

## **Investigatory Powers of CMDA**

The powers and functions of the CMDA are set out in the Maldives Securities Act (Act No: 02/2006). Under s.5 of the Act, the CMDA has “all such powers as are necessary to enable the Authority to achieve its objects under this Act and regulations made thereunder, in accordance with the law”.

The duties and responsibilities of the CMDA are set out in s.9 of the Act. The provision is again widely framed and states in addition to other matters, that the CMDA shall, ‘take measures to suppress improper practices and contravention of the law in relation to dealings in securities; and also to make such inquiries in relation to matters pertaining to the securities market as the Authority thinks fit or as the Minister may direct.’

With regard to **investigatory powers** of the CMDA, there are specific provisions in regulations made under the Maldives Securities Act dealing with inquiries and power to compel production of documents to ascertain facts in relation to market activity that it deems unconscionable. Those powers may be exercised “where it considers there is sufficient cause to do so” (see Reg.3).

**The powers and functions of the CMDA principally relate to the regulation of the securities market** and taking measures to prevent unconscionable conduct in relation to dealings in securities and loss of confidence in the securities market. For that purpose, the Authority regulates market participants through a licensing regime, regulate the Stock Exchange through approving the rules of the Exchange and requiring the Exchange to operate in accordance with its rules, and seeking transparency and openness in relation to offering documents and disclosures made to the market.

**It is normally, not the role of a securities regulator, such as the CMDA, to enforce individual investor contracts.** The principal enforcement agencies in that respect are the Courts, which have the role of interpreting and enforcing the provisions of contracts between issuer and investor. (For example, where a rule in the Articles of Association of a company is breached, that is a breach of a contractual right as between the company and its shareholders.) It is well accepted that the Articles of Association of a company operate as a contract between the company and its shareholders. This is the effect of s.15 (b) of the Companies Act.

**The CMDA’s enforcement powers under the Securities Act relate to breaches of regulatory obligations, not matters of contractual obligation as between company and shareholders.** Furthermore, the winding up of a company also does not come under the purview of CMDA.