

PRUDENTIAL REGULATION

REGULATION ON CORPORATE GOVERNANCE

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PART I: PRELIMINARY

- 1: Introduction** – This Regulation is issued pursuant to Section 66 of Law No. 24/2010 (Maldives Banking Act).
- 2: Title** – This Regulation shall be cited as "Regulation on Corporate Governance."
- 3: Application** – This Regulation applies to all Banks licensed under the Maldives Banking Act (Law no. 24/2010).
- 4: Commencement** – This regulation shall come into effect on 25 August 2015.
- 5: Definitions** – The terms and expressions used in this Regulation shall, except where expressly defined below in this Regulation or where the context otherwise requires, have the same respective meaning as in the Maldives Banking Act (Law no. 24/2010):
 - (1) "**Act**" – means the Maldives Banking Act (Law no. 24/2010).
 - (2) "**administrator**" means a person who is a director, executive officer, member of the audit committee of a bank, or, in the case of a foreign bank, the designated branch manager.
 - (3) "**bank**" – means a party holding a license or permit under the Act, to engage in the banking business; all or part of the banking activities listed in Section 25 of the Act.
 - (4) "**manager**" – means a natural person who serves in the capacity of chief executive officer, with or without title, and who exercises overall authority and responsibility for the affairs of a bank subject only to approval of the board of directors. For a branch of a foreign bank operating in the Maldives, the person who serves as the designated branch manager or in a similar capacity shall be considered the manager.
 - (5) "**MMA**" – means the Maldives Monetary Authority established under the Law no. 6/81 (Maldives Monetary Authority Act).
 - (6) "**non-executive director**" – means a member of the board of directors of a bank who is not a full-time employee of the bank regardless if the director has an official title or position.

PART II: STATEMENT OF POLICY

- 1: Purpose** – The purpose of this regulation is to ensure that bank administrators and boards of directors adopt and practice sound standards of corporate governance.
- 2: Responsibility** – It is the responsibility of the board of directors of a bank to adopt sound standards of corporate governance and ensure that such standards are fully implemented and followed. The board may designate a committee or person to ensure compliance with such standards; however, delegation does not relieve the board of its duty to oversee the affairs of the bank and ensure compliance with this regulation.

PART III: IMPLEMENTATION AND SPECIFIC REQUIREMENTS

- 1: Requirements** – In addition to any corporate governance requirements that a bank may be subject to under other laws or regulatory agencies in the Maldives or abroad, the following requirements apply to all banks conducting banking activities in the Maldives unless specified otherwise:

(a) Policies and Committees: a bank shall adopt and implement formal written policies and establish committees as necessary to properly manage the affairs of the bank; at a minimum, a bank shall have policies and committees for audit and compliance, for lending/credit risk management, and for asset-liability/funding risks.

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

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

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

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

(e) Board meetings: a bank organized in the Maldives, including subsidiaries of foreign banks, shall hold regular meetings of the board of directors in the Maldives each month and shall review at each meeting all material aspects of condition and performance including, at a minimum, the following:

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

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

(g) Designated branch manager: a bank operating in the Maldives, including foreign bank branches and subsidiaries, shall have a manager who resides in the Maldives and works in the bank on a full-time basis. The designated branch manager shall notify the MMA in writing prior to leaving the Maldives for any purpose or duration, as to who would temporarily fulfil the duties and responsibilities of the designated branch manager.

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

PART IV: CORRECTIVE MEASURES

1: Remedial measures and sanctions – If a bank, its administrators, or any other person associated with the bank violates any provision of this regulation, or fails to comply with the instructions and reporting requirements in this regulation, the MMA may take any one or more of the corrective

measures or impose any administrative penalties as provided in the Act. Such measures and penalties may include, any or all of the following –

- (a) Issue a warning to the bank;
- (b) Enter into an informal agreement with the bank for correcting violations and any unsafe and unsound practices and conditions;
- (c) Issue an order to the bank requiring it to cease and desist from particular actions and further to take affirmative actions to correct violations and any unsafe & unsound practices and conditions;
- (d) Require the board of directors to inject additional capital funds;
- (e) Restrict the scope of activities of the bank including imposing limitations on any foreign exchange activities, granting of credit, making of investments, acceptance of deposits, borrowing of money, or other activities as the MMA may deem appropriate;
- (f) Suspend access to the credit facilities of the MMA;
- (g) Require the suspension or removal of any directors or executive officers;
- (h) Appoint an advisor or a conservator;
- (i) Impose an administrative penalty on the bank or any of its directors, executive officers or managers; or
- (j) Hold personally liable and seek restitution from, as the law allows, any directors, executive officers or major shareholders of the bank; or
- (k) Suspend or revoke the bank's license.

Questions relating to this regulation should be addressed to the Head of Financial Stability, Maldives Monetary Authority.

