

**Key Note Speech at Seminar on Maldives-A Development Perspective and the Role of Capital Markets Held by the CARE Rating Maldives**

By;

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Maldives

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بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

الْحَمْدُ لِلَّهِ رَبِّ الْعَالَمِينَ ، وَالصَّلَاةُ وَالسَّلَامُ عَلَى نَبِيِّنَا مُحَمَّدٍ وَعَلَى آلِهِ وَأَصْحَابِهِ  
أَجْمَعِينَ

Hon. Minister of Finance and Treasury, Ahmed Inaz, Chairperson of the Capital Market Development Authority, Mariyam Hussein Didi, Managing Director and Chief Executive Officer of CARE Ratings Maldives, D. R. Dogra .....distinguished Guests, Ladies and Gentlemen.

Assalaam Alaikum and Good Morning

It gives me great pleasure to address this seminar organized by CARE Ratings Maldives.

Let me first express a special thanks to CARE Ratings Maldives for their commitment to develop our market and sharing their valuable experience with us. We believe that CARE Ratings Maldives will act as a catalyst for the development of our debt market.

Mr. D. R. Dogra, thank you for inviting me to address this seminar.

Ladies and Gentlemen...

The enactment of Maldives Securities Act in 2006 and subsequent establishment of the CMDA, paved way for planned development of a capital market in the Maldives.

As the regulator of the Capital Market and the Pension Industry, CMDA's responsibility for market development is enormous. As such, CMDA has embarked on an ambitious program to develop an efficient capital market as an avenue for corporate finance and economic growth. The road for modernisation of the financial market is through a well functioning capital market.

The Capital Market Strategic Plan 2010 - 2014 is intended to provide clarity and certainty on the direction of our strategies for market development.

The challenges for development can only be overcome by building capacity and enhancing the technical know-how. We have realized that effective implementation also requires a change not only of rules but also-the mindset of entrepreneurs and investors.

We are making every effort to change the mind-sets of the potential issuers, investors, policy makers and the public through our education and awareness programs and promotion of good corporate governance. We are confident that our efforts will be successful.

With few companies listed on the Stock Exchange and many more potential listings in the pipeline, development of the equity market has seen some progress to date. And the development of the debt market has lagged behind. Together with the support of the Government and the stakeholders' commitment, we have made debt market development an immediate priority.

The establishment of the Maldives Retirement Pension Scheme has also created a fresh opportunity for debt market development. MRPS will be a prospective institutional investor to participate in the debt market.

To develop a debt market we need to bring borrowers and lenders together. This is where the role of the credit rating agencies like CARE Ratings comes in. Rating Agencies assess the financial condition of companies and forms opinions on the debt repaying capacity.

Thus, credit ratings are instrumental for estimating the creditworthiness of debt issuers and for market valuation of debt instruments.

To facilitate a well functioning debt market, CMDA will undertake a systematic program to put in place the required Legal framework, and appropriate mechanisms to facilitate market structures. These steps are necessary to meet the objectives of creating a liquid debt market, and strengthening the intermediary and investor base. These measures would ideally result in integration with other markets.

In addition to focusing on the development of a conventional debt market, CMDA considers the development of a market for Islamic securities of utmost importance to cater to the investment needs of the country. We are now working on the Legal framework, and mechanisms to facilitate both government and private sector to issue Shariáh compliant instruments. A Capital Market Shariáh Advisory Committee is advising the CMDA on approval Shariáh compliant products and services. Our model for developing Shariáh compliant products and services are based on the Malaysian Islamic Capital Market model.

With the support of all stakeholders, our efforts to develop a debt market as an important segment of our capital market will be successful.

Ladies and Gentlemen

There are events in every country which are turning points in various aspects. Be they political, economic or financial. Just as the introduction of the Corporate Governance Code in 2006, and the approval of the first Shariáh-compliant listing in 2011, started new beginnings for the Maldives capital market, today, we mark another achievement in our capital market, introducing credit rating - A tool which will add sophistication to our market.

I am pleased to inform you that CARE Ratings Maldives has assigned its first Rating to a State Owned company in the Maldives. CARE Ratings Maldives has assigned a rating of **CARE MLD Single A (-)** to the local currency debt of Works Corporation Limited.

We acknowledge the importance of this initiative taken by Works Corporation Limited, and CARE Ratings Maldives and hope that this experience becomes a narrative for other companies too. Generally speaking a **Single A (-)** rating is considered to offer adequate safety for timely servicing of debt obligations and carry low credit risks.

Ladies and Gentleman,

The attractiveness of credit ratings also depends on how accurate the ratings are. Under CMDA regulations, a registered Rating Agency should only conduct solicited ratings. A registered Rating Agency is also required to; comply with international best practices, such as the IOSCO Code for Credit Rating Agencies. Publication of the first credit rating under this regulatory framework marks an important step forward in strengthening transparency and accountability of CARE Ratings Maldives.

While CMDA has taken an important initiative to introduce the use of credit rating to our market, we are aware that a lot more remains to be done.

The way forward for our market is to leverage on use of products and services offered in other markets where it is economically cost-efficient. Our goal is to create a vibrant capital market that promotes the growth of the Maldivian economy

Special thanks to the Ministry of Finance & Treasury for the Ministry's continued support to CMDA.

Thank you.