

## **Second Circular on the Inclusion of Interim or Year-End Profits as part of the Own Funds Computation**

On the 26 March 2015, a circular was issued to the investment services industry on the educational clinic organised by the MFSA in collaboration with Finance Malta relating to the CRD IV Package. In this circular, other supervisory matters were also brought to the attention of investment services licence holders, including the verification of interim or year-end profits for the purposes of their inclusion in the own funds computation. This matter has also been brought to the attention of Fund Managers by way of a circular letter dated 13 May 2015.

Further to queries received from stakeholders on the manner the verification of profits is to be undertaken, the Authority is issuing further guidance in this regard, as follows:

In order for the Authority to consider the verification requirement under Article 26(2)(a) of the Capital Requirements Regulation as having been met, investment firms and fund managers are required to provide the Authority, upon request, with a document signed by its external auditor (the “external auditor’s document”) that complies with the following requirements:

- a) For year-end profits, the verification shall consist either of an audit report or of a comfort letter stating that the audit has not been completed and nothing has come to the attention of the auditors that causes them to believe that the final report will include a qualified opinion;
- b) For interim profits, the verification shall consist either of an audit report or of a review report (as defined by the International Standards on Review Engagements 2410 issued by the International Auditing and Assurance Standards Board) or, provided that the verification carried out by the investment firm or fund manager consists of an audit report, a comfort letter along the lines set out in paragraph (a).

### **Contacts:**

Should you have any queries in relation to the above, please do not hesitate to contact: Ms. Mellyora Ellul, Analyst, Securities and Markets Supervision Unit, Tel: 2548 5193 [mellul@mfsa.com.mt](mailto:mellul@mfsa.com.mt) or Ms. Stephanie Buhagiar Camilleri, Analyst, Securities and Markets Supervision Unit, Tel: 2548 5438 [scamilleri@mfsa.com.mt](mailto:scamilleri@mfsa.com.mt).

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**Malta Financial Services Authority**  
**28<sup>th</sup> May 2015**