

CAPITAL MARKET DEVELOPMENT: POLICIES AND STRATEGIES

Policies & Strategies		Responsible Agency	Status	Constraints/ Limitations	Comments	Benefits
Policy 1: Develop Capital Market Institutions						
1.1	Spin-off the Securities Trading Floor run by the CMDA to form a fully fledged Stock Exchange	CMDA	Completed	Lack of supply of tradeable securities.	CMDA's continued assistance required to sustain the market through regulatory interventions.	Development of capital markets directly has a positive impact on economy and international image of the country.
1.2	Spin-off the Securities Depository run by the CMDA as an independent autonomous institution	CMDA	Completed	Lack of supply of tradeable securities.	CMDA's continued assistance required to sustain the market through regulatory interventions	Development of capital markets directly has a positive impact on economy and international image of the country.
1.3	Strengthen the clearing and settlement process by facilitating the development of an appropriate trading platform and automated trading system	CMDA/MSD	Independent Securities Depository licensed. Automated trading system in place and currently undergoing testing, phase.	Lack of a regulatory framework to support the system	CMDA is in the process of formulating a regulatory regime to govern activities of depositories	Supports the trading of securities, builds confidence in the clearing and settlement process.
1.4	Improve Primary Market Structures	CMDA/Ministry of Economic Development	Ongoing	Lack of an effective regulatory regime to govern primary market activities	Need to strengthen the role of the Registrar	Strong regulatory framework is necessary to create a conducive investment climate
1.5	License Investment Advisors	CMDA	Development of the Licensing regime to be finalised. To be completed before 31.12.2008	Lack of investment options within the country	Investment Advisors training program conducted in 2008	Facilitate investment culture and processes

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1.6	Provide more scope for business expansion of Dealers and Brokers and other market intermediaries	CMDA / Government / issuers	Facilitating affiliation of foreign brokers with local brokers.	Not enough listed securities to trade in the market and lack of other market products	The affiliation with foreign brokers will improve liquidity in the market. However, this requires more securities to be traded. Conduct a market survey of the number and kind of companies willing to list.	Helps to develop the capital markets.
Policy 2: Develop International Alliances						
2.1	Pursue appropriate strategic international alliances and participate in relevant capital market regulatory forums	CMDA	Member of Islamic Financial Service Board (IFSB) since March 2008, and South Asian Securities Regulators Forum since 2005.	Financial	Application process ongoing for membership of International Organization of Securities Commission (IOSCO),	International recognition and message to the international community that Maldives complies with international standards. Helps attract foreign investment.
Policy 3: Enhance protection of investors						
3.1	Ensure high standards of financial reporting and continuous disclosure of accurate and timely information by issuers and market intermediaries and other market participants	CMDA/Registrar of Companies	For continuous disclosure, quarterly reports are to be published by listed companies from the first quarter of 2009 and onwards	Financial statements not prepared in a timely manner by companies. Lack of taxation laws has meant that companies lack the corporate culture to disclose and publish annual reports.	Need to amend Companies Act to promote disclosure and accountability	Promotes greater transparency and market conduct.
3.2	Introduce a Corporate Governance framework	CMDA	In 2007, Companies were encouraged to voluntarily comply with the Corporate Governance Code formulated by the CMDA. Since 2008, a mandatory corporate governance regime has been introduced.	Gaps and shortcomings in the Companies Act and other governing laws hinder enforcement of the corporate governance regime introduced through the CMDA Code of Corporate Governance.	4 companies already abide by the Code. Few private companies are interested.	Promotes greater transparency and investor confidence in the market

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3.3	Co-ordinate with rating agencies to establish a company rating system	CMDA/MOFT	Ongoing	Lack of co-ordination between implementing agencies	The Ministry of Economic Development could assist CMDA in the establishment of a rating system	Integral to a viable capital market
3.4	Enhance awareness and accountability of company directors and Company Secretaries	CMDA/Registrar of Companies	Directors training programmes have been conducted on an ongoing basis. A Corporate directors and Secretaries database has been introduced to facilitate companies to choose potential candidates for board positions and also to enhance professionalism of corporate directors and secretaries.	Unavailability of persons to fill corporate secretaries role.	Consider local programmes designed to train company secretaries in association with the Registrar of Companies	Improves corporate culture, enhance compliance, and strengthen the corporate entity in general
3.5	Introduce incentives and awards system for the implementation of the corporate governance framework.	CMDA	National Award for Excellence in Corporate Governance introduced in 2008.		Applications open and deadline for application was the 30th of November 2008 but has been extended to 31.12.2008.	Promotes establishment of strong governance frameworks
Policy 4: Strengthen Training and Awareness						
4.1	Carry out training and awareness programs for market participants and investors	CMDA (CMCGI)	Ongoing	Budgetary and human resource constraints	Continue to enhance the role of the Capital Market and Corporate Governance Institute (CMCGI) to increase professionalism of market participants through conduct of Continuing Professional Education Programs.	Enhance professionalism of market participants and create a sophisticated investor base

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4.2	Increase public awareness on Capital Market as an attractive option for saving and investment	CMDA/MSE	Market education programs conducted on a continuous basis	Budgetary constraints; geographical dispersion of the population		Promote an investment culture
Policy 5: Provide diversified investment opportunities						
5.1	Encourage companies to go public by listing on the Stock Exchange by offering appropriate incentives	CMDA/Ministry of Economic Development/MOFT	Ongoing	Recessionary economic environment	Culture of non-disclosure and family companies more reluctant to go public. Need to change this culture through greater awareness and appropriate incentives	Improve market liquidity and increase investment opportunities.
5.2	Increase and allow foreign participation in the capital market	CMDA/Ministry of Economic Development	Ongoing	Prohibitive provisions in the Foreign Investment laws etc.	Need to consider whether foreign investment is to be allowed in all securities, consider whether local partnership is required and consider the requirement of an upper limit on ownership. Develop a government consensus.	Will provide greater liquidity to the market. Increase standards of business and attract greater foreign portfolio investment.
5.3	Develop debt market products	CMDA/ Ministry of Finance and Treasury/Financial Institutions	Ongoing	Small size of the market. Lack of awareness and reluctance of market institutions to venture into the debt market segment of capital markets	Conducting awareness programs and building international affiliations	Improve liquidity of the market, open new investment opportunities and reduce dependence on foreign financial institutions

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5.4	Develop Collective Investment Schemes	CMDA/MOFT	Developing a Regulatory Framework (Draft CIS law and Trust law complete)	Creating awareness among investors of new investment products such as CIS and unit trusts could pose a challenge in the short term.		Increase investment opportunities and assist in development of the capital markets in general by bringing institutional investors.
5.5	Introduce Islamic Capital market and products	CMDA/Issuers	Preliminary work underway	Budgetary and human resource constraints	Conducting awareness programs and building international affiliations	Important to remain at par with international financial developments and attract Middle Eastern funds.
Policy 6: Increase and Strengthen Regulatory framework						
6.1	Formulate a framework to better manage systemic stability and financial integrity of market institutions	MOFT/Ministry of Economic Development/CMDA	Developing appropriate Regulatory and Legislative framework	Budgetary constraints	Consider incorporating a Competition Commission	Strong regulatory framework is a precondition to the proper functioning of an open economy. Anti trust laws are necessary to ensure proper and effective market operations. Protecting the national interest. This should also be a precursor to Privatization.
6.2	Promote front-line regulation	CMDA/MSE	Strengthening the supervisory role of MSE through development of appropriate rules			

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6.3	Effective enforcement mechanisms	CMDA	Increase awareness of regulatory regime through educating law enforcement authorities	Financial and Human resource constraints	Need to strengthen the judiciary. Consider appointing a foreign commercial law judge to educate the judiciary on enforcement.	This will also improve international perception that Maldives is serious about attracting foreign investment and create greater confidence in the international community.
6.4	Improve the Regulatory Regime governing dematerialised securities	CMDA	Depository Bill drafted		To be presented to parliament shortly	Protect rights of investors through controls in legislative framework governing dematerialised securities.
6.5	Amend specific laws to encourage development of Bond market.	CMDA/Ministry of Economic Development	Issues to be addressed identified.	Budgetary and human resource constraints	Amend the law on Foreign Investment and Tourism Act. Amend the law preventing foreign ownership of property (bonds, sukuks and shares) in Maldives. Consider a set up whereby a local partner is made mandatory or consider an upper limit on foreign ownership. Enact the draft Trust law. This is necessary for bonds and sukuks. Implement the report on Bond and Sukuk Market Development.	Attracting Foreign Direct investment is important for the country. Also, important for the Privatization process.
Policy 7: Others						

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7.1	Promoting Privatization	CMDA/Government of Maldives	Ongoing		There should be a calendar of the proposed privatization process so that the Maldivian public can prepare themselves to invest in the shares of privatized companies.	Attracting Foreign Direct investment is important for the country. Also, important for the Privatization process.

Note: Once the Pension Bill is passed into law CMDA's regulatory role will expand. The pension law as being debated in parliament identifies CMDA as the regulator of the pension scheme.