

## **STOCK EXCHANGE COMPANY LICENSING REGULATION**

### **Citation**

1. This Regulation may be cited as the Stock Exchange Company Licensing Regulation.

### **Interpretation**

2. In this Regulation, unless the context otherwise requires -

(A) "Authority" shall mean the Capital Market Development Authority

(B) In this Regulation, unless the context otherwise requires, any term defined in the Maldives Securities Act shall have the meaning assigned to it in the Act.

(C) For the purposes of this Regulation, an associated person means a person who is related to another person in accordance with any of the following provisions:

a) Natural persons are related if,

- (i) one is the spouse of the other;
- (ii) the relationship between them is that of parent and child, brothers and sisters (including half brothers and sisters);
- (iii) they are partners in a partnership to which the Partnership Act of Maldives applies.

b) Companies are associated persons if they are associated bodies corporate in which greater than 5% of the shareholding is owned/controlled by the other company.

c) A natural person and a company are associated persons if,

- (i) the natural person directly or indirectly holds or can control greater than 5% shareholding of the company;
- (ii) the natural person is a director of the company or of another company that is associated to the body corporate.

### **Application**

3. An application for grant of approval to operate as a securities exchange shall be submitted to the Authority in the Form set out in the Schedule 1.

### **Licensing conditions**

4. (a) The License issued under this Regulation is specific to the Applicant and shall not be transferable

(b) the holder of a Stock Exchange license shall start operating its business within 30 days of issue of license or by a date specified by the Authority.

- (c) The Applicant must register a Company to operate the Central Depository, Clearing and Settlement service before the Stock Exchange license is granted.
- (d) The Stock Exchange Company shall not admit to listing a security which has not been approved for listing by the Authority.
- (e) The Stock Exchange Company shall prepare and publicly disclose a comprehensive business plan for developing the Stock market in Maldives, including increasing number of listed companies and improving liquidity and price discovery in listed securities. The Stock Exchange shall prepare the said plan in consultation with the Authority. The Stock Exchange shall also publicly disclose updates about any modifications made to the said plan and the progress being made on its implementation.
- (f) The Stock Exchange shall confine its activities to the generally recognized core functions of a Stock Exchange and not directly or indirectly enter to any other business. The Stock Exchange shall also not outsource any of its core functions including listing, trading, and clearing and settlement, without the prior approval of the Authority.
- (g) The Stock Exchange shall abide by the Corporate Governance Code set by the Authority.
- (h) The Authority retains the right to impose additional conditions for grant of a license under this Regulation.

### **Rules of the Stock Exchange Company**

**5.** The Stock Exchange Company shall implement a system of self regulation with respect to its trading members and shall ensure the day to day management of trading, settlement, delivery and all other activities of its trading members, are in accordance with the Memorandum and Articles of Association and rules of the Stock Exchange Company which have been approved by the Authority.

The rules proposed by the Stock Exchange Company shall contain provisions on -

- (a) admission to the listing, suspension or de-listing of securities by the Stock Exchange Company;
- (b) the conditions governing dealing in securities by trading members so as to ensure protection of the rights of investors;
- (c) prompt disclosure, in a manner that is fair to all investors, of material information of a price sensitive nature and information likely to affect the price of a security;
- (d) protection of investors against abuse of confidential information, misleading information, fraud, deceit, and other adverse practices in the issuing and trading of securities;
- (e) prohibition of market manipulation in any form;

- (f) investigation into trading in securities and financial transactions of stockbrokers and dealers and for conducting checks on such parties;
- (g) suspension of trading of any security for the protection of investors or for the conduct of orderly and fair trading;
- (h) the conduct of securities trading by stockbrokers and dealers and the manner in which information relating to transactions is to be maintained and reported;
- (i) mechanisms for dispute resolution and provision for appeal to the Authority by trading members, investors and listed companies;
- (j) carrying out of the business of the Stock Exchange Company with due regard to interest of the investing public;
- (k) handling of complaints from investors; and
- (l) responsibility of the Stock Exchange Company for the actions of employees, agents in their dealings with the public.

### **Board and Management**

- 6.** (a) The Stock Exchange Company shall be governed by a board of directors which shall be approved by Authority.
- (b) No person shall be eligible to become a Director of the Stock Exchange if he does not meet the fit and proper standards for a Director of the Stock Exchange, as may be specified by the Authority from time to time. Further, no person shall be appointed to or removed from the Board of Directors of the Stock Exchange without prior written approval of the Authority.
- (c) The Stock Exchange Company shall have a Chief Executive who shall be in charge of the day to day operations of the Stock Exchange Company. The Chief Executive shall be appointed or removed only with the prior approval of the Authority.
- (d) The Stock Exchange Company shall have sufficient professional capability to carry out its functions.

### **Shareholders**

- 7.** (a) Shareholders of the Stock Exchange Company shall comprise of dealing companies licensed by the Authority and any other institutions or persons approved by the Authority.
- (b) The shareholding structure of the Stock Exchange Company should be as follows:
- (i) Dealing Companies, Companies listed in the Maldives and financial institutions licensed by the relevant Authority in the Maldives may hold directly or indirectly or as associated persons up to 10% each of the total outstanding shares of the Stock Exchange Company.

- (ii) An Individual or any other company not specified in (i) may hold directly or indirectly or as associated persons up to 5% each of the total outstanding shares of the Stock Exchange Company.
- (c) The presence or absence and degree of association between two or more persons shall be determined by the Board of the Authority based on its opinion whether or not it is reasonable to expect that the concerned persons can exercise the rights of their shares of the Stock Exchange Company independent of each other.
- (d) Where the Authority is of the view that any two or more associated persons hold or control more than the requisite shareholding specified in subsection (b) the Authority may direct any one or more of the said persons to sell whole or part of their shares to another person approved by the Authority, so that the aggregate votes that may be cast by a shareholder in a general meeting of the Stock Exchange Company shall not be more than the requisite shareholding specified in subsection (b).
- (e) Where the Government takes 100% ownership of the Stock Exchange subsections (a) – (d) will not be applicable to the Government Stock Exchange formed pursuant to the Act. However, where the Government Stock Exchange is privatized, the provisions of this section will apply.

#### **Trading members**

- 8. (a) A Stock Exchange Company shall admit as a trading member any dealing company licensed by the Authority on payment of the admission fee approved by the Authority.
- (b) The Stock Exchange shall not, directly or indirectly, attempt to restrict or reduce the number of dealing companies or the number of stock brokers.

#### **Dealing in Listed Securities**

- 9. (a) A Director of the Stock Exchange Company shall not deal in listed securities as may be specified by the Authority from time to time. Further, each Director of Stock Exchange Company shall promptly disclose to the Stock Exchange all direct or indirect dealings in securities done on his account, on account of his spouse, or on account of his minor children. A Director shall also disclose to the Stock Exchange all securities beneficially owned by him, his spouse, or minor children and any change thereof.
- (b) An employee of the Stock Exchange shall not, directly or indirectly, deal in listed securities, save as (i) subscription of securities in a public offer and sale of the same in the Stock market, and (ii) purchase or redemption of units of an open end collective investment scheme.

#### **Action against directors of the stock exchange**

- 10. If a Director or employee of the Stock Exchange fails to comply with the requirements of this Regulation, the Authority may take action against that person provided that the Authority shall first issue a show cause notice to the concerned person and give that person an adequate opportunity to defend himself. Actions taken by the Authority under this section shall be fully and immediately disclosed to the public.

#### **Trading system**

- 11. (a) The trading system or mechanism to be adopted by a Stock Exchange Company shall be approved by the Authority.

- (b) The Stock Exchange shall ensure that on any given day, throughout the trading hours, information pertaining to trades that have been executed, all information contained in the order book of the Stock Exchange in general and all bids and offers placed for each listed security in particular, save the identities of client investors and dealing companies, can be easily accessed by any person through the website of the Stock Exchange.

### **Capital Requirements**

12. (a) The Stock Exchange Company is required to have a minimum paid up capital of RF6,000,000 (Rufiyaa Six million) and is required at all times to maintain a net capital of not less than RF 3 million (Rufiyaa Three Million).
- (b) The authorized capital of the Stock Exchange Company shall be not less than RF15,000,000 (Rufiyaa Fifteen Million) or such an amount as may be directed by the Authority from time to time.

### **Fees and Deposits**

13. (a) An application for a license shall be accompanied with an application processing fee of RF 3000 (Three Thousand Rufiyaa).
- (b) (i) The Stock Exchange Company is required to deposit with the Authority as a cash deposit, an amount of RF 1,000,000 (Rufiyaa One Million). The Authority shall invest this amount in a bank fixed deposit or in Treasury Bills or any other such investment vehicle as may be determined by the CMDA. The CMDA shall annually, pay interest received on this investment to the Stock Exchange Company, less administrative charges as may be specified from time to time by CMDA.
- (ii) In the event, the license is revoked, the money shall be used to indemnify persons who has got judgment in their favour against the Stock Exchange Company and the balance if any shall be refunded to a person or institution identified by the Stock Exchange Company.
- (c) The Stock Exchange Company shall be required to pay an Annual Stock Exchange license fee of RF 36, 000 (Rufiyaa Thirty Six Thousand).
- (d) In the event a license is damaged, defaced or lost, the Stock Exchange Company shall be required to pay a license replacement fee of RF 10,000 (Rufiyaa Ten Thousand)

### **Charges to be levied by the Stock Exchange**

14. All fees and service charges levied by the Stock Exchange on the listed companies and dealing companies or any other person benefiting from the services of the Stock Exchange, and any amendment in the said fees and service charges, shall be subject to the prior approval of the Authority.

### **Records to be maintained**

15. The Stock Exchange Company shall maintain and preserve the following records and documents, for a period of six years -
- (a) minutes of the meetings of-

- (i) its Board of Directors and shareholders; and
  - (ii) any standing committee or committees of its Board of Directors;
- (b) register of shareholders including the full names and physical addresses of all directors and shareholders and their shareholding percentages;
  - (c) register of representatives and agents;
  - (d) record of securities transactions;
  - (e) statistical information on market turnover and capitalization;
  - (f) register of all listed securities including the names of issuers and number of securities listed by each issuer;
  - (g) records of receipts and disbursement of the investors compensation fund if any;
  - (h) annual audited accounts;
  - (i) annual reports of all listed companies; and
  - (j) financial records of all transactions of the Stock Exchange Company.

### **Reporting obligations**

**16. (a)** The Stock Exchange Company shall within four months after the end of each financial year make available to the Authority, and to the investors, a summary of information on companies listed on the Stock Exchange.

(b) The information referred to in subsection (a) shall include the -

- (i) published accounts of companies listed on the Stock Exchange including balance sheet and profit and loss statements;
- (ii) date of incorporation, date of listing, names of directors, share capital, number and value of shares issued, and any changes in the share capital;
- (iii) details of securities transacted and the prices (high, low and mid-market) at which such securities have been transacted during the year; and
- (iv) earnings per share, dividend per share and shareholding structure.

(c) The Stock Exchange Company shall maintain information in both print and electronic form, regarding each company listed on the Stock Exchange and such information shall include -

- (i) name of the issuer and date of incorporation;

- (ii) date of listing;
- (iii) names of directors;
- (iv) principal/controlling shareholders;
- (v) total number of shareholders.
- (vi) authorized and paid-up share capital;
- (vii) changes in authorized or paid-up share capital;
- (viii) core and auxiliary line of business;
- (ix) balance sheet and profit and loss accounts for the last five years;
- (x) volume and price movements (high and low) of the listed security; and
- (xi) earnings per share and dividend per share.

(d) The Stock Exchange Company shall, by the last day of April in each year, furnish the Authority with an annual report of its activities during the preceding calendar year and such report shall contain information on -

- (i) changes in its rules;
- (ii) changes to the Board of Directors;
- (iii) composition and mandates of all the committees set up and changes (if any) in the membership of its existing ones;
- (iv) disciplinary action against members including appointment of statutory manager;
- (v) disputes resolution;
- (vi) securities listed, suspended or de-listed;
- (vii) market turnover, capitalization and the value of index; and
- (viii) any other matters that the Authority may request.

(e) The Stock Exchange Company shall submit to the Authority, through electronic means, and make public a daily report on the securities transacted, the price movements on each security including low, high and average prices, and the volume of transactions in each security.

(f) The Stock Exchange Company shall furnish the Authority a detailed report of securities transactions upon request or within 5 market days where appropriate;

- (g) The annual accounts of the Stock Exchange Company shall be audited by an independent auditor approved by the Authority. The Auditor appointed as such shall not be removed without the prior approval of the Authority;
- (h) The Stock Exchange Company shall furnish the Authority with all documents and notices that it issues to its shareholders in connection with the annual general meetings within ten days prior to the date of such meetings.
- (i) Communication to investors shall be by way of publication in at least two daily newspapers of national circulation and through other media.
- (j) The Stock Exchange Company shall immediately report to the Authority by telephone and in writing whenever-

- (i) there is a delay in the opening or closing of the Stock Exchange Company;
- (ii) there is a default on settlement and delivery;
- (iii) trading is to be suspended or halted in any security;
- (iv) there are incidences of violation of the Act or the Stock Exchange Company rules;
- (v) there is unusual activity in the market;
- (vi) the Stock Exchange Company receives any non-public information that its chief executive believes could have a material effect on the market in general or on any specific securities; or
- (vii) the Authority requests for any information.

- (k) The Stock Exchange Company shall provide to the Authority Minutes of all meetings of its board of directors as well as minutes of any committee formed by the board within three working days.

#### **Submission of annual budget**

- 17. (a) The Stock Exchange Company shall submit its annual budget to the Authority not later than thirty days before the commencement of its financial year.
- (b) Any revisions to the budget shall be submitted to the Authority not later than fifteen days before the commencement of its financial year.
- (c) The annual budget shall -
  - (i) disclose details of revenue and expenditure.
  - (ii) make provision for a minimum of at least 5-10 percent of the total annual listing fees or any other income receivable each financial year to support the development of the Stock Exchange Company infrastructure and investor education programme.

#### **Investor compensation fund**



18. (a) The Stock Exchange Company shall establish and maintain an investor compensation fund by a date specified by the Authority.
- (b) The Stock Exchange Company shall keep proper accounts and records of the investor compensation fund and shall in every financial year prepare a statement of accounts showing the movement and financial position of the fund in its annual report.
- (i) The compensation fund shall be prudently managed by the Stock Exchange Company as a separate fund and shall be disclosed as such in the Stock Exchange Company annual balance sheet.
  - (ii) The accounts shall include the income and all sources of contribution to and expenditure from the investor compensation fund.
  - (iii) The accounts and records shall be audited by the auditor appointed in compliance with this Regulation.
  - (iv) Any proposed payment from the compensation fund by the Stock Exchange Company shall be reported to the Authority before such payment is effected.

**Amendments**

19. (a) The Authority has the power to make modifications and amendments to the regulations governing the Stock Exchange as may be necessary for the smooth operations of the Stock Exchange and the securities market. Amendments to this regulation can be brought by the Board of Directors of the Authority.
- (b) The Board of the Authority retains the right to waive any one or more of the provisions under this Regulation, where it is reasonable to do so in the interest of the public.

**SCHEDULE 1**

**FORM: 1**

**APPLICATION FOR THE LICENSE  
TO ESTABLISH A STOCK EXCHANGE COMPANY**

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1. **General Information:**

a. Name of Applicant Company:

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b. Registered office:

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- c. Date of incorporation .....
- d. Full address and telephone number of the principal place at which the business of the Applicant is to be carried on: (The Stock Exchange Company should be located in a place with good access to the public)

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2. **Financial, technical and other aspects to be considered by the proposed company**  
*(Please include details and attach plans where necessary)*

- a. Proposed authorized and paid up capital of the Company that wishes to obtain the license( Refer to capital structure requirements)
- b. Proposed shareholders and their financial commitment in the capital of the proposed Company
- c. Draft business plan for five years (Describe in detail the organisational structure and internal control procedures and include draft rules of the proposed Company)
- d. Estimated fee and revenue structure for the services to be rendered by the proposed Company
- e. Strategic marketing plan for the growth of the business of the Company
- f. Proposed Board & governance structure (which must be in accordance with the Code of Corporate Governance of CMDA)
- g. Key management team along with their qualification and experience
- h. The draft Memorandum and Articles of Association (This must be in a form satisfactory to the CMDA)
- i. IT deployment plan
- j. Plan for handling investors grievances
- k. Proposed insurance/guarantee measures for handling members' defaults
- l. Rules required under section 24 of the Securities Act.

3. **Financial, technical and other aspects to be considered in relation to providing clearing, settlement & Depository services for the Stock Exchange Company**  
*(Please include details and attach plans where necessary)*

- a. Proposed authorized and paid up capital of the proposed Central Depository Company (The company should have adequate capital to run the operations)

- b. Proposed shareholders and their financial commitment in the capital of the proposed Central Depository Company
  - c. Draft business plan for the proposed Central Depository Company for five years.
    - Detailed organisational structure and internal control procedures
    - Estimated fee and revenue structure for the services
    - Strategic marketing plan for the growth of the business
  - d. Proposed Board & governance structure
  - e. Key management team along with their qualifications and experience
  - f. Outline of the draft Memorandum and Articles of Association (which shall be in the form as directed and approved by the CMDA)
  - g. IT deployment plan and Systems.
4. The details of shareholders of the Applicant, including the name address, amount of shares being held and date of acquisition. *(Please attach a list)*

Name	Address	Number of shares	Date of acquisition of shares

5. Details of each Director, Company Secretary, chief executive officer and other key personnel of the Company:

Name: .....

ID card number .....

Residential Address: .....

Date of Birth: .....

Date of appointment: .....

Office held: .....

Educational qualifications: .....

6. Name and address of each person who, directly or indirectly, exercises or has power to exercise a controlling influence over the management and policies of the Applicant other than those shown as Directors:

Full Name	Address

7. Is any Director or Secretary of the Applicant a Director of any other corporation?

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If the answer is “YES” give details of:

Name(s) of Company	Place of Incorporation	Office held	Date of appointment

8. Has the Applicant or any Director or Secretary of the Applicant within the past 10 years:-

(a) been licensed or registered in any place under any law which requires licensing or registration in relation to dealing in securities? If answer is “YES” give details thereof:

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(b) been licensed, registered or otherwise authorised by law to carry on any trade, business or profession in any place? If answer is “YES” give details thereof:

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(c) been refused the right or restricted in its or his right to carry on any trade, business or profession for which a specific license, registration or other authority is required by law in any place? If answer is “YES” give details thereof:

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(d) been suspended from membership of any securities Exchange or otherwise disciplined by a securities Exchange? If answer is “YES” give details thereof:

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- (e) been refused membership of any Stock Exchange Company? If answer is “YES” give details thereof:

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9. Has any Director or Secretary of the Applicant within the past 10 years:-

- (a) been known by any name other than the name or names shown in this application? If answer is “YES” give details thereof:

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- (b) been convicted of any offence other than a traffic offence in Maldives or elsewhere or are there any proceedings now pending which may lead to such a conviction? If answer is “YES” give details thereof:

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- (c) had judgment including findings in relation to fraud, misrepresentation or dishonesty been given against him in any civil proceedings, in Maldives or elsewhere? If answer is “YES” give details thereof:

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- (d) been declared bankrupt or compounded with or made an arrangement for the benefit of his creditors, in Maldives or elsewhere? If answer is “YES” give details thereof:

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(e) been engaged in the management of any corporation other than those referred to in answer to question 7? If answer is "YES" give details thereof:

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(f) been refused as a Director, or been Director of a Company that has gone into receivership or liquidation, in Maldives or elsewhere? If answer is "YES" give details thereof:

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10. Has any Director or management staff of the Applicant had any experience in performing the functions in this area? If answer is "YES" give details thereof:

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11. In relation to each Director and Secretary of the Applicant set out below details of the officer's employment and business activities, during the previous 5 years:

Name of Director or Secretary	Name and address of employer (if self-employed, so state)	Nature of business or activity	Description of duties in relation to the employment	Period of employment or activity (give exact dates)

12. Include certified copies of any formal qualifications or training of the Directors or Secretary of the Applicant.

13. Set out below details of two persons with whom each Director and the Secretary of the Applicant has had regular contact over the past 5 years and of whom the Authority may enquire regarding the character and reputation of the respective Director or Secretary.

Name of Director or Secretary in respect of whom enquiries may be made	Name of character referee	Occupation of character referee	Address of character referee

**Note:**

(1) Set out any additional information that the Applicant deemed as important for the purpose of this application

- If space is insufficient to provide details, please attach annexure(s). Any such annexure should be identified as such and signed by the signatory to this application.

**(2) Please attach the following with the application**

- Copy of the Registration Certificates under the Companies Act for the Applicant
- Draft Memorandum and Articles of Association of the proposed Stock Exchange Company
- Draft Memorandum and Articles of Association of the proposed Depository Company
- Rules of the proposed Stock Exchange Company
- Business Plan & Marketing Plan of the proposed Stock Exchange Company and the Depository Company
- Profile of the Chief Executive Officer and other key employees of the proposed Stock Exchange Company and the Depository Company.
- Last audited balance-sheet and profit and loss statement (these statements should be certified by Auditors approved by the Auditor General)
- Completed Clearance form (Appendix:1)
- Certified copies of any formal qualifications or training of the Directors and Secretary of the Applicant
- Application Processing Fees Rf.3000 (Rufiyaa Three thousand only - non-refundable)
- Any other information or documents required by CMDA.

**Note:** *The Application package contains 16 pages including 3 Appendices as follows;*

Appendix 1: *Clearance form from the courts*

Appendix 2: *Proposed rules/regulations governing the conduct of Maldives Stock Exchange Company*

Appendix 3: *Proposed rules/regulations governing conduct of Central Depository*

**Undertaking for compliance with the Securities Laws Rules/Regulations**

All Applicants shall be required to furnish an express undertaking to CMDA confirming that the Applicant understands and acknowledges that the license (right) to establish and operate a Stock

Exchange Company in the Maldives shall be subject to their continued compliance with the Securities Laws and other Rules/ Regulations of CMDA, and that the Applicant also acknowledges that such a license (right) could be suspended, or withdrawn by CMDA in case of breach of any of the present or future provisions of these regulatory requirements.

**Declaration:**

We have read and understood the Maldives Securities Act and the regulation made under the Act, and we are aware of the provisions of the section 32 of the Maldives Securities Act relating to false statements in application.

<b>Number</b>	<b>Name of Director / Company Secretary</b>	<b>Signature</b>	<b>Date</b>



# Appendix: 1

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