



**CMDA**

Quarterly Report  
(Qtr 04, 2008)

# CMDA Quarterly Report

## PREFACE

This report covers market news and main activities of the Authority during the 4th quarter 2008 under review.

## REGULATORY ACTIVITIES

### Regulatory Meetings

During the quarter under review, regulatory meetings were held with licensed intermediaries, listed companies and the Maldives Stock Exchange. CMDA provided guidance to the Brokers on continuing the trading activities in accordance with the 'Regulation on Conduct of Securities Business'.

Meetings were also held with the Maldives Stock Exchange to discuss ways on further implementing the Licensing Regulations.

A follow up meeting was held with the listed companies in relation to publishing quarterly reports commencing from next year. Companies were guided by the CMDA and concerns raised from the companies were noted. All participants agreed to make their best efforts to publish quarterly reports which would facilitate greater disclosure of material information as portrayed by the listing requirements and the CG code.

### Board Meetings

During the quarter, the Board met 5 times. The highlights of resolutions passed by the Board are as follows:-

- ◆ Dealing companies are required to get the approval of CMDA prior to charging any additional fees for the extra services provided.
- ◆ Changed the organizational structure of the Authority and approved salaries for the new posts to be created.
- ◆ Introduced a fine on license holders upon failure to pay fees to the CMDA on due date.
- ◆ Revised the proposed budget of the Authority for 2009.
- ◆ Set the targets of the Authority for the year 2009.

### Amendments to Laws and Regulations

CMDA proposed amendments to the Companies Act to further strengthen the legal framework. The amendments drafted with assistance of the Commonwealth Secretariat was sent to the Ministry of Economic Development and Trade during the last month of the quarter.

## License Renewal

The Licenses of ISB, First Option and SBM were renewed. However, the license of Aariya Securities was renewed and temporarily suspended until further notice. All four Dealing companies licenses were initially renewed as conditional licenses. The companies subsequently fulfilled the requirements set by the CMDA and unconditional licenses were granted to all companies except Aariya Securities.

Prior to renewing the licenses, CMDA reviewed the business proposals of the Dealing Companies filed with the Authority. CMDA urged the companies who are not fully complying with the business proposals to follow the proposals submitted and made recommendations for improvement.

## Supervision of Licensed Entities

As part of the regular inspection activities, on-site inspection was carried out in all four Dealing companies. Following the inspections, the results were communicated to the Dealing companies and the areas of improvement to their activities were brought to their attention.

The first onsite inspection of the Maldives Stock Exchange and Maldives Securities Depository was also carried out during the quarter to examine for regulatory compliance. The investigation team identified the areas which should be improved and discussed the findings with the management.

## Investigations

CMDA is expected to complete the investigation of the "MTDC case" which was triggered by the Auditor Generals Report (AR-2-2008) by mid January 2009. CMDA investigation is focused on any unfair dealings and violation of the Maldives Securities Act. The CMDA Board is planned to meet in January to discuss the findings of the investigation and necessary cause of actions.

The investigation was conducted with the assistance of an independent lawyer from UK. The CMDA highly appreciates the support and cooperation given by various parties throughout the investigation.

## TRAINING AND AWARENESS PROGRAMMES

### Training

Upon the request of the Maldives Ports Ltd (MPL), a Directors training programme for the Board of Directors of MPL was organized by CMCGI in November. The 3 day programme held in Kurumba Village was conducted by Professor Michael Adams from Australia.

### Seminars and Presentations

- A seminar on Islamic financial products was held in November with the aim of creating awareness among the stakeholders of Islamic Sukuk and bonds. The resource person of the seminar was an Islamic bond specialist, Mr. Rabel Akhund.
- A presentation on Corporate Governance was conducted for the permanent secretaries in collaboration with the Civil Service Commission. The presentation was delivered by the corporate governance specialist Professor Michael Adams.
- During the quarter, a presentation on Corporate Governance was given to the newly elected Board members of the STO.



### CMDA Staff Enrichment

During the quarter several enrichment programs were conducted to increase technical capacity of CMDA staff. In this regard, CMDA provided long term and short term training opportunities locally and abroad. The Internal Auditor, Mr. Ibrahim Saleem left to Malaysia to complete Masters of Business Administration while two other employees completed short term training in Singapore.

### CORPORATE GOVERNANCE IMPLEMENTATION

CMDA plays a crucial role to promote and develop a culture of good corporate governance among the local companies.

During the quarter CMDA circulated a questionnaire to the listed companies for the purpose of gathering information to ascertain corporate practices in the Maldives.

Analysis of the responses to the questionnaire revealed that most companies have started following the Code. Meetings were held with the listed companies to guide the companies on the implementation challenges of the Code.

To further broaden the corporate governance framework CMDA requested the Ministry of Finance and Treasury to mandate a corporate governance framework for government companies. CMDA also requested the MOFT to require government companies to follow the CG Code of CMDA as a basic

framework.

The applications for CG National Award closed at the end of December. Applications for the CG Award received from BML, MTCC, STO, and MPL were reviewed for completeness of documentation.

### ROSC ( Reports on the Observance of Standard Codes ) Assessment

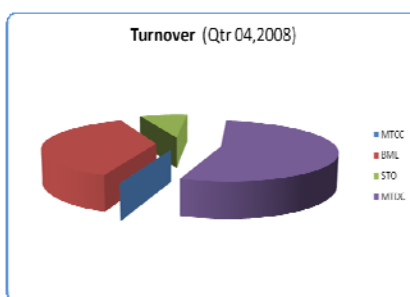
During the quarter, CMDA initiated the World Bank Group to carry out a ROSC assessment on Corporate Governance practices in the Maldives. The work relating to the assessment is ongoing and the World Bank is expected to complete the ROSC assessment during the first quarter of 2009. The local consultant selected for the assessment is Shah Hussain and Co.

### Proposed Training Initiative with SiiA (Securities and Investment Asia Pacific)

During the quarter, CMDA worked in association with SiiA to organize a regional workshop on "Investment Models and How They Fail in the Credit Crisis". The workshop is now rescheduled to be held towards the end of the second quarter of 2009. All interested parties are requested to express their interest to the CMCGI.

### STOCK MARKET HIGHLIGHTS

Overall, trading performance of the quarter decreased in comparison to the preceding quarter. The market capitalization indicated a declining trend throughout the quarter. At the end of the quarter market capitalization stood at Rf2,246,082,000 by registering a decline of around 16 percent against the preceding quarter.



A sum of 3,050 shares changed hands during the quarter. A breakdown of this showed that October holds around 21 percent of shares, while

November and December hold 49 percent and 29 percent respectively.

As at the end of the year, the total cumulative trading turnover of the MSE has reached Rf59,213,208 from 3,438 trades.

### Investor Alerts



*Under Section 53 of the Maldives Securities Act, all public companies selling shares in the Maldives shall keep a register of shareholders who directly or indirectly control more than 5 percent of the shareholdings*