

GUIDELINE #3
GUIDELINES ON VALUATION OF SECURITIES

Maldives Pension Administration Office
Maldives
December 2017



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MALDIVES PENSION ADMINISTRATION OFFICE

THE MALDIVES RETIREMENT PENSION SCHEME : GUIDELINE #3

GUIDELINES ON VALUATION OF SECURITIES

1 Background

- 1.1 The defined contribution investment choice characteristics of the Maldives Retirement Pension System ("MRPS") require daily valuations to properly value contributions to, withdrawals from and transfers between the investment funds of the MRPS.
- 1.2 A clear set of Guidelines establishes a fair mechanism for the valuation of securities and deposits to be consistently used, to be fair to all stakeholders for such investment funds. This recognises generally held industry standard views on the correct valuation of Scheme assets, including but not limited to securities and income that has accrued but not yet been received, and the recognition and valuation of accruing and actual liabilities.
- 1.3 Given the particular circumstances in the Maldives, notably the lack of liquidity of particular listed securities and the absence of secondary markets for Treasury Bills, it is considered important to establish additional valuation principles.

2 Accounting Standard and implication on Audit

- 2.1 MRPS generally aims to follow IFRS in valuing the asset, liabilities, incomes and expenses of constituent funds of MRPS if the application of the relevant standard presents a true and fair view.
- 2.2 In case where application of IFRS result in distorted presentation of economic reality and in the absence of alternative valuation framework issued by the market regulator, MPAO will use alternative valuation methods so as to present a true and fair view of the affairs of the various consistent funds under MPRS.
- 2.3 In certain cases, the valuation method used by MPAO may result in audit issues and audit qualifications. Such divergence in opinion will be fully disclosed.

3 Valuations made by MPAO

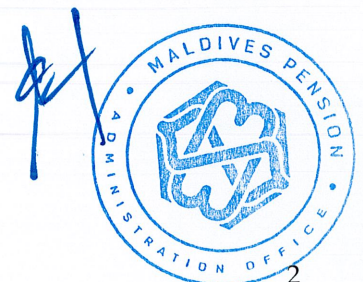
- 3.1 The methods used for all valuations determined by MPAO are to be recorded and made available to the Board and to the Investment Committee on request.



4 Valuation Principles

MPAO holds financial asset for the purpose of collecting contractual cash flows at present. Until such time when MPAO engages in the active sale of securities the following valuation principles will be observed in accordance with current applicable IFRS (IFRS 9: Financial Instruments.)

Type of Security	Valuation Method
Equities	Equities will be valued based on fair value principle. The fair value may not be the observable market price of the equity. The fair value will be determined by MPAO based on valuation method in accordance with IFRS in case where observable market prices are unreliable/outdated and unrepresentative of the fundamental value of the equity in question.
Bonds	Bonds will be valued at amortised cost
Treasury Bills / Fixed Deposits	Treasury Bills/Fixed Deposits will be valued at purchase price
Sharia Investments	Sukuk will be valued at amortised cost Short term Sharia Investments will be valued at cost
Income	Income from bonds / treasury bills/fixed deposits will be accrued based on contractual interest rate Income from Sukuk/ Short term Sharia Investments will be valued on accrual basis at coupon rate in accordance with the terms of the Sukuk investment/Short term Sharia Investments (see point 5)
Dividends	Dividends will be recognized when the fund's right to receive the dividend is established.
Expenses	Expenses will be recognized based on accrual concept
Liabilities	Liabilities will be recognized when it is probable that future outflows will take place and that it can be measured reliably



5 Effective Date

The amendment to income recognition for Sukuk/Short term Sharia Instruments will be effective from January 2018

The decision is endorsed by the Board of Maldives Pension Administration Office on the 141st Board Meeting held on 13th December 2017.

6 Review of Guidelines

These Guidelines are to be reviewed at least annually.

7 Version Control

14 January 2013	Original publication
27 June 2016	Revision to Applicable Accounting Standard, inclusion of dividends, income and liabilities. Revision to equity investment.
13 December 2017	Changing income recognition of Sharia Instruments from cash basis to accrual basis.

