

Panel Discussion on Appetite for Institutional Financing and Workable Modalities

The panel discussion of Maldives Finance Forum focused on exploring financing modalities, where institutional investors in Maldives can collaborate to arrange long term financing for large projects, particularly for infrastructure and real estate projects. The opportunities and challenges faced by the institutional investors, bankers and Government SOEs in raising finance locally were also discussed in the panel.

Participants

1. Mr Mahzoom Saleem, Director General of capital market development authority
2. Mr. Adam Saleem, Director of Crown Company and Tree Top Investment.
3. Mr. Ahmed Shaam, Associate General Manager, Maldives Airports Company Limited
4. Mr. Nirosh De Silva, Managing partner for Horizon Partners Limited, Sri Lanka
5. Mr. Nandana Senevirathne, Chief Financial Officer of Bank of Maldives

The panel discussion was moderated by Dr Aishath Muneeza. Dr. Muneeza, is an Associate Professor at INCEIF, The Global University of Islamic Finance.

Summary of key discussion points

1. Market appetite for long term funds and investor expectations

1.1 Demand and supply of long-term financing

The private sector has long term capital requirements for tenures as long as 7 years and beyond. In terms of the size of investment projects, there are strong funding requirements by SOEs for projects such as the airport development project, which is estimated to have a development cost of MVR 1.2 billion. Participants expressed concerns over the few avenues available locally for raising long term finance for private sector and the capacity of local markets to raise such large-scale financing.

1.2 Return expectations of institutional investors

Participants expressed concern, that institutional investors often demand high returns over a short period of time, which may not be realised in the short-term for large projects such as infrastructure projects. Projects such as airport and port development would not instantly generate revenues, which may not be acceptable for institutional investors demanding short-term returns.

2. Issues in going public and encouraging public listing

2.1 Issues in going public

Participants highlighted the following issues, as impeding prospective investors from raising finance through the capital market of Maldives.

1. Difficulties in complying with corporate governance rules, compared to the flexibility of managing private companies. Participants highlighted issues such as delays and restrictions that would arise in business expansion.
2. Listing rules and subsequent regulatory rules are overly restrictive, and hence does not encourage initial companies to list.
3. Public scrutiny and media coverage of company financials, given many companies are family owned.
4. Lack of skilled professionals in Maldives to assist with corporate restructuring, listing and consultancy services.
5. Inability to raise the required amount of capital, posed by the small size of the capital market, liquidity and lack of financial literacy.

2.2 Encouraging public listing

2.2.1 Creating a fostering legal framework for listing

The current legislative framework needs to be improved to allow for flexibility. To allow expansion for growth it is suggested to ease the regulations set on companies when going public, such as creating an initial pathway with minimum listing rules.

2.2.2 Role of Government

Participants discussed the idea of listing additional SOEs, as a way to encourage potential listings from the private sector, highlighting the fact that currently there are only few listed companies without government ownership on Maldives Stock Exchange. Participants also highlighted that Government can list SOEs without losing controlling interest.

2.2.3 Institutional collaboration

Collaboration between institutions like pension fund and insurers or bankers could help develop the market, through development of special investment vehicles. Participants floated the idea that an investment bank could also be established through the collaboration between central bank and the relevant authorities in Government.

The role of Maldives Stock Exchange to work with the other stock exchanges in the region, such as the Colombo stock exchange to encourage additional listing and improve market liquidity was also discussed.

3. CMDA's initiative in developing the market

CMDA highlighted that the public companies have the opportunity to issue debt instruments to public rather than going for an IPO, which normally has a lengthy process. These companies have the opportunity to issue corporate bonds, and institutional investors such as pension fund and insurance companies, have the opportunity to invest in their funds.

The idea that unlisted companies could be allowed to make disclosures to only potential investors or participants on a limited disclosure basis was also discussed as a way of encouraging eventual listing. However, for pension fund to be able to participate in such investments, the current Pension Act needs to be amended to allow for investments in unlisted securities.