

Cross-border cooperation reinforced through new MoUs – three new Memoranda finalized

The importance of cooperation between authorities regulating and supervising their respective financial sectors in different countries has been highlighted especially within the last decade. The financial turmoil that has hit the global markets during the last few years has yet again driven home the importance of inter-regulatory cooperation. Companies operating within the financial sector increasingly operate across borders, and the effective regulation and supervision of these entities in turn necessitates stronger collaboration between the responsible authorities. In this context memoranda of understanding (MoUs) have an important role to play, primarily by simplifying and facilitating communication between supervisory and regulatory authorities.

MoUs serve as a tool for the exchange of information between the Authority and its counterparty in the course of investigations into allegations of practices and activities detrimental to consumers of financial services, as well as in the suppression and prevention of such activities.

The MFSA has recently concluded two new bilateral MoUs with the Banco de Portugal and the South African Financial Services Board, as well as one new tri-partite MoU with the Central Bank of Malta and the Ministry of Finance, Economy and Investment. The Banco de Portugal is that country's central bank and is responsible for the supervision of credit institutions, financial companies and other entities in Portugal. The South African Financial Services Board is tasked with the supervision of the activities of non-bank financial institutions and other financial services. The functions of the FSB include the regulation and supervision of the activities of licensed exchanges, clearing houses, intermediaries investing on behalf of clients, central securities depositories, collective investment schemes and provident institutions (which include all types of insurance and retirement fund activities).

On the local front, the tri-partite MoU between the MFSA, the Central Bank of Malta and the Ministry of Finance creates a coherent framework which enhances the parties' preparedness to manage a domestic or cross-border financial crisis. This MoU builds upon the existing commitments of the parties under a multilateral memorandum of understanding (MMoU) between the financial supervisory authorities, central banks and finance ministries of the European Union, which entered into force on 1st June 2008.

These MoUs add to the growing list of bilateral and multilateral memoranda of understanding that have been signed in the past years. A list of MMoUs, MoUs and Protocols to which the MFSA is a party can be viewed from the MFSA website on www.mfsa.com.mt, by clicking on the "Memoranda of Understanding" section.