



Maldives Monetary Authority
Republic of Maldives

REGULATION ON CORPORATE GOVERNANCE FOR BANKS, INSURANCE COMPANIES AND FINANCE COMPANIES

CHAPTER ONE: INTRODUCTION

1. Introduction and Title

- (a) The purpose of this regulation is to promote sound corporate governance in Financial Institutions by stipulating a minimum standard of corporate governance principles and practices that are applicable to the Financial Institutions.
- (b) This Regulation is issued under Section 38 of the Maldives Monetary Authority Act 1981 (Law No.: 6/81) and Section 66 of the Maldives Banking Act (Law No.: 24/2010).
- (c) This Regulation shall be cited as “Regulation on Corporate Governance for Banks, Insurance Companies and Finance Companies.”

2. Application

- (a) This Regulation applies to the Banks, Insurance Companies, and Finance Companies licensed and regulated by the Authority.
- (b) Financial Institutions which are branches of foreign financial institutions, in respect to operations of the branches in Maldives, are exempted from Sections 4(e), 4(f), 4(h), 4(j), 5, 6, 7, 8, 9, 10, 11 of this Regulation.
- (c) Where the Financial Institution is a branch of a foreign financial institution, the responsibilities of the Board under this Regulation shall be discharged by the Board of the foreign financial institution. However, the functions stated in sections 4(g), 4(i), 12(h), 12(i), 15(a), 16(a), 16(c), 17(d), 17(e), 17(h), 17(j) and 18(a) may be assigned to any other governing body of the branch.

3. Commencement and Regulations repealed

- (a) This Regulation shall come into effect from the date of publication in the Government Gazette.
- (b) The “Regulation on Corporate Governance” (Regulation No.: 2015/R-170) shall be repealed with the commencement of this Regulation.

CHAPTER TWO: BOARD OF DIRECTORS

4. Responsibilities of the Board of Directors

- (a) The Board shall have the ultimate responsibility for the Financial Institution’s strategic objectives; organizational structure; financial soundness; and establishing a governance framework proportionate to its size, activities and complexity. The Board shall also be responsible for risk management and compliance obligations of the Financial Institution. The Board also has the responsibility for ensuring that the Financial Institution has a competent Senior Management and employees at all times to conduct its operations in a safe and prudent manner.
- (b) The Board shall structure itself in terms of leadership, size and the use of committees to effectively carry out its oversight roles and other responsibilities.
- (c) The Board may delegate some of its functions to Board committees, where appropriate. In the case of a branch of a foreign financial institution, the functions specified in section 2(c) may be delegated to a governing body of the branch. The Board remains fully accountable for any functions so delegated.
- (d) The members of the Board shall act honestly and in good faith, and exercise Duty of Care and Duty of Loyalty to the Financial Institution. The primary responsibility of the members of the Board is to protect the interests of the Financial Institution. In discharging the responsibilities of the Board, it shall consider the legitimate interests of depositors, policyholders, shareholders and other relevant stakeholders.
- (e) The Board shall establish and adopt sound policies under which the Financial Institution shall be effectively and soundly governed. In particular, the Board shall establish policies relating to capital, liquidity, compliance, and risk management and internal controls for all major functions of the Financial Institution.
- (f) The Board shall set out the mandate, responsibilities and procedures of the Board including the matters reserved for the Board’s decision.
- (g) The main responsibilities of the Board shall include, but not be limited to the following:

- (1) reviewing and approving the Financial Institution’s long-term business strategies, short term objectives as well as related policies, and overseeing their implementation;
 - (2) setting out the Financial Institution’s corporate culture and values in such a way that it promotes integrity, professionalism and high ethical standards amongst members of the Board, Senior Management and other employees;
 - (3) establishing the Financial Institution’s corporate governance and risk management framework, and defining the responsibilities of risk management, compliance and internal audit functions, and other control functions as may be necessary to ensure the safe and prudent operations of the Financial Institution and promote good governance. The risk management framework shall include the risk strategy, risk appetite and risk tolerance and the framework shall be periodically reviewed to adapt to any change in size, operations or business strategy of the Financial Institution; or other regulatory requirements;
 - (4) overseeing the implementation of the Financial Institution’s corporate governance and risk management framework and periodically reviewing them;
 - (5) ensuring that transactions with related parties are reviewed to assess the risks and are subject to appropriate restrictions (principle of arm’s length);
 - (6) ensuring that the Financial Institution adequately has in place all the necessary resources to conduct its business in an effective, smooth and sound manner and that resources are not misappropriated or misapplied; and
 - (7) establishing an effective selection process and succession plans for the CEO and other Senior Management positions.
- (h) The Board shall put in place a procedure for regular evaluation of the Board as a whole, and its committees and the performance of each member of the Board individually. The Board may obtain assistance of an independent consultant to conduct such evaluations.
- (i) The Board shall be responsible for oversight of the Senior Management and shall periodically assess and review their performance.
- (j) The Board shall appoint a company secretary and set out the company secretary’s roles, duties and responsibilities.

5. Composition of the Board

- (a) The Board shall be commensurate with the Financial Institution’s size, be an uneven number, consist of at minimum 5 (five) and at maximum 15 (fifteen) members, and shall include the CEO.

- (b) The Board shall at all times be adequately qualified to discharge its responsibilities and make sound decisions relating to the Financial Institution.
- (c) The Board shall have a majority of Non-executive Directors, and at least one-fourth of the Board shall be Independent Directors. A member of the Board shall not be considered to be independent if the member:
- (1) has 1% or more effective equity interest either in own name, or together with Immediate Family combined or together with an entity owned by the person or his Immediate Family;
 - (2) represents a shareholder who has more than 1% equity interest in the Financial Institution;
 - (3) is employed or was employed in the past 4 (four) years, by the Financial Institution; any of its major shareholders, except where such shareholder is the Government of Maldives; or any subsidiary or branch or associate of the Financial Institution or its major shareholders;
 - (4) or member's Immediate Family, or any entity where the member or member's Immediate Family own a major shareholding, either directly or indirectly and individually or in the aggregate, has a credit facility or collateralized asset with the Financial Institution, other than:
 - i) credit card facilities
 - ii) credit facilities granted to the member or member's spouse or children (including adopted and step children), in accordance with the Financial Institution's policies and at arm's length, where the aggregate balance of such facilities do not exceed MVR 3,000,000 (three million) or its equivalent.
 - iii) credit facilities from which the member or member's spouse or any children of the member (including adopted and step children) do not derive any benefit, or collateralized assets in which they do not have an interest.
 - (5) has an Immediate Family member on the Board or in a Senior Management position of the Financial Institution;
 - (6) is affiliated with a Significant Customer of the Financial Institution;
 - (7) is affiliated with a party that receives significant funding from the Financial Institution or its related parties;
 - (8) has served on the Board of the Financial Institution for a period of 4 (four) years or longer, whether consecutively or otherwise, unless a minimum of 10 (ten) years

have passed since the person last served on the Board, in which case the person may serve a maximum of another 4 (four) years as an Independent Director; or

- (9) any other circumstances in the Financial Institution's policies, or which in the opinion of the Board could affect the independence in judgement of the member.
- (d) A member of the Board of an Insurance Company or a Finance Company, shall not be on the Board or be an employee of any other Financial Institution unless with the prior approval of the Authority.
- (e) A Financial Institution shall not appoint a person to any post or role, including as a consultant, at the Financial Institution if the person has served on the Board or at a Senior Management position at another competing Financial Institution, unless a minimum of 12 (twelve) months have passed since the person left the post at the competing Financial Institution, or the Board of the competing Financial Institution gives its consent in writing.
- (f) Financial Institutions shall ensure that members of the Board are from diverse backgrounds and with different expertise including, but not be limited to, business, finance, actuarial, information and technology, management and risk management, as appropriate to the business of the Financial Institution.
- (g) All members of the Board shall have a sound understanding of the regulatory requirements, the services that the Financial Institution provides, as well as market developments relevant to the industry.

6. Board Meetings

- (a) The Board shall meet as frequently as may be deemed necessary to ensure that they are able to discharge their responsibilities and duties effectively. The Board of a Bank shall hold at least 1 (one) regular meeting each month, whilst the Board of Finance Companies and Insurance Companies shall hold at least 1 (one) regular meeting every 3 (three) months. All regular board meetings shall be held in the Maldives.
- (b) The quorum required to hold a Board meeting shall be three-fourths of the total Board members.
- (c) The Board must ensure that attendance at Board meetings by way other than physical presence is subject to appropriate safeguards to preserve the confidentiality of deliberations.
- (d) The Board shall examine and discuss all matters related to the strategy, business plans, financial conditions, risk management in order to exercise a proper oversight of the Financial Institution and Senior Management.
- (e) The Board shall, at least in the regular meetings stipulated under subsection (a), review the following at a minimum, as applicable:

- (1) balance sheet (month-end reports from last review held, or year-end);
 - (2) income statement (year to date and compared to budget);
 - (3) key performance ratios;
 - (4) new loans or investments approved, regardless if funded;
 - (5) in the case of Banks, large deposits, accepted or withdrawn and in the case of Insurance Companies, large insurance policies and claims;
 - (6) past-due and non-performing loans and other assets;
 - (7) Board committee reports;
 - (8) actions taken to comply with remedial orders or enforcement actions;
 - (9) instances of non-compliance to legal and regulatory requirements, and internal policies and procedures.
 - (10) instances of serious breach or suspicion of serious breach within the Financial Institution; and
 - (11) any other matters, which are, or should be considered, significant to the Financial Institution;
- (f) The Board shall ensure that appropriate and adequate documents and records of its meetings are maintained. Minutes of Board meetings shall include details of matters discussed or reviewed, recommendations and decisions made by the Board, and opposing views and concerns raised by members.
- (g) Each member of the Board shall attend at least three-fourths of the total Board meetings held every financial year. The number of Board meetings held every year, as well as the attendance of every member of the Board shall be disclosed in the Financial Institution's Annual Report. Emergency Board meetings shall not be included in calculating the total Board meetings held, and excused absences by members of the Board cannot be counted as attendance.
- (h) The company secretary shall attend all Board meetings, unless an item of the meeting agenda gives rise to a conflict of interest.
- (i) The Board may only invite external individuals to the Board meetings if their professional expertise or advice is required pertaining to a matter being discussed in the Board. However, such individuals shall be required to leave the meeting at the time the Board makes a decision.

7. Board Appointment and removal

- (a) Financial Institutions shall have policies and procedures for the selection, appointment and reappointment of members on the Board, which shall be approved by the Board.
- (b) The Board shall ensure that any member appointed to the Board meets the following criteria when the person is nominated for the position and at all times during the tenure once elected.
 - (1) possesses the necessary knowledge, skill and experience required;
 - (2) is fit and proper in accordance with the standards stipulated by the Authority;
 - (3) is of high integrity and good reputation;
 - (4) the person or his Immediate Family member is not a member of the cabinet, or a political appointee, or a member of parliament, or a head of a state institution established by law, or holds a key position in any political party;
 - (5) the person or his parent, spouse, or child is not a member of a council of an island, atoll or city;
 - (6) is not a partner or an officer of the external auditor who directly engages in the audit of the Financial Institution; or has not been a partner or an officer of an external auditor who directly engaged in the audit of the Financial Institution unless 2 (two) years has passed after he ceased to be a partner or such officer of that audit firm or 2 (two) years has passed after the firm served as the external auditor;
 - (7) has sufficient time to discharge the responsibilities and duties to the Financial Institution effectively, and can promote and engage in constructive communication with other members of the Board; and
 - (8) does not pose a significant conflict of interest in discharging his duties.
- (c) Unless otherwise set by a relevant industry legislation, a member of the Board shall be at least 30 (thirty) years of age, and not more than 70 (seventy) years of age. This maximum age limit may be extended by the Authority on a request made by the Financial Institution.
- (d) A member of the Board shall be removed from the Board immediately upon the occurrence of the one of the following:
 - (1) the member is convicted in a court of law for a criminal offence;
 - (2) the member's conduct is found to be detrimental to the Financial Institution;

- (3) the member fails to attend three-fourths of the total Board meetings of the financial year;
- (4) the member is not fit or proper in accordance with the standards stipulated by the Authority; or
- (5) any other reason as may be stipulated in the relevant legislation and regulations applicable to the Financial Institution.

8. Chairperson of the Board

- (a) The Board shall appoint a chairperson from the Non-executive Directors of the Board. The main responsibilities of the chairperson of the Board shall include:
 - (1) responsibility for the overall functioning of the Board activities;
 - (2) providing leadership to the Board, and promoting good relations within the members of the Board;
 - (3) ensuring that the Senior Management provides adequate and accurate information to the members of the Board on a timely basis to enable them to make informed decisions and discharge their responsibilities and duties effectively;
 - (4) encouraging and promoting critical discussion by enabling opposing views on issues to be freely expressed and constructively discussed within the decision-making process.
- (b) The chairperson shall dedicate sufficient time to adequately and effectively discharge the chairperson's responsibilities and duties.

9. Board Committees

- (a) The Board shall establish Board committees as deemed necessary based on the size, nature of business and risk profile of the Financial Institution. The Board shall formulate the mandate, scope, and working procedures for each Board committee. Any Board committee established shall be subordinate to the Board.
- (b) The Board committees shall only include members of the Board, and the Board shall appoint a chairperson for each committee who shall not be the chairperson of the Board.
- (c) Board committees shall maintain appropriate and adequate records of committee deliberations and decisions, such as meeting minutes, summary of matters reviewed, recommendations made and decisions taken.

10. Audit Committee

- (a) The Board shall establish an Audit Committee which shall be distinct from other committees set up by the Board.
- (b) The Audit Committee shall include at least 3 (three) members of the Board, all of whom shall be Non-executive Directors.
- (c) The chairperson of the Audit Committee shall be an Independent Director and shall not be the chairperson of the Board or any other committee.
- (d) The Audit Committee shall be required to meet at least once in every 3 (three) months.
- (e) The Board shall set out in writing the duties and responsibilities of the Audit Committee. The main responsibilities of the Audit Committee shall include the following:
 - (1) making recommendations for the Board's or the shareholder's approval regarding the appointment, remuneration and dismissal of the Financial Institution's external auditor;
 - (2) reviewing the annual financial statements with the relevant Senior Management members and the external auditor and reporting to the Board;
 - (3) monitoring and assessing the effectiveness of the external audit, including by meeting with the external auditor without the presence of Senior Management at least annually;
 - (4) overseeing the effectiveness of the internal audit function of the Financial Institution;
 - (5) reviewing and approving the audit scope, procedure and frequency;
 - (6) receiving key audit reports and ensuring that Senior Management is taking necessary corrective action in a timely manner to address control weaknesses, and other problems identified by an auditor and other control functions;
 - (7) overseeing the establishment of accounting policies and practice by the Financial Institution; and
 - (8) reviewing any third-party opinions on the design and effectiveness of the overall risk governance framework and internal control system.

11. Accountability and Conflicts of Interest of Board Members

- (a) The members of the Board are collectively accountable for the governance of the Financial Institution. The members of the Board shall be individually accountable for their actions as a Board director.

- (b) The Board shall approve a written policy on conflict of interest and its compliance process for effective implementation. This policy shall, at minimum, include the following:
- (1) members' obligation to at all times avoid activities that can raise conflict of interest or the appearance of a conflict of interest;
 - (2) members' obligation to declare any possible conflict of interest before a Board meeting commences, if an item on the agenda of the meeting gives rise to any conflict or may give rise to any conflict, and to be absent from the meeting during the deliberation of such item;
 - (3) a comprehensive review and approval process which members are subjected to before engaging in activities which may give rise to competing interests, such as serving on a board of another institution;
 - (4) members' obligation to promptly disclose any matters that may result, or has already resulted, or may appear to result in a conflict of interest;
 - (5) members' obligation to not vote on any matters where the member may have a conflict of interest, or where the ability of the member's objectivity or ability to properly discharge responsibilities and duties to the Financial Institution may be compromised; and
 - (6) the actions which shall be taken against a member in the case of non-compliance with the set policy.

CHAPTER THREE: SENIOR MANAGEMENT

12. Senior Management

- (a) Senior Management shall be accountable to the Board for the operations of the Financial Institution. The CEO and other members of the Senior Management shall operate within the mandate assigned by the Board and in accordance with the policies approved by the Board.
- (b) No Shareholder of a Financial Institution may be involved in its day-to-day operations, except in his capacity as an employee of the Financial Institution.
- (c) Notwithstanding (b) above, a Major Shareholder shall not be in a Senior Management position of the Financial Institution.
- (d) Senior Management shall operate within a set organizational management structure with their roles, responsibilities and authorities clearly defined.
- (e) The main duties of the Senior Management shall include the following:

- (1) implementing the Board’s policies and managing the day-to-day operations of the Financial Institution in a manner which promotes transparency and accountability;
 - (2) ensuring that the Financial Institution’s activities are conducted in a safe and prudent manner and in accordance with the business strategy, risk strategy, risk appetite, and other policies and decisions of the Board;
 - (3) providing the Board with the information it may require to discharge its responsibilities and duties, and matters relating to the performance, financial condition, operating environment, internal controls, risk management, regulatory requirements and changes, compliance issues or any remedial actions taken against the Financial Institution;
 - (4) addressing actual or suspected or potential breaches of regulatory requirements or weak internal controls in a timely and effective manner and inform the Board of such matters promptly;
 - (5) contributing to and promoting sound corporate governance of the Financial Institution; and
 - (6) implementing sound risk management, risk culture and adequate processes that are approved by the board to manage and control risks.
- (f) Where there is a case of serious breach or suspicion of serious breach within the Financial Institution, such as fraud or embezzlement, the Senior Management shall within the same day notify the Authority of such breach or suspicion.
- (g) Each member of the Senior Management shall be a person of integrity and have the necessary qualification and experience to discharge his responsibilities and duties. The Board shall ensure that the Senior Management is given proper training and skill enhancement opportunities regularly to ensure that they are updated on key industry developments and any new regulatory standards or requirements.
- (h) The Board shall approve a robust policy for the appointment and removal of the CEO and other members of the Senior Management, which shall include but not be limited to the minimum requirements that shall be satisfied by the CEO and other members of the Senior Management.
- (i) The Board shall ensure that the Senior Management is at all times fit and proper in accordance with the standards stipulated by the Authority.

13. Chief Executive Officer (CEO)

- (a) The CEO shall be the highest position holder in the organization, appointed by and accountable to the Board. The CEO is entrusted with the executive duties and responsibilities for the Financial Institution’s day-to-day operations, compliance and

performance.

- (b) Where the Financial Institution is a branch of a foreign financial institution, the CEO of the branch shall ensure that the head office is aware of its obligations under this Regulation. Moreover, the CEO shall report to the Authority promptly with detail, if the head office has failed to comply with any requirements under this Regulation.
- (c) The CEO shall reside in the Maldives and engage full time in the management of the operations of the Financial Institution.
- (d) The CEO shall at all times be fit and proper in accordance with the standards stipulated by the Authority and must be of a minimum age of 30 (thirty) years.
- (e) The CEO must not be a major shareholder or member of the Board or employee of another Financial Institution, or act as a consultant, advisor, or provide any other service for remuneration to another Financial Institution.
- (f) The Financial Institution shall inform the Authority immediately if the position of the CEO becomes vacant, detailing the temporary measures taken for managing the day-to-day operations of the Financial Institution in absence of the CEO. The Board shall ensure that a new CEO is appointed within 4 (four) months from the date of vacancy.

CHAPTER FOUR: COMPLIANCE, RISK MANAGEMENT, AND INTERNAL AUDIT

14. Risk management framework and culture

- (a) Financial Institution shall implement a risk management framework that follows the ‘three lines of defence’ model in which:
 - the business unit is the first line of defence: it takes the risks and is responsible and accountable for identifying, assessing and reporting the risk within procedures, limits and controls;
 - the control functions are the second line of defence: made of the risk management function and the compliance function, both fully independent from the first line of control, and in charge of monitoring and reporting the risks to the senior management and the board; and
 - the internal audit as third line of defence: the fully independent internal audit reviews the quality of the internal control and risk governance, including the first and the second line of control.
- (b) Board and Senior Management shall develop its risk culture through policy, example, communication, and training of employees regarding their duty and responsibility for risk.

15. Risk management function

- (a) Financial Institutions shall have an effective, independent risk management function, with sufficient stature, independence, resource and access to the Board. The size of the risk management function shall be commensurate to the size, complexity and risk profile of the institution.
- (b) The main responsibilities of the risk management function are to:
 - (1) oversee the risk-taking activity across the Financial Institution;
 - (2) identify material individual, aggregate, and emerging risks;
 - (3) assess the risks and measure the financial institution's exposure to them;
 - (4) subject to review and approval of the Board, develop and implement the risk governance framework; and
 - (5) monitor on an on-going basis the risk-taking activity, the risk exposures in line with the Board approved risk appetite, the risk limit, and the breach of limit.
- (c) The Financial Institution shall appoint a senior risk officer, preferably a Chief Risk Officer (CRO) as the head of the risk management function. CRO shall be responsible for overseeing the development and implementation of the Financial Institution's risk management functions.

16. Compliance function

- (a) Financial Institution shall have an independent compliance function, which shall be accompanied with a compliance policy approved by the Board, and its activities should be subject to periodic and independent review by the internal audit function.
- (b) The compliance function should include monitoring and ensuring compliance to laws; and the regulations, rules and standards issued by regulators; policies and procedures of the Financial Institution; codes of practice promoted by industry; and internal codes of conduct applicable to the employees.
- (c) The Board shall on regular basis, and no less than annually, review the adequacy and effectiveness of the compliance policy and compliance function, and bring changes to the policy as necessary.
- (d) The compliance function shall advise the Board and Senior Management, in order to ensure full compliance to the applicable policies and regulatory requirements of the Financial Institution.
- (e) The compliance function shall educate employees regarding compliance issues.
- (f) The compliance function shall submit to the Authority a compliance report by the

end of June and December every year. Such report shall include but not be limited to the Financial Institution's compliance and non-compliance to the legislative and regulatory requirements and internal policies and procedures. Where there is any non-compliance, the report shall detail out the reasons for non-compliance and propose remedial actions to rectify the situation along with a timeline within which the Financial Institution shall rectify the situation.

17. Internal audit

- (a) The Board shall establish an independent and effective internal audit function that shall report directly to the Board or its audit committee in relation to its mandate and operations. The internal audit function may report to the CEO on administrative matters.
- (b) The internal audit function shall be mandated to provide assurance to the Board on the quality and effectiveness of the Financial Institution's internal control, risk management and governance systems and processes.
- (c) Internal audit activities, but not the function, may be outsourced to a reputable auditing firm.
- (d) If the internal audit activities are outsourced, the Board shall ensure that the internal audit function has employees with relevant qualifications and experience, and knowledge from the outsourced auditing firm is assimilated into the institution by having one or more members of the internal audit participate in the outsourced audit work.
- (e) The Board shall ensure that the outsourced auditing firm or any person involved in the audit, shall not audit any function or activity for which they have previously provided consultancy services, unless a reasonably long 'cooling-off' period has elapsed.
- (f) The Financial Institution shall ensure that any outsourced audit firm or person who was involved in an internal audit of the Financial Institution does not provide consultancy services to a function they recently audited.
- (g) The Financial Institution shall not outsource internal audit activities to their current external audit firm or to an audit firm that has carried out an external audit pertaining to the period covered in the internal audit.
- (h) The appointment and removal of the head of internal audit or the audit firm to which an internal audit activity is outsourced, shall be approved by the Board.
- (i) All reports and findings of the internal audits shall be submitted to the Board or its audit committee.
- (j) The Board shall ensure that the Senior Management addresses and resolves

- weaknesses identified by the audit in a timely and effective manner.
- (k) If any serious breach, such as fraud or embezzlement within the Financial Institution is discovered in an internal audit, the head of internal audit shall ensure such breach is reported to the Authority within a reasonable time frame.
 - (l) Where there is a case of serious breach or suspicion of serious breach within the Financial Institution, such as fraud or embezzlement, the internal audit shall immediately conduct a special audit on the breach. The head of Internal Audit shall regularly update the Authority regarding the on-going special audit, and promptly share the reports prepared pursuant to such audit.
 - (m) The internal audit shall perform a periodic assessment of the Financial Institution's overall risk governance framework, which shall include at minimum an assessment of the effectiveness of the risk management and compliance functions of the Financial Institution, the quality of risk reporting to the Board and Senior Management, and the effectiveness of the Financial Institution's internal control system.
 - (n) The Board and the Senior Management shall contribute to the effectiveness of the internal audit function, and shall respect, promote and support the independence of the internal audit function.

CHAPTER FIVE: REMUNERATION, DISCLOSURE AND TRANSPARENCY

18. Remuneration framework for Board, Senior Management and employees

- (a) The Board shall set an appropriate remuneration framework of the members of the Board and the Senior Management, and approve the general framework on compensation and remuneration for employees of the Financial Institution.
- (b) The Financial Institutions shall ensure that it establishes a remuneration framework which shall adequately attract and retain talent without compromising the Financial Institution's viability and financial soundness.
- (c) The Financial Institution shall submit to the Authority, promptly upon the request of the Authority, the Financial Institution's remuneration framework applicable to members of the Board and employees of the Financial Institution.

19. Disclosure and transparency

- (a) The governance of the Financial Institution shall be adequately transparent to its depositors, policyholders, shareholders, and other relevant stakeholders.
- (b) Financial Institutions shall include a corporate governance report within its annual report, which shall include but not be limited to the following:

- (1) the Financial Institution's compliance to applicable legislative and regulatory requirements, including details of any deviation from applicable requirements with reason;
- (2) names of each member of the Board, identifying whether they are an Independent Director, Non-executive Director or Executive Director, as well as providing information on other directorships that the member holds;
- (3) number of Board and Board committee meetings held during that financial year, along with the remuneration paid to each member of their Board, and the attendance details of each member of the Board; and
- (4) statement on the risk management and internal control systems of the Financial Institution.

CHAPTER SIX: GENERAL PROVISIONS

20. Duty of Care and Conflict of Interest of Senior Management

- (a) The Senior Management, company secretary, and heads of key functions shall ensure that, in fulfilling their respective responsibilities and duties to the Financial Institution, they shall at all times act in accordance to the same duty of care reasonably expected of a professional in similar situations.
- (b) The Senior Management, company secretary and heads of key functions shall at all times act honestly, in good faith, and in the best interest of the Finance Institution. Where there is an occurrence of an event which may give rise to a competing interest or appear to give rise to a competing interest, the respective person shall immediately disclose of such conflict of interest and act in accordance with the policies of the Financial Institution on addressing conflicts of interest.

21. Providing Information to the Authority

- (a) Where the Authority requests a Financial Institution for any records, reports or any other information in order to assess the soundness of the corporate governance regime of the Financial Institution, the Financial Institution shall provide such information within such duration as specified by the Authority.

22. Transitional Arrangements

- (a) Any operations of Financial Institutions at the time this Regulation becomes effective that do not conform to the requirements of this Regulation shall be brought into compliance with this Regulation within 12 (twelve) months from the date of commencement of this Regulation, unless the period is extended by the Authority.

23. Corrective Measures

- (a) Where the Authority determines or has reason to believe that a Bank, its Administrators, or any other person associated with the Bank is in violation of this Regulation, the Authority shall enforce any corrective measures, enforcement actions or administrative penalties against the Bank, Administrators or any other person associated with the Bank, as provided in Section 55 of the Banking Act.
- (b) Where the Authority determines or has reason to believe that an Insurance Company, or a Finance Company, or a Board member or a person holding a Senior Management position of an Insurance Company or a Finance Company is in violation of this Regulation, the Authority shall enforce any corrective or enforcement measures against the institution or the Board member or a person holding a Senior Management position, as provided in Section 39 of the MMA Act.

24. 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 assigned to them in the Banking Act or MMA Act, as the case may be:

“**Administrator**” shall have the same meaning as assigned in the Banking Act.

“**Authority**” means the Maldives Monetary Authority established under the Maldives Monetary Authority Act 1981 (Law No.: 6/81).

“**Bank**” means a party holding a licence or permit under the Maldives Banking Act (Law No.: 24/2010).

“**Banking Act**” means the Maldives Banking Act (Law No.: 24/2010).

“**Board**” means the board of directors of the Financial Institution.

“**CEO**” means the chief executive officer; or the managing director; or in the case of a branch of a foreign financial institution, the designated branch manager.

“**Duty of Care**” means the duty of the Board to decide and act on an informed and prudent basis with respect to the Financial Institution and to carry out the affairs of the Financial Institution the same way that a “prudent person” would approach his or her own affairs.

“**Duty of Loyalty**” means the duty of the Board to act in good faith in the interest of the Financial Institution and avoids acting in his or her own interest, or in the interest of another individual or group, or at the expense of the Financial Institution, and its shareholders.

“**Executive Director**” means a member of the Board who also has management responsibilities within the Financial Institution.

“**Finance Company**” means a company licensed by the Authority to conduct financing business in the Maldives.

“**Financial Institution**” means Banks, Insurance Companies and Finance Companies regulated and supervised by the Authority.

“**Immediate Family**” means the person’s spouse, child (including adopted and step child), spouse of child, parent, sibling, parent-in-law, and sibling-in-law.

“**Independent Director**” means a non-executive member of the Board who, apart from receiving director remuneration does not have any other material pecuniary relationship or transaction with the Financial Institution, its major shareholder, its subsidiary, its fellow subsidiary, its Senior Management, and is not under any other undue influence, internal or external, political or ownership, that would impede the director’s exercise of objective judgment.

“**Insurance Company**” means a company licensed by the Authority to conduct insurance business in the Maldives.

“**Major Shareholder**” means a person who, directly or indirectly, holds a minimum of 10% of the capital or the voting rights of a legal entity, or who through other means, in the opinion of the Authority, is able to control the legal entity of which he is deemed to be a major shareholder.

“**MMA Act**” means the Maldives Monetary Authority Act 1981 (Law no.: 6/81).

“**Non-executive Director**” means a member of the Board who does not have management duties and responsibilities within the Financial Institution.

“**Senior Management**” means a person who is an employee of a Financial Institution who, regardless of title, participates in policymaking functions, or is responsible for any material portion of the business activities of the Financial Institution, or is authorized to commit its funds by making loans or investments. The term includes, but is not limited to the CEO, general manager, the chief lending officer, the chief financial officer, head of actuarial function.

“**Significant Customer**” means any customer who has a business relationship with the Financial Institution amounting to 10% or more of the capital base of the Financial Institution.