

MALDIVES MONETARY AUTHORITY

PRUDENTIAL REGULATION
No. 10-2009

CORPORATE GOVERNANCE

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PART I: PRELIMINARY

- 1: **Short Title** – Corporate governance.
- 2: **Authorization** – The Maldives Monetary Authority (MMA) is authorized to issue regulations under Art. 36 read with Art. 29-34 of the MMA Act 1981 (MMA Act) in relation to prudential matters to be complied with by all banks and deposit-taking institutions (collectively 'banks'), or other persons as the regulation may specify.
- 3: **Application** – All banks and deposit-taking institutions licensed by the MMA to conduct banking business in the Maldives, and also all auditors as defined in this regulation.
- 4: **Definitions** – Terms used within this regulation are as defined in the Act, as defined below, or as reasonably implied by contextual usage:
 - (a) **“bank”** – means all banks and deposit-taking institutions licensed by the MMA to conduct banking business in the Maldives.
 - (b) **“Manager”** – means a natural person who serves in the capacity of chief executive officer, with or without title, and who exercises overall authority and responsibility for the affairs of a bank subject only to approval of the board of directors. For a branch of a foreign bank operating in the Maldives, the person who serves as branch manager or country manager or in a similar capacity shall be considered the manager.
 - (c) **“Non-executive director”** – means a member of the board of directors of a bank who is not a full-time employee of the bank regardless if the director has an official title or position.

PART II: STATEMENT OF POLICY

- 1: **Purpose** – This regulation is intended to ensure that bank administrators and boards of directors adopt and practice sound standards of corporate governance.
- 2: **Scope** – This regulation applies to all banks, all members of the board of directors and all administrators of banks licensed to conduct banking activities in the Maldives.
- 3: **Responsibility** – It is the responsibility of the board of directors of a bank to adopt sound standards of corporate governance and ensure that such standards are fully implemented and followed. The board may designate a committee or person to ensure compliance with such standards; however, delegation does not relieve the board of its duty to oversee the affairs of the bank and ensure compliance with this regulation.

PART III: IMPLEMENTATION AND SPECIFIC REQUIREMENTS

- 1: **Requirements** – In addition to any corporate governance requirements that a bank may be subject to under other laws or regulatory agencies in the Maldives or abroad, the following requirements apply to all banks conducting banking activities in the Maldives unless specified otherwise:
 - (a) **Policies and Committees**: a bank shall adopt and implement formal written policies and establish committees as necessary to properly manage the affairs of the

bank; at a minimum, a bank shall have policies and committees for audit and compliance, for lending/credit risk management, and for asset-liability/funding risks.

(b) Competent management: the board of directors of a bank shall ensure that the bank has fully competent management and staff to operate the bank at all times in a safe and prudent manner.

(c) Conflicts of interest: the board of directors of a bank shall adopt and ensure compliance with a policy prohibiting conflicts of interest between a bank and its administrators, board of directors, significant shareholders, and customers.

(d) Records: for a bank organized in the Maldives, including subsidiaries of foreign banks, all records and accounts, including the daily balance sheet, income statement, accounting records, credit documentation, minutes of committees, board of directors' and annual shareholders meetings, charter, by-laws and amendments, and the register of shareholders, shall be (i) prepared and maintained at the head office in the Maldives, and (ii) in English.

Branches of foreign banks operating in Maldives shall maintain in the Maldives such records and books of account as are necessary to reflect the activities of the branch, including the daily balance sheet, income statement, accounting records, credit documentation, and minutes of committee meetings.

(e) Board meetings: a bank organized in the Maldives, including subsidiaries of foreign banks, shall hold regular meetings of the board of directors in the Maldives at intervals not exceeding two months and shall review at each meeting all material aspects of condition and performance including, at a minimum, the following:

- (1) Balance sheet (month-end and previous month-end or year-end)
- (2) Income statement (year-to-date and compared to budget)
- (3) Key performance ratios
- (4) Minutes of the previous board meeting
- (5) New loans and investments approved, regardless if funded
- (6) Large deposits, accepted or withdrawn
- (7) Past due and non-performing loans and other assets
- (7) Correspondence to or from regulatory agencies
- (8) Committee reports (audit, compliance, risk management, asset-liability, etc.)
- (9) Actions taken to comply with remedial orders or enforcement actions
- (10) Any other items which are, or should be considered, significant to the bank

(f) Board of directors: the majority of the members of the board of directors must be non-executive directors as defined herein.

(g) Resident manager: a bank operating in the Maldives, including foreign bank branches and subsidiaries, shall have a manager who resides in the Maldives and works in the bank on a full-time basis.

(h) Branch visits: in the case of a foreign bank that operates a branch in Maldives, the chief executive officer of the foreign bank shall make a visit to the Maldives at least annually to: (i) review branch operations; (ii) meet with the MMA to explain the overall condition, performance and strategic plans of the branch in the Maldives and of the consolidated bank on a global basis, and (iii) respond to questions from the MMA. The executive at head office who is responsible for foreign branches of the foreign bank may, on alternating years, substitute for the CEO of the foreign bank.

PART IV: CORRECTIVE MEASURES

- 1:** **Remedial measures and sanctions** – If a bank, or any director or administrator of a bank, violates any provision of this regulation in a willful, negligent or flagrant manner which results, or threatens to result, in an unsafe or unsound condition of the bank or that threatens the interests of depositors, creditors or the general public, or if the bank, its directors, managers or auditors fail to comply with the instructions and reporting requirements in this regulation, the MMA may take any one or more of corrective measures or impose any administrative penalties as provided in the MMA Act. Such measures and penalties may include, but are not limited to, any or all following –
- (a) Issue a warning to the bank;
 - (b) Enter into an informal agreement with the bank for correcting violations and any unsafe and unsound practices and conditions;
 - (c) Issue an order to the bank requiring it to cease and desist from particular actions and further to take affirmative actions to correct violations and any unsafe & unsound practices and conditions;
 - (d) Require the board of directors to inject additional capital funds;
 - (e) Restrict the scope of activities of the bank including imposing limitations on any foreign exchange activities, granting of credit, making of investments, acceptance of deposits, borrowing of money, or other activities as the MMA may deem appropriate;
 - (f) Suspend access to the credit facilities of the MMA;
 - (g) Suspend or require removal of any directors, executive officers, managers or auditors of the bank;
 - (h) Appoint an advisor or a conservator;
 - (i) Impose an administrative penalty on the bank or any of its directors, executive officers or managers; or
 - (j) Hold personally liable and seek restitution from, as the law allows, any directors, executive officers or major shareholders of the bank; or
 - (k) Suspend or revoke the bank's license.

PART V: EFFECTIVE DATE

- 1:** **Effective date** – This regulation shall come into effect on 18th May 2009.

Questions relating to this regulation should be addressed to the Senior Executive Director, Financial Sector Division, Maldives Monetary Authority.