MALDIVES MONETARY AUTHORITY

PRUDENTIAL REGULATION
No. 01-2009

CAPITAL ADEQUACY

Arrangement of Paragraphs

PART I: PRELIMINARY

1: **Short Title** - Capital adequacy.

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.

4: **Definitions** – Terms used within this prudential standard are as defined in the Act, as defined below, or as reasonably implied by contextual usage:

(1) **"bank"** – means all banks and deposit-taking institutions licensed by the MMA to conduct banking business in the Maldives.

(2) "encumbered asset" – means an asset that is pledged to secure a loan, advance or other debt obligation such that the asset is no longer available to support liabilities to depositors and creditors. For purposes of capital calculations, the amount to be deducted is the lesser of (i) the book value of the asset pledged or (ii) the outstanding balance of the loan secured by such asset.

(3) **"leverage (equity) capital"** – means Tier 1 (core) capital plus year-to-date profits (after charges for amortizations, depreciation and fully adequate loan loss provisions) and less any general loan loss provisions; the Leverage Capital Ratio is calculated by dividing Equity Capital by Total Assets.

(4) **"loan or investment of capital nature"** – means any loan, advance or other debt obligation extended directly or indirectly to a counter-party, whether secured or not, for the purpose of purchasing, investing in, or financing the holding of shares or other capital instruments issued by the lending bank.

(5) **"residential property"** – for purposes of applying risk weights in this regulation, means that at least one-half of the property must be occupied by the owner and used by him/her as living space, and at least 75% of all lease income received from the remainder of the property must derive from tenant-occupied living space.

(6) **"Tier 1 (core) capital"** – includes permanent shareholders' equity (issued and fully paid-up ordinary shares and non-cumulative perpetual preference shares) plus disclosed reserves (additional paid-in share premium plus undistributed profits) plus minority interests in the equity of consolidated subsidiaries, less goodwill and other intangible assets, loan loss provisions (both general and specific) and all other asset revaluation reserves, future income tax benefits, losses carried forward, and encumbered assets. Assets deducted from Tier 1 capital are also deducted from Total Risk-Weighted Assets. The Tier 1 RBC Ratio is calculated by dividing Tier 1 Capital by Total Risk-Weighted Assets.

For branches of foreign banks operating in Maldives, Tier 1 (core) capital is the same as above with assigned capital substituting for permanent shareholders' equity.

A capital instrument does not qualify for Tier 1 capital if it is subject to any condition, covenant, term, restriction, or provision that:

(a) restricts the ability of the bank to conduct normal banking operations;
(b) requires dividends or interest payments that are unjustified relative to the financial condition of the bank, or permits early redemption at the option of the holder in the event of financial deterioration;
(c) impairs the ability of the bank to comply with regulatory requirements regarding the disposition of assets or incurrence of additional debt; or
(d) limits the ability of a regulatory authority to take actions to resolve, re-capitalize or re-habilitate a troubled or failing bank.

(7) **"Tier 2 (supplementary) capital"** – includes year-to-date earnings[1] (or losses), undisclosed reserves, asset revaluation reserves[2] (if allowed by MMA and consistent with applicable accounting standards), general loan loss provisions (limited to 1.25% of risk-weighted assets), subordinated term debt (limited to 50% of Tier 1 capital), and hybrid debt-equity capital instruments. Total Tier 2 capital is limited to 100% of Tier 1 capital.

To qualify for Tier 2 capital, a hybrid debt-equity instrument must:
(a) be unsecured, subordinated, and fully paid-up;
(b) not be redeemable at discretion of the holder or without prior consent of MMA;
(c) be available to participate in losses without the bank being obliged to cease trading (unlike conventional subordinated debt);
(d) allow debt repayment obligations to be deferred (similar to cumulative preference shares) as when profitability of bank does not support repayments even if the capital instrument may carry an obligation to pay interest that cannot permanently be reduced or waived (unlike dividends on ordinary shareholders' equity).

Cumulative preference shares and mandatory convertible debt instruments having the above characteristics will normally be eligible for Tier 2 capital.

Subordinated term debt includes conventional, unsecured subordinated term debt (also called debt equity or loan capital) which has an original minimum maturity of at least five years. It also includes limited life redeemable preference shares. During the five years immediately preceding maturity, a cumulative discount amortization factor of 20% per annum will be applied to reflect the diminishing value of these instruments as a source of capital strength. Since subordinated debt is normally not available to participate in losses, the amount included for capital adequacy calculations is limited to 50% of Tier 1 capital.

(8) **"Total Assets" –** means gross assets <u>less</u> goodwill and other intangible assets, loan loss provisions (both general and specific) and all other asset revaluation reserves, future income tax benefits, losses carried forward, and encumbered assets. These items are all also excluded from Tier 1 capital.

(9) **"Total Risk-Weighted Assets"** – means the total of risk-adjusted assets as calculated and reported in financial returns required to be submitted to the MMA.

(10) **"Total Capital"** – means Tier 1 capital plus Tier 2 capital <u>less</u> investments in and loans to unconsolidated banking and other financial subsidiaries, investments in the capital of other banks and financial institutions licensed to do business in the Maldives, and loans or investments of a capital nature. All assets required to be

[1] Must be net of adequate provisions for taxes, loan and other asset losses and cash dividends declared or paid.
[2] Asset revaluation reserves which take the form of latent gains on unrealized equity securities are subject to a discount of 55% on the difference between historic cost book values and current market values.

deducted from Total Capital are also deducted from Total Risk-Weighted Assets. The Total RBC Ratio is calculated by dividing Total Capital by Total RWA.

PART II: STATEMENT OF POLICY

1: **Purpose** – This regulation is intended to ensure that each bank maintains a level of capital which (i) is adequate to protect the interests of depositors and creditors, (ii) is commensurate with the risk profile and activities of the bank, and (iii) promotes public confidence in the bank and the overall banking system.

2: **Scope** – This regulation applies to all banks licensed and operating in the Maldives.

3: **Responsibility –** It is the responsibility of the board of directors of each bank to establish and maintain a level of capital that is fully adequate at all times. The capital levels required by this regulation are the minimum levels acceptable for banks that are fundamentally sound, well-managed, and have no material financial or operational weaknesses. Higher capital levels may be required for individual banks based on circumstances listed under paragraph 5, Part III, below.

PART III: IMPLEMENTATION AND SPECIFIC REQUIREMENTS

1: **Minimum Requirements** – the following minimum requirements shall apply:

1.1 Unimpaired Paid-up Capital: commercial banks shall maintain unimpaired paid-up capital at all times of not less than Rf 150 million, and all credit institutions shall maintain unimpaired paid-up capital at all times of not less than that required under paragraph 4(1)(b) of the MMA Regulations for Banks and Financial Institutions or as may be subsequently required by the Banking Law of the Republic of the Maldives.

1.2 Capital Ratios: all banks shall have and maintain capital ratios that are not less than the greater of (i) the minimum ratios specified below or (ii) such higher ratios that may be set by the MMA based on criteria set forth in paragraph 5 below:

(a) Leverage Capital: the minimum acceptable Leverage Capital Ratio is 5.0%. However, if a bank is pursuing or experiencing significant growth, has an inordinate level of risk and/or inadequate risk management systems, or less-than-satisfactory asset quality, management, earnings or liquidity, a higher minimum may be required.

(b) Tier 1 Risk-Based Capital: the minimum acceptable Tier 1 Risk-Based Capital ratio is 6.0%. However, if a bank is pursuing or experiencing significant growth, has an inordinate level of risk and/or inadequate risk management systems, or less-than-satisfactory asset quality, management, earnings or liquidity, a higher minimum may be required.

(c) Total Risk-Based Capital: the minimum acceptable Total Risk-Based Capital ratio is 12.0%. However, if a bank is pursuing or experiencing significant growth, has an inordinate level of risk and/or inadequate risk management systems, or less-than-satisfactory asset quality, management, earnings or liquidity, a higher minimum may be required.

Before making calculations to determine whether a bank complies with capital ratios specified above, all accounts must be adjusted to reflect (a) fully adequate provisions for potential loan losses, (2) write-off of operating and accumulated losses including depreciation and amortization expenses, provisions for taxes on profits, write-downs of repossessed assets to current market value, and bad debts not yet written off, (3) write-off of preliminary expenses, organizational costs, goodwill and underwriting commissions, and (4) such other items as the MMA may specify.

2: **Basel-II Requirements –** banks are allowed to apply the new methods for computing capital requirements (commonly known as Basel-II) in a manner prescribed by the MMA. Initially, banks must use the "standard approach" and the "basic indicator approach" to establish capital requirements (Pillar I); however, in no event will a bank be allowed to have a leverage capital ratio less than 5.0%. The adequacy of a bank's capital will remain subject to supervisory review (Pillar II) and market discipline (Pillar III), and higher capital levels may be required depending on the risk profile and activities of a bank.

3: **Restriction on Cash Dividends, Redemption of Capital Shares and Distributions of Profits** – a bank shall not declare or pay a cash dividend, or redeem any of its capital shares or other capital instruments, or make any other distribution of its profits if the resulting capital ratios will be below the minimum capital ratios in paragraph 1 above. Cash dividends to be declared or paid and distributions of profits may only be made from earnings that have been reviewed and certified by an external auditor; however, interim distributions may be made with the prior written approval of the MMA.

4: **Capital Measures and Categories –** for purposes of evaluating capital adequacy and assigning a category for supervisory purposes, the following measures and capital categories shall apply:

(a) Capital measures – the ratios used for measuring capital adequacy are:

- Leverage (equity) capital ratio: Tier 1 Capital divided by Total Assets.
- Tier 1 risk-based capital ratio: Tier 1 Capital divided by Total Risk-Weighted Assets.
- Total risk-based capital ratio: Total Capital divided by Total Risk-Weighted Assets.

(b) Capital categories – for purposes of supervisory responses and enforcement actions, banks will be grouped into capital adequacy categories as follow:

(1) Well capitalized –

- provisions for loan losses account is fully adequate and funded;
- leverage capital ratio $\geq$ 8%;
- Tier 1 risk-based capital ratio $\geq$ 10%;
- Total risk-based ratio $\geq$ 15%;
- not subject to any written agreement, corrective or supervisory order, or capital directive issued by the MMA;
- at least three years have elapsed since commencing banking operations; and
- not pursuing or experiencing rapid growth in deposits, loans or assets.

(2) Adequately capitalized –

- provisions for loan losses account is fully adequate and funded;
- leverage capital ratio 5% < 8%;
- Tier 1 risk-based capital ratio 6% < 10%;
- Total risk-based ratio 12% < 15%;
- not subject to any written agreement, corrective or supervisory order, or capital directive issued by the MMA; and

- not "well capitalized" as defined above.

(3) Undercapitalized –

- provisions for loan losses account is inadequate and/or not fully funded;
- leverage capital ratio 4% < 5% (or between 5% and 8% and pursuing or experiencing rapid growth);
- Tier 1 risk-based capital ratio 4% < 6%;
- Total risk-based ratio 8% < 12%; and
- not in compliance with any capital-related provision of any written agreement, corrective order, or capital directive issued by the MMA.

(4) Significantly undercapitalized –

- provisions for loan losses account is materially inadequate and not fully funded;
- leverage capital ratio 2% < 4% (or between 4% and 6% and pursuing or experiencing rapid growth;
- Tier 1 risk-based capital ratio < 4%;
- Total risk-based ratio < 8%; and
- not in compliance with any capital-related provision of any written agreement, corrective or supervisory order, or capital directive issued by the MMA.

(5) Critically undercapitalized –

- provisions for loan losses account is severely inadequate and not fully funded;
- leverage capital ratio < 2%
- Tier 1 and Total RBC ratios no longer relevant; and
- not in compliance with any capital-related provision of any written agreement, corrective or supervisory order, or capital directive issued by the MMA.

(c) Reclassifications – if the MMA determines that –

(1) the existing capital of a bank will become impaired due to the activities, growth trends, or risk profile of a bank,
(2) the bank is engaging in unsafe or unsound practices or is conducting its affairs in a manner that threatens the interests of depositors or the general public, or
(3) the bank has not corrected previously identified weaknesses in asset quality, management, earnings, liquidity or sensitivity to market risk, then

the MMA may downgrade a bank from 'well-capitalized' to 'adequately capitalized' and require the bank to comply with a corrective or supervisory order, or a capital directive.

5: **Criteria for Higher Minimum Ratios –** the MMA may require a bank to maintain higher minimum ratios if a bank –

1) has been operating less than three years;
2) has, or is expected to have, losses resulting in a capital deficiency;
3) has significant exposure to risk, whether credit, concentrations of credit, market, interest rate, liquidity, operational, legal, or from other non-traditional activities;
4) has a high, or particularly severe, volume of poor quality assets;
5) is growing rapidly, either internally or through acquisitions;
6) may be adversely affected by the activities or condition of its parent holding company, associates or subsidiaries; or
7) has deficiencies in ownership, management, shareholding structure or policies and systems for risk management.)

6: **Risk Weights –** the risk weights applicable to on-balance-sheet assets are:

0%
- cash (notes and coin) held in the bank's vault and in transit;
- claims on and balances with the MMA of the Maldives;
- claims, or portions thereof, on, guaranteed by, or fully secured by securities issued by the Government of the Maldives (GoM)[3];
- claims on central governments and central banks denominated in national currency and funded in that currency;
- other claims on OECD central governments and central banks;
- claims, or portions thereof, collateralized by securities of, or guaranteed by, OECD central governments; and
- claims, or portions thereof, fully secured by cash or pledged deposits in the same bank.

20%
- claims on multilateral development banks (IBRD, AsDB, EIB or others as may be approved by the MMA) and claims, or portions thereof, guaranteed by, or collateralized by, securities issued by such banks;
- claims on, and loans, or portions thereof, guaranteed by, banks incorporated in the OECD countries;
- claims on, and loans, or portions thereof, guaranteed by, domestic commercial banks and other banks incorporated in countries outside the OECD with a residual maturity of up to one year;
- claims on, and loans, or portions thereof, guaranteed by, non-domestic OECD public-sector entities, excluding the central government, subject in all cases to prior approval of the MMA; and
- cash items in process of collection, both domestic and foreign.

50%
- loans fully secured by first priority mortgages on residential property as defined in this regulation[4]; and
- claims on, and loans, or portions thereof, guaranteed by, local government authorities of the Maldives; and
- claims on public enterprises if approved by the MMA.

100%
- claims on the private sector;
- claims on, or loans guaranteed by, domestic commercial banks and other banks incorporated outside the OECD with a residual maturity of over one year;
- claims on central governments outside the OECD (unless denominated in national currency and funded in that currency);
- claims on public sector entities not listed above and claims on commercial companies owned by public sector entities;
- premises, plant and equipment and other fixed assets;
- real estate owned and other investments (including non-consolidated investment participations in other companies);
- capital instruments issued by other banks (unless deducted from capital); and
- all other assets, excluding those deducted from capital.

7: **Credit Conversion Factors** – the credit conversion factors listed below shall apply to off-balance-sheet items and shall be multiplied by the weights applicable to the

[3] For a guarantee to qualify for 0% weighting, it must be affirmed, irrevocable and unconditional.
[4] Excludes loans for speculative development of residential property, loans secured by and primarily repayable from rental income on property that is majority occupied by tenants, and loans to finance housing developments.

corresponding on-balance sheet asset category. The MMA will, in its discretion, allocate particular instruments into the categories listed below based on the characteristics of the instrument.

(a)

Factor	**Off-balance sheet instrument**
100%	Direct credit substitutes[5] (e.g. general guarantees including standby letters of credit used to guarantee loans and securities; and bankers' acceptances and endorsements equivalent to acceptances).
50%	Transaction-related contingent items (e.g. performance and bid bonds, warranties, standby letters of credit tied to specific transactions.
20%	Short-term self-trade-related contingencies (e.g. documentary credits collateralized by underlying shipments).
100%	Sale-and-repurchase agreements and assets sales-with-recourse where credit risk remains with selling bank.
100%	Forward asset purchases, forward deposits and partly-paid shares and securities which represent commitments with specific drawdowns.
50%	Note issuance facilities and revolving underwriting facilities.
50%	Other commitments (e.g. formal stand-by facilities, credit lines) with an original maturity of more than one year
0%	Similar commitments with an original maturity of less than one year, or which can be unconditionally cancelled at any time

(b) **Credit Risk: Forwards, swaps, purchased options and similar derivative contracts** - the treatment of forwards, swaps, purchase options and similar derivative contracts require special attention because banks are not exposed to credit risk for the full face value of their contracts, but only to the potential cost of replacing the cash flow (on contracts showing positive value) if the counterparty defaults. The credit equivalent amounts will depend, inter alia, on the contract maturity, and the volatility of rates and prices for the type of instrument. Instruments traded on exchanges may be excluded where they are subject to daily receipt and payment cash variation margin. Options purchased over the counter are included with the same conversion factors as other instruments.

Interest rate contracts – defined to include single-currency interest rate swaps, basis swaps, forward rate agreements, interest rate futures, interest rate options purchased and similar instruments.

Foreign exchange rate contracts – defined to include cross-country interest rate swaps, forward foreign exchange contracts, currency futures, currency options purchased and similar instruments. Exchange rate contracts with an original maturity not exceeding 14 calendar days may be excluded.

Gold contracts – Gold contracts are treated the same as exchange rate contracts for the purpose of calculating credit risk except that contracts with original maturity not exceeding 14 calendar days are included.

Precious metals (other than gold) contracts – defined to include forwards, swaps, purchased options and similar derivative contracts that are based on precious metals (e.g. silver, platinum and palladium); such contracts receive separate treatment.

[5] Include items where the risk of loss is equivalent to a direct claim on the counterparty. If, however, the risk depends on a future event which is independent of the creditworthiness of the counterparty, the items should be subject to a 50% conversion factor.

Other commodities contracts – contracts are treated separately; include forwards, swaps, purchased options and similar derivative contracts based on energy, agriculture, base metals (e.g. aluminum, copper and zinc) and any other non-precious metal commodity contracts.

Equity contracts – defined to include forwards, swaps, purchased options and similar derivative contracts based on individual equities or on equity indices.

(c) Current exposure method. Banks that engage in any of the instruments defined in paragraph (b) above must calculate the credit equivalent amounts by (i) adding the total replacement cost of all contracts having positive value (obtained by "marking-to-market"), thus capturing the current exposure, and then (ii) adding an amount (called the "add-on") for potential future credit exposure calculated on the basis of the total notional principal amount[6] of its book, split by residual maturity as follows:

Residual Maturity	Interest Rate	Exchange Rate	Equities	Precious Metals	Other Commodities
One year or less	0.0%	1.0%	10.0%	8.0%	10.0%
Over one year, but not more than five years	0.5%	5.0%	12.0%	10.0%	12.0%
Over five years	1.5%	10.0%	15.0%	12.0%	15.0%

Notes to exposure methods:

1. For contracts with multiple exchanges of principal, the conversion factors are to be multiplied by the number of remaining payments in the contract.
2. For contracts structured to settle outstanding exposures after specified payment dates and where the terms are reset such that the market value of the contract is zero on the specified dates, the residual maturity must be set equal to the time until the next reset date. In the case of interest rate contracts with remaining maturities of more than one year and which meet the above criteria, the add-on factor is subject to a floor of 0.5%.
3. Forwards, swaps, purchased options, and similar derivative contracts not covered by any of the columns in this matrix are to be treated as "other commodities".
4. No potential future credit exposure shall be calculated for single currency floating/ floating interest rate swaps; the credit exposure on such contracts shall be evaluated solely on the basis of its mark-to-market value.

Once credit equivalent amounts have been calculated using either method above, the amounts shall be multiplied (i.e. weighted) by the weight applicable to the corresponding on-balance-sheet asset category.

(d) Bilateral netting. (1) Subject to MMA discretion, banks may net transactions if subject to valid and binding bilateral netting agreements, i.e. novation (an agreement under which an obligation of a bank to deliver a specified amount of currency on a given value date to a counterparty is combined with all other obligations for the same currency and value date, legally substituting one single amount for the previous gross obligations) and (2) banks may also net transactions subject to any legally valid form of bilateral netting not covered in (1) above, including other forms of novation. In both cases (1) and (2), a bank must satisfy the MMA that it has:

(i) a netting contract or agreement with the counterparty which creates a single legal obligation, covering all included transactions, such that the

[6] In the event that the stated notional amount is leveraged or enhanced by the structure of the transaction, banks must use the effective notional amount when determining potential future exposures to ensure that the add-ons are based on effective rather than apparent notional amounts.

bank would have either a claim to receive or obligation to pay only the net sum of the positive and negative mark-to-market values of included individual transactions in the event a counterparty fails to perform due to any of the following: default, bankruptcy, liquidation or similar circumstances;

(ii) written and reasoned legal opinions that, in the event of a legal challenge, the relevant courts and administrative authorities would find the bank's exposure to be such a net amount under:
- the law of the jurisdiction in which the counterparty is chartered and, if the foreign branch of a counterparty is involved, then also under the law of the jurisdiction in which the branch is located;
- the law that governs the individual transactions; and
- the law that governs any contract or agreement necessary to effect the netting.

(iii) procedures in place to ensure that the legal characteristics of netting arrangements are kept under review in the light of possible changes in relevant law.

Contracts containing walk-away clauses are not eligible for netting when calculating capital requirements. A walk-away clause is a provision that permits a non-defaulting counterparty to make limited payments, or no payment at all even if the defaulter is a net creditor.

Credit exposure on bilaterally netted forward transactions must be calculated as the sum of the net mark-to-market replacement costs, if positive, plus an add-on based on the notional underlying principal. The add-on for netted transactions (A_{Net}) is equal to the weighted average of the gross add-on (A_{Gross})[7] and the gross add-on adjusted by the ratio of net current replacement cost to gross current replacement cost (NGR). This is expressed through the following formula:

$$A_{Net} = 0.4*A_{Gross} + 0.6*NGR*A_{Gross}$$

where NGR = (level of net replacement cost) divided by (level of gross replacement cost for transactions subject to legally enforceable netting agreements[8])

(e) **Risk weighting** – Credit equivalent amounts must be **weighted** according to the category of counterparty in the same way as on-balance sheet claims, including concessionary weighting for exposures backed by eligible guarantees and collateral (e.g. 0% for cash and guarantees or securities issued by sovereign governments and central banks, whether domestic or foreign; 20% for securities issued by multilateral development banks or public sector entities of OECD countries; and 50% for local government guarantees). Cash collateral must be held by the bank and subject to legal right of setoff at all times, and guarantees must be explicit, irrevocable, unconditional and legally enforceable in order to attract the lower weighting factors. In addition, since most counterparties in these markets, particularly for long-term contracts, tend

[7] A_{Gross} equals the sum of individual add-on amounts (calculated by multiplying the notional principal amount by the appropriate add-on factors set out above) of all transactions subject to legally enforceable netting agreements with one counterparty.

[8] MMAs must calculated the NGR on an aggregate basis for all transactions subject to legally enforceable netting agreements. Under the aggregate approach, net negative current exposures to others, i.e. for each counterparty the net current exposure used in calculating the NGR is the maximum of the net replacement cost or zero. Note that under the aggregate approach, the NGR is to be applied individually to each legally enforceable netting agreement so that the credit equivalent amount will be assigned to the appropriate counterparty risk weight category.

to be first-class names, a 50% weighting may be applied in respect of counterparties which would otherwise attract a 100% weight.

(f) Market risk: derivative contracts – market risk for un-hedged positions of derivative contracts is included in the risk-weighted capital ratio by allocating a 100% weight. For foreign exchange rate contracts, banks must apply this weighting factor to the higher of the sum of all long foreign exchange positions or the sum of all short positions. This figure is already being calculated by banks using spot rates into local currency equivalent in the daily FX returns.

8: **Capital Restoration Plan –** Any bank which fails to comply with the minimum ratios set forth in paragraph 1 above, or with any higher minimum ratio that may be required by the MMA under paragraph 5) above, shall submit to the MMA a detailed capital restoration plan. Such plan must state how and when the bank will comply with the required capital ratios and must be submitted within 60 days following written request by the MMA unless a shorter time is specified due to the severity of the capital deficiency.

9: **Reporting Requirements** – Each bank shall submit returns in respect of capital adequacy in the form and frequency as the MMA may prescribe.

PART IV: CORRECTIVE MEASURES

1: **Remedial measures and sanctions** – If a bank, its directors or managers violate 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 or managers fail to comply with the instructions and reporting requirements in this regulation, the MMA may take any one or more of the 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 the removal of any directors, executive officers or managers;
(h) Appoint an advisor or a conservator;
(i) Impose an administrative penalty on the bank or any of its directors, executive officers or managers;
(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.

2: **Supersedence** – This regulation expands and applies in conjunction with paragraph 4 of MMA Regulations for Banks and Financial Institutions (July 1, 1988) and will remain in effect until superseded or replaced by the Banking Law of the Republic of the Maldives. In case of conflicting provisions or interpretations between this regulation and paragraph 4 of the earlier regulation, this regulation shall take precedence.

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