

GOVERNMENT'S ROLE IN STRENGTHENING KEY INFRASTRUCTURE FOR THE GROWTH IN CAPITAL MARKET OF THE MALDIVES



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CONTENT

- ▶ Overview of current Government Securities Market
- ▶ Regulatory and I.T infrastructure development
- ▶ Institutional investor's role in becoming a Primary Dealer
- ▶ Potential types of liquid conventional and Islamic instruments

OVERVIEW

- ▶ Capital markets are markets for trading long term financial securities, including ordinary shares, long term debt securities such as debentures, unsecured loan stock and convertible bonds etc.
- ▶ Government Securities are one of the securities categorized under the capital markets
- ▶ The issuance of Government Securities in the Maldives is undertaken by the Maldives Monetary Authority, as the fiscal Agent of the Government of the Republic of Maldives.

REASONS FOR ISSUING GOVERNMENT SECURITIES

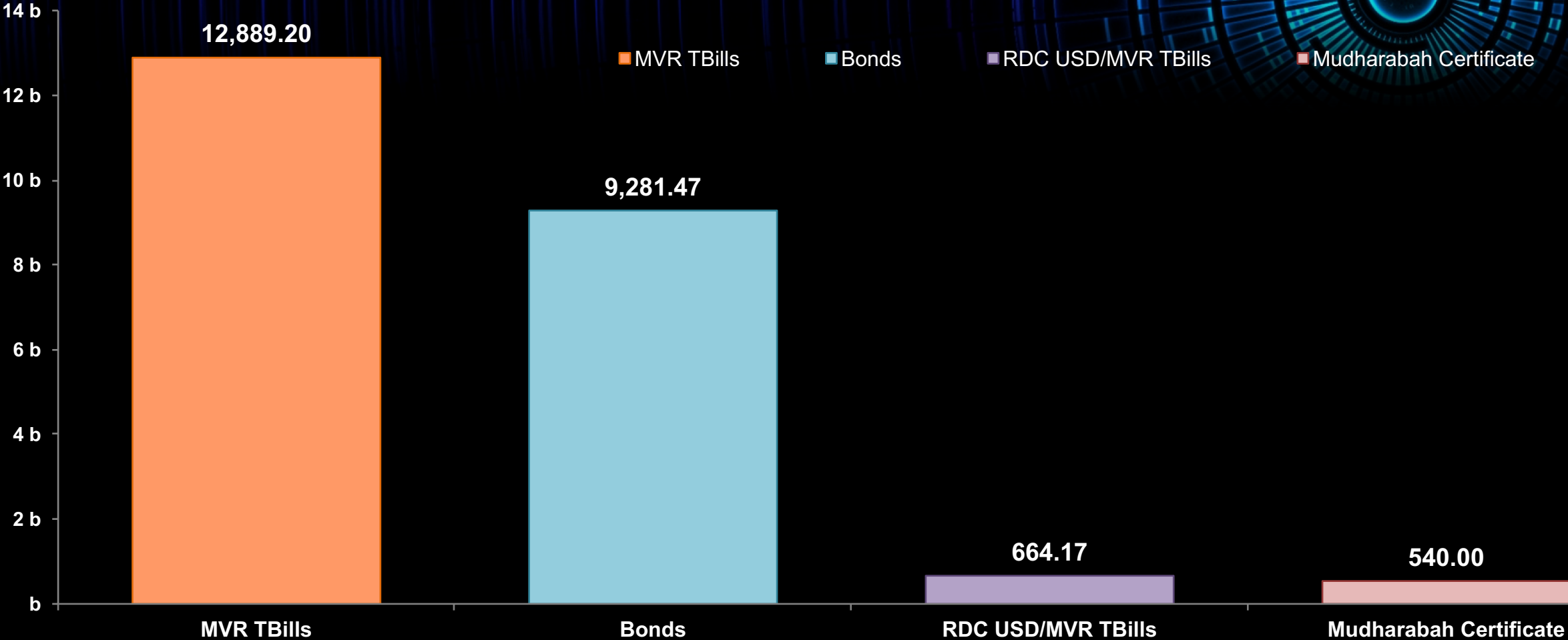


GOVERNMENT SECURITIES CURRENTLY ISSUED

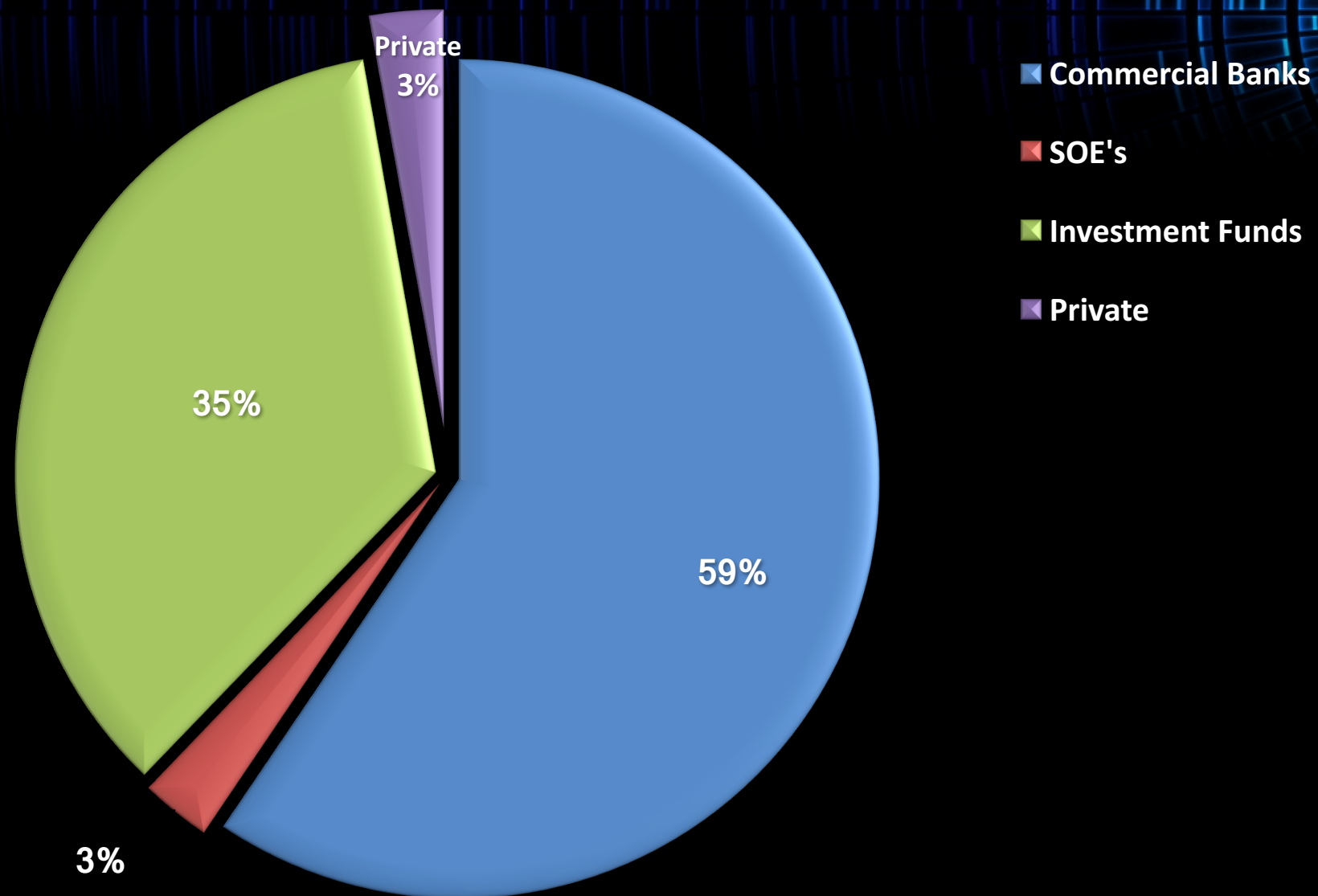
- ▶ MVR Treasury Bills
 - ▶ Issued publicly on a weekly basis
 - ▶ Eligible participants: Commercial Banks, State Owned Enterprises, Private Companies, and other parties authorized by the Government
 - ▶ Can be Pledged and Transferred
- ▶ Types of securities issued on Private Placement
 - ▶ Reverse Dual Currency T-Bills
 - ▶ MVR T-Bonds
 - ▶ Islamic Securities (MVR)

OUTSTANDING GOVERNMENT SECURITIES

as at 31 December 2017



TREASURY BILLS HOLDERS CATEGORIES



CHALLENGES FACED IN RAISING FINANCE THROUGH GOVERNMENT SECURITIES IN THE DOMESTIC MARKET

Under-developed market infrastructure

Narrow investor base: Limited retail participation

High rollover/refinancing risk

ROADMAP FOR GOVERNMENT SECURITIES MARKET DEVELOPMENT

❖ Issuing Longer Term Securities

❖ Widening Investor Base

❖ Developing Secondary Market

CURRENT INFRASTRUCTURE DEVELOPMENT

OBJECTIVES

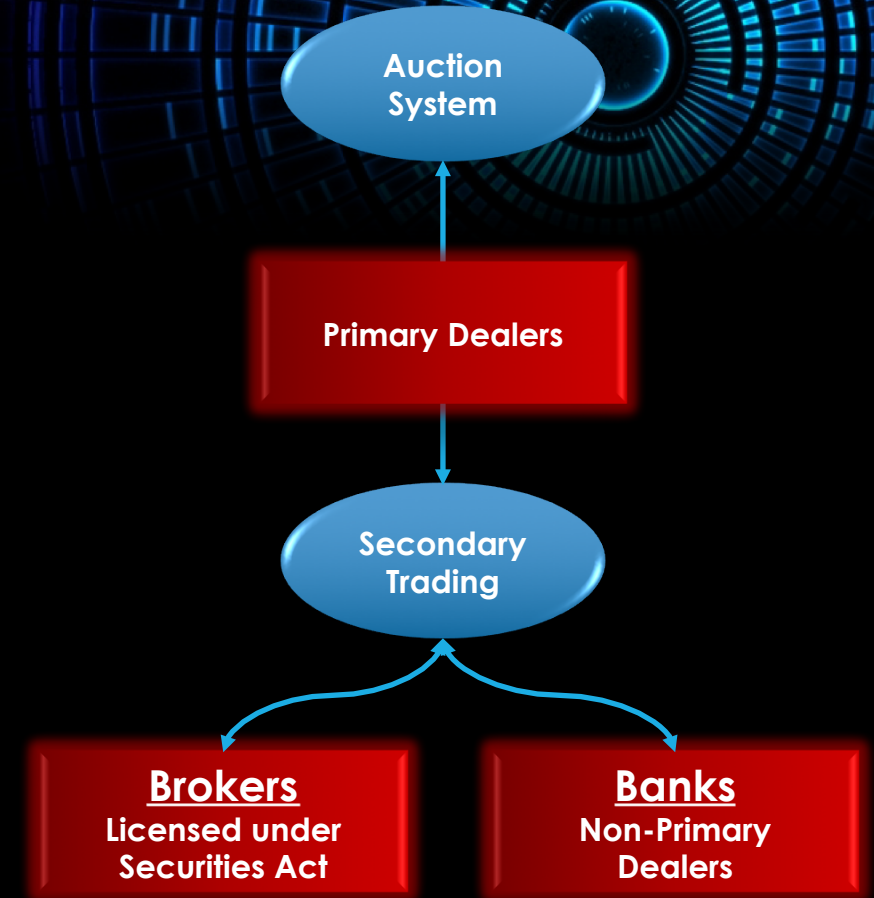
- ▶ The Government of Maldives has a key role to play in assisting the Capital Market to grow
- ▶ Introduction of Electronic Auction and Trading Platform. This also includes establishing a central securities depository
- ▶ Establishment of rules and regulations for primary dealership and secondary market trading
- ▶ Introduction of Primary Dealership Regime in order to assist in the development of secondary market trading of government securities in the Maldives

DEVELOPING CAPITAL MARKET IN THE LONG RUN

- ▶ Regulatory Framework provides a stronger foundation for Government Securities Market
 - ▶ Will function in harmony with the existing capital market regulatory framework
- ▶ Facilitating liquidity in Government Securities
 - ▶ Business rules for issuance and trading empowers investors and supports capital market structure
 - ▶ Efficient functioning IT infrastructure assist in active trading
 - ▶ IT infrastructure also includes market data and surveillance systems with real time data dissemination
 - ▶ Increases market confidence (both domestic and international)
- ▶ Better functioning Government Securities Products provide benchmarking for corporate securities
- ▶ Rollout the Central Securities Depository to the Maldives Stock Exchange in the Medium Term

PRIMARY DEALERSHIP AND THEIR ROLES

- ▶ Primary Dealers are authorized institutions who have the exclusive right to purchase government securities directly from the primary issuance
- ▶ With the introduction of Primary Dealership, any non-primary dealer would only be able to purchase their government securities from the licensed Primary Dealers
- ▶ Primary dealers are obliged to act as market makers in government securities. PDs should try to widen the market and establish a Secondary Market trading
- ▶ Non-primary dealer banks and institutional investors would have to get their government securities from licensed primary dealers
- ▶ Brokers could participate in the secondary market on behalf of their investors



POTENTIAL TYPES OF LIQUID INSTRUMENTS



Introduce National Savings Scheme



Expand Islamic Securities Issuance



Introduce Green Bonds

INTRODUCE NATIONAL SAVINGS SCHEME



EXPAND ISLAMIC SECURITIES ISSUANCE

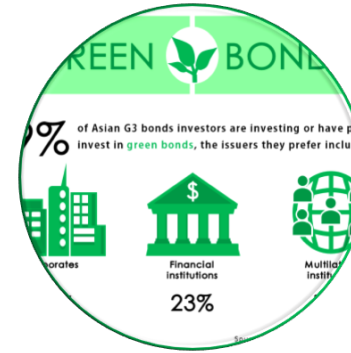
- ▶ Introduce new structures of Islamic Securities
 - ▶ Real Estate Industry – Istisna Concept
- ▶ Tap into new domestic Islamic Institutions
 - ▶ Islamic Bank
 - ▶ Takaful companies
 - ▶ Pension Fund - Sharia compliant portion
 - ▶ Hajj Corporation
 - ▶ High net worth individuals
- ▶ Become a regional hub for Islamic Securities and tap into the neighboring countries funding

INTRODUCTION OF GREEN BONDS



PURPOSE OF FUNDS

- Waste Management Projects
- Renewable Energy
- Coastal Protection Projects



POTENTIAL INVESTORS

- Tourism sector resort operators
- Multinational Investment Funds that incorporate Environmental, Social and Governance criteria in their investment

THANK YOU

