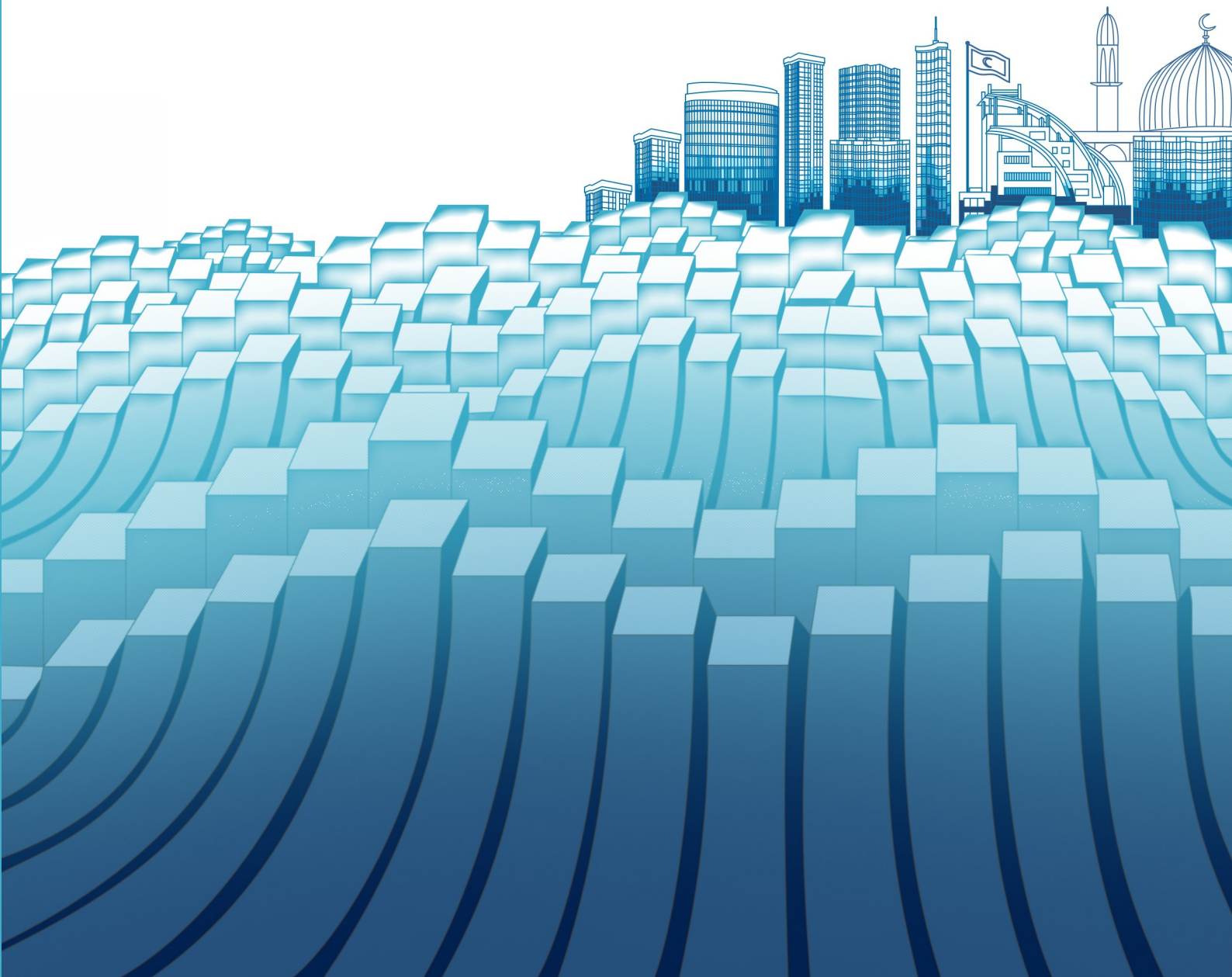


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QUARTERLY BULLETIN

1st Quarter 2014



Foreword by the CEO

I am pleased to present, the first Quarterly Bulletin of the Capital Market Development Authority (CMDA) for the year 2014. In previous years, the CMDA issued two quarterly publications. ‘The CMDA Quarterly Report’, first issued in the third quarter of 2008, primarily dealt with developments in the conventional market, while ‘The Islamic Capital Market Bulletin’, first issued in the second quarter of 2011, focused on developments in the Islamic Capital Market.

From 2014 onwards, we have decided to merge the two publications into one bulletin titled ‘CMDA Quarterly Bulletin’, thereby enabling our readers to access key developments, news and updates pertaining to both segments of the market, via one publication. The ‘CMDA Quarterly Bulletin’ will comprise of two segments - the conventional market and the Islamic Capital Market. Pages 7 to 9 of the bulletin will contain news and developments of the Islamic Capital Market.

As the first quarter of 2014 draws to a conclusion, I am heartened by many accomplishments that the CMDA has achieved over the few years of its existence. Ever since its establishment in 2006, the CMDA has been working tirelessly to regulate and facilitate the growth of the capital market. In the relatively short period of 8 years that has followed, we have managed to put in place, a robust regulatory framework, which serves as the foundation on which, our markets will continue to thrive on, for many years to come.

Even though I take great pride in this fact, I will also be the first to concede that the road leading to our ultimate goal of a thriving capital market is still fraught with many challenges to be overcome and copious amounts of work yet to be accomplished. By the culmination of the year, we will have arrived at the end of the current five year strategic plan, the Capital Market Strategic Plan 2010—2014. Hence, 2014 will be a year of taking stock of what we have achieved and formulating the next five year plan, for the period 2015 –

Highlights:

Board Meetings and Resolutions
Changes to CMDA Board
Laws and Regulations
Regulation and Supervision
Stock Market
Pension Supervision
Training and Awareness
Islamic Capital Market Developments
Maldives Islamic Finance News
Halal Industry and its Impact on ICM

2019.

Key developmental areas that we will be focusing on in the current year and the next five year period include; strengthening the legal framework to facilitate the introduction of new financial products and services to the market, improving the levels of financial literacy amongst the general populace, concerted education programmes and promoting greater adherence to the principles of corporate governance. Creating awareness among the stakeholders and increasing the number of market players will be the main focus on ICM.

As a new quarter commences, there has been significant changes to the management and the Board of the CMDA. I welcome the newly appointed Board members, Ms. Mariyam Visam and Mr. Ibrahim Athif Shakoor. I also acknowledge the invaluable contributions made by Ms. Fathimath Ilham, who resigned from the CMDA Board of Directors during the quarter.

I am confident, that in the year 2014, and the years to follow, the Board of Directors and the staff of the CMDA, will remain steadfast in their endeavour to achieve the mission and vision of the Authority.

Fathimath Shafeega
Chief Executive Officer

BOARD MEETINGS AND RESOLUTIONS

The Board of Directors of CMDA met a total of 6 times, during the quarter under review. Important decisions include:

- ◆ Endorsed amendments to CMDA Corporate Governance Code.
- ◆ Appointed Ms. Mariyam Visam, to the Audit and Risk Committee.
- ◆ Endorsed Ms. Zumra Ahmed, as the Ministry of Finance and Treasury's representative to the Board of Directors of the Maldives Pension Administration Office.
- ◆ Endorsed Head of Pension Supervision Department as the CMDA's representative to the Board of Directors of Maldives Pension Administration Office.
- ◆ Endorsed amendments to Maldives Stock Exchange Listing Rules.

CHANGES TO CMDA BOARD

Ms. Mariyam Visam, former Deputy Chief Executive Officer of CMDA was appointed by the President as Registrar of Companies on 28th January 2014. Subsequently she was appointed to the Board of Directors of CMDA.

Prior to her appointment as the Registrar of Companies, Ms. Visam held the post of Deputy Chief Executive Officer of CMDA. She was also a Board Member of the Maldives Pension Administration Office as the representative of the Authority.

Ms. Fathimath Ilham, one of the two private sector representatives on the Board submitted her resignation on 4th March 2014. Ms. Ilham was appointed to the CMDA Board of Directors on 14th April 2010.

Mr. Ibrahim Athif Shakoor was appointed to the CMDA Board of Directors by the President, as a private sector representative, on 25th March 2014. Mr. Shakoor is vastly experienced, having served at senior management level, in some of the biggest corporations in the Maldives, such as Dhiraagu Plc, MIFCO and MTCC Plc.

CHANGES TO CMDA SENIOR MANAGEMENT

During the quarter, long serving senior executive committee member and Deputy CEO of the CMDA, Ms. Mariyam Visam resigned from her post to assume the responsibilities of the Registrar of Companies. We would like to place on record, the invaluable services of Ms. Visam to the Authority.

LAWS AND REGULATIONS

Central Securities Depository Bill opened for public consultation

During the quarter under review, the Central Securities Depository Bill (CSD Bill) was opened for public consultation. The CSD Bill was drafted by the CMDA, in consultation with expert opinion from abroad.

Once it enters into force, the bill will enable the Maldives Securities Depository (MSD) to provide dematerialized trading services, and scripless issuance and registration of securities. The move towards dematerialized trading and issuance of securities is an integral element of CMDA's vision to streamline and modernize the range of services available on the market.

Passage of the CSD Bill is one of the foremost priorities of CMDA for 2014. The CSD Bill is scheduled to be tabled and debated during the second session of the 18th Parliament.

The draft bill can be viewed and downloaded at:

<http://www.cmda.gov.mv/docs/Central-Securities-Depository-Bill-Maldives-%202014.pdf>

Amendments to CMDA Corporate Governance Code

The Capital Market Development Authority amended the Corporate Governance Code (CG Code), with the view of strengthening two main areas of governance. Revisions were brought to the CG Code, to promote gender diversity in corporate board rooms and to encourage greater sustainability reporting.

Gender diversity

As per the amendments made to sections 1.3 and 1.6 of the CG Code, listed companies are required to draw up a board diversity policy, and take adequate steps to ensure that female candidates are sought and seriously considered for Board positions. Furthermore, listed companies are expected to achieve a target of minimum 30% female participation in their board rooms, by the year 2016.

Numerous independent researches and studies, have established a positive correlation between gender diversity in board rooms and corporate performance. Despite greater numbers of Maldivian females completing graduate studies than their male counterparts, women remain woefully under represented in the policy making level of corporations in the Maldives. A research paper formulated by the CMDA contends that this disparity exists, due to a number of prevailing socio-cultural norms, (such as the disproportionate burden of domestic responsibilities borne by women in the Maldives) that act as impediments to the professional advancement of women. It is the view of CMDA, that the implementation of a gender diversity quota, is one of the most effective ways through which, the disparity can be redressed.

Sustainability reporting

A voluntary provision, to encourage greater sustainability reporting by listed companies, was also introduced to the CG Code. As stipulated in section 10, sustainability reporting is the practice of measuring, analyzing and disclosing information on non-financial, sustainability aspects of a company's performance and operations.

The main purpose of a sustainability report is to present a balanced representation of the reporting company's performance and management practices, thereby providing stakeholders with a clearer understanding of its strategy and ability to sustain and improve future performance. A sustainability report can be either published as a stand-alone report or as an integral part of the annual report.

The CG Code can be Downloaded at: <http://cmda.gov.mv/docs/CG-Code-as-amended-on-the-12th-February-2012-13-03.pdf>.

REGULATION AND SUPERVISION

Annual General Meetings (AGM)

Bank of Maldives Plc. (BML) held its Annual General Meeting for the year 2012, on 6th February 2014. Supervision staff of CMDA attended, to observe the meetings.

Shareholders in attendance raised concerns over the delay in conducting the AGM and called out for action to be taken against responsible parties, to safeguard against future delays. Furthermore, shareholders also called on the management, to settle all outstanding fees and fines imposed on BML by CMDA, for contravening with the rules and regulations for listed companies.

Voting was carried out to elect new members to the Board. Six members representing the government and two members representing the public shareholders were elected. Furthermore, the minutes of the last Extraordinary General Meeting, director's report and financial statements for the year 2012 were endorsed by the shareholders at the meeting. An interim dividend of MVR 9.29 per share was also declared for the first half of the year 2013.

Enforcement actions:

No enforcement action was taken against any of the listed companies or licensed entities during the quarter.

Regulatory meetings

Regulatory meetings with the Maldives Stock Exchange (MSE) and Maldives Securities Depository (MSD), were conducted during the quarter. The meetings were attended by the Chief Executive Officers' of both CMDA and MSE/MSD, and top level management of both institutions. Various pertinent issues relating to the development of the scope and quality of services, provided by MSE/MSD, were deliberated upon.

STOCK MARKET

Market Performance

During the first quarter of 2014, the market recorded improved performance relative to the preceding quarter.

The total market capitalization of listed companies on the

MSE at the end of March stood at MVR 7,987,936,640 compared to MVR 5,926,298,580 at the close of December 2013, a rise of 35 %.

The volume of shares transacted in the first quarter of 2014 increased by 84%, when compared to the preceding quarter. Total value of shares traded in the first quarter of 2014 stood at MVR 74,775,294 as compared to MVR 980,650, during the preceding quarter.

The Maldives Stock Exchange Index (MASIX), at 31st March 2014 stood at 154.46 points, when compared to 114.60 points as at 31st December 2013, a rise of 39.86 points.

New Listing

The first ever Sukuk issued in the Maldives, by Housing Development Finance Corporation Plc (HDFC), was listed on the Maldives Stock Exchange, on 17th February 2014. The prospectus for the Sukuk was issued by HDFC on 11th September 2013, and the Sukuk was opened for subscription on 1st October 2013. By the close of the subscription on 20th January 2014, a total of 41,465 Sukuk had been issued to 465 applicants. HDFC managed to raise approximately MVR 20,732,500 through the issuance.

PENSION SUPERVISION

Report to President

As required by the Maldives Pension Act (No. 8/2009), a summary report highlighting the operations of the Maldives Pension Administration Office (MPAO) and the Maldives Retirement Pension Scheme (MRPS), was submitted to the President. The report was based on the directors' report of MPAO and audited financial statements of MRPS, for the year 2012.

MPAO Board of Directors

The CMDA conducted due diligence procedures to ascertain the fitness and propriety, of the nominee proposed by the Ministry of Finance and Treasury (MoFT) Ms. Zumra Ahmed and, the representative to the Board of MPAO proposed by CMDA Mr. Muznee Mohamed. Furthermore, income and asset disclosure information was requested from newly

appointed MPAO Board members, and existing Board members who were yet to disclose this information.

Research on new investment avenues for MRPS

Staff of the Pension Supervision Department formulated a research paper to identify new investment avenues for MRPS. The lack of viable investments within the classes of assets permitted in the Maldives Pension Act (No: 8/2009) has limited the MRPS from diversification. As such, the aim of this research was to examine the possibility of allowing the MRPS to diversify into alternative assets, with due consideration to their risks and then propose amendments to the Maldives Pension Act to facilitate investment in proposed classes of alternative assets.

Formulating a procedure manual

A procedure manual was drafted during the quarter, to guide the assessment process of quarterly asset allocation of MRPS and quantitative analysis of the quarterly reports of MRPS.

Step by step processes are explained in the manual on how to verify and validate data of the quarterly reports.

Investment Analysis for Q4, 2013

Analysis of the Investment Activity Report of MRPS (Q4, 2013) was carried out during the quarter. The report was analyzed against the Statement Of Investment Principles (SOIP) and Strategic Asset Allocation (SAA) Policy of the MPAO.

The aim of this analysis is to provide information on the current status of the fund, to guide supervisory activities and assist in policy making.

Providing information requested by IOPS

Information on MRPS was provided for the International Organization of Pension Supervisors (IOPS) '2014 Survey of Investment Regulations of Pension Funds'. Information requested in this survey included all forms of quantitative portfolio restrictions applied to pension funds at different legal levels. The survey also includes information on investment regulations pertaining to IOPS countries.

TRAINING AND AWARENESS

Journalist Workshop

An awareness workshop, aimed at journalists, was conducted by the Capital Market and Corporate Governance Institute (CMCGI) of CMDA in January. The sessions were conducted with the view of enhancing the knowledge base of journalists, with regard to areas such as; CMDA's functions and areas of responsibility, the mechanisms of capital markets, Islamic finance and the pension industry. The workshop sessions were attended by journalists from nearly all major media channel in the Maldives.

Presentations to LGA

Upon the request of the Local Government Authority (LGA), CMDA participated in a training programme, conducted for the newly elected local councillors by LGA. Two officials from CMDA delivered presentations on subjects related to the CMDA's areas of responsibility. The presentations were attended by 143 councillors from the local councils.

Global Money Week

The CMDA participated in the Global Money Week 2014, celebrated around the world during the second week of March. Maldives Monetary Authority, in collaboration with the Ministry of Education, organized a series of information sessions for students. CMDA, along with numerous other institutions from the financial sector, visited schools to deliver presentations. The presentations conducted by the CMDA, were aimed at improving the financial literacy levels of participants, by introducing them to various concepts related to capital markets. A total of 561 students from 6 schools in Male', participated in the Global Money Week 2014.

School Presentation

CMDA conducted a presentation to the students of Darumavantha School, during the quarter under review. A total of 65 students were in attendance for this presentation. The main topics covered were; the basics of capital markets, savings and investment. Furthermore, Maldives Stock Exchange also delivered a presentation on stock market operations to Darumavantha School.

CHANGES TO CMDA'S OFFICIAL HOURS

Effective from 1st March 2014 CMDA's official hours, has changed from 8am to 3pm, except for the holy month of Ramazan. Official hours for Ramazan is from 9am to 1:30pm.

Since the establishment of CMDA in 2006, CMDA has been following official hours from 8am to 4pm. The change was brought mainly to align with official working hours of the government.

CMDA's 8th ANNIVERSARY CELEBRATION

On 26th January 2014 CMDA celebrated its 8th anniversary. In commemoration of the occasion, the CMDA Chief Executive Officer hosted a dinner, which was attended by Board members and staff of the Authority.

Awards were handed out to the nominated employees during the anniversary celebration dinner. Ms. Sara Mohamed was nominated Employee of the Year while Commendation for Dedication and Commendation for Service were awarded to Ms. Fathimath Rifna and Ms. Aishath Ibrahim. Additionally, punctuality awards were presented to Mr. Ismail Abdul Razzaq and Mr. Muznee Mohamed.



Award winning employees

Upcoming events:

- *Seminar on 'Women on Boards' is scheduled to be held on 25th May 2014 at Villa Collage.*

ISLAMIC CAPITAL MARKET DEVELOPMENTS

Introduction

By: Dr. Aishath Muzneeza, Chairperson of CMSAC

On behalf of the Capital Market Shariáh Advisory Council, it is with great pleasure I welcome the readers of CMDA Quarterly Bulletin. We mark successful two years of the operations of ICM in the Maldives and today, we are proud to have established an Islamic equity market and a Sukuk market parallel to the conventional equity and bond market. However, more effort needs to be exerted to develop ICM.

The re-composition of CMSAC and commencement of the meetings of new CMSAC is indeed a remarkable beginning of this quarter. Creation of new 'Strategic Plan' of ICM for the years 2015-2019 is indeed a sign of determination to sustainably develop ICM on the part of CMDA.

Islamic finance has gained momentum in the world today. Asia, Europe, Middle-East, Australia, North & South America are also struggling to adopt and sustain Islamic finance, irrespective of the faith convictions. Business based on mere speculation has been rejected and today there is a global movement towards the creation of financial transactions based on underlying activities or underlying assets. Relying on real economic activities has been the success secret of Islamic finance and now we are being forced to find innovative ways to adopt this method. The progressive growth of Islamic finance in Maldives proves that there is an ever-green future for Islamic finance in the Maldives.

Capital Market Shariáh Advisory Council (CMSAC)

During the quarter under review, the CMSAC convened twice and deliberated on issues relating to Shariáh governance, and held discussions on areas of research.

The council also reviewed the quarterly financial statements of Amana Takaful Maldives Plc (ATM) for the last two quarters of 2013. CMSAC members unanimously decided that financials of ATM were Shariáh compliant, in

accordance with the 'Regulation on Islamic Securities Screening'.

The CMSAC's decision was conveyed to the Board of Directors of CMDA.

Registration of Shariáh Advisers

The CMDA conducted the first Shariáh adviser exam on 30th March 2014. As stipulated in the 'Regulation on Registration of Shariáh Advisers', candidates seeking to register as Shariáh advisers must undertake an examination conducted by the CMDA, or must have been registered as a Shariáh adviser with the securities commission or capital market regulator of another jurisdiction.

The academic qualifications set out in aforementioned regulation, were relaxed by the Board of Directors on 22nd October 2013, with the view of encouraging more competent individuals to register as Shariáh Advisers. The first Shariáh Adviser registration was granted to Dr. Aishath Muneeza, on 30th January 2014.



The first Shariáh Advisor

Work to formulate ICM 'Strategic Plan'

Work to formulate the ICM component of the Capital Market Strategic Plan 2015-2019 has been initiated during the quarter. The main strategies being considered are:

- ◆ Enhancing the depth of Islamic Capital Market products and services
- ◆ Strengthening the CMSAC

- ◆ Enhancing education and awareness in Islamic finance
- ◆ Formulate media and communications strategies for ICM
- ◆ Establishing a Maldives Islamic Finance Centre

ICM monthly awareness workshop

In order to enhance public awareness and understanding of Islamic Capital Markets, CMDA has been conducting a series of monthly awareness workshops from February 2013 onwards. The workshops conducted by Dr. Aishath Muneeza cover's the basics of ICM.

During the first quarter of 2014, three such awareness workshops were conducted at the Islamic Centre Conference Hall. The workshops were attended by a total of 113 participants from various government institutions and the public.



During the monthly awareness workshops

MBC Radio programme

The head of the Islamic Capital Market Development Section, Director General Ms. Azleema Ahmed and Deputy Manager, Mr. Mohamed Ishraq Faisal participated in a radio program aired by Maldives Broadcasting Corporation on 19th March 2014. Information was provided on the Islamic Capital Market in the Maldives and the monthly awareness workshops conducted by the CMDA.

COMCEC Forum

At the 2nd COMCEC, Capital Market Regulators Forum, general assembly meeting held on 19th September 2013 in Istanbul, the Islamic Finance Task Force presented a report

titled, 'Enhancing the infrastructure for Islamic Capital Markets'. The report covered four segments of ICM infrastructure, namely; the legal, tax and regulatory Framework; Shariáh governance framework; talent development; and products and services.

CMDA completed the feedback form on the report and submitted it to Islamic Finance Task Force. The key objectives of this feedback form was to gather information on potential areas of cooperation and collaboration and to identify country specific needs and issues in developing Islamic Capital Markets.

Meeting with HDC

A meeting was held between CMDA and HDC to provide information on the Sukuk issuance process and assist HDC in its plan to issue a Sukuk.

In the meeting HDC requested for CMDA's assistance in structuring the product and providing training to the staff of the corporation.

ISLAMIC FINANCE NEWS

- ◆ Maldives Hajj Corporation commenced its operations on 2nd March 2014
- ◆ Housing Development Corporation (HDC) has begun the task to Islamize its products starting from 3rd March 2014
- ◆ Training of Halal Assurance Officers has begun from 18th March 2014
- ◆ Maldives Islamic Bank opened its first branch in Addu City on 25th March 2014
- ◆ "Darul Eman" Waqf Fund development project has been commenced on 27th March 2014
- ◆ Zakat administration software formulation work has begun on 27th March 2014

Upcoming events:

- ***ICM Monthly Awareness Workshop***

THE NEED TO ESTABLISH MALDIVES ISLAMIC FINANCE CENTRE

Islamic finance has been spreading rapidly in Maldives and in the SAARC region in recent years. With the rapid development of Islamic finance in Maldives, it is realized that the country can share its success in Islamic finance via institutionalization of a multi-purpose and a multi-functional Islamic Finance Centre, that will carry out the following tasks for the whole SAARC region making Maldives the hub for Islamic finance in the SAARC region:

- ◆ Maldives Islamic Finance Centre will act as an onshore and offshore Islamic Financial Centre;
- ◆ Maldives Islamic Finance Centre will structure Islamic financial instruments & will act as the lead arranger;
- ◆ Maldives Islamic Finance Centre will float Islamic Capital Market instruments in MSE; those products will also be listed on other stock exchanges;
- ◆ Maldives Islamic Finance Centre will pool funds from the region and will allocate the funds for the developmental projects in the region;
- ◆ Since Maldives is a hundred percent Muslim country, it will assist the SAARC countries Muslim minority populations to safeguard their pilgrimage funds and open doors to invest these funds in Shariáh compliant activities facilitated by Maldives Islamic Finance Centre;
- ◆ Consultancy and training activities for the whole region will be conducted on Islamic finance with the intention of creating more players in the market; and
- ◆ Islamic finance resource pool will be gathered in Maldives Islamic Finance Centre and these resources will be shared with the SAARC countries.

It is anticipated that the establishment of Maldives Islamic Centre will not only bring prosperity to Maldives, but it will help the SAARC countries to prosper too.

TAPPING INTO HALAL INDUSTRY: Will this have a positive impact of Maldives ICM?

Halal Industry is not a new concept in the world today. Irrespective of the faith conviction, both Muslims and non-Muslims have confidence in products that has halal logos. In Maldives, it is deemed that all goods sold within its boundaries are considered as halal whether the halal logo is printed or not. This is an advantage the country has as it is a hundred percent Muslim country. However, when it comes to the exporting of Maldivian goods such a tuna products, it is imperative for the country to formulate a halal logo to be placed on the exported goods to exhibit it to the world that it is a halal product. Though Maldives is a hundred percent Muslim country, without the halal logo placed on the goods, the customers would not be aware of the fact that those products are manufactured and exported from a jurisdiction that only promoted halal goods.

The Halal Certificate Regulation gazetted by the Ministry of Economic Development vesting the power to issue halal logo to the Ministry of Islamic Affairs is a very comprehensive regulation to deal with issuance of halal certificate to companies exporting goods. This regulation will assist the country to promote its products to Middle Eastern markets and to those markets that value and appreciate products with halal logo.

It is anticipated that the halal certification of products will lead to expansion of Islamic financial market in the country and this would lead to the creation of a halal commodity exchange market in the Maldives. Fish being a durable and valuable commodity in the Maldivian market, there is no reason why a successful halal commodity exchange market cannot be created in Maldives.

All queries with regard to the content of this bulletin 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) [3014109](tel:3014109). While reasonable care has been taken to prepare the bulletin, CMDA accepts no responsibility or liability whatsoever, resulting from the use of information herein.