

# **An overview of the Securities Act and Regulations**

The Securities Act is designed to provide and maintain a legal structure for the development of a capital market in Maldives. Furthermore, it provides a framework for the development of a supervised market for trading of shares and other securities. In brief, the Securities Act will cover the following matters and areas:

(a) Recognition of a body appointed and funded by the government to provide appropriate oversight of the capital market and any stock exchange or stock trading facility and the licensing of market intermediaries. The regulatory authority established under the Securities Act is called the Capital Market Development Authority (the Authority).

(b) Provisions for the Authority to establish an interim stock trading facility or approve the establishment of a Stock Exchange. The stock exchange is to be formed by a company incorporated under the Companies Act and must be licensed by the Authority. The rules of the stock exchange must be approved by the Authority.

(c) Provisions for the licensing of market intermediaries, and in particular the licensing of dealers (dealers must be companies registered under the Companies Act); dealers' representatives, and investment advisers. The Act also makes provision for financial institutions to hold an underwriter's license and for license to be issued for certain specific purpose such as the provision of custodian services and financial journalists.

(d) The Act will ensure transparency on the part of market intermediaries by requiring such persons to keep proper accounting records and make these available for inspection by the Authority, to operate a separate and distinct bank account in relation to securities transactions.

(e) The Securities Act also requires transparency in relation to market transaction by requiring a register to be kept for the purpose of disclosing substantial shareholders in a listed company. A substantial shareholder is a person who by himself or a nominee or an associated person, holds more than 5 per cent of aggregate voting shares of the company. This provision is designed to ensure that the participants in the market have the means of knowing the persons in a position to influence the control or direction of companies whose shares are listed or traded.

(f) The Securities Regulations encompasses detailed provisions governing the conduct of market intermediaries and provide for the discipline of market intermediaries and the oversight of a disciplinary process by the Authority.

(g) The Securities Act seeks to prohibit undesirable market practices by penalizing insider trading and market manipulation.