

## Report on Observance of Standards and Codes (ROSC)

Upon request of the CMDA, the World Bank Group has undertaken a ROSC (Reports on the Observance of Standard Codes) assessment in Maldives on Corporate Governance.

The goal of the ROSC initiative is to identify weakness that may contribute to a country's economic and financial vulnerability. Each Corporate Governance ROSC assessment reviews the legal and regulatory framework, as well as practices and compliance of listed firms, and assesses the framework relative to an internationally accepted benchmark. In this regard, the Maldives ROSC report would assess the Maldives's corporate governance policy framework. It would also highlight recent improvements in corporate governance regulation, makes policy recommendations, and provides investors with a benchmark against which to measure corporate governance in the Maldives.

**Achievements:** Starting in 2002, the Maldives has successfully introduced many of the laws and institutions required for a fully functioning capital market. Since 2006, the Capital Market Development Authority, the Maldives Stock Exchange, and the Maldives Securities Depository have become independent institutions, key laws have been enacted, and the CMDA Code of Corporate Governance has been launched. There are now four active listed companies, who comply with good practices in a number of areas and produce high quality Annual Reports. These reforms reflect the Government's longer term goal of attracting foreign listings and foreign capital to Maldivian companies both through the MSE and listing abroad. They also underpin other key reform efforts, including SOE performance management and privatization, and the introduction of the new pension system.

**Obstacles:** Corporate governance in the Maldives is not as developed as in comparable economies and gaps in the legal framework for investor protection and foreign portfolio investment remain a challenge.

### CAPITAL MARKET DEVELOPMENT AUTHORITY

4th Floor, MTCC Tower,  
Boduthakurufaanu Magu

Male', Maldives

Phone: +(960) 3336619

Fax: +(960) 3336624

E-mail: [mail@cma.gov.mv](mailto:mail@cma.gov.mv)

# CORPORATE GOVERNANCE

“The way to a sustainable corporate future”



Capital Market Development Authority

## Background

The Capital Market Development Authority (CMDA) was established for the purpose of developing and regulating a capital market in the Maldives. The CMDA has taken the initiative to promote a culture of good Corporate Governance in Maldives with the aim to raise investor (both local and foreign) confidence, develop the capital markets and to achieve high sustained growth for the corporate sector and the economy as a whole.

## What is Corporate Governance

Corporate Governance ensures that companies are directed and managed at Board and management level in a fair and transparent manner. It provides guidance on how the objectives of the company are set and achieved, how risk is monitored and assessed, and how performance is optimized.

## Four Defining Principles of Corporate Governance



## Why is Corporate governance Important to the Maldives

Good Corporate Governance practices have an impact in determining the cost of capital in a global capital market. Companies in the Maldives must be equipped to compete globally and to maintain and promote investor confidence, both in the Maldives and internationally. This means that companies in the Maldives must put in place good Corporate Governance practices.

Good Corporate Governance is also grounded in Islam where transparency, disclosure and accountability are important tenets in doing business.

## Benefits of Corporate Governance



## CMDA Corporate Governance Framework

The CMDA Corporate Governance Code was compiled in the year 2006 and was made mandatory for all the listed companies with effect from 1st of January 2008, regardless of the nature of their business. The Code is designed in such a way that it caters to the specific needs of the Maldives.

### Mandatory Provisions

- Board Matters and Remuneration Matters
- Management Matters
- Audit & Audit Control
- Company Secretary
- Shareholder Rights & Disclosure Requirements

### Voluntary Provisions

- System to Raise Concerns
- Investors and Media Relations
- Individual Board Member Remuneration Disclosure

## Companies complying to the CMDA Corporate Governance

With effect from 1st January 2008, the Code was made mandatory for all listed companies on the first Board of the Maldives Stock Exchange. The Listed Companies are as follows:-

- Bank of Maldives
- Maldives Tourism Development Corporation
- Maldives Transport and Contracting Company
- State Trading Organization.

Besides the listed companies, SOEs and private sector companies are also getting ready to comply with the CMDA Corporate Governance Code. In this regard, STO/Allied Insurance Company is now getting ready to comply with the CMDA Code. CMDA is extending its services to all companies that are interested in adopting the CMDA Corporate Governance framework.