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APPLICATION GUIDELINES

for

BANKING & FINANCIAL INSTITUTION LICENCES

**MALDIVES MONETARY AUTHORITY
FINANCIAL SECTOR DIVISION**

2009

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Preface

These Guidelines have been developed to assist prospective applicants to understand to requirements for obtaining a licence to operate a bank or financial institution in the Maldives. By reading and following these Guidelines, applicants will be better able to prepare and submit an application in the proper form and content, thus saving time and expediting the evaluation process. Applicants are reminded that all decision regarding an application will be based solely on the merits of the application evaluated against the criteria stated in law and further described in these guidelines.

Throughout these Guidelines, reference is made to “banks”; however, these Guidelines apply equally to other forms of financial institutions because the fundamental licensing criteria for all institutions are minimum capital, acceptable managers and a realistic, viable business plan. Therefore, wherever the word “bank” is used, the reader can substitute “finance company”, “leasing company”, “housing finance company”, or “insurance company”. Where there are differences such as for initial capital requirements or applications fees or annual licence fees, the MMA will provide these in Appropriate Appendices [or Supplements] to these Guidelines.

I. Introduction

One of the primary purposes of the Maldives Monetary Authority (MMA) is to supervise and regulate banking activities so as to promote a sound financial system. The MMA does this, initially, through the process of licensing banking institutions. When deciding whether to grant banking licence, the MMA considers many factors in order to answer the question “Will the proposed new (or merged) bank be good for the Maldives?” The answer to this question is not simply whether the new or merged bank will provide greater access to credit and financial services, or provide more innovative products or more competition, or bring additional investment into the country. The reputation and integrity of the Maldivian banking system is, without doubt, more important than any single or short term benefits that may be gained from a new or merged bank, regardless how well capitalized or innovative it is. Therefore, first and foremost, the MMA must be convinced that the new or merged bank will benefit the long term economic health and international financial reputation of the Maldives.

MMA has been given statutory authority to license, regulate and supervise banks and other financial institutions under the Maldives Monetary Authority Act (1981) and regulations issued

there under. These guidelines have been prepared to assist potential investors, promoters, and applicants in preparing and submitting an application for a licence to undertake banking business in the Maldives.

II. Application Process

A. Pre-submission introduction meeting with MMA

Prospective applicants should request an appointment to meet with officers of the Supervision Division of the MMA before preparing and submitting an application. The purpose of this meeting is for applicant to explain their proposal and discuss their plans, to ask questions and to clarify any items about the information required in the application forms and supporting documents. During the meeting, the MMA may also ask questions and will explain the licensing requirements and identify issues which may have a significant bearing on the proposed application.

B. Preparation and submission of application

A licence to conduct banking activities in the Maldives may only be obtained by a company or an existing financial institution; individuals are not allowed to obtain a licence in their personal capacity. Therefore, unless the prospective applicant is an existing financial institution or company, the investors first must form a separate company and then submit an application to the MMA, under the name of the newly formed company. In order to form a company in Maldives, investors must register with the Registrar of Companies, under Ministry of Economic Development.

An application must be submitted in writing, and must include all supporting documentation requested in the 'Application for licence to conduct banking activities in the Maldives' (refer to ANNEX I of these guidelines). The application form and all supporting documents that are submitted with the application must be signed by the members of the Board of Directors of the applicant, or by their legally authorised representative or agent. The completed application forms and all supporting documents should be delivered either personally or by registered/certified/courier to:

**The Executive Director
Financial Sector Division
Maldives Monetary Authority
5th Floor, Majeedhee Building
Boduthakurufaanu Magu, Male'
Republic of Maldives**

C. Statement of intent and justifying rationale for new bank

Every application for a new licence, and also for merger of existing banks, must include a statement of intent and justifying rationale for the new or merged bank. This statement should clearly and concisely explain why the new bank is needed and for what purpose it is being formed so as to reasonably justify the granting of a licence.

D. Application fees

All applications must be accompanied by an application fee of Rf 150,000 payable to the "Maldives Monetary Authority". The fee is non-refundable and is to be paid to the MMA when submitting the application form. An application will not be considered received or evaluated until the MMA has received collected funds for the required application fee and has received all supporting information. Failure to submit the required fee and full information will delay processing and will result in immediate rejection and return of the application.

Funds from this fee are used to defray the normal and usual expenses incurred by MMA in evaluating an application. In the event that evaluation of an application is likely to involve expenses that will materially exceed the Rf 150,000 the MMA, at its discretion, may notify the applicant of such extraordinary costs and require the applicant to pay an additional fee as determined by the MMA.

E. Time limit

The MMA will not begin formal consideration of an application until the required fee and all supporting documentation have been submitted. Therefore, applicants for a licence should act expeditiously to complete their filings and to provide the MMA promptly with all required information. If applicants have not submitted a "complete" application within six months from the initial date of submission of documents, the MMA will deem the application null and void, and the filing fee will be forfeited.

F. Annual licence fee

Each bank is required to pay to the MMA an annual licence fee based on average total assets. For banks with average total assets less than Rf 100 million for the preceding year, the fee is Rf 10,000; and, for banks with average total assets of Rf 100 million or more, the fee is Rf 20,000. The fee is payable in full by the end of January of each year. In the future, the MMA may revise the methodology for calculating the annual fee to align it more equitably to the size of a bank and the level of supervisory resources required.

III. Evaluation Process

A. Starts when "complete" application received

When an application is first submitted, the MMA will make a cursory review of application documents to determine whether a "complete" application has been received. If the application form is incomplete, or if responses are not adequately detailed, or if proper supporting documentation is lacking, the MMA will not begin formal review and evaluation of the application but will revert to the applicants for the missing, incomplete or inadequately detailed information. Only when MMA receives all required information, properly detailed and supported, will MMA begin processing the application. Therefore, it is incumbent upon the applicant to ensure submit a complete and properly documented application at the outset.

B. Definition of "complete" application

In order for MMA to consider an application "complete", the official application form together with all required supporting documentation must be submitted as a package. Supporting documents must be in sufficient detail to verify the quality and veracity of the information contained therein. Where appropriate, certified copies and audited statements should be provided. Submission of partial or incomplete information will only serve to delay the process. Therefore, it is incumbent on the applicants to take care in compiling and submitting an application.

The information listed below comprise the minimum information necessary for an application to be regarded as "complete". The MMA may request additional information if circumstances warrant.

i. Validity of documents

Documents required to be submitted with an application must be valid. To be consider valid, a document, or copy thereof, must be of such nature that a reasonable person would conclude that the document is genuine and authentic and would rely on the information contained therein as true and correct. If the MMA deems necessary, it will take actions as it considers reasonable and necessary to verify the validity of documents, the information contained in the documents, and the reliability of the person or firm submitting or attesting to the validity of the document or information. Documents that are in foreign languages must be accompanied by translations in English, and the MMA will rely on the English translations as the official versions.

ii. Financial strength and history of shareholders

The MMA must be satisfied that all persons who are proposed as major shareholders in the new or merged bank have sufficient financial resources to provide the initial capital for the bank and to provide support in the future should the need arise. Therefore, detailed financial statements must be submitted for each natural person and legal entity that will hold a 'significant interest'¹ in the proposed bank. Personal financial statements for all natural persons submitted for this purpose should be current, i.e. less than ninety (90) days old, and certified (refer to the format in ANNEX II of these guidelines). Audited Financial statements for corporate shareholders should be submitted at least for the past three (3) years.

Demonstrating financial strength, persons proposed as major shareholders must have a reputation of integrity and probity. Questions regarding the integrity of major shareholders of a bank can reflect unfavorably on the bank itself, on the prudence and objectivity of the licensing authorities, and potentially on the international reputation of the Maldivian financial industry. Therefore, the MMA will insist that major shareholders be persons of good repute and demonstrated integrity.

iii. Financial condition and qualifications of directors and executive officers

In addition to the suitability of major shareholders, applicants for a new bank must show to the satisfaction of the MMA that all persons who will be members of the board of directors and executive officers of the proposed bank are appropriately qualified and of sound financial condition. The experience and suitability of the members of the board of directors, executive officers and significant shareholders must/should be "fit & proper" persons as measured against defined, objective criteria (Fit and Proper criteria is attached as Annex III). Therefore, the MMA will require submission of the following –

1. Curriculum vitae: detailed CV's must be submitted for all persons proposed as directors or executive officers; CV's must include the following information;

- Qualifications – detailed listing of the professional and academic qualifications.
- Experience – details of employment history and professional experience for preceding 10 years; information should contact details to enable verification.
- Name and address of current and previous employers (include contact details).
- Nature or type of business.
- Title and duties/responsibilities.

¹ A 'significant interest' means owning or controlling, directly or indirectly, 10% or more of the outstanding equity or any class of shares with voting rights of a financial institution.

- Date employed, and date and reason for leaving
- Complete details regarding positions held in financial institutions, e.g. area/s of responsibility, lending authority, assets supervised, etc.

2. Role, Responsibilities, and Reporting in Proposed Bank- Discuss the role/s each person will have in organizing and managing the affairs of the proposed institution. Indicate to whom the person will report and/or from whom he will receive directions or instructions. If the person will be an executive officer, describe the specific duties and responsibilities for the position(s) to be held. If the person will be a director and will also have executive officer responsibilities within the proposed institution, indicate the nature and extent of such responsibilities.

3. Personal Financial Statement – financial information must be submitted for all natural persons who will be directors or executive officers of the “proposed institution”. Format for preparing personal financial statement is prescribed in these guidelines in ANNEX II although applicants may submit personal financial statements in other formats provided that sufficient details are included to enable MMA to thoroughly assess a person's financial condition.

4. Interlocking Directorship – No person will be allowed to be a director of an institution if he/she is also a director of any non-affiliated financial institution. For purposes herein, the term “financial institution” includes insurance companies, mortgage companies, securities firms, and any other firm that provides financial services in Republic of Maldives. Evidence that this limitation has been circumvented will be grounds for denial.

iv. Information on initial capitalization

An application must provide sufficient detail for MMA to ascertain the source, legitimacy and amount of initial capitalizing funds for the new bank, and that the initial capital amount will satisfy the minimum capital requirement set forth in MMA Act and regulations.

v. Detailed business plan including assumptions

Applicants must submit a business plan that demonstrates a reasonable likelihood of viability and success based on realistic assumptions and a strategy consistent for the proposed market area of the bank. The MMA will pay special attention to the assumptions and strategy; thus, applicants should take care to provide appropriate evidence in support of these aspects.

C. Timeline for MMA evaluation and decision

Once an applicant has submitted a "complete" application, the MMA is required to either approve or deny the requested licence within ninety (90) days from the date the application is deemed "complete". However, this time limit may be extended if the MMA determines that additional information is needed in order to fully evaluate an application. In the event that an applicant fails to complete all application filing requirements within a six-month period commencing on the date that the first materials were filed, then the MMA may deem the application to have been abandoned and any further consideration will cease and the filing fee will be forfeited. If the applicant still wishes to pursue a banking licence, a new application together with a new application fee must be submitted.

D. Primary decision criteria

The MMA may – but is not required to – grant a licence if it is satisfied that the application meets specific criteria. Primary among these criteria are the following –

i. Capital

Under current regulations, the minimum capital requirement to start a new bank in Maldives is Rf 150 million. When the new banking law comes into force, the minimum absolute capital requirement for a Tier II bank will be Rf60 million, while the requirement for a Tier I licence will be Rf150 million. As provided in the draft banking law, A Tier I bank may engage in all of the banking activities specified in the Banking Law, while a Tier II bank will be authorised to engage in limited banking activities, and will have certain restrictions that are not applicable to a Tier I bank. [For a complete description of permissible and prohibited banking activities for a Tier I or Tier II license, refer to the Banking Law.]

The initial capital for a new bank must be "in cash, free & clear", i.e. no strings attached, and the funds cannot be borrowed money. Capital also must be from a verifiable source, i.e. the investors must demonstrate to the satisfaction of the MMA the source of the capitalizing funds and its legitimacy since in the current international financial environment, bank licensing and regulatory authorities must ensure that banks are not knowingly or even unknowingly used to support money laundering or terrorist financing activities.

Applicant will not be allowed to inject the initial capital with an "in kind" contribution, such as by contributing a building, land, or other assets. The reason for this is due to the difficulty in establishing a clear value to "in-kind" non-cash assets. Also, applicant will not be allowed to put up only a part of the capital now with a "promise" to inject the rest later, nor will they be allowed to put up part of the capital now and "earn their way up" to the full amount later. Initial capital must be the full amount; anything less than the full required amount will result in denial of the application.

ii. Management

Perhaps the most critical aspect contributing to the success of a new business is the quality of its management – which means all persons who will be members of the board of directors, executive officers, and major shareholders. In the case of banking institutions, evidence has clearly shown that the quality of these people, plus their policies and procedures for managing banking risks, comprise the key factor in whether a bank succeeds or fails. Therefore, the MMA will very carefully consider the experience and suitability of all directors, executive officers and major shareholders and will insist that they are "fit & proper" persons as measured against defined, objective criteria. The Fit and Proper criteria (Prudential Regulation No. 09-2009) that MMA will use to evaluate persons are attached as ANNEX III of these guidelines.

iii. Business plan

The third most important criterion for evaluating an application for a banking licence is its business plan. Applicants must submit a feasibility study clearly indicating the bank's business model and projections. This must be supported with a comprehensive three-year financial projections (pro forma financial statements), along with the basis for any projections. Applicant should demonstrate a reasonable likelihood of viability and success using realistic assumptions and a strategy consistent for the proposed market area of the bank. These projections will be examined, inter alia, by comparing them with the present and expected future performance of existing banks to ascertain whether the forecasts are realistic and feasible. The applicant must satisfy the MMA regarding their ability to operate the proposed bank with sound risk management systems that are commensurate for the size and complexity of its business operations. Format for minimum requirements for the business plan is prescribed in these guidelines as ANNEX IV although applicants may submit business plan in other formats provided that sufficient details are included to enable MMA to thoroughly assess the viability of the proposed business plan. Some of the more important requirements (monetary measures and prudential requirements) for banking operations have been provided as ANNEX V with these guidelines.

E. Additional considerations

The MMA will consider other relevant factors to most thoroughly review the merits of an application. To assist in evaluating other factors, the MMA will use an informal scoring system, and the final score developed using the "Scoring Evaluation Worksheet" (see ANNEX VI) will be part of the overall decision process, subject to an applicant satisfying *all applicable criteria*. Regardless of the final score from the Worksheet, the decision to approve or deny an application will depend primarily on an assessment of the proposed bank's capital, management and business plan.

i. Public need

As the regulator of the banking/financial sector, the MMA is responsible for protecting systemic stability while at the same time promoting competition and deepening of the financial sector. Thus, MMA will consider whether there is a clearly demonstrated public need or demand for a new bank or financial institution. In this regard, the MMA may conduct a market survey to independently determine whether an applicant's claim that a new bank is desired is, in fact, the case. Thus, applicants should include factual data to support the demand for a new bank.

ii. Contribution / benefits to economy

Consideration will be given to the specific benefits that applicants claim will accrue to the economy, such as substantial new foreign direct investment, creation of employment opportunities, and extension of banking services to the un-banked or under-banked areas, etc. Emphasis will be given to the 'economic needs' criteria, i.e., the growth of the economy and banking density. Accordingly, priority will be given to applications which address unfulfilled needs in the banking industry. Some of the areas/sectors and gaps/needs for consideration may include the following:

- The small and medium enterprise sector and micro-finance
- Agricultural and Fisheries sectors
- Housing finance
- Infrastructure lending
- Electronic banking or other forms for delivery of banking services
- Islamic banking

iii. Competitive impact

In considering an application for a new or merged banking institution, the MMA will consider whether the new or merged bank will create beneficial or better competition within the market. As a general rule, the MMA will welcome new entrants to the financial sector provided that they satisfy the three main criteria of capital, fit & proper people, and a viable business plan. However, if the MMA determines, based on credible evidence or realistic analysis, that a new or merged bank will pose a de-stabilizing or adverse or anti-competitive influence in the market, the MMA will not be inclined to approve an application

iv. Introduction of new/innovative financial products/services

An important consideration when evaluating an application will be the extent to which new/innovative financial products and services will be introduced by the new or merged bank. The MMA will take note, for example, of an applicant's plans to introduce new or more widely available banking products, new methods of delivering banking services, more favourable pricing of services, ease of use, etc. Applications which clearly demonstrate an ability and intent to improve and expand the availability of traditional as well as 'cutting edge' financial services will be viewed favourably.

v. Foreign vs. local ownership

The MMA encourages and welcomes foreign entrants to the Maldivian banking and financial industry and will consider proposals from foreign applicant as well as local applicant. MMA will, however, give special consideration to increased participation of local investors because of the inherent benefits to the local economy in terms of retention of profits and attentiveness to the needs of the local economy.

vi. Quality of home country supervision

If an application is received from a foreign bank or financial institution, the MMA will assess the quality of supervision conducted in the home country in which the parent bank or institution is licensed and domiciled. The MMA will also assess the quality of supervision provided by banking authorities in other countries where the bank has material operations. In an application, the applicant should describe the functions and powers of the home country supervisory authority and the extent to which the home country authority exercises comprehensive or consolidated supervision, including the manner in which it supervises the parent bank or holding company, its subsidiaries and associates.

vii. Relationship to parent company, affiliates, related entities

For applicants that are part of a larger organization such as one that has a parent holding company or various affiliates and/or related entities, MMA will consider the group structure of the proposed bank and its relationships to the parent, affiliates and other related entities to ensure that (i) the MMA is able to effectively supervise and evaluate the new bank within the organization and (ii) the new bank will not be adversely affected by an existing relationship to other entities, for instance, by pressures to provide loans or make investments in other entities or to pay dividends, management fees or other forms of contribution to related entities.

viii. Financial condition/performance of global operations

The MMA must be satisfied that the financial condition and performance of the applicant and its parent institution and global operations, to the extent such exist, are acceptable. This includes, amongst other things, an assessment of whether the global operations of an applicant are likely to adversely impact the applicant's operation in Maldives, and whether the applicant and its parent institution meet international capital requirements in accordance with the Basel Capital Adequacy Framework and any other applicable regulatory or supervisory criteria.

ix. Branch vs. subsidiary

The MMA makes no distinction nor has a preference whether a foreign bank applies to establish a presence in Maldives either as a branch or as a subsidiary. Foreign banks may apply for licence either to operate in either capacity. The critical factors for the MMA will be whether there are any constraints or requirements posed by the applicant's home country regulator and whether the form of operations in the Maldives will help or hinder MMA's ability to properly supervise and regulate the new entrant.

x. Comments / advisories of other regulatory agencies

In addition to seeking input from home country bank regulatory authorities, the MMA will request comments from other regulatory and law enforcement agencies both domestically and abroad insofar as such agencies may have information necessary or appropriate to evaluate the merits of an application and the people involved.

xi. Approval of home country regulator

In the case of foreign banks wishing to establish a branch or subsidiary in Maldives, the MMA will require a letter of "no objection" (or a statement of no objection) from the home supervisor/regulator for purposes of the licensing process, as well as ongoing supervision of cross-border banking operations. As a standard practice in the application evaluation process, the MMA will contact the home country regulator and solicit information about the applicant and the proposed new bank or institution.

xii. Good faith

The MMA will assume that representations made by the applicant, its major shareholders, executive officers, and any other persons or agents acting on its behalf in connection with the application are accurate and truthful in all material ways. Stated another way, the MMA will assume that an application for a new bank is submitted in 'good faith', that all information in the application is true and correct, and that there are no hidden agendas or attempts to gain a licence on the basis of false or misleading information.

However, if the MMA determines that any submission is materially false or misleading, or if a reasonable person would conclude that an application was not submitted in good faith but was an attempt to obtain a banking licence for undisclosed persons or to be used for inappropriate or illegitimate purposes, then that will be sufficient grounds for rejecting the application and the MMA will immediately deny the application and the application fee will be forfeited.

IV. Decision

In making a decision, the MMA will either (i) grant a licence (i.e. approve), or (ii) inform the applicant that it refuses to grant a licence (i.e. deny), stating the grounds on which the refusal is based. In very unusual circumstances, if the Governor of the MMA certifies that granting a licence would not be in the public interest of Maldives, then no other reason for refusal need be given. However, it would be a rare situation for which an application would be denied without reasonable justification being provided to the applicant.

A. Preliminary approval

Once the MMA decides to issue a licence, a preliminary approval will be given contingent on the applicant resolving any outstanding issues or concerns that MMA identified during the evaluation process.

B. Final approval and conditions

Once an applicant satisfies the MMA that it has resolved the outstanding issues or concerns identified in connection with the preliminary approval, if any, final approval for a licence normally will be granted. Upon receiving final approval, every licence will be subject to the following conditions:

- 1) representations made by the applicant, its major shareholders, administrators, et al as part of the application were and are accurate and truthful in all material ways;
- 2) operations must commence within twelve (12) months or the licence approval will lapse;
- 3) the bank must comply with all regulations, prudential requirements and guidance issued by the MMA.
- 4) the bank must have internal controls, audit procedures and systems to manage the risks of its business;
- 5) the bank must conduct its affairs in a safe and sound manner and in compliance with all applicable laws, regulations and other instructions;
- 6) the bank must not engage in criminal activities, i.e. fraud, money laundering or terrorism financing;
- 7) the bank may operate only under a name that has been approved by the MMA;
- 8) the bank must maintain a physical presence in the Maldives where all business is conducted by at least two persons who are full-time employees of the bank, and the accounts and records of the bank must be kept at the premises in Maldives; and
- 9) every person who is a major shareholder, director or executive officer must be fit and proper.

If particular circumstances require, the MMA, at its discretion, may impose other conditions on the operations of a new bank after the licence is approved or may modify or waive any conditions. The likelihood that this will occur is minimal so long as the applicants have submitted a well-prepared application in good faith and operate their bank in a safe, sound manner and in compliance with applicable laws and regulations. However, if the owners, director and officers of a new bank fail to abide by the conditions listed above or any other conditions that the MMA may impose, such failure will be grounds for MMA to revoke the licence or to take other enforcement actions as necessary to promptly resolve the situation.

C. Commencing operations

A pre-opening exam will be conducted after a licence is approved but before the bank opens for business. The purpose of this brief inspection is to ensure that the bank has the qualified people as indicated in the licence application, that adequate policies & procedures have been adopted and implemented, and that there are no unusual or material problems that may detract from a successful launch of the new bank. The pre-opening exam will also serve as a quality control check on the MMA's licence application analysis and decision process.

Assuming the pre-opening exam verifies readiness, a 'Certificate of Approval to Commence Operations' will be issued allowing the new bank to open for business. If the pre-opening exam reveals that the bank is not fully ready to serve the public or if the bank has not started operations within 12 months from the time that final approval of the licence was granted, then the licence will be cancelled unless there are mitigating reasons acceptable to the regulators.

V. Revocation, Suspension, Amendments

These Guidelines apply to the licensing process – the creation or "birth" of a new bank. It is also appropriate to discuss the possibility that it may become necessary to revoke, suspend or amend a banking licence. The MMA assumes, and will make every reasonable effort to ensure, that the owners and managers of a new bank will operate their bank in a safe, sound manner and will comply with all laws and regulations. However, unforeseen situations may arise that require the MMA to step in and apply regulatory measures to safeguard the interests of depositors and creditors of an individual bank and also the stability of the banking system. These situations likely will be rare, but history has shown that banks can and will encounter difficulties and in such cases, the MMA will intervene.

A. Justifying circumstances

Circumstances which would justify MMA intervention would include flagrant violations of banking laws and regulations, gross negligence on the part of directors and executive officers including egregious failure to conduct the bank's affairs in a safe and sound manner, engaging in fraudulent or unlawful activities, or using the bank for purposes materially different than represented in the application for a licence. The MMA will decide each situation on a case-by-case basis giving careful consideration to all relevant factors.

B. Effect / consequences

Depending on the particulars of a given situation, the intervention or enforcement actions taken by the MMA may include temporary suspension of the activities allowed by a licence, temporary (or permanent) modification or amendment of permissible activities, or in extreme cases the MMA may find it necessary to cancel or revoke a licence. As a general rule, the MMA will apply the least amount of regulatory pressure necessary to achieve the desired results; however, the MMA will not – and lawfully cannot – decline to act to preserve the interests of shareholders or on the basis of popular support for a given bank or institution. Any and all actions taken by the MMA will be based solely on the inherent facts and MMA's lawful responsibility to protect the stability – including the international integrity – of the Maldivian financial system.

VI. Appeals

As provided in the Banking Law, orders and decisions of the MMA regarding an application for a licence will be subject to review in the Commercial Division of the Civil Courts, and the scope of review of the Commercial Division will be confined to whether the decision of the MMA was adopted following lawful procedures, or was arbitrary or capricious, or was otherwise contrary to law.

ANNEX I – Application Form

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ

**MALDIVES MONETARY AUTHORITY
FINANCIAL SECTOR DIVISION****APPLICATION for BANKING / FINANCIAL INSTITUTION
LICENCE**

Article 29, Maldives Monetary Authority Act 1981

Date of application:**Name of Applicant Company or group:****Contact information:****Name:****Position or Title:****Address:****Telephone & Fax:****e-mail:**

INSTRUCTIONS

A. GENERAL

In accordance to the Article 29 (1) of the Maldives Monetary Authority Act (1981) no bank or financial institution shall commence or carry on banking business in the Maldives, unless it holds a licence granted by Maldives Monetary Authority (MMA) for that purpose. As such, MMA has prescribed licensing conditions in the regulation made there under and other requirements in different circulars issues by MMA.

These guidelines are provided to assist you in preparing and submitting an application that provides all the required information and satisfies the criteria for approval of an application. The application is divided into three parts, each relating to a different aspect of the proposed institution. Specifically, information is requested about the:

<u>Part</u>	<u>Aspect</u>
I	Proposed Institution
II	Directors, Executive Officers, and Shareholder Controllers
III	Corporate Shareholders

The application and every document submitted with this application shall be signed by the members of the board of the applicant, or by any principal legally authorised to do so. An application will not be considered received nor will it be processed until the filing fee and all supporting information are received.

When completing this application and the supporting attachments, you should be guided by the following terms and requirements listed below.

B. TERMS

1. Affiliate – means any person or company that controls the proposed institution; any sister company that is controlled by the same company that controls the proposed institution; and any other company which is owned or controlled by a majority of the directors or shareholders who own or control the proposed institution.
2. Bank – means a financial institution holding a licence to engage in the banking

business in Maldives.

3. Banking business – means: (1) the business of receiving funds from the public or from a member or members thereof through the acceptance of money deposits payable upon demand or after a fixed period or after notice, or any operation through the frequent sale or replacement of bonds, certificates, notes or other securities, and the use of such funds either in whole or in part for loans or investments for the account and at the risk of the person doing such business and, (2) any other activity recognised by the Authority as customary banking practice which a financial institution engaging in the activities described in (1) may additionally be authorised to do;
4. Corporate Shareholder – means any corporation, partnership, joint venture, association or other form of organization other than a natural person.
5. Executive Officer – includes the chief executive officer (CEO), the chief accounting or finance officer (CAO or CFO), and all other officers who are responsible for major functional areas of the institution including, but not limited to, the following areas: (a) lending and credit administration; (b) operations and internal controls; (c) investments; (d) treasury and foreign exchange operations; and (e) trust and fiduciary activities.
6. Person – means any person or legal entity including a corporate, partnership, joint venture, association or other form of organization.
7. Major Shareholder – means any person who owns or controls, directly or indirectly, either now or upon licensing, 10% or more of the voting stock of the proposed institution also referred to as a principal shareholder.

C. REQUIREMENTS

1. Responses – no application will be considered until complete information is submitted. All responses and documentation submitted with this application must be **typewritten** or printed clearly in ink. All questions must be answered; no question may be left blank. If an appropriate answer is "No", "None", "Not Applicable", or "Not Known", so indicate. Additional pages may be added if response space is not enough. Inaccurate or incomplete information will result in delays for the processing of an application.

2. Fees – a ‘certified cheque’ or a bank draft issued by a reputable bank for the prescribed fee and payable to the MMA must accompany the application. The application fee is not refundable. An application will not be considered received or evaluated until the MMA has received collected funds for the required application fee and all supporting information. Failure to submit the required fee and full information will delay processing and may result in rejection and return of the application.

The prescribed Licence Application fees from 1st November 2009 is Rf. 150,000.

3. Disclosure – the MMA, at its discretion, may disclose to other regulatory authorities, either domestic or foreign, any information contained in this application or obtained from other sources if the MMA considers it necessary and relevant for properly evaluating and deciding on this application.
4. Submission – the MMA will only consider an application to be complete and officially submitted when all required information and the application fee have been received. If all required information and the fee are not received within six months of the date when the application is first submitted, the application will be denied and returned, and the filing fee forfeited. Any further consideration will require submission of a fresh application and a new application fee.

An original plus one duplicate of the application and all supporting attachments must be submitted in one complete package to:

**The Executive Director
Financial Sector Division
Maldives Monetary Authority
Boduthakurufaanu Magu, Male’
Republic of Maldives**

5. Inquiries – any inquiries concerning the preparation, documentation, required fees, or status of this application should be addressed to the above:

CRITERIA

to be satisfied for

APPROVAL of FINANCIAL INSTITUTION LICENCE

The MMA may grant a licence, pursuant to Article 29 of the MMA Act and the Regulation made there under, if satisfied that minimum criterion has been met. The minimum criteria are listed are summarized below:

- a) Applicant must be a corporate entity in the Maldives, if they are not intending to open a branch of an existing bank. If an existing bank is to apply for a licence to open a branch the licence will be given to the existing bank, however, once the licence is given the branch has to be reregistered in the Maldives.
- b) Applicant must have sufficient capital
- c) Directors and officers must be fit and proper
- d) Applicant must show a viable business plan
- e) Proposed name of the applicant must be acceptable

Additional considerations

- i. Public need
- ii. Contribution/benefits to the economy
- iii. Competitive impact
- iv. Introduction of new/innovative financial products and services
- v. Foreign vs local ownership
- vi. Quality of home country supervision
- vii. Relationship to parent com[any, affiliates and related entities
- viii. Financial condition and history of the applicant and the global operations
- ix. Branch vs subsidiary
- x. Comments/ advisories of other regulatory agencies
- xi. Approval of home country regulator
- xii. Good faith

The following factors should also be considered:

- (a) **Borrowed Funds**. The use of borrowed funds to satisfy the minimum paid-up equity capital requirements will not be allowed. Evidence that borrowed funds have been used for initial capitalization will be grounds for denial of an application.

- (d) Interlocking Directorship. No person will be allowed to be a director of an institution if he/she is also a director of any non-affiliated financial institution. For purposes herein, the term "financial institution" includes insurance companies, mortgage companies, securities firms, and any other firm that provides financial services in Republic of Maldives. Evidence that this limitation has been circumvented will be grounds for denial.
- (e) Executive Officers. Each institution must have a chief executive officer (CEO), a chief accounting or financial officer (CAO or CFO), and other officers responsible for all major functional areas including, but not limited to: (a) lending and credit administration, (b) operations and internal controls, (c) investments and asset-liability management, (d) treasury and foreign exchange operations, and (e) trust and fiduciary activities. No one person may be appointed to hold two or more such offices at the same time.
-

DECLARATION

in respect of

APPLICATION for BANK/FINANCIAL INSITUTE LICENCE

I/We, the undersigned, acting for and on behalf of the applicant, do hereby certify that:

(a) all information given in response to and in support of the questions in this application is true and correct to the best of my/our knowledge and belief; and

(b) the personal data and financial statements submitted with respect to each director , executive officer and major shareholders are true and correct to the best of my/our knowledge and belief; and

(c) this application is made in good faith with the purpose and intent that the affairs and business of the proposed institution will be conducted, at all times, prudently, in accordance with sound business principles, in full compliance with all applicable laws and directives, and in substantial conformity to the business plan submitted in support of this application.

I/We further certify that to the best of my/our knowledge and belief there are no other facts or information relevant to this application of which the MMA should be aware, and I/we pledge to promptly inform the MMA of any changes material to this application which may arise while it is being considered by the MMA.

Finally, I/we give my/our consent that the MMA, at its discretion, may disclose to other regulatory authorities, either domestic or foreign, any information contained in this application or obtained from other sources if the MMA considers it necessary and relevant for properly evaluating and deciding on this application.

Signatures:

Applicant or Agent (print name)

Applicant or Agent (print name)

Applicant or Agent (print name)

Applicant or Agent (print name)

Applicant or Agent (print name)

Date: _____

PART I: PROPOSED INSTITUTION

This section requests information about the proposed institution. Respond fully to all of Questions 1-25. The MMA may require submission of other information as necessary to adequately assess the merits of this application.

1. Name, Address, Other Activities - Provide the proposed name and mailing address of the proposed institution. Indicate any other name/s the institution plans to use or has previously used in connection with any business conducted by it. Indicate also whether the proposed institution is licensed to and/or conducts banking or other business activities in any country or territory other than Republic of Maldives. If so, provide details of such activities including authorizations or licenses held and the names and addresses of the authorizing or licensing agencies.

2. Contact Person - Provide the name, address, and telephone number of the person/s to be contacted regarding this application.

3. Legal Form - Provide the legal form of the proposed institution: (check one)

Corporation

Other (specify _____)

4. Incorporation

Date of incorporation of proposed institution:

Provide a copy of the Act, charter, deed of settlement, constitution or other document by which the body corporate is, constituted

5. Directors and Officers. Provide the names, addresses, and occupations of the persons who will be directors and executive officers of the proposed institution.

Director Name

Address

Occupation

<u>Officer Name</u>	<u>Address</u>	<u>Position to be held</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

6. Business Relationships: (a) Describe all business relationships, if any, which any director or executive officer has, or may have, with the proposed institution. Be specific.

(b) Borrowings. To what extent will any director or executive officer borrow from or be indebted to the proposed institution?

(c) Guarantees, etc. Is any business or obligation of any director or executive officer of the proposed institution or of any of his related interests directly or indirectly guaranteed, underwritten, secured, or otherwise expected to be by the proposed institution? If so, provide details.

(d) Consulting, Management or Service Contracts. To what extent will any director or executive officer, or any of his/her related interests, provide consulting, management advisory, or other types of services under contractual arrangement or otherwise to the proposed institution? Provide details.

7. Auditors - Provide the name, address, telephone number and responsible partner/s of the independent accounting firm that will be engaged by the proposed institution to conduct its annual audit.

8. Affiliates - Provide the name, address, and type of business of any company which is, or will be affiliated in any way with the proposed institution.

9. Major Shareholder of Any Other Financial Institution. Will the proposed institution own or control 10% or more of the voting shares of any other financial institution? If so, provide details including percentage and form of ownership held.

10. Membership in Professional or Trade Associations – If the proposed institution, or any affiliate thereof, is now or will be a member of any professional or trade association

for the financial activities in the Republic of Maldives or elsewhere, provide details including whether such membership has ever been refused or terminated.

- 11. Censures** - Has the proposed institution or any affiliate thereof ever been censured, prosecuted, warned as to conduct, disciplined, or publicly criticized by, or made subject to a court order by any governmental department or agency, professional association, or regulatory body in Republic of Maldives or elsewhere? If so, provide details.
- 12. Convictions or Administrative Orders.** Has the proposed institution or any affiliate thereof ever been convicted of any offense, or has a petition for an administrative order been served on the proposed institution or any affiliate thereof in Republic of Maldives or elsewhere, within the last 10 years? If so, provide details.
- 13. Investigations.** Has the proposed institution or any affiliate thereof ever been or is it now subject to an investigation, in Republic of Maldives or elsewhere, by or at the instigation of any governmental department or agency, professional association, or other regulatory body? If so, provide details.
- 14. Litigation.** Is the proposed institution or any affiliate thereof engaged or expecting to be engaged in litigation, in Republic of Maldives or elsewhere, which may have a material adverse effect on the resources of the proposed institution or its promoters? If so, provide details.
- 15. Judgments.** Has the proposed institution or any affiliate thereof within the last 10 years, failed to satisfy within one year a judgment of debt under a court order in Republic of Maldives or elsewhere? If so, provide details.
- 16. Fraud.** Has the proposed institution or any affiliate thereof ever been judged by a court, in Republic of Maldives or elsewhere, to be civilly liable for fraud, malfeasance, or any other misconduct? If so, provide details.
- 17. Bankruptcy or Debt Compromise.** Has the proposed institution or any affiliate thereof been judged bankrupt by a court, in Republic of Maldives or elsewhere, or has a bankruptcy petition ever been served on the proposed institution or any affiliate thereof within the last 10 years, or has the proposed institution or any affiliate thereof made any compromise or otherwise failed to satisfy its creditors in full within the last 10 years? If so, provide details.

18. Receiver. Has a receiver of any property of the proposed institution or any affiliate thereof been appointed within the last 10 years in Republic of Maldives or in any other jurisdiction? If so, provide details including whether the receiver is still acting under the appointment.

19. Liquidation:

(a) Voluntary. Has a notice of resolution for the voluntary liquidation of any affiliate of the proposed institution been issued within the last 10 years in Republic of Maldives or in any other jurisdiction? If so, provide details including whether the liquidation has been fully resolved.

(b) Compulsory. Has a petition for the compulsory liquidation of any affiliate of the proposed institution been served within the last 10 years in Republic of Maldives or in any other jurisdiction? If so, provide details including whether the petition has been fully resolved.

20. Income Taxes.

(a) To what date have the tax computations of the applicant been agreed by the Tax Revenue Authorities in other jurisdictions than Republic of Maldives?

(b) To what date have the assessments as noted above been satisfied or otherwise settled?

(c) Are material matters in dispute between the applicant and the Tax Revenue Authorities in any jurisdiction? If so, provide details.

21. Capital Structure.

Indicate the capital structure of the proposed institution.

Authorized capital Rf_____

Paid-up capital Rf_____

Total authorized shares _____

Total issued shares _____

Par value per share Rf_____

22. Shareholder List

Provide a complete list of the initial shareholders of the proposed institution. Indicate the shareholder name, address, nationality, and number of shares to be owned. If any shareholder or group of related shareholders will own or control 10% or more of the shares of the proposed institution, so indicate and include the percentage to be owned.

23. Acquisition Debt

To what extent will borrowed or encumbered funds be used by the initial shareholders, either directly or indirectly, to purchase their shares? Provide full details on the amounts, sources, collateral, and repayment terms for any such borrowed funds.

24. Premises and Equipment

Describe the premises and equipment to be used by the proposed institution. Indicate whether the premises and equipment will be owned or leased, costs of acquisition or lease payments, and from whom purchased or leased.

25. Business Plan

Submit a detailed business plan for the proposed institution using the format provided with this application forms. At least three years projections must be included, and assumptions used in preparing the plan and the projections must be realistic and based on comparative data for the market/s to be served and the existing economic conditions.

Provide any other information regarding the proposed institution or any affiliate thereof which may assist the MMA in evaluating this application.

PART II: DIRECTORS, EXECUTIVE OFFICERS and MAJOR SHAREHOLDER

This section requests biographical and financial information on natural persons who are or will be directors, executive officers, or major shareholders of the proposed institution. **A complete Section II must be filled out and submitted for each such person.**

Respond fully to all Questions 1-25. A detailed personal financial statement and a CV must be provided for **each** person who is or will be director, executive officer, or major shareholder using the form provided. Supporting schedules must be included to explain aggregated data and for all real estate, notes and accounts receivable, and proprietary interests in unlisted shares or closely held companies. Methods and assumptions used in establishing values for real estate, unlisted shares, or closely held companies must be fully disclosed. Dates and amounts shown in the supporting schedules must correspond to those shown in the financial statement. If unlisted shares are shown as an asset and if such shares represent 10% or more of the net worth of the person submitting the financial statement, then financial statements for the underlying company/ies must be provided for the most recent two full years.

The MMA may require submission of additional information, including real estate or business valuations, in order to accurately assess financial strength and capacity.

1. Name, Address

Provide the full name and physical address (current and permanent or immediate past) of the person who will be a director, executive officer, or major shareholder of the proposed institution.

2. Position

Provide the position and/or title the above person will hold in the proposed institution.

3. Nationality

Provide the citizenship and national identity or passport number of the above person.

4. Birth date

Provide the date and place of birth of the above person.

5. Role, Responsibilities, and Reporting

Discuss the role the above person will have in organizing and managing the affairs of the proposed institution. Indicate to whom the person will report and/or from whom he will receive directions or instructions. If the person will be an executive officer, describe the specific duties and responsibilities for the position(s) to be held. If the person will be a director and will also have executive officer responsibilities within the proposed institution, indicate the nature and extent of such responsibilities.

6. Qualifications

Provide a current CV (less than one year old) listing the professional and academic qualifications of the above person.

7. Employment History

Provide in the CV the following information regarding the employment history and professional experience of the above person for the past 10 years.

- (a) Name and address of employer
- (b) Nature or type of business
- (c) Title and duties/responsibilities
- (d) Date employed, and date and reason for leaving

Provide complete details regarding positions held in financial institutions, the number of employees and/or assets supervised, lending authority, etc. and the performance of the institution or department for which responsible. If the person has ever been dismissed or otherwise terminated from any office or employment, been subject to disciplinary proceedings, or barred from entry to any profession or occupation, provide details.

8. Affiliations

Provide the name of any other financial institution with which the above person is now or will be affiliated as a director or executive officer. Indicate his title or official capacity, duties/responsibilities in the other bank, and describe any relationship which now exists or will exist between the other institution and the proposed institution.

9. Major Shareholder of Any Other Financial Institution

If the above person is now or ever has been a major shareholder (owning 10% or more of voting shares) of any other financial institution, provide details thereof including any relationship which now exists or will exist between the other financial institution and the proposed institution.

10. Membership in Professional or Trade Associations

If the above person is now or will be a member of any professional or trade association concerned with financial activities in Republic of Maldives or elsewhere, provide details including whether such membership has ever been refused or terminated.

11. Censures

Has the above person ever been censured, prosecuted, warned as to conduct, disciplined, or publicly criticized by, or made subject to a court order by any governmental department or agency, professional association, or regulatory body in Republic of Maldives or elsewhere? If so, provide details.

12. Convictions or Administrative Orders

Has the above person ever been convicted of any felony offense, or has a petition for an administrative order been served on him, in Republic of Maldives or elsewhere, within the last 10 years? If so, provide details.

13. Investigations

Has the above person ever been or is he now subject to an investigation, in Republic of Maldives or elsewhere, by or at the instigation of any governmental department or agency, professional association, or other regulatory body? If so, provide details.

14. Litigation

Is the above person engaged or expecting to be engaged in litigation, in Republic of Maldives or elsewhere, which may have a material effect on his resources or his ability to financially support the proposed institution? If so, provide details.

15. Judgments

Has the above person, within the last 10 years, failed to satisfy within one year a judgment of debt under a court order in Republic of Maldives or elsewhere? If so, provide details.

16. Fraud

Has the above person ever been judged by a court, in Republic of Maldives or elsewhere, to be civilly liable for fraud, malfeasance, or any other misconduct? If so, provide details.

17. Bankruptcy or Debt Compromise

Has the above person been judged bankrupt by a court, in Republic of Maldives or elsewhere, or has a bankruptcy petition ever been served on him within the last 10 years, or has he

made any compromise arrangement or otherwise failed to satisfy his creditors in full within the last 10 years? If so, provide details.

18. Receiver

Has a receiver of any property of the above person been appointed within the last 10 years in Republic of Maldives or in any other jurisdiction? If so, provide details including whether the receiver is still acting under the appointment.

19. Liquidation**(a) Voluntary**

Has a notice of resolution for the voluntary liquidation of the above person been issued within the last 10 years in Republic of Maldives or in any other jurisdiction? If so, provide details including whether the liquidation has been fully resolved.

(b) Compulsory

Has a petition for the compulsory liquidation of the above person been served within the last 10 years in Republic of Maldives or in any other jurisdiction? If so, provide details including whether the petition has been fully resolved.

20. Income Taxes

Is the above person in good standing with the Inland Revenue Authority in Republic of Maldives or in any other jurisdiction, or does he/she have any tax liabilities which are unpaid or in dispute?

21. Share Registrations

How many shares in the proposed institution are or will be registered in the name of the above person or in the name of a related party? Provide the name(s) in which the shares will be registered and the class of shares if not ordinary shares.

22. Beneficial Interest

How many shares in the proposed institution, which are not registered in the name of the above person or in the name of a related party, will the above person, have a beneficial interest in? Provide the name(s) in which the shares will be registered and the nature of the beneficial interest

23. Trustee or Nominee

Does or will the above person or any party related to him hold shares in the proposed institution as a trustee or nominee? If so, provide details.

24. Assignments or Pledges

Are or will any of the shares in response to Questions 21-23 be equitably or legally assigned or pledged to any other party? If so, provide details.

25. Voting Authority

(a) Direct - What proportion of the voting shares at any general meeting of the proposed institution, or of any other organization of which the proposed institution is a subsidiary, is or will the above person be entitled to vote or exercise control over? Provide details of such voting authority or control.

(b) Indirect - If the exercise of voting power at any general meeting of the proposed institution, or of any other organization of which the proposed institution is a subsidiary, is or may be controlled or influenced by someone other than the above person, provide the identity of such other person and the proportion of voting power so controlled or influenced.

Provide any other information regarding the proposed director, executive officer or major shareholder which may assist the MMA in evaluating this application.

PART III: CORPORATE SHAREHOLDERS

This section requests background and financial information on entities that are or will be corporate shareholders (CS's) of the proposed institution. A complete Section III must be filled out and submitted for **each** CS that owns or controls, or will own or control, 10% or more of the outstanding shares of the proposed institution.

Respond fully to all of Questions 1-25. Detailed, audited financial statements (balance sheet, income statement and cash flow statement) must be included. Supporting information must be included as necessary to explain aggregated data and must be included for real estate, notes and accounts receivable, and proprietary interests in unlisted shares or closely held companies. Methods and assumptions used in establishing values for real estate, unlisted shares, or closely held companies must be fully disclosed. Dates and amounts used in the supporting schedules must correspond to those in the financial statements. If unlisted shares are shown as an asset and represent 10% or more of net worth, financial statements for the underlying company(ies) must be provided for the most recent two full years.

The MMA may require submission of additional information, including real estate or business valuations, in order to accurately assess financial strength and capacity.

1. Name, Address

Provide the name, address, and business activities of the CS that is or will be a shareholder of the proposed institution. Indicate also any other corporate, business, or trade name used by the CS.

2. Manner of Control

Provide the manner in which the CS will exercise control or otherwise exert influence over the affairs of the proposed institution.

3. Legal Form

Provide the legal form of the CS: (check one)

Corporation

Partnership

Other (specify _____)

4. Incorporation

Provide the date and country of incorporation or formation of CS and a certified copy of the document evidencing incorporation.

5. Directors, Executive Officers, and major shareholders

Provide the following information for each director, executive officer, and major shareholder of the CS.

<u>Name</u>	<u>Address</u>	<u>Title/Position in CS</u>	<u>% shares owned</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

6. Registered Address

Provide the registered/legal address of the Head Office and principal place of business of the CS, if different from that shown in Question 1 above.

7. Auditors and Bankers

Provide the names and addresses of the CS's auditors and bankers during the past 10 years. Indicate a contact person for each such audit firm and bank.

8. Affiliates

Provide the name, address, and type of business for any organization which is or will be in any way affiliated with the CS.

9. Major Shareholder of Any Other Financial Institution

If the CS is now or ever has been a major shareholder (owning 10% or more of the voting shares) of any other financial institution, provide details thereof including any relationship which now exists or will exist between the other financial institution and the proposed institution.

10. Membership in Professional or Trade Associations

If the CS is now or will be a member of any professional or trade association for financial activities in Republic of Maldives or elsewhere, provide details including whether such membership has ever been refused or terminated.

11. Censures

Has the CS ever been censured, prosecuted, warned as to conduct, disciplined, or publicly criticized by, or made subject to a court order by any governmental department or agency, professional association, or regulatory body in Republic of Maldives or elsewhere? If so, provide details.

12. Convictions or Administrative Orders

Has the CS ever been convicted of any felony offense, or has a petition for an administrative order been served on the CS, in Republic of Maldives or elsewhere, within the last 10 years? If so, provide details.

13. Investigations

Has the CS ever been or is it now subject to an investigation, in Republic of Maldives or elsewhere, by or at the instigation of any governmental department or agency, professional association, or other regulatory body? If so, provide details.

14. Litigation

Is the CS engaged or expecting to be engaged in litigation, in Republic of Maldives or elsewhere, which may have a material effect on its resources or ability to financially support the proposed institution? If so, provide details.

15. Judgments

Has the CS, within the last 10 years, failed to satisfy within one year a judgment of debt under a court order in Republic of Maldives or elsewhere? If so, provide details.

16. Fraud

Has the CS ever been adjudged by a court, in Republic of Maldives or elsewhere, to be civilly liable for fraud, malfeasance, or any other misconduct? If so, provide details.

17. Bankruptcy or Debt Compromise

Has the CS been judged bankrupt by a court, in Republic of Maldives or elsewhere, or has a bankruptcy petition ever been served on the CS within the last 10 years, or has the CS made any compromise or otherwise failed to satisfy its creditors in full within the last 10 years? If so, provide details.

18. Receiver

Has a receiver of any property of the CS been appointed within the last 10 years in Republic of Maldives or in any other jurisdiction? If so, provide details including whether the receiver

is still acting under the appointment.

19. Liquidation

(a) Voluntary - Has a notice of resolution for the voluntary liquidation of the CS been issued within the last 10 years in Republic of Maldives or in any other jurisdiction? If so, provide details including whether the liquidation has been fully resolved.

(b) Compulsory - Has a petition for the compulsory liquidation of the CS been served within the last 10 years in Republic of Maldives or in any other jurisdiction? If so, provide details including whether the petition has been fully resolved.

20. Income Taxes

Is the CS in good standing with the Inland Revenue Authority in Republic of Maldives or any other jurisdiction, or does the CS have any tax liabilities which are unpaid or in dispute?

21. Share Registrations

How many shares in the proposed institution are or will be registered in the name of the CS or in the name of a related party? Provide the name/s in which the shares will be registered and the class of shares if other than ordinary shares.

22. Beneficial Interest

How many shares in the proposed institution, which are not registered in the name of the CS or in the name of a related party, will the CS have a beneficial interest in? Provide name/s in which the shares will be registered and nature of beneficial interest.

23. Trustee or Nominee

Does or will the CS or any party related to it hold shares in the proposed institution as a trustee or nominee? If so, provide details.

24. Assignments or Pledges

Are or will any of the shares in response to Questions 21-23 be equitably or legally assigned or pledged to any other party? If so, provide details.

25. Voting Authority

(a) Direct - What proportion of the voting shares at any general meeting of the proposed institution, or of any other organization of which the proposed institution is a subsidiary, is or will the CS be entitled to vote or exercise control over? Provide details of such voting authority or control.

(b) Indirect - If the exercise of voting power at any general meeting of the proposed institution, or of any other organization of which the proposed institution is a subsidiary, is or may be controlled or influenced by someone other than the CS, provide the identity of such other person and the proportion of voting power so controlled or influenced.

Provide any other information regarding the CS which may assist the MMA in evaluating this application.

ANNEX II – Personal Financial Statement Format

CONFIDENTIAL PERSONAL FINANCIAL STATEMENT for submission to MALDIVES MONETARY AUTHORITY

A confidential personal financial statement report must be completed and filed by each person proposing to acquire a “significant interest” in a financial institution. A “significant interest” means owning or controlling, directly or indirectly, 10% or more of the outstanding equity or any class of shares with voting rights of a financial institution. “Person” includes an individual, two (2) or more individuals acting in concert, any type of partnership, corporation, syndication, trust, or any other organization, or any combination of the foregoing, and the information required in this application is required for each member of the group. A confidential personal financial statement report must also be completed and filed by each “major shareholder,” “director,” and “executive officer” proposed in connection with an application for a licence to establish a new financial institution.

Supporting schedules to the financial statement should be attached when necessary to itemize or clarify summarized data. Care should be taken to assure that the dates and total amounts shown on the supporting schedules correspond to those on the financial statement. Supporting schedules are included for real estate and related loans and for proprietary interest. The methods by which real estate market values are determined must be described. If investment securities are shown as an asset and such securities represent 25% or more of an individual’s net worth, financial and cash flow statement of the company for the last two years must be provided, unless the company is publicly traded on a national exchange.

Complete enclosed Confirmation Inquiry Form which authorizes any financial institution, brokerage firm, or any other entity in which you may have an account to confirm to the balance or market value of securities held in said account as of a certain date. If you have accounts at more than one institution, please complete the appropriate number of forms. After completing Section One of the Confirmation Inquiry form, it must be submitted to the MMA along with the Confidential Personal Financial Statement. Do not send the Confirmation Inquiry form to the confirming institution(s). All persons who have ownership interest in the account must sign the Confirmation Inquiry form. Otherwise, the confirming institution may return the form in blank to the MMA, which may result in a delay in processing. Please provide account and loan numbers on forms.

The MMA may require submission of additional information, including appraisals, if it is necessary to determine financial capacity.

CONFIDENTIAL PERSONAL FINANCIAL STATEMENT**of**_____
(Name)_____
(Date of financial information)
(Report all amounts US\$ in 000's)

ASSETS		LIABILITIES	
Cash on Hand & in Banks (Schedule 1)		Notes & Accounts Payable to Banks (Schedule 6)	
Government Securities		Rents & Interest Due	
Accounts, Loans & Notes Receivable (Schedule 2)		Real Estate Taxes Due (Schedule 4)	
Marketable Stocks & Bonds (Schedule 3)		Liens on Real Estate (Schedule 4)	
Other shares and investments		Other Taxes Due	
Debtors		Other Liabilities ¹	
Real Estate (Schedule 4)			
Vehicles and Equipment			
Proprietary Interests (Schedule 5)			
Personal property			
Other Assets ¹			
		vi. TOTAL LIABILITIES	
		vii. NET WORTH	
viii. TOTAL ASSETS		ix. TOTAL LIABILITIES & NET WORTH	

ANNUAL INCOME		CONTINGENT LIABILITIES	
Salary		As Endorser or Co-Maker	
Bonus & Commissions		On Leases or Contracts	
Dividends & Interest		Legal Claims	
Real Estate Income		Provision for Income Taxes	
Other Income (Itemize)		Other Special Debts (Itemize)	
x. TOTAL INCOME		xi. TOTAL CONTINGENT LIABILITIES	

¹Itemize all amounts greater than 10% of the amounts reported in "Other assets" and "Other liabilities," respectively.

Assets valued at \$_____ have been pledged to secure obligations totaling \$_____.

I have endorsed, guaranteed or am contingently liable for debts of others totaling \$_____.

Schedule 1: Banking Relationships (List all bank accounts)

Name of Bank or Financial Institution including a contact person/details	Address	Type of Account	Account Number	Account Balance
			Total	

Schedule 2: Accounts, Loans & Notes Receivable

Name and Address of Debtor	Date Originated	Description/Nature of Debt	Security Held	Maturity Date	Balance Due
				Total	

Schedule 3: Marketable Stocks and Bonds. *Marketable stocks and bonds include only those listed on recognized national exchanges.*

Face Value Bonds No. Shares of Stock	Description Of Security	Registered in Name of	Cost	Income Received Last Year	If Pledged, State to Who	Present Market Value
					Total	

Schedule 4: Real Estate. *Legal and equitable title to all real estate listed below is solely in the applicant's name except as follows:*

Description and Location	Dimensions or Acres	Improvements Consist Of	Outstanding Mortgages or Liens	Due Dates & Payment Amount	Unpaid Taxes		Original Cost	Present Market Value
					Year	Amount		
							Total	

Schedule 5: Proprietary Interests

Provide information below for all business enterprises in which you hold a beneficial interest. "Business enterprise" includes any corporation, association, partnership, trust, sole proprietorship or other business for which shares are not listed on a securities exchange or otherwise regularly traded. Under heading "Form of Business," indicate legal form of business. Under "Nature of Business and Percentage Ownership," indicate business activity and percentage of your ownership interest. Submit year-end financial statements, including balance sheet, profit and loss, and cash flow statements, for last two years for each business interest in which your interest represents 25% or more of your net worth.

Name and Address Of Business	Legal Form Of Business	Nature of Business and Percentage of Ownership	Date Acquired	Present Value
			Total	

Schedule 6: Notes & Accounts Payable.

Name of Lender	Lender's Address	Due Dates & Payments	Security/Collateral	Outstanding Balance
			Total	

CERTIFICATION

I hereby certify that the information provided in the financial statement above and in the supporting schedules is true and correct to the best of my knowledge and belief, and that there are no material omissions or misrepresentations of facts. I also authorize the MMA to request and receive any information necessary to verify the accuracy of information contained in this financial statement.

Signature: _____ **Date:** _____

CONFIRMATION INQUIRY

CONFIDENTIAL INFORMATION

(Date) _____, 20__

(Name of Confirming Institution)

(Mailing Address)

To the CEO of the Bank or Financial Institution Addressed:

1. Please furnish directly to the Maldives Monetary Authority, the following information for all accounts, including any loan accounts, maintained by me at your institution. If the answer to any item is “none,” indicate accordingly.

2. At close of business on _____, 20__, our records showed the following balance/s to the credit of the above customer (include certificates of deposit, money market certificates, stocks, bonds, etc.).

Account Name	Account Number	Account Balance

3. The customer was directly liable to us in respect of loans, acceptances, etc. at the close of business on that date in the total amount \$_____ as follows:

Date of Loan	Due Date	Interest		Amount	Description of Liability, Collateral, Security, Loans, Endorsers, Etc.
		Rate	Paid to		

4. The customer was contingently liable as endorser of notes discounted and/or guarantor at the close of business that date in the total amount of \$_____ as follows:

Name of Maker	Date of Note	Due Date	Amount	Remarks

5. Other direct or contingent liabilities, Letters of Credit, etc. (list below):

(Date)

(Confirming Institution)

(Authorized Signature)

ANNEX III – FIT and PROPER Criteria (Prudential Regulation No. 09-2009)

These specific requirements are intended to ensure that all persons who are, or will be, administrators² or major shareholders of a bank are “fit and proper” persons based on prudent and objective criteria. The following minimum requirements shall apply:

(a) Each person who is, or will be, an administrator or a major shareholder of a bank, a subsidiary of a bank, or a bank holding company must be a fit and proper person.

(b) The board of directors of a bank shall ensure that the fit-and-proper criteria specified in this regulation are satisfied when appointing or electing or continuing the appointment of an administrator, and shall provide written notice to the MMA not less than 30 days before appointing or electing a person as an administrator;

(c) Each person who proposes to become a major shareholder of a bank, or who proposes to increase his stake in a bank beyond a threshold set by the MMA or in law, shall obtain approval of the MMA prior to acquiring the shares that will make the person a major shareholder or result in exceeding a threshold set in law or by the MMA.

(d) Notwithstanding any provision in (a) to (c) above, the MMA may object to any person being appointed or elected or continuing an appointment as an administrator, or becoming a major shareholder or increasing his stake beyond a threshold set by the MMA or in law, if such person is not fit and proper as determined by the MMA.

(e) Each person who is required to be fit and proper pursuant to this regulation shall make available to the MMA such information as is reasonably necessary, in the opinion of the MMA, for the MMA to determine whether the person is fit and proper.

Standards – When considering an application for a licence to conduct banking business in the Maldives, or when deciding whether to approve a person as a major shareholder of a bank or

² “Administrator” means any person who is a director, executive officer, or member of the audit committee of a bank, including, in the case of a foreign bank, a designated branch manager and other officers who hold a position of executive officer as the term is defined below.

bank holding company operating in the Maldives, or to approve a person to be appointed or elected as an administrator of a bank, its subsidiary or bank holding company operating in the Maldives, the MMA will apply, at a minimum, the standards and criteria below to assess whether a person is fit and proper.

The MMA will conclude that a person is NOT fit and proper if -

- (a) **Competency** – a person does not have sufficient competency, in terms of relevant experience and academic qualifications, to reasonably conclude that he/she will be able to discharge satisfactorily the duties and responsibilities of his/her proposed position.
- (b) **Mental Capacity** – a person does not have sufficient mental capacities to reasonably conclude he/she is of sound mind and able to carry out satisfactorily the duties and responsibilities of his/her proposed position.
- (c) **Removal or Suspension** – a person has been, or is being, removed or suspended, by order of a bank regulatory authority in the Maldives or in a foreign country, as a director, executive officer or major shareholder of any bank licensed to operate in the Maldives or in a foreign country unless such removal or suspension is solely the result of his/her political affiliation and in no way relates to his/her performance, conduct or competency as a director, officer or major shareholder of a licensed bank.
- (d) **Offences and Breaches** – a person has ever contravened any provision of the MMA Act or any rule or order issued thereunder, or has been guilty of gross negligence or willful or intentional misconduct as those terms contextually apply in the MMA Act.
- (e) **Winding Up or Liquidation** – a person has been, or is, an administrator or major shareholder of a bank licensed to carry on banking activities in the Maldives and which bank has been, or is being, wound up or liquidated compulsorily.
- (f) **Positions in Competing Financial Institutions** – a person is an administrator or major shareholder of a bank or financial bank operating in the Maldives which is competing with but not a subsidiary or associate of the bank in which the person is or will be an administrator or major shareholder.
- (g) **Censures** – a person has been censured, disciplined, prosecuted, warned as to conduct or made subject to a court order by any governmental department or agency, by any professional association, or by any regulatory body in the Maldives or elsewhere, within the last 10 years.
- (h) **Convictions or Administrative Orders** – a person has been convicted of or imprisoned for any offense, or has had an administrative order served on him/her in the Maldives or elsewhere, within the last 10 years.

- (i) **Investigations** – a person have been or are now subject to an investigation in the Maldives or elsewhere by or at the instigation of any governmental department or agency, professional association, or other regulatory body.
- (j) **Litigation** – a person has engaged or is expecting to be engaged in litigation in the Maldives or elsewhere which may have a material adverse effect on the resources of the proposed bank or its promoters.
- (k) **Judgments** – a person has failed, within the last 10 years, to satisfy within one year a judgment of debt under a court order in the Maldives or elsewhere.
- (l) **Fraud** – a person has been judged by a court in the Maldives or elsewhere to be civilly liable for fraud, malfeasance, or any other misconduct.
- (m) **Bankruptcy or Debt Compromise** – a person has been judged bankrupt by a court in the Maldives or elsewhere, or has made any compromise or otherwise failed to satisfy his/her creditors in full within the last 10 years.
- (n) **Taxes** – a person has not satisfied all undisputed obligations for taxes that are due and payable to the Internal Revenue Commission or any other taxation authority in the Maldives or in any other jurisdiction.
- (o) **Political Office** – a person who will be an administrator or a member of the board of directors of a bank is a government official who heads a government ministry or holds a cabinet position.
- (p) **Resources** – in the case of a body corporate, a body corporate does not have, or have ready access to, sufficient financial, managerial, technological, intellectual or other relevant resources to reasonably conclude that the body corporate will be able to discharge satisfactorily the duties and responsibilities of the proposed position.

The MMA will consider mitigating circumstances

When assessing whether a person is fit and proper, the MMA will consider mitigating circumstances in respect of criteria (a), (b), (f), (o) and (p). In respect of all other criteria, if a person is determined to be NOT fit and proper but there are compelling reasons why such person otherwise should be allowed to serve as administrator or major shareholder of a bank and if such reasons are acknowledged and agreed to in writing by the Board of Directors of the MMA and by the Minister of Finance, then the MMA will allow such person to be appointed or to continue as an administrator or major shareholder under such conditions or restrictions as the MMA may impose.

ANNEX IV – Business Plan Format

BUSINESS PLAN

A. INTRODUCTION

Applicant must submit a detailed business plan as part of the application process. In addition, when establishing a branch or making a significant change in operations such as an amalgamation, an institution will be requested to submit an amended business plan. The business plan should set forth the objectives and strategies of the institution and provide guidance for management. It should be flexible and allow for change as circumstances require. Changes in the objectives or strategic goals should be approved by the board of directors and incorporated into an amended plan. The MMA will review an institution's business plan at periodic examinations or when other regulatory issues arise.

A suggested format for a business plan is shown below; alternative formats may be used provided that all relevant information is included. The plan must identify the proposed market/s to be served and products and services to be offered, must demonstrate adequate capital and managerial resources for the kinds and levels of activities, and show compliance to regulatory requirements. The plan must include operating projections for at least three years and contain sufficient information to demonstrate a reasonable likelihood of success. Suggested formats for balance sheet and income statement are provided below.

The MMA may require submission of additional information after review of the business plan originally provided.

B. SUGGESTED FORMAT

1. Identifying Information.

- (a) **Name and location.** Provide the name and location of the institution including the location/s of any branches.
- (b) **Corporate structure.** Provide a diagram of the institution's corporate structure including any parent company, subsidiaries, or affiliated entities.
- (c) **Origin and basis.** Briefly discuss how the organizing group came together and the reasons for wanting to start a financial institution.

2. Market Analysis.

- (a) **Market.** Identify the market/s to be served by the proposed institution.
- (b) **Economy.** Describe the economic characteristics of the target market. Include any anticipated changes in the economy or market, factors influencing such changes, and probable positive or negative impact on the institution.

3. Business Strategy and Objectives.

- (a) **Strategy.** Briefly describe the vision, mission, business strategy and objectives of the institution. For strategy and objectives, indicate goals that are specific and measurable.
- (b) **Services.** Briefly describe the services to be offered by the institution and the type of banking activities the proposed institution plans to engage in? (check all that apply)

- Current accounts (i.e. checking deposits)
 Time and savings accounts

- ___ Commercial and industrial loans
- ___ Mortgage loans (commercial and residential)
- ___ Installment/consumer loans and credit cards
- ___ Hire finance and equipment leasing
- ___ Export-import/trade financing
- ___ Foreign exchange dealer/broker
- ___ Underwriting securities
- ___ Management advisory services
- ___ Other (specify)_____

(c) **Assumptions.** List the major assumptions upon which projections are based. Include, at a minimum: market growth rates, competition, interest rates, cost of funds, overhead, asset-liability mix, returns on assets and equity, dividend pay-out rate, and capital ratios (both leverage and risk based ratios).

(d) **Pro forma statements.** Provide pro forma balance sheets and income statements for three years. Show expected asset-liability mixes, volumes of each type of service to be offered, fixed asset investment, and compensation for management and staff. Adequate provisions for loan losses and annual external audit must also be included.

4. Leadership and Management.

(a) **Officers and compensation.** Provide a list of officers showing the fees, salaries, and all other forms of compensation or benefits to be paid to or for each person.

(b) **Insider agreements.** Describe any agreements for leases or services the institution intends to enter into with any of its directors, executive officers, or principal shareholders, or with any organization or affiliate controlled by a director, executive officer, or principal shareholder. Provide copies of any such agreements including specific details of rates and terms and comparative market data upon which the rates and terms are based.

5. Capitalization and Additional Sources.

(a) **Initial capital.** Describe the amount and source of initial capitalizing funds.

(b) **Capital growth.** Describe plans for financing growth, internally or externally, over the first three years of operation.

(c) **Additional capital sources.** Describe what sources of additional capital are available should the need arise.

PRO FORMA FINANCIAL STATEMENTS

BALANCE SHEET (\$000's)

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
<u>Assets</u>			
Balances at Central Bank			
Balances at Banks Locally			
Balances at Banks Abroad			
Treasury Bills and Gov't Securities			
Loans to Financial Institutions			
Commercial, Industrial, Agricultural Loans			
Real Property Mortgage Loans			
Personal, Consumer, Hire Purchase Loans			
FX Loans			
Other Loans			
Gross Loans			
Less: Provisions for Loan Losses			
Less: Suspended Interest			
Net Loans			
Other Securities & Investments			
Interest Receivable			
Building & Equipment			
Foreclosed Assets			
Other Assets			
Total Assets			
<u>Liabilities & Capital</u>			
Demand Deposits			
Savings Deposits			
Term Deposits			
FX Deposits			
Total Deposits			
Liabilities to Central Bank			
Liabilities to Other Banks			
Borrowed Funds			
Interest Payable			
Other Liabilities			
Total Liabilities			
Subordinated Debt Capital			
Paid-In Capital			
Retained Earnings			
Revaluation Reserves			
Total Capital Funds			
Total Liabilities & Capital			
<u>Memoranda:</u>			
Contingent Liabilities			
Total Earning Assets			
Total Risk-Weighted Assets			
Equity-to-Assets Ratio			
Tier 1 Capital-to-Risk Weighted Assets			
Total Capital-to-Risk Weighted Assets			
Gross Loans-to-Total Deposits			
Liquid Assets-to-Total Deposits+ST Liabilities			

INCOME STATEMENT (\$ 000's)

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
Interest Income			
Loans and Leases			
Securities and Investments			
Deposit Balances			
Total Interest Income			
Interest Expense			
Interest on Deposits			
Interest on Borrowed Funds			
Total Interest Expense			
Net Interest Income			
Provisions Expense for Loan Losses			
Net Income from Lending & Investing			
Non-Interest Income			
Fees, Commissions & Service Charges			
FX Fees and Transactions Charges			
FX Revaluations			
Other Non-Interest Income			
Non-Interest Expense			
Staff Salaries and Benefits			
Officers' Salaries and Benefits			
Directors Fees and Benefits			
Administrative and Overhead Expenses			
Advertising and Promotion			
Depreciation Expense			
Dues and Subscriptions			
Licence Renewal Expense			
Lease and Rental Expenses			
Travel and Entertainment Expenses			
Other Non-Interest Expenses			
Net Operating Income Before Taxes			
Taxes			
Net Operating Income After Taxes			
Extraordinary Items (net of taxes)			
Net Income (Loss)			
Other Additions (Deductions) to Capital			
Less: Cash Dividends			
Net Change in Capital Accounts			
Capital Accounts - Beginning of Period			
Capital Accounts - End of Period			
Ratios:			
Return on Average Assets			
Return on Average Equity			
Average Yield on Earning Assets (a)			
Average Cost of Funding Liabilities (b)			
Net Interest Spread (a-b)			
Net Interest Income / Average Earning Assets			
Asset Growth (yr-on-yr)			
Loan Growth (yr-on-yr)			
Deposit Growth (yr-on-yr)			
Capital Growth (yr-on-yr)			

BUSINESS PLAN CHECK LIST**1. Identifying Information:**

- Name of proposed bank.
- Proposed location of main office of the bank.
- Locations of branches or other office facilities proposed.
- Name and address of parent company, if applicable.
- Name and addressed of subsidiaries, if applicable.
- Name and addresses of affiliates, if applicable.
- Explanation of genesis of proposed transaction.
- Reasons for proposed transaction (new licence, change-of-significant-ownership interest, issuance of capital debt instruments, etc.)

2. Market Analysis:

- Definition of target market areas.
- Supporting market research, such as area demographics and economics.
- Identification of major factors affecting selected market areas.
- Analysis of needs for target market areas.
- Identification and analysis of competition within target market areas.

3. Business Strategy and Objectives:

- Targeted market areas can reasonably produce 75% of business given bank resources and targeted customer base.
- Services to be provided are listed and adequately described.
- Strategies are consistent with stated objectives.
- Profitability expectations and assumptions are reasonable.
- Pro forma statements accurately prepared and major assumptions fully disclosed and consistent with strategies to capture/sustain market share.

- Strategic objectives, pro forma statements, and market plans are consistent with and among each other.
- Estimates of operating results are reasonable and supported.
- Planning assumptions are realistic for given locale.
- Asset/liability mix adequately discussed. Bank has procedures to address funding risk and interest rate risk.
- External independent audit program will be provided for first three years of operations.

4. Leadership and Management:

- Organizational structure of proposed bank is adequately described.
- Duties and responsibilities of all executive officers/functional areas of bank are adequately detailed.
- Names, addresses and nationality of all applicant, principal shareholders, directors and executive officers are fully disclosed.
- Proposed directors and executive officers are qualified in respect of services to be provided and targeted market areas.
- Fees, salaries, and or forms of compensation for directors and executive officers are fully disclosed.
- Leasing transactions or service agreements involving organizers, principal shareholders, directors and executive officers or related interests thereof, are fully disclosed.

5. Capitalization/Net Worth:

- Initial capitalization complies with minimum statutory requirement and is adequately supported for targeted market areas, strategies, and projected organizational expenses.
- For applications for new licenses, proposed capitalization is adequate for at least first three years of operation. For other applications, plans to maintain capital comply with regulatory requirements and are adequately detailed and reasonable.
- Plans to raise capital, initially and to support growth are well-formulated and reasonable.
- Current and proposed debts of bank promoters are fully disclosed and debt service requirements do not adversely affect bank. Shareholders of proposed

bank possess sufficient personal resources to service any personal debts without undue pressure on bank for dividends or other compensation, or such shareholders can demonstrate that reliance placed on bank earnings will not endanger safety, soundness or capital adequacy.

6. Pro Forma Statements

- Detailed pro forma balance sheets and income and expense statement show asset, liability and capital projections for a minimum of three years.
- At a minimum, information shown in schedules must be provided for a business plan to be acceptable. Additional supporting data should be included where necessary to explain important elements of planned asset and liability mix. Average annual balances (not year-end estimates) should be used for pro forma balance sheet projections. Assumptions used in preparation of pro forma statements (interest rates, loan yields, cost of funds, etc.) must be provided.

ANNEX V – Current Monetary and Prudential Requirements

Existing Prudential Requirements

Repatriation of Profits: Banks must obtain prior approval from MMA for all payments and profit repatriation to their head offices overseas. (31 December 1996)

AML/CFT and Suspicious Transactions: Banks are required to (1) formulate and adopt written policies and procedures to prevent money laundering and financing of terrorism, (2) provide adequate staff training for effective prevention, detection and control of possible money laundering/terrorism financing activities, (3) accurately identify all customers and unusual and suspicious transactions, (4) maintain customer information, (5) appoint a “Compliance Officer”, and (6) report all transactions that indicate possible money laundering or attempts to conceal the true identity of customers or ownership of assets to MMA. (7 March 2006)

Prudential Regulations

The following prudential regulations became effective on 18th May 2009 and are available on MMA website (www.mma.gov.mv).

1. Capital Adequacy
2. Single Borrower and Large Exposure Limits
3. Limits on loans to related persons
4. Transactions with Related Persons
5. Asset Classification, Provisioning and Suspension of Interest
6. Limits on inter-bank exposures
7. Fit and proper requirements
8. External Audits
9. Publication and Disclosure Regulation
10. Corporate Governance

Banking Law

A formal Banking Law has been developed in conformity to international standards for modern legal frameworks for banking and financial systems. It is expected that the draft law will be submitted to the Parliament in the near future and will be enacted within the year 2009.

Taxation

Tax on Profits: Banks operating in Maldives are required to pay a profit tax of 25% of net profits. (Law 9/85 of 27 June 1985)

Interest Rates

USD Loans and Deposits: Banks are free to set interest rates on loans and deposits denominated in USD. (24 June 1995)

Rf Loans: Banks are free to set interest rates on loans and advances denominated in rufiyaa provided that the rate does not exceed 20% per annum. (24 June 1995)

Rf Deposits: Banks are free to set interest rates on rufiyaa deposits. (15 August 2001)

Minimum Reserve Requirement (MRR)

The Minimum Reserve Requirement (MRR) for commercial banks was reduced to 25% (from 30%) based on the average demand and time liabilities in both rufiyaa and foreign currency. The first 15% of minimum reserve deposits earn no interest. Reserve requirements must be satisfied in the same currency as the underlying deposit liabilities. (1 June 2006)

Rf balances in excess of 15 % earn interest at 2.5% PA. (1 June 2006)

The foreign currency deposits in excess of 15 percent earn interest at 0.25 percent per annum (30 December 2008).

Treasury Bills

MMA is the issuing and paying agent for Treasury Bills (TBills) issued by Government. Banks and public enterprises may purchase such TBills. TBills are issued at maturities of 28 days and 91 days, and interest rates (as of July 2009) are 6.0% for 28 days and 6.25% for 91 days. TBills are denominated in rufiyaa, sold at a discount to par, and carry no coupon. (10 September 2006)

Repurchase Facility

A Repurchase Facility was introduced to replace the “Lombard Facility” as a mechanism for providing short-term rufiyaa liquidity to commercial banks. Terms are 1-to-7 days and the repo rate is set at a margin above the one month TBill rate. (23 November 2006)

ANNEX VI – Scoring Evaluation Worksheet

The MMA will use this 'Scoring Evaluation Worksheet' as a tool to assist in evaluating relevant factors in connection with an application for a banking licence. However, the resulting score will not be the primary determinant whether an application is approved. The resulting final score will be considered in the overall decision-making process, subject to an applicant satisfying *all* licensing criteria, especially those relating to initial capital, the suitability of persons proposed as directors, officers and major shareholders, and the business plan.

Worksheet methodology: The MMA will consider each Relevant Factor in the table below and assign a score ranging from 0 to 10 points. A maximum of 10 points is allowed for each Factor. A score of 0 will indicate that the results or impact are expected to be clearly adverse or non-beneficial, while a score of 10 points will indicate that the results or impact are expected to be clearly positive or beneficial. In the event that a Factor is not applicable, no score will be assigned for that Factor. The Maximum Points will be reduced by a multiple of 10, and the resulting total score will be re-computed to show the equivalent of "total points out of a possible maximum of 100".

Item	Relevant Factor	Maximum Points	Score
1	Public Need Is there a clearly demonstrated need and/or public demand, based on credible market survey data, for a new bank or financial institution? [Provide supporting comments.]	10	
2	Contribution / Benefits to Economy Are there specific benefits that will accrue to the economy, e.g. substantial new foreign direct investment, employment opportunities, wider access to banking services, business expansion? [Provide supporting comments.]	10	
3	Competitive Impact Is the new bank likely to create or improve competition within market, or will it produce a de-stabilizing or anti-competitive influence? [Provide supporting comments.]	10	

4	<p>New/Innovative Products & Services</p> <p>Will the new bank offer new and/or more innovative banking products, new methods of delivery, more favourable pricing? Do applicants clearly demonstrate an ability and intent to improve and expand the availability of traditional as well as 'cutting edge' financial services? [Provide supporting comments.]</p>	10	
5	<p>Foreign vs. Local Ownership</p> <p>Will the new bank be dominated by foreign investors, or will local investors have a material opportunity for ownership? Will the local economy realize substantial benefits through retention of profits and attentiveness to local needs? [Provide supporting comments.]</p>	10	
6	<p>Home Country Supervision</p> <p>Are the powers of the home country supervisory authority adequate to enable effective supervision at head office? To what extent does the home country authority exercise comprehensive consolidated supervision? [Provide supporting comments.]</p>	10	
7	<p>Parent Company, Affiliates, etc.</p> <p>Will the group structure of the bank and its relationships to the parent, affiliates and other group entities support the ability of MMA to effectively supervise the new bank? [Provide supporting comments.]</p>	10	
8	<p>Global Operations</p> <p>Is the global condition and performance of the applicant likely to have an adverse impact on operations in Maldives? [Provide supporting comments.]</p>	10	

9	<p>Branch vs. Subsidiary</p> <p>Are there any constraints or requirements of the applicant's home country regulator on its operations in Maldives? Will the form of operations in Maldives will help or hinder MMA's ability to properly supervise the new bank? [Provide supporting comments.]</p>	10	
10	<p>Input from Other Regulators</p> <p>Have other regulatory or law enforcement agencies, either domestically or abroad, offered compelling negative or positive comments about the applicant? [Provide supporting comments.]</p>	10	
TOTAL SCORE		100	
EQUIVALENT TOTAL SCORE (if any Factor 'not applicable')			