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Volume: 52 Issue: 229 Date: 1 Rabeeu al-Akhir 1445 – 16 October 2023 Monday

Regulation No: 2023/R-166

REGULATION ON INVESTMENT SCREENING AND DUE DILIGENCE

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REGULATION ON INVESTMENT SCREENING AND DUE DILIGENCE

MALDIVES PENSION ADMINISTRATION OFFICE

Regulation on Investment Screening and Due Diligence

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Regulation on Investment Screening and Due Diligence

Chapter 1: Preliminary Provisions

- Introduction and Title**
1. (a) This Regulation specifies the screening criteria for proposals to invest Pension Assets in securities covered within the scope hereof and the due diligence framework of Publicly Listed and Privately Listed securities considered for investment by the Pension Office.
 - (b) This Regulation shall be cited as the “Regulation on Investment Screening and Due Diligence”.
- Objective**
2. Following are the objectives of this Regulation.
 - (a) Ensure the interests of MRPS members are protected and promoted through robust investment screening guidelines and due diligence framework that align with the overarching investment objectives.
 - (b) Enable an environment conducive to investments by clearly defining the scope, requirements and factors considered in the investment screening and due diligence process.
 - (c) Facilitate informed investment decision-making and ensure compliance with applicable requirements.
 - (d) Promote transparency and accountability in the investment screening and due diligence process.

- Rulemaking Authority** 3. This Regulation is formulated in accordance with the authority granted to the Pension Office under Subsection 3 (c) and Subsection 6 (i) of the Pension Act.
- Application** 4. This Regulation applies to Potential Investees and/or Promoters seeking investments of Pension Assets, and Fiduciaries involved in the investment screening, due diligence and decision-making process.
- Scope** 5. This Regulation shall govern screening and due diligence process related to the following securities that is issued or will be issued in the Maldives:
- (a) Publicly Listed securities on a licensed stock exchange;
 - (b) Privately Listed securities on a licensed stock exchange, except for private equities.
- Definitions** 6. Unless expressly stated otherwise in this Regulation, the following words and phrases shall have the following meaning.
- (a) **“Associated Party”** shall mean persons and legal entities that are presumed to have the power to make decisions on behalf of a person or legal entity, and parties with any direct or indirect interest in the actions of a person or legal entity, including the definition provided under the Act Number: 02/2006 (Maldives Securities Act) for this term.
 - (b) **“Board”** shall mean the Board of the Pension Office formed in accordance with the Pension Act.

- (c) **“Fiduciary”** shall mean a person having the power or discretion to manage or deal with pension and Pension Assets by virtue of being assigned or accepting the role as provided for in the Pension Act.
- (d) **“Investment Committee”** shall mean the Investment Committee formed as per the Pension Act.
- (e) **“MRPS”** shall mean the defined contribution based Maldives Retirement Pension Scheme established under the Pension Act.
- (f) **“Pension Act”** shall mean the Act Number: 08/2009 (Maldives Pension Act) ratified on 13th May 2009, including any applicable regulations made thereunder and any amendments made to the Act or regulations.
- (g) **“Pension Assets”** shall mean contributions collected under MRPS and the return on investment of such contributions as defined in the Pension Act.
- (h) **“Pension Office”** shall mean the Maldives Pension Administration Office established under the Pension Act.
- (i) **“Potential Investee”** shall mean a legal entity seeking investment of Pension Assets or a legal entity considered for investing by the Pension Office.

- (j) **“Privately Listed”** shall mean securities listed in the private security segment of the stock exchange as provided for under Chapter 4 of the Regulation on Issuance of Securities, except for private equities.
- (k) **“Promoter”** shall mean fund managers or investment advisors licensed by the Capital Market Development Authority, who acts as an agent of the Potential Investees to raise funds.
- (l) **“Publicly Listed”** shall mean securities listed publicly on the stock exchange as provided for under Chapter 3 of the Regulation on Issuance of Securities.
- (m) **“Regulation on Issuance of Securities”** shall mean the Regulation Number: 2021/R-126 (Regulation on Issuance of Securities) and any amendments made to the Regulation or any superseding regulation.
- (n) **“Securities”** shall have the same meaning as assigned in the Act Number: 02/2006 (Maldives Securities Act) and the Regulation on Issuance of Securities.

Chapter 2: Investment Mandate, Eligibility and Fiduciary Duty

Investment Parameters

7. Any investment proposal or opportunity to invest Pension Assets shall be assessed based on the following parameters specified under Subsection 16 (a) of the Pension Act:
- (a) security of assets;
- (b) diversity of investment;

- (c) investing in assets which yields maximum profit, taking into account security of assets; and
- (d) maintenance of adequate liquidity.
- Statement of Investment Principles** 8. All the considerations related to investment of Pension Assets shall be undertaken as per the published Statement of Investment Principles which details the manner in which investment related requirements under the Pension Act shall be fulfilled.
- Eligibility for Screening** 9. A proposal to invest Pension Assets shall be eligible for screening, if the following are satisfied.
- (a) Intention to publicly or privately list on a licensed stock exchange shall be informed in writing by the Potential Investee.
- (b) The investment proposal shall fulfil minimum eligibility criteria for listing as per the rules of the licensed stock exchange and the Regulation on Issuance of Securities.
- Eligibility for Due Diligence** 10. Investment opportunities shall be considered for due diligence, if the securities have been Publicly Listed or Privately Listed on a licensed stock exchange.
- Conditions Applicable to Screening and Due Diligence** 11. An investment proposal shall be eligible for screening and an investment opportunity shall be considered for due diligence, if the following conditions are satisfied in addition to the respective eligibility requirements stated in Sections 9 and 10 of this Regulation.

- (a) The investment proposal or investment opportunity shall comply with all applicable requirements under the Pension Act and the Regulation on Issuance of Securities.
- (b) Potential Investees shall be in continued operation and shall at least have audited financial statements for previous consecutive 3 (Three) years. The latest available audited financial statements shall not be more than 12 (Twelve) months old.
- (c) Notwithstanding Subsection 11 (b) hereof, leniency may be afforded to a Potential Investee if the securities proposed for investment is a guaranteed security.
- (d) The Potential Investee and/or Promoter concerned with the investment proposal shall not be an Associated Party of a Fiduciary, and the proposed investment of Pension Assets shall not have any direct or indirect conflict with a Fiduciary which may lead to a breach of fiduciary duties as per Section 23 of the Pension Act.
- (e) The Potential Investee and/or the Promoter are responsible for providing all relevant information and supporting documents required to determine whether they meet the eligibility criteria and conditions. Accordingly, the information provided must be accurate, complete, and timely to ensure that the screening and due diligence processes can be conducted effectively.

**Fiduciary Duty
and Avoiding
Conflict of
Interest**

12. (a) All Fiduciaries involved in the investment screening, due diligence and decision-making process shall have a fiduciary duty to act in the best interest of MRPS members and beneficiaries. Accordingly, the Fiduciaries shall act with care, skill, prudence, and diligence in accordance with the requirements of the Pension Act and the Statement of Investment Principles.
- (b) Fiduciaries shall avoid any conflict of interest, and shall not engage in any transaction that is not in the best interest of MRPS members and beneficiaries, nor shall they use their position to gain any personal advantage or afford a benefit to an Associated Party. In this regard, Fiduciaries shall always act in accordance with the highest ethical and professional standards.
- (c) Fiduciaries involved in the investment screening, due diligence and decision-making process shall self-declare any potential or actual conflicts of interest and take necessary steps to address or resolve the conflict.
- (d) If any Fiduciary involved in the investment screening, due diligence and decision-making process fails to comply with the fiduciary duty set forth in the Pension Act and this Regulation, the matter shall be reported to the Board, and the Board shall take appropriate action to remove such Fiduciary from the investment related process, until such time as the conflict of interest has been addressed and resolved.

Chapter 3: Investment Screening

- Purpose of Investment Screening**
13. Investment screening enables a Potential Investee to have their investment proposal screened by the Pension Office prior to listing the securities on a licensed stock exchange. In this regard, the screening process determines whether the proposal meets all applicable requirements for a listing that can be considered for due diligence.
- Opening Engagement**
14. (a) Prior to listing the securities, the Potential Investee shall inform the Pension Office in writing, if intending to screen an investment proposal for securities specified in Section 5 of this Regulation.
- (b) If the Potential Investee opts to conduct their screening engagement with the Pension Office through a Promoter, the Potential Investee shall notify the Pension Office in writing that the Promoter is authorised to act on their behalf.
- Information Required for the Screening**
15. (a) To facilitate the screening process, the Potential Investee and/or the Promoter are required to furnish the Pension Office with all the information and documents listed in Schedule 1 of this Regulation.
- (b) If required by the Pension Office, the Potential Investee and/or the Promoter shall substantiate all information and documents provided to the Pension Office as per Schedule 1 of this Regulation, and provide additional information and documents in a timely manner upon request.

- Initiation of the Screening Process** 16. Investment screening shall not commence unless the Potential Investee and/or the Promoter provide complete and accurate information and documents required for the screening process.
- Investment Screening Criteria** 17. (a) An investment proposal shall be screened and internally scored pursuant to the Investment Screening Criteria set forth in Schedule 2 of this Regulation.
- (b) Following additional factors shall be considered in the investment screening process:
- (i) alternative investment opportunities; and
- (ii) strategic goals of MRPS.
- (c) In addition to the return premium above the risk free rate, term premium, corporate spread and other risks accounted for in pricing Publicly Listed securities, a liquidity risk premium would be priced for in all Privately Listed securities.
- Findings of the Investment Screening** 18. (a) Based on the findings of the investment screening process, the Pension Office may take any of the following decisions.
- (i) Recommend that the investment proposal has the potential to be considered for due diligence once the securities are listed on a licensed stock exchange.
- (ii) Inform that the investment proposal does not meet the requirements to be considered for due diligence.

- (b) The decision taken regarding an investment proposal following the screening and the rationale for the decision shall be briefed to the Investment Committee.
- (c) If required by the Investment Committee, further analysis and review of the screened investment proposal shall be conducted based on the directions of the Investment Committee.
- (d) Outcome of the investment screening shall be communicated to the Potential Investee and/or the Promoter by the Pension Office in writing. The Pension Office may recommend amendments or additional terms to the investment proposal for further consideration.

Chapter 4: Due Diligence

Initiating the Due Diligence Process

- 19. (a) Due diligence will be performed to comprehensively evaluate any Publicly Listed or Privately Listed securities that the Pension Office considers as an investment opportunity. Even for an investment proposal that was previously screened by the Pension Office as per this Regulation, due diligence process will apply upon listing the securities.
- (b) During the due diligence process an in-depth evaluation will be conducted, expanding on the components covered in the investment screening process and additional considerations specified for due diligence in this Regulation.

- (c) For the purposes of the due diligence process, the Pension Office will engage with the Potential Investee and/or the Promoter appointed by the Potential Investee according to the listing documents.

**Information
Required for
the Due
Diligence**

20. (a) The due diligence process will be conducted using the documents and information stated in Schedule 3 of this Regulation, that is published with the listing.

- (b) If any documents and information stated in Schedule 3 of this Regulation is not publicly available, then the Pension Office will request the Potential Investee and/or the Promoter to provide such documents and information within a reasonable time.

- (c) For the purposes of the due diligence process, the Pension Office may request the Potential Investee and/or the Promoter to verify the information provided in the documents specified in Schedule 3 of this Regulation and furnish additional information and documents within a reasonable time.

**Due Diligence
Framework**

21. The due diligence process of investment opportunities considered by the Pension Office shall be conducted in accordance with the Due Diligence Framework specified in Schedule 4 of this Regulation. Accordingly, it is the responsibility of the Potential Investee and/or the Promoter to ensure that the components, specific details and clarifications required under the Due Diligence Framework is addressed in the listing documents, and/or provided to the Pension Office upon request.

- Due Diligence Duration** 22. A minimum of 45 (Forty-Five) days will be required for the due diligence process from the listing date, provided that all required information and documents have been made available to the Pension Office.
- Due Diligence Findings** 23. (a) Following the completion of the due diligence process, the findings of the due diligence shall be shared with the Investment Committee.
- (b) The Investment Committee may take any of the following decisions with regards to an investment opportunity based on the findings of the due diligence:
- (i) Recommend the Pension Office to conduct further due diligence by giving specific directions.
 - (ii) Recommend the Board to consider the investment opportunity.
 - (iii) Recommend the Board to decline the investment opportunity.
- (c) The recommendation of the Investment Committee regarding an investment opportunity shall be submitted to the Board for final determination, and the Board shall have the decision-making authority to approve or decline an investment opportunity.

- (d) If any communication or engagement was made with the Potential Investee and/or the Promoter for the purposes of the due diligence process, outcome of the due diligence shall be communicated to the Potential Investee and/or the Promoter by the Pension Office in writing.

Chapter 5: Final Provisions

Authorisation to Obtain Information 24. Upon request, the Potential Investee shall grant authorisation to the Pension Office in writing to obtain any necessary information or document from third parties for investment screening and due diligence purposes.

Confidentiality 25. (a) All information exchanged in relation to investment screening and due diligence that is not available in the public domain, including but not limited to financial, technical, and legal information is considered confidential. Such confidential information shall not be used for any purpose other than fulfilling the respective roles and obligations under this Regulation or disclosed to any third party, except where required by law or a regulatory authority or court process.

(b) Reasonable measures shall be implemented to safeguard confidential information, including restricting access to relevant individuals or parties.

(c) Internal evaluation and scoring documents of investment screening and due diligence are confidential and will not be

shared with the Potential Investee and/or the Promoter. Notwithstanding the foregoing, subject to Subsection 23 (d) of this Regulation, results of investment screening and due diligence will be informed to the Potential Investee and/or the Promoter.

- (d) The Pension Office reserves the right to use the information received under this Regulation subject to confidentiality obligations, without any liability for damages.
- (e) If the information required for investment screening and due diligence under this Regulation is not publicly available, the Pension Office may require the Potential Investee and/or the Promoter to enter into a Non-Disclosure Agreement before exchanging such information.

No Obligation to Invest

26. The investment screening and due diligence conducted under this Regulation are solely for investment assessment and appraisal purposes and do not constitute an obligation on the Pension Office to invest. Accordingly, the investment decision-making process is separate, and no provision in this Regulation shall create or be construed to create a binding commitment or obligation to invest.

Termination of Screening or Due Diligence

27. (a) The Pension Office reserves the right to terminate the investment screening or due diligence process at any time in any of the following events:
- (i) failure by the Potential Investee and/or the Promoter to provide required information or documents within a reasonable timeframe;

- (ii) unreasonable delays in correspondence or lack of progress; and
- (iii) the Potential Investee and/or the Promoter provided false or misleading information or breached confidentiality requirements.
- (b) Except for the event stated in Subsection 27(a)(iii) of this Regulation, the Pension Office shall grant reasonable time in writing to the Potential Investee and/or the Promoter to take remedial action prior to termination.
- (c) In the event of termination, subject to Subsection 23 (d) of this Regulation, the Pension Office shall notify the Potential Investee by providing the reason in writing, and the Pension Office shall not be liable for any expenses, or damages arising from the termination of the process.
- Publication of Guidelines and Directives** 28. (a) The Pension Office may issue guidelines and directives related to the implementation of this Regulation, which can include additional requirements, procedures, and standards to be followed.
- (b) The Pension Office shall publish such guidelines and directives on its official website and ensure that they are easily accessible.
- Amending the Regulation** 29. The Pension Office has the power to amend this Regulation when necessary.
- Commencement** 30. This Regulation shall commence from the date of publication on the Gazette of the Government of Maldives.

Schedule 1: Documents Required for the Investment Screening Process

Documentation	Format	Description
Draft Prospectus	Document	As per the requirements under the Regulation on Issuance of Securities, and any additional rules or guidelines of Capital Market Development Authority and Maldives Stock Exchange.
Audit Reports	Document	Audited Financial Reports of the last 3 (Three) years.
Title Deeds	Document	Required if an asset will be collateralised for the security that will be issued.
Shareholding Declaration	Document	Information of all the legal entities in which directors and shareholders of the Potential Investee hold shares.
Financial Statements	Spreadsheet	Income Statement, Statement of Financial Position, Statement of Changes in Equity and Cash Flow Statement relating to the last 3 (Three) financial years.
Forecasted Financial Statements	Spreadsheet	The Forecasted Financial Statements shall be made through a robust model. Projection period should, at the minimum, cover the proposed tenor of the instrument to be issued. Assumptions, reasoning and working should be presented in detail.

Schedule 2: Investment Screening Criteria

Component		Description
1. Economic Outlook		Analyse the macroeconomic conditions and how it could have an impact on the industry that the Potential Investee operates in.
2. Industrial Analysis		Assessing the significance of a particular industry in national development and to gauge the potential for growth opportunities.
3. Financial Position	3.1. Revenue Growth	Checking the income generated across different revenue centers of the Potential Investee. The trajectory and stability of revenue growth reflects the future strength and scalability of the business. An acceleration in the rate of revenue growth will be viewed as a positive indicator and vice versa.
	3.2. Profitability	Assessing the overall profit making capacity of the business. Consistently high and/or growing profit margins will imply a positive score.
	3.3. Liquidity	Gauging the ability of Potential Investee to pay off its short-term debt obligations and convert its assets to cash.
	3.4. Solvency	Assessing the long-term health of the Potential Investee by evaluating their ability to meet long-term debt obligations.
4. Credit Quality	4.1. Default Risk	Assessing financial, economic and credit information along with the structure of the proposed security for the likelihood of default.
	4.2. Recovery Risk	Assessing financial, economic and credit information along with the structure of the proposed security to evaluate the Loss Given Default.

5. Project Feasibility	5.1. Return on Investment	Determining the overall economic feasibility of the proposed expansion plan/project.
	5.2. Debt Repayment Capacity	Determining whether the Potential Investee will be able to continue meeting debt obligations throughout the proposed expansion plan/project.
6. Management Quality		Accounting for and evaluating corporate governance attributes of key legislative, social and environmental procedures. Existence and compliance to such procedures imply reduced managerial risk.
7. Terms and Structure of Security	7.1. Return	Assessing adequacy of return from investment with regard to risk, tenure, market rates, etc.
	7.2. Covenants	Assessing the extent of investor protection. In case of debt securities this includes but is not limited to prospectus coverage of delay and default terms; under and over subscription amounts; actions following under and over subscription; if collateralised then collateral verification including legal clarity on ownership and collateralization of the asset, terms for ownership transfer of collateral.
	7.3. Post-Issue Management	Reviewing the establishment and appointment of the Board of Trustees (or any other enforcement agent) and the subsequent responsibilities that are fulfilled by them to govern the operations of the Potential Investee during the tenor of the investment.

Schedule 3: Documents Required for the Due Diligence Process

Documentation	Format	Description
Prospectus	Document	As per the requirements under the Regulation on Issuance of Securities, and any additional rules or guidelines of Capital Market Development Authority and Maldives Stock Exchange.
Audit Reports	Document	Audited Financial Reports of the last 3 (Three) years.
Title Deeds	Document	Required if an asset will be collateralised for the security that will be issued.
Shareholding Declaration	Document	Information of all the legal entities in which directors and shareholders of the Potential Investee hold shares.
Financial Statements	Spreadsheet	Income Statement, Statement of Financial Position, Statement of Changes in Equity and Cash Flow Statement relating to the last 3 (Three) financial years.
Forecasted Financial Statements	Spreadsheet	The Forecasted Financial Statements shall be made through a robust model. Projection period should, at the minimum, cover the proposed tenor of the issued instrument. Assumptions, reasoning and working should be presented in detail.
Credit Information Report	Document	Issued by the Credit Information Bureau of the Maldives Monetary Authority.
Independent Valuations	Document	Required if an asset will be collateralised for the security that will be issued.

Schedule 4: Due Diligence Framework

Component		Description
1. Economic Outlook		Analyse the macroeconomic conditions and how it could have an impact on the industry that the Potential Investee operates in.
2. Industry Analysis	2.1. Industry Overview	<ul style="list-style-type: none"> a) Assessing the significance of the industry in national development, measured in terms of GDP. b) Assessing the historical growth rate of the industry and the growth forecast.
	2.2. Market Structure	<ul style="list-style-type: none"> a) Assessing the industry structure, market share and number of firms. b) Assessing the major competitors of the industry. c) Evaluating market share and the competitive position of the Potential Investee. d) Identification of niche areas for potential industry growth.
	2.3. Revenue and Cost	<ul style="list-style-type: none"> a) Assessing key revenue and costs drivers for the industry. b) Evaluating key target customer groups and suppliers of the industry.
	2.4. Regulatory Framework	<ul style="list-style-type: none"> a) Reviewing the relevant government rules and regulations in place to regulate the industry. b) Reviewing Potential Investee's compliance with the industry specific regulatory framework.
	2.5. Industry Specific Factors	<ul style="list-style-type: none"> a) Assessing industry specific metrics to measure the performance of a typical firm in the industry. b) Assessing industry specific characteristics such as seasonality of demand and the reasons behind such seasonality. c) Assessing industry's and Potential Investee's maturity in the life cycle stage of development.

		d) Assessing technological developments on demand, selling prices, costs and margins.
3. Financial Position	3.1. Operating Model and Revenue	<p>a) Assessing details of major business segments and subsidiaries and their share of total revenue of the group.</p> <p>b) Analysis of revenue segments, major customers and concentration risk.</p> <p>c) Analysis of major costs.</p> <p>d) Analysis of revenue and expenses growth trends.</p> <p>e) Assessment of revenue segments which are performing and underperforming.</p> <p>f) Evaluation of the reliance, duration and impact of technologies/patents/licensing agreements.</p> <p>g) Evaluation of growth potential of the business.</p>
	3.2. Balance sheet and Financial Analysis	<p>a) Assessing the current and past capital structure, to evaluate significant changes.</p> <p>b) Evaluation and breakdown of major debtors and creditors, and maturity analysis of receivables and payables.</p> <p>c) Assessing business units and subsidiaries, including estimated size of operations.</p> <p>d) Assessing key financial ratios based on historical performance.</p> <p>e) Assessing key financiers including analysis of debt maturities, concentration and currency composition.</p>
	3.3. Credit Analysis	<p>a) For Potential Investee's offering lending services, analysis of:</p> <p>i) lending portfolio, including sensitivity of the lending portfolio revenue to systemic risk and impact on revenue;</p> <p>ii) value of underlying assets relative to lending portfolio;</p> <p>iii) historical lending growth; and</p> <p>iv) operational processes in place to minimise non-performing loans.</p>

		<p>b) Analysis of debt repayment capacity.</p> <p>c) Analysis of foreign currency liabilities and measures to minimise currency risk.</p>
	3.4. Off-Balance Sheet Items	Evaluating details of off-balance sheet items that could misstate assets or liability position, including evaluation of strategic partnerships, non-controlling interest entities and related parties.
	3.5. Capital Expenditure	<p>a) Assessing dividend policy and historical dividend payout ratio.</p> <p>b) Evaluation of historical and current capital expenditures, allocation to business segments, and growth forecasts.</p>
4. Credit Quality	4.1. Default Risk	Assessing financial, economic and credit information along with the structure of the proposed security for the likelihood of default.
	4.2. Recovery Risk	Assessing financial, economic and credit information along with the structure of the proposed security to evaluate the Loss Given Default.
5. Project Feasibility	5.1. Return on Investment	Determining the overall economic feasibility of the proposed expansion plan/project.
	5.2. Debt Repayment Capacity	Determining whether the Potential Investee will be able to continue meeting debt obligations throughout the proposed expansion plan/project.
6. Management Quality	6.1. Shareholding and Organisation Structure	<p>a) Analysing the shareholding structure of the Potential Investee, including the major shareholders, retail shareholders and institutional holding.</p> <p>b) Assessing the roles of key functions of the business, including an assessment of professional qualifications and experience of top level management.</p> <p>c) Assessing details of business continuity plans.</p> <p>d) Assessing strategic plan.</p> <p>e) Evaluating the governance structure including existence of board subcommittees as per requirements for a listed company.</p>

	6.2. Compliance	<p>a) Accounting for and evaluating corporate governance attributes of key legislative, social and environmental procedures. Existence and compliance to such procedures imply reduced managerial risk.</p> <p>b) Assessing current and past compliance with tax laws and pension compliance.</p> <p>c) Assessing past breaches of any other relevant industry law or regulation.</p>
	6.3. Litigations	Details of litigation the Potential Investee was involved in or is currently ongoing.
	6.4. External Appointments	Assessing independence of financial and tax auditors, legal counsel, etc.
7. Terms and Structure of Security	7.1. Return	Assessing adequacy of return from investment with regard to risk, tenure, market rates, etc.
	7.2. Covenants	Assessing the extent of investor protection. In case of debt securities this includes but is not limited to prospectus coverage of delay and default terms; under and over subscription amounts; actions following under and over subscription; if collateralised then collateral verification including legal clarity on ownership and collateralization of the asset, terms for ownership transfer of collateral.
	7.3. Post-Issue Management	Reviewing the establishment and appointment of the Board of Trustees (or any other enforcement agent) and the subsequent responsibilities that are fulfilled by them to govern the operations of the Potential Investee during the tenor of the investment.
8. Portfolio Considerations and Risk Management		<p>a) Evaluating the security in the context of the total portfolio characteristics and strategic objectives of MRPS stated in the Statement of Investment Principles.</p> <p>b) Assessing the effect on liquidity and risk-return profile to the entire portfolio with the addition of the security.</p>

<i>Evaluations Specific to Equity Investments</i>		
9. Valuation of Equity		<ul style="list-style-type: none"> a) Assessing the value of the company using appropriate valuation models. b) Valuation methodology shall be selected based on but is not limited to the following: <ul style="list-style-type: none"> i) historical dividend payout; ii) minority or majority shareholder perspective; iii) availability of established industry price multiples for comparative purposes; and iv) alignment of Free cash flows with profitability within a reasonable forecast period.
<i>Evaluations Specific to Investment Funds</i>		
10. Investment Governance and Operations	10.1. Governance and Operations	<ul style="list-style-type: none"> a) Assessing the investment governance process, including the delegation of authority, due diligence process and any relevant internal policies. b) Evaluation of the strength of the investment team including key staff and their investment experience. c) Evaluation of the operational setup of funds assets. d) Analysing the risk management process of the investee entity. e) Analysis of the processes in place to report performance of the fund to investors and for reporting investment issues.
	10.2. Investment Strategies	<ul style="list-style-type: none"> a) Evaluating the investment strategies that the fund manager plans to execute for the proposed fundraising round, including details of how the fund managers intend to execute these strategies. b) Analysing the target assets considered and its estimated investment sizes. c) Analysis of the financial statements of assets under consideration, copies of legal agreements related to the fund which are relevant.

		<ul style="list-style-type: none"> d) Analysing specific strategies that will be used to restructure distressed/operational entities to achieve the target exit valuations proposed. e) Evaluating the exit strategies of proposed investments. f) Evaluating policies/practices in place to actively monitor the assets invested and sustain its quality for potential exits. g) Assessing measures for investor protection against potential downturns in underlying asset performance. h) The details of any committed investment parties and investment sizes. i) Assessing frequencies for dividend disbursements and whether investors will be given capital redemption windows. j) Evaluating details of the fee structure. k) Assessing terms for events of under-subscription or failed fundraiser, whether the fund manager has any plans to compensate for the called-up capital.
	<p>10.3. Performance and Risk Management of the Fund</p>	<ul style="list-style-type: none"> a) Verifying the performance of the fund. Where assets are managed for clients, analysis of Assets Under Management (AUM), mandates, fees and verifiable performance of the investments. b) Evaluating the expected performance of the fund, with exit valuations and the expected dividend payments. c) Assessing risks to the investment strategies proposed.