



CMDA

Quarterly Report
(Qtr 03, 2008)

CMDA Quarterly Report

PREFACE

This report is designed to cover the main activities conducted by the Authority during the 3rd quarter 2008 under review.

The report also covers the developmental activities of the Authority and relevant market news throughout the quarter.

PRIMARY MARKET ACTIVITIES

Discussion sessions were held with Fathuru Maldives PLC regarding their Initial Public Offering (IPO). The Fathuru Maldives PLC is a subsidiary company of MTDC which holds 51 percent of the company. The company is hoping to make its first IPO during this year. The initial draft of the prospectus has been prepared by the company and preliminary discussions were held with the Stock Exchange.

REGULATORY ACTIVITIES

Decisions taken by the CMDA Board

During the quarter under review, the Board of Directors of CMDA met 11 times.

The highlights of the resolutions passed in the meetings are as follows:-

- ⇒ Amended and approved the Operational Rules, Default Rules, Main Board and Second Board Listing Rules of the MSE.
- ⇒ Amended and approved the IT Policy of the CMDA.
- ⇒ Passed an order to temporarily suspend the issuing of MTDC dividends.
- ⇒ CMDA Board resolved to conduct an independent investigation with reference to the Auditor General's Report about the MTDC.
- ⇒ Approved the CMDA budget for 2009.

Proposed Laws and Regulations

During the quarter under review, CMDA has requested the relevant government ministries to include in the legislative agenda of 2008 and 2009 the following Bills which are now translated to Dhivehi and ready for action.

(Please refer to CMDA website for further information)

⇒ **The Draft Law on Collective Investment Schemes (CIS).** The Bill will make provisions relating to the establishment, operation, promotion and sale of Collective Investment Schemes of all kinds.

⇒ **The Draft Law on Trusts.** This Bill will make provisions relating to the establishment and operation of trusts of all kinds.

⇒ **The Draft Securities Depository Law.** The Bill is designed to cover licensing and operations of Central Depository activities. The Bill also covers provisions relating to dematerialization of shares.

The above Bills were discussed with the market participants and other stakeholders and is now ready for finalization. Furthermore, the Pension Bill which is under consideration in the parliament was reviewed by the CMDA to identify the role of the CMDA in the Bill.

The CMDA worked on finalization of the Investment Advisers Regulations during the quarter. The proposed Regulations will apply to Investment Advisers and Investment Advisers Representatives to be licensed under the Maldives Securities Act.

Market Intermediaries Licensing

During the quarter, all licensed brokers and Dealing Companies requested for a renewal of their license as the current two year term of the license is coming to an end in November 2008.

License renewal applications were received from Stock Brokers Maldives Pvt Ltd, Island Securities and Brokerage Pvt Ltd, First Option Pvt Ltd and Aariya Securities Pvt Ltd.

A new brokerage license was also issued during the quarter to represent Stock Brokers Maldives.

Supervision of Licensed Intermediaries

As a regulatory measure, the CMDA conducts regular inspections of the Dealing Companies.

During the quarter under review, all the four dealing companies were inspected. The inspection mainly covered issues related to Licensing Regulation and Code of Conduct of operation.

As a result of the inspection findings, the license of the Aariya Securities Pvt Ltd was suspended temporarily

as some practices contrary to Licensing Regulation and Code of Conduct were observed during the inspection. A meeting was held in the CMDA with the management and the brokers of the company to discuss the remedies for this issue.

The CMDA is also working on establishing an online link between the MSE and CMDA to monitor daily trading of the MSE and MSD. This would also assist the CMDA to obtain investor information and statistics for investigations.

COMPLAINT HANDLING

The CMDA deals with individual complaints and take necessary actions to protect investors' rights. During the period under review, three investor complaints were received. However, only one complaint was officially filed among these complaints.

ISSUES RELATING TO LISTED COMPANIES

With reference to the Auditor General's report (AR-2-2008), CMDA started the process of investigating the case of MTDC to check for any unfair securities dealings and violation of the Maldives Securities Act.

The MTDC held its second AGM on 16th July 2008 and declared a dividend of Rf90 per share. However, CMDA noted that the dividend declared by the MTDC was against the normal international best practices since the company's financial report indicates that the company does not have accumulated earnings to distribute such a high dividend.

MARKET DEVELOPMENT ACTIVITIES

Training Programmes



During the period under review, several training programmes were conducted by the CMCGI to create awareness and upgrade the professional strength of the market participants.

⇒ An Investment Advisor training programme was held to train Investment Advisors to act in the financial market of the Maldives. From a total of 16 participants, 10 participants passed the training programme successfully and the certificates were awarded on 13th August 2008. Investment Advisors will be licensed to act in the market in the near future.

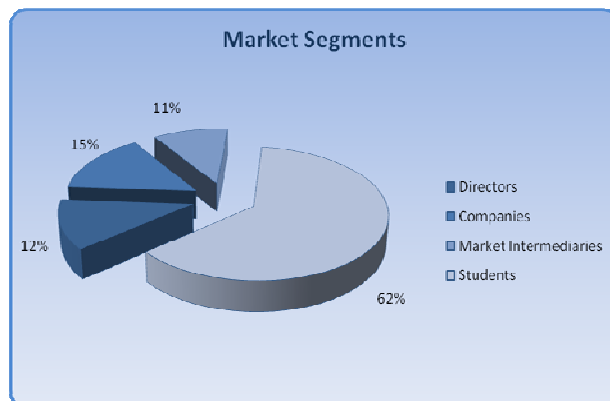
⇒ A Company Secretary programme was conducted to create awareness and develop the role of the company secretaries according to the international best practices.

⇒ Staff development programmes were conducted for the staff of CMDA. All level of staff participated in the development programmes conducted by the CMCGI.

Awareness Programmes

Several presentations were delivered to the different segments of the market to create awareness of the capital market.

The following pie chart depicts the different categories of participants in the presentations.



Prize Awarding Ceremony of Capital Market Interschool Quiz Competition 2008 and Capital Market Essay Competition 2008 were held at CMDA on 25th August 2008. A total of 94 students from 10 schools participated in the quiz while 189 students from 35 schools competed in the essay competition.



CORPORATE GOVERNANCE

- ⇒ A Corporate Governance quiz was conducted through Jazeera Daily News paper.
- ⇒ Corporate Governance Questionnaire was sent to 16 selected companies out of which 9 companies responded as at 30th September 2008.
- ⇒ Advertisements were delivered through media to create awareness of the Corporate Governance Award.
- ⇒ Applications from BML and STO to compete for the Corporate Governance Award were received and analyzed for documentation completion.
- ⇒ Established a Corporate Governance Technical Committee to advise CMDA on technical aspects relating to the national CG Award and other Corporate Governance activities.
- ⇒ A Directors and Secretaries Database was developed and the testing phase is ongoing.

INTERNATIONAL AFFILIATIONS

- ⇒ A Memorandum of Understanding to be signed between CMDA and the Jordan Securities Commission to establish a bilateral relationship was finalized.
- ⇒ The CMDA reviewed the MOU of the Association of National Numbering Agencies (ANNA) and explored the possibilities to seek its membership. The ANNA is an agency promoting, implementing, maintaining standards for securities and related financial instruments in a uniform and accurate structure for the benefit of their home markets and of the securities industry as a whole.
- ⇒ A Memorandum of Understanding was signed between CMDA and the Institute of Company Secretaries of India (ICSI). The ICSI is an institute for regulation and development of the profession of Company Secretaries.



Disclaimer

The Capital Market Authority does not provide neither investment advice nor recommendations to buy or sell securities and assume no liability for any actions taken in reliance thereon. Past performance is not necessarily indicative of future performance. Prior to making any investment decision, it is recommended that you seek expert advice.

STOCK MARKET HIGHLIGHTS

Trades and Volume Traded

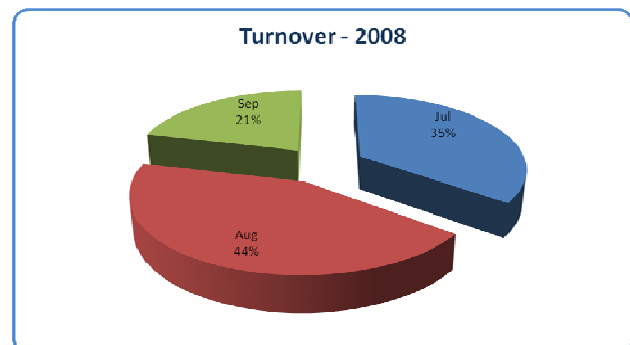
During the quarter under review, 82 trades were concluded through the MSE. The trades comprised of 35 trades of July, 24 trades of August and 23 trades of September.



The shares traded in the second month of the quarter showed an increase of around 24 percent compared to the first month of the quarter. Conversely, the shares traded declined by around 41 percent in the last month of the quarter in contrast to the second month.

Turnover

The turnover also indicated a similar trend reflecting an increase of 23 percent compared to the first month of the quarter while it registered a decline of 51 percent compared to the same period.



Market Capitalization

The Market Capitalization as at end of the quarter stood at Rf2,669,024,200 by registering a decline of around 9 percent in comparison to the first month of the quarter.

Do you Know?



Companies registered in the Maldives are eligible to apply for the National Award for Excellence in Corporate Governance. **The deadline for the Award applications is 30th November 2008.**

For more information please call 3336619 or visit www.cmda.gov.mv.