

## **Regulation for Non-Bank Financial Businesses Operating in the Special Economic Zone**

### **CHAPTER ONE**

#### **PRELIMINARY**

- Introduction** 1. This Regulation is issued pursuant to paragraph (a) of section 55 and paragraph (b) of section 81 of Law No. 24/2014 (Special Economic Zone Act).
- Short Title** 2. This Regulation shall be cited “Regulation for Non-Bank Financial Businesses operating in the Special Economic Zone.”
- Commencement** 3. This Regulation shall come into effect from the date of its publication in the Government Gazette.

### **CHAPTER TWO**

#### **LICENSING**

- Prohibition** 4. No person shall engage in an offshore non-bank financial business in a special economic zone, unless they have a licence issued by the Authority.
- Licence Applications** 5. (a) An application for license to engage in an offshore non-bank financial business in a special economic zone established under Law no. 24/2014 (Special Economic Zone Act) shall be applied for in writing to the Board of Investments, and shall be in such form and shall contain such information as prescribed by the Authority.
- (b) In the case of an application for licence, the information submitted with the application shall include, but need not be limited to the following.
- (1) An authenticated copy of Memorandum of Association, Articles of Association and corporate governance documents of the applicant, and of its audited annual balance sheets and profit and loss statements for the last

3 (three) years.

- (2) A description of the proposed capital funds of the applicant, the sources of such funds and the amount that has been paid in.
- (3) The premise or the address at which the applicant proposes to do business, and the name under which the applicant intends to conduct offshore non-bank financial business.
- (4) The names, places of permanent residence, business and professional backgrounds, and other information determined by the Authority, of each proposed major shareholder and member of the board of directors of the applicant.
- (5) The names, places of permanent residence, educational and professional backgrounds, and other information determined by the Authority, of each proposed executive officer of the applicant.
- (6) For each major shareholder and executive officer, an affidavit duly signed by the individual stating any convictions for crimes or no conviction, and any involvement in a managerial function in an insolvent company or a company subject to insolvency proceedings, if any.
- (7) A business plan describing the objectives and business activities intended for the proposed entity, including a description of its organizational structure and internal controls including measures appropriate to counter Money -laundering and the financing of terrorism.
- (8) Projected balance sheets, profit and loss accounts and cash flow statements for the first 3 (three) years of operations shall also be submitted.
- (9) In the case of an application by a foreign non-bank financial institution, a statement from the foreign supervisory authority responsible for the prudential supervision of the foreign entity to the effect that it has no objection to the proposed establishment of offshore non-bank financial business in the Maldives by the

applicant.

- (c) Applications for licences shall be accompanied by an application processing fee of an amount as may be determined by the Authority.
- (d) The Authority shall, within 7 (seven) days of receipt of an application forwarded by the Board of Investment that was made under paragraph (a) of this section, provide notice to the applicant on whether or not the application is complete. If the application is deemed incomplete, the Authority shall inform the applicant of all missing information and documents and provide the applicant with a time period during which the applicant shall provide the missing information. Where the applicant fails to provide the requisite within the specified period, the Authority shall have the discretion to reject such an application.
- (e) The Authority shall, within 30 (thirty) days of its receipt of a complete application, grant or deny the requested licence. This period shall commence to run when the Authority notified to the applicant under subsection (d) that the application is a complete application, or when the applicant completes the incomplete application within the time frame provided by the Authority.

**General  
Licensing  
Requirements**

- 6. (a) Licence shall be granted only to companies registered in the Republic of Maldives or another country.
- (b) An offshore non-bank financial institution licensed under this Regulation shall provide 60 (sixty) days prior written notice to the Authority and to its customers of the closing of its business and they shall file with the Authority at the time of submitting such notice a plan providing for the orderly transfer or termination of the business.

**Conditions of  
Licensing**

- 7. (a) The Authority may impose additional licence conditions when granting a license or subsequent to the initial licensing may modify or waive any conditions of licensing in writing.
- (b) Each offshore non-bank financial institution shall be subject to undertake the following.

- (1) The non-bank financial institution shall comply with the capital adequacy and with all other prudential requirements of this Regulation as well as with all directives and instructions issued by the Authority.
- (2) The non-bank financial institution shall maintain appropriate internal controls, audit procedures and other appropriate systems and policies to manage the risks of its business.
- (3) The non-bank financial institution shall not engage in criminal activities, including criminal breach of trust, fraud, money laundering and the financing of terrorism.
- (4) The non-bank financial institution shall operate its business only under the name that has been approved by the Authority.
- (5) The non-bank financial institution shall conduct its offshore non-bank financial business activities by an office established in the place licensed by the Authority.
- (6) Major shareholders, members of board of directors, branch manager and executive officers of the non-bank financial institution shall at all times be fit and proper according to the standards stipulated by the Authority.

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| <b>Opening another office, branch or a subsidiary</b> | 8. No offshore non-bank financial institution shall open another office or branch in a place other than the office permitted by the Authority, without the prior approval of the Authority. Nor shall an offshore non-bank financial institution open a subsidiary without the prior approval of the Authority. |
| <b>Merger</b>                                         | 9. No offshore non-bank financial institution shall merge or consolidate with any other institution or acquire, in whole or in part, either directly or indirectly, the assets of, or assume the liabilities of, any other institution except with the prior approval of the Authority.                         |

### **CHAPTER THREE**

#### **CAPITAL, AND RULES FOR CONDUCTING OFFSHORE NON-BANK FINANCIAL BUSINESS IN A SOUND**

## **AND PRUDENT MANNER**

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| <b>Capital</b>            | 10. | <ul style="list-style-type: none"><li>(a) An offshore insurance business, considered an offshore non-bank financial business, shall at all times maintain a minimum unimpaired paid-up capital or assigned capital of not less than 10,000,000 (ten million) Maldivian Rufiyaa, or such higher amount as may be specified by the Authority.</li><li>(b) An offshore insurance agent or brokering business, considered an offshore non-bank financial business, shall at all times maintain a minimum unimpaired paid-up capital or assigned capital of not less than an amount as may be specified by the Authority.</li><li>(c) All other offshore non-bank financial businesses other than those specified under subsection (a) and (b) above, shall at all times maintain a minimum unimpaired paid-up capital or assigned capital of not less than an amount as may be specified by the Authority.</li></ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>General Principles</b> | 11. | <ul style="list-style-type: none"><li>(a) An offshore non-bank financial institution must conduct their affairs in a sound and prudent manner and in accordance with any conditions attached to their licence, instructions, rulings and orders issued by the Authority.</li><li>(b) Each offshore non-bank financial institution must maintain adequate capital and liquidity for discharge of liabilities; and shall make adequate provision for debt, for depreciation of assets, and for other losses. The non-bank financial institution also shall maintain adequate accounting and other records of business, observe effective controls of risks and ensure that their assets and liabilities are sufficiently diversified to ensure sustained operations.</li><li>(c) Offshore non-bank financial institutions must follow standards and procedures which may be determined by the Authority with regard to subsection (b). Offshore non-bank financial institutions shall also be subjected to any prudential requirements set by the Authority to ensure that the non-bank financial institutions conduct themselves in sound and prudent manner, including procedures and methods of calculation to be followed in their application with regard to capital adequacy; asset-classification; suspension of interest accrual and provisions for loan losses; limits on credits extended to single borrowers, groups of connected borrowers, and connected persons; transactions with related parties; foreign currency open position limits; liquidity</li></ul> |

management; and other such prudential matters.

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| <b>Change in Major Shareholders</b>  | 12. | Every offshore non-bank financial institution shall, within 3 (three) days of such change, provide details to the Authority if there is a change in the major shareholders of the non-bank financial institution.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Confidentiality</b>               | 13. | It shall be prohibited for the Authority, employees of the Authority, offshore non-bank financial institutions, employees of offshore non-bank financial institutions, their appointed external auditor, or any other person who has access to the records, books, accounts and any other such documents of an offshore non-bank financial institution, to directly or indirectly disclose to a third party information on the offshore non-bank financial institution, their major shareholders, beneficial owners and customers, without a decision of a Court of law or without the consent of the person whom the information is with regard to.                                                                                                                                                                |
| <b>Exceptions to Confidentiality</b> | 14. | <p>The provisions of section 13 of this Regulation shall not apply to disclosure of information in the following cases:</p> <ol style="list-style-type: none"><li>(1) Disclosure of information to facilitate the performance of duties of the external auditors of the offshore non-bank financial institution.</li><li>(2) Disclosure of information and documents requested by the Authority.</li><li>(3) Any disclosure pursuant to the reporting obligation under the Prevention of Money Laundering and Financial Terrorism Act.</li><li>(4) An offshore non-bank financial institution's disclosure of all or some information on a customer's transactions to prove the non-bank financial institution's claim in a judicial proceeding between it and its customer regarding these transactions.</li></ol> |

## **CHAPTER FOUR**

### **BOARD OF DIRECTORS, MANAGEMENT AND INTERNAL AUDIT**

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| <b>Board of Directors</b> | 15. | (a) The board of directors of an offshore non-bank financial institution shall have overall responsibility for establishing the policies and procedures under which the affairs of the non-bank financial institution shall be governed and for overseeing the activities of management. In particular, the board of directors |
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shall establish the risk-management policies for all major functions of the non-bank financial institution in order to ensure safe and prudent practices.

- (b) All members of the board of directors must be fit and proper persons according to the standards set by the Authority.
- (c) The members of the board of directors shall act honestly and in good faith, and be loyal to the best interests of the non-bank financial institution. In carrying out their functions they shall exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. In the event that members of the board of directors fail to exercise such care, diligence, skill and loyalty in protecting and promoting the interests of the non-bank financial institution, they may be held personally liable in damages to any persons who suffer injuries that are caused by their failure to exercise such care, diligence, skill and loyalty. A case may be filed in the Court against members of boards of directors seeking damages for such failure.

**Management**

- 16.
- (a) The board of directors of an offshore domestic non-bank financial institution shall appoint one of its members as the managing director or chief executive officer of the non-bank financial institution. The board of directors of an offshore foreign non-bank financial institution operating in the Maldives shall appoint a designated branch manager. The managing director or the chief executive officer or the designated branch manager shall be responsible for implementation of the decisions of the board of directors and for the management of the day-to-day operations of the non-bank financial institution.
  - (b) Each offshore non-bank financial institution shall also appoint suitably qualified persons as executive officers responsible for major aspects of the Offshore non-bank financial institution's operations, including lending, internal audit, compliance with the applicable laws, regulations, instructions, directives and procedures and asset and liability management. The board of directors may designate from among its own members appropriate committees of the board to oversee the activities listed in this paragraph and other activities of the non-bank financial institution.
  - (c) A person to be appointed to serve in the position of managing director, chief executive officer, branch manager, and other executive officers must be fit and proper persons according to the

standards set by the Authority

- Internal Audit** 17. Each offshore non-bank financial institution shall conduct internal audit on a regular basis. The Board of Directors shall include in the Audit Charter the responsibilities, duties and conditions of the internal auditors.

## **CHAPTER FIVE**

### **ACCOUNTS AND FINANCIAL STATEMENTS**

- Accounting Principles and Financial Statements** 18. (a) Each offshore non-bank financial institution shall maintain proper accounts, records and other documents as required for orderly operations.
- (b) Each offshore non-bank financial institution shall prepare their financial statements consisting of their balance sheets, profit and loss accounts, annual cash flow statements, and statements of changes in capital accounts in a manner that gives a true and fair view of the financial position of the non-bank financial institution. The non-bank financial institution shall also prepare these statements in conformity with the International Financial Reporting Standards, and in compliance with any special requirements that may be set by the Authority.
- Auditing the Annual Financial statement** 19. (a) Each offshore non-bank financial institution shall appoint an external auditor who is qualified and experienced in audit. The appointed external auditor shall be an auditor acceptable by Authority.
- (b) Each offshore non-bank financial institution shall audit their annual financial statements by the external auditor.
- Reporting their annual financial statements** 20. Each offshore non-bank financial institution shall within 4 (four) months after the end of their Financial year, send a copy of each non-bank financial institution's audited financial statements and annual report to the Authority. The non-bank financial institution shall also provide any additional information or documents requested by the Authority in relation to their annual report or annual financial statement.

## **CHAPTER SIX**



## **SUPERVISION**

### **Providing Information and supervision**

21. (a) Each offshore non-bank financial institution shall furnish any information requested by the Authority, in such form and detail and at such time specified by the Authority.
- (b) The Authority may at any time cause an on-site examination of an offshore non-bank financial institution to be made by one or more officers of the Authority, or by any other person or persons appointed by the Authority for the purpose of determining the condition and performance of the non-bank financial institution, the adequacy of management and the board's policies for managing risk, and the extent to which it complies with the provisions of laws and regulations regarding the management of its activities, and any other matters deemed relevant by the Authority.
- (c) An offshore non-bank financial institution shall provide, and corroborate in writing when necessary, any additional information or documents if requested by the Authority. Where such additional information or documents require attestation in writing, an attestation shall also be provided along with the requested information or documents to the Authority.
- (d) Any person authorized to carry out an examination under this section shall be subject to confidentiality requirements and may require any member of the board of director, executive officer, employee or agent of an offshore non-bank financial institution, or its subsidiaries or affiliates, to provide access to all necessary books, accounts, documents, and records. The requested information shall be submitted to the non-bank financial institution examiner in a timely manner.
- (e) Non-bank financial institution examiners shall prepare a report based on the results of the examination and shall submit the report to the board of directors of the non-bank financial institution.

## **CHAPTER SEVEN**

### **CORRECTIVE MEASURES AND ADMINISTRATIVE PENALTIES**

**Corrective  
Measures and  
Administrative  
Penalties**

22. (a) The Authority may take any measure or impose any administrative penalties stipulated in paragraphs (b) of this section, as applicable, in cases where it determines that an offshore non-bank financial institution, an executive officer of an offshore non-bank financial institution or any other person has engaged or is engaging in an unsafe or unsound operation, or has violated the provisions of this regulation, conditions of licensing, instruction or order issued by the Authority.
- (b) If any of the person stated in paragraphs (a), have violated or the Authority has reason to believe that they will violate any of the matter stipulated in paragraph (a), the Authority may take one or more of the following measures or impose one or more of the following administrative penalties.
- (1) send a written warning to the non-bank financial institution;
  - (2) require the non-bank financial institution to take affirmative action to correct the violations;
  - (3) give orders to the non-bank financial institution to cease and desist from particular actions and activities;
  - (4) Impose additional conditions in carrying on the non-bank financial institution's business;
  - (5) require that the non-bank financial institution cease some of its operations;
  - (6) advice to suspend or remove from office the chief executive officer, managing director, or other executive officer or an agent responsible for its major activities of the non-bank financial institution , depending on the seriousness of the violation;
  - (7) require that the non-bank financial institution remove the chairman or any of the members of the non-bank financial institution's board of directors;
  - (8) Where the Authority believes that the chief executive officer, managing director, or executive officer or agent responsible for its major activities of the non-bank financial institution, is personally responsible for the

violation, the Authority may impose penalties on them.

- (9) impose an administrative penalty, provided that, at the discretion of the Authority, administrative penalties may be imposed on a daily basis until the violation has eased or compliance is obtained. Such administrative penalties may be of an amount between 10,000/- (ten thousand) Maldivian Rufiyaa and 100,000/- (one hundred thousand) Maldivian Rufiyaa on a daily basis. However, the total aggregate administrative penalty imposed shall not exceed 5 % (five percent) of the non-bank financial institution's paid-up capital;
- (10) Revoke the offshore non-bank financial institution's licence.

## CHAPTER EIGHT

### RESOLUTION PROCESS

- 23. (a) Where the Authority determines that an offshore non-bank financial institution fails to comply with prudential requirements for safe and sound operations, after considering its implication to the financial sector, the Authority may initiate a resolution process of the offshore non-bank financial institution..
- (b) The Authority shall set and publish the circumstances in which a resolution process of an offshore non-bank financial institution may be initiated, the procedure and the rules that will be followed in the resolution process, as well as the powers and the measures that the Authority shall have with respect to a resolution process that the Authority may undertake.

## CHAPTER NINE

### ANCILLARY PROVISIONS

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| <b>License Fee</b>         | 24. | (a) Each offshore non-bank financial institution shall pay the Authority an annual license fee of an amount as shall be determined by the Authority.  |
| <b>Compliance with the</b> | 25. | Every offshore non-bank financial institution shall fully comply with the regulations enforced and the directions given by the Authority, in relation |

**Prevention of  
Money  
Laundering and  
Financial  
terrorism  
regulations**

to prevention of money laundering and financial terrorism.

**Definitions**

26. Unless otherwise specified in this Regulation, the following words and terms shall have meaning assigned to them below.

“residents” shall mean following Natural or Legal Persons active in the Maldives economy.

- (a) Every Natural Person who is expected to live in the Maldives for at least one year or more; or.
- (b) Every Legal Person who is expected to carry out an Economic Activity in the Maldives for at least one year or more.

“Board of Investment” refers to the ‘Board of Investment’ created under section 56 of the Act.

“Act” refers to Law No. 24/2014 (Special Economic Zone Act)

“Banking business” means

- (a) the business of accepting money, in the form of deposits or other funds, and the use of such deposits or funds, either in whole or part, for -
  - (1) granting credits or investments
  - (2) the business of acquiring, under an agreement with a person, an asset from a supplier for the purpose of letting out the asset to the person, subject to payment of instalments together with an option to retain ownership of the asset at the end of the contractual period;
- (b) Investment banking business;
- (c) Islamic Banking Business;
- (d) Any other business determined by the Authority.

“non-bank financial business” means a party carrying out a financial business other than banking business; This includes merchant banking business, or development banking business, or insurance business, or finance leasing business, or consumer finance business, or housing finance business, or remittance business, or money changing business, or card issuing and acquiring business, business of operating any type of payment and settlement instrument or system, or any party carrying out any other financial business or activity, other than those securities related businesses and services licensed under Law no. 2/2006 (Maldives Securities Act), which the Authority deems necessary to regulate and supervise for the stability of the financial sector of the Maldives.

“offshore non-bank financial business” refers to non-bank financial businesses that ordinarily provides their services only to non-residents, in a currency other than the Maldivian Rufiyaa.

“offshore non-bank financial institution” refers to a person holding a licence under this Regulation to engage in an offshore non-bank financial business.

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

“major shareholder” means a person who, directly or indirectly, holds a minimum of 10% (ten percent) 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.

“executive officer” means a person who is an employee of an offshore non-bank financial institution, regardless of title, participates in policy-making functions, or is responsible for any material portion of the business activities of an offshore non-bank financial institution, or is authorized to commit the institution’s funds by making loans or investments. The term includes the members of the board of directors, the president, the managing director, vice president, the chief lending officer, the chief financial officer, the chief executive officer, general manager and the treasurer of a non-bank financial institution.