthening Board Governance

Stock exchanges perform important public interest functions and therefore require strong governance structures.

The proposed regulation introduces the requirement for **Public Interest Directors** on the board of the exchange. Public Interest Directors are expected to be independent of the exchange's shareholders, trading participants, and management, and will help ensure that the interests of investors and the broader market are adequately represented in board decisions.

## 4.2 Shareholding Structure and Ownership Limits

The proposed regulation introduces a clearer framework governing ownership of stock exchanges.

Key elements include:

- disclosure requirements for significant shareholdings (5% or more of shares)
- approval requirements for substantial ownership interests (acquisition of 10% and 20% of shares)
- aggregation rules for associated persons and persons acting in concert
- enhanced regulatory scrutiny for significant shareholders.

These measures aim to prevent excessive concentration of control and ensure that the exchange operates independently and in the interests of the market as a whole.

## 4.3 Board Tenure and Governance Requirements

The proposed regulation introduces tenure limits for directors to promote board renewal and independence.

In addition, exchanges will be required to comply with the Corporate Governance Code issued by CMDA and establish key board committees, including: Nomination Committee, Remuneration Committee, Audit and Risk Committee and Rules Committee.

These governance mechanisms aim to strengthen oversight and improve transparency in decision-making.

## 4.4 Risk Management and Internal Controls

The proposed regulation introduces requirements for exchanges to maintain sound risk management frameworks and internal control mechanisms.

Stock exchanges will be required to establish policies and procedures to manage operational, financial, and technological risks and ensure effective monitoring of their activities.

## 4.5 Infrastructure and Technology Requirements

Modern securities markets rely heavily on robust technological infrastructure. The proposed regulation therefore introduces enhanced requirements relating to: trading systems and market surveillance systems, cybersecurity safeguards, disaster recovery arrangements, business continuity planning and periodic system testing and vulnerability assessments.

These measures aim to ensure the reliability and resilience of the market infrastructure.

## 5. Transitional Arrangements

The proposed regulation provides a transition period to allow existing exchanges to comply with the new requirements.

During the transitional period, exchanges will be expected to take necessary steps to align their governance structures, shareholding arrangements, and operational systems with the requirements of the revised regulation.

## 6. Regulatory Impact

The proposed revisions are expected to have a positive impact on the development and stability of the capital market in the Maldives.

The reforms will:

- strengthen governance and independence of the stock exchange
- improve investor protection and market transparency
- enhance operational resilience of market infrastructure
- reduce risks arising from concentration of ownership
- strengthen regulatory oversight of market institutions.

Overall, the proposed regulation is intended to enhance confidence in the capital market and support its long-term development.

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