

MFSA

MALTA FINANCIAL SERVICES AUTHORITY

ANNUAL REPORT 2013

MFSA
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CHAIRMAN'S STATEMENT



The Malta Financial Services Authority is pleased to present this report of its activities in 2013.

I am pleased to report that the industry in Malta enjoyed a successful 2013, with activity recorded in all sectors of the finance industry as trading conditions eased and signs of growth began to appear in the larger economies. The detail of the MFSA's work in 2013 is contained in sections of the report produced by senior staff and units of the Authority.

This year, in a departure from the established custom, my statement will focus primarily on the immediate future and, most notably, on the new EU regulatory requirements as they affect each key part of the industry. The new approach presents significant challenges to the industry and regulators alike. They aim to lay the foundations for a more stable, robust and competitive finance industry in the future. In addition to the new structures, legislation and regulations emanating from the EU, the world's two largest financial services economies, the USA and the UK, have also carried out reforms in their regulatory structures, philosophy and legislation. Other high quality jurisdictions around the world have made or are implementing adjustments as to how the finance sector is regulated. Taken as a whole, there is no doubt that we are experiencing the biggest changes to financial regulation the world has known and all this is happening at unprecedented speed.

Nearly five years after the 2008 shocks to the global finance system, the full extent of the regulatory changes brought in by European Union have become clear. The implementation of some changes, most notably in banking supervision, is already underway, and over the course of the next few years it is probable that every part of the mainstream finance industry will be included in the new approach. What is common across all the changes already in place or coming into force are the objectives of minimising threats to the stability of the financial system and strengthening consumer and public confidence in the finance sector. Confidence is the critical element and fundamental to the EU's ability to remain globally competitive in financial services, attract corporate and private capital, develop products that meet market needs and enhance the industry's ability to sustain healthy profit margins.

This is a challenging time for the finance sector in Europe and North America. Asia, Africa and South America are producing new corporate and private wealth and the finance industry, both local and international, is establishing a broad range of services and expertise to assist customers in emerging markets. In the mature, mainly Western economies, governments are having to tackle high levels of national debt, a decrease in the numbers of economically active people as the aged become the largest group in society and escalating costs for public health and social care. These changes are creating new product openings for the finance sector, though in these politically delicate areas consumer and political confidence, value for money and clear customer benefits will be fundamental to success.

The digital world is forecast to be on the verge of being an even more significant force in finance. The internet has spawned new venture capital vehicles such as crowd-funding, new consumer advice and guidance investment software and new currencies. Some commentators believe that the giant global technology companies that own social media and search engine platforms are themselves looking to develop financial products.

Existing and emerging software and hardware developers also present the industry with unprecedented opportunities to capture market segments in existing territories, enter new geographic markets, reduce marketing and operations costs, improve the quality of information, analysis and compliance and offer products and services more exactly tailored to the circumstances of individual customers. Regulatory bodies can also

secure large benefits from advanced technology, including real time information, higher quality statistical and market data, quicker administration and more comprehensive and efficient collation of documents in dispute resolution. Brands and firms from trusted domiciles that have established track records of solid performance and good customer service should be able to command a premium place in the digital market, where a proven record of trust, service and expertise are central to differentiating the good from the mediocre and, as is too often the case on the internet, the criminal. For serious and careful digital and foreign consumers, place of domicile will be particularly important. Jurisdiction will emerge as a matter of equal consequence to consumers as it has historically been to promoters.

Technological advances have particular resonance for the funds management industry, as technology can open up new markets and greatly reduce costs. The fund management industry is evolving rapidly across the globe. The lines of demarcation between traditional fund managers and the alternative investment sector are beginning to blur as businesses compete for profitable business worldwide, develop similar ranges of products and use similar techniques. In Europe, UCITS IV makes it easier to do pan-EU business, and should make it significantly cheaper to do cross-border business.

Working across borders presents a number of operational challenges, including language, time zone, reporting and regulatory issues. Indeed, regulatory changes are seeing some fund managers look to create new business models that strengthen competitiveness while mitigating cost burdens through outsourcing, merger or deeper market penetration. Malta has proven itself attractive to the funds industry because it offers the range of skills and benefits the industry needs. It is well placed to continue to grow as a funds domicile. At this time, we are witnessing the convergence of regulatory approaches and requirements. While structure and details will vary across the globe, in high quality jurisdictions broadly similar philosophies, rules and procedures will apply. In banking, insurance, fund management and investment services the same patterns are apparent worldwide; convergence on consumer protection, corporate governance and regulation and centred on transparency, high standards of personal and corporate conduct and fit for purpose people. Regulators and the regulated have to respond to new levels of complexity and legally codified standards of corporate and individual behaviour.

All sectors of the finance industry now have to comply with new requirements in liquidity, corporate governance, consumer protection, transparency, conduct of business rules and with tighter laws and obligations regarding preventing market abuse, money laundering and corruption.

In the EU, there are now a number of pan-EU “super-regulators” with powers of direction and enforcement; the European Central Bank [ECB] will be responsible for banking supervision at top tier level from November 2014 while the European Banking Authority will continue to develop rules for the banking sector. The ECB will have legal responsibility over the entire banking system, though the great majority of EU banks will be supervised by national regulators in the first instance; the European Securities and Markets Authority has been in operation since 2011 and its responsibilities include strengthening the functioning of financial markets and investor protection in Europe, regulating credit rating agencies and enhancing cooperation between national regulators. The third arm of the new European regulatory structure is the European Insurance and Occupational Pensions Authority [EIOPA]. In addition to consumer protection EIOPA’s remit also covers the financial stability of its markets and the transparency of financial products under its wing. It also came into being in 2011.

In the years immediately following the crisis in 2008, the European structures set up in the wake of the crash were mainly involved in identifying and minimising further potential shocks to the system and developing policy and legislation for political consideration and eventual approval. An enormous amount of new legislation has now been implemented into EU law and into national law or delegated to national regulators.

National regulators like the MFSA retain all their existing powers and areas of discretion and flexibility but now have additional responsibility to ensure that the new EU requirements are introduced and complied with by

financial services firms. The MFSA's obligation is to ensure that Malta is compliant with the new EU regime. Malta is more advanced in enshrining the new EU legislation in law than any other EU nation. For example, Malta was the first jurisdiction to complete the transposition of the Alternative Investment Fund Management [AIFM] Directive. The new legislation and regulations coming into force will, particularly in the early years, put very considerable demands on the people and resources of the MFSA. New systems always take time to be introduced and, in the complex world of financial services, the Authority, industry representative bodies and individual firms will have to reach conclusions on a great many issues of meaning, interpretation and purpose.

CONDUCT OF BUSINESS

How financial businesses behave - the behaviour of corporations and of individuals in positions of trust and influence - is now centre stage in the drive to prevent future business failures that threaten stability and weaken public confidence in the financial services sector. Much of the legislation from the EU imposes legally binding conduct of business obligations on businesses. In Malta, the MFSA has decided to review the conduct of business regulatory regime for the investment services sector, with the primary goal of enhancing customer protection. The consultation paper issued to interested parties addressed various issues, such as defining types of customer, measuring risk, the dissemination of information on risk, "know your customer" tests, standards of care, records and disclosures, professional standards, designations, transparency and qualifications for advisory functions, measures on inducements and disclosure of remuneration.

The Authority's proposals have gone out to consultation and the feedback is now being evaluated. The recommendations are entirely in line with EU requirements and aim to ensure that Maltese consumers and investors have acceptable levels of protection and that the rules are applied by firms in Malta in ways that enhance consumer confidence and build on the country's established reputation for business probity and high standards. The Conduct of Business Rules define, in principle, the same standard of behaviour to be expected of any financial business in the post-crisis world.

The EU proposes an even more comprehensive regime on corporate governance and conduct of business and, in January 2013, published an action plan that includes enhancing transparency, increasing shareholder engagement, improving board diversity, non-financial risk disclosure, explanations of non-compliance issues in public reporting, shareholder identification, disclosure of institutional investor voting policies, employee share ownership, and shareholder influence in respect of board remuneration. The plan, if brought into law, will affect publicly listed and private limited liability companies.

All these changes which we hope to implement next year, will have a profound effect on the internal structures within the MFSA.

A BRIEF OVERVIEW OF THE MAIN EU MEASURES

BANKING

Some 130 banks in the Eurozone are now under the supervision of the ECB Single Supervisory Mechanism. They account for 85% of banking assets in the Eurozone. What has come to be called "Banking Union" is mainly the supervision of very large Eurozone banks and of any smaller credit institution that is systemically important. None of these is based in Malta. However, the ECB is involved with the MFSA in the supervision of what are called "domestically systemically important banks" and three of these have been selected for Malta. The remaining banks in the Eurozone, around 6,000, will be overseen by national authorities. Only in extreme circumstances, such as potential insolvency, would the ECB become involved on a day to day basis. In extremis the ECB has powers to over-ride national authorities.

The ECB will be responsible for testing the resilience of banks, in a process that has become known as "stress testing." The 2014 programme of stress testing will sample 124 banks across participating EU states, which will cover at least 50% of national banking sectors.

All Maltese banks will have to meet the new capital adequacy rules. A significant demand on Malta's banks and the MFSA will be the implementation and management of CRD IV, which aims to minimise high-risk lending, ensure that banks have sufficient capital "buffers" to withstand future shocks, strengthen corporate governance and control inappropriate remuneration. CRD IV came into operation in January 2014.

THE SOLVENCY II DIRECTIVE

The Solvency II Directive will impact all insurance companies and is essentially a capital adequacy measure. Its main aim is to reduce the potential for insolvency. It also has an important role to play in developing the single market for insurance products, with similar standards of consumer protection across the market. Currently scheduled to come into force in January 2016, the Directive's risk management objective will need to be implemented with great expertise by the MFSA and Malta's insurance firms, in order to comply with the letter and spirit of the law and allow Malta's insurers the commercial room to compete internationally. It is an area of regulation in which some national governments introduced changes before the EU and thus there is some confusion within Europe and globally.

PILLAR 2

At the core of Solvency II is the assessment which every insurer and its supervisor must make for a holistic understanding of the company's risks. Pillar 2 details the system of governance required of insurers, and includes the obligations and protocols for a company's assessment of its own risk and solvency and how it manages its capital; risk management strategy, policies and processes and internal reporting procedures; internal controls and compliance and rules about risk management, internal audit, actuarial policies, due diligence of outsourced suppliers and assessment of fit and proper persons.

The MFSA has to satisfy itself that all of these matters are compliant, so markets can more reliably assess the liquidity of a firm and the MFSA has to be satisfied that risk management is fit for purpose, that credit, operational and market risk are credibly quantified and that the potential for regulatory arbitrage is minimised.

EMIR

EMIR is the European Market Infrastructure Regulation on derivatives, central counterparties and trade repositories. The regulation, which affects all EU member states and counterparties worldwide also introduces common standards on the organisation of business, conduct of business, reporting rules and prudential standards for central counterparties and trade repositories. The MFSA has the responsibility for implementing EMIR and its reporting procedures. The Authority has also the role of guiding the industry on EMIR and, as is the case with all the regulatory changes of EU origin, working with the industry, other EU national regulators and international regulators to seek to resolve difficulties, reduce inefficiencies and reduce costs whenever it is prudent, while maintaining public and investor confidence in the structures and processes at work.

EMIR came into force on 16 August 2012. At pan-EU level, EMIR comes under the remit of the European Securities and Markets Authority. EMIR affects any financial counterparties that have entered into a derivatives contract – mainly, though not exclusively, banks, insurers, investment firms, fund managers and pension schemes. EMIR's core objective is to increase transparency and reduce the risk associated with derivatives. Asset classes include Credit, Equity, Rates and Foreign Exchange swaps, options, futures and forwards and Commodities manifested as cash or physically settled swaps, options, futures and forwards. ESMA has created a framework for EMIR, though the detail of much of the regulation will evolve, and some regulation has not yet been created.

THE ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE (AIFMD)

All AIF managers are required to comply with the Directive from 22 July 2014 and it introduces new obligations on disclosure, governance, information flows and oversight. Approval by any EU financial services regulator

will be sufficient for all other EU regulators to allow a fund to trade across the EU. Only fully compliant managers will get regulatory approval and thus have open access to all of Europe's 400 million consumers.

MARKET ABUSE PREVENTION

Maltese and EU law outlawing and penalising market abuse has been in place for many decades. In 2013, the EU Parliament strengthened the existing EU legal framework, including reinforcing administrative sanctions available to regulators. The EU has also taken steps to close pan-EU loopholes and on 4th January 2014, the EU Parliament voted for a new Directive on market abuse. The details of the Directive are being worked on and will include a common definition of market abuse offences, a common set of criminal sanctions, including up to four years imprisonment for insider dealing/market manipulation and up to two years for unlawful disclosure of inside information. Administrative fines may also be imposed by the authorities. Member states will have responsibility for jurisdiction where an offence has taken place in the country or where an offender is a national. The MFSA, in tandem with branches of the Maltese government and in cooperation with other regulators, intelligence agencies and police forces worldwide, uses its existing powers on market abuse and welcomes the new powers granted in EU legislation.

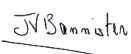
NEW RULES FOR AUDITORS

In December 2013, an EU framework for reform in the auditing market was given political approval. Its key terms affect listed companies and will require a plc to change its auditors every ten years (fourteen years if the audit is shared with another firm), a cap on the provision of non-audit services to audit clients, the strengthening of the independence of auditors, particularly in financial institutions and a ban on auditing firms supplying certain services that might involve decisions that impact on how a business is managed. The EU has created the Committee of European Audit Oversight Bodies (CEAOB) which is tasked with improving pan-EU oversight of auditors.

CONSULTATION, OBSERVATION, PARTICIPATION AND CONCLUSION

The MFSA along with the regulators in all the other EU Eurozone states (and in full cooperation with the regulators in non-Eurozone EU states) is now part of a very well-resourced and greatly strengthened regulatory regime across Europe. There is no doubt that the consumer – the customer – is at the centre of our world more firmly than ever in the past. This is right, but it is also right that the momentous changes in regulation act as a catalyst for a re-emergence of the finance industry in the EU, so that every member state economy is stronger, citizens are better served and Europe is better able to be a competitive force in finance across the world. In Malta, the MFSA has established a tradition of working closely with the industry and that cooperation has, over the years, delivered benefits to all parties. Given the new complexities of the pan-EU regulatory scene, it is more important than ever that the MFSA and industry representatives continue to play an active role in their respective EU consultative and policy fora. It will be a challenge for us all to apply the new regimes and keep an eye open for threats and opportunities that arise from implementation and revision across Europe. High standards, openness, cooperation, entrepreneurship and nimbleness characterise the Maltese financial services sector. The MFSA is characterised by expertise, knowledge, rigour, impartiality, fairness and a commitment to service. By ensuring that all of these qualities remain strong at the Authority and in the industry the country can continue to reap the benefits for many years to come.

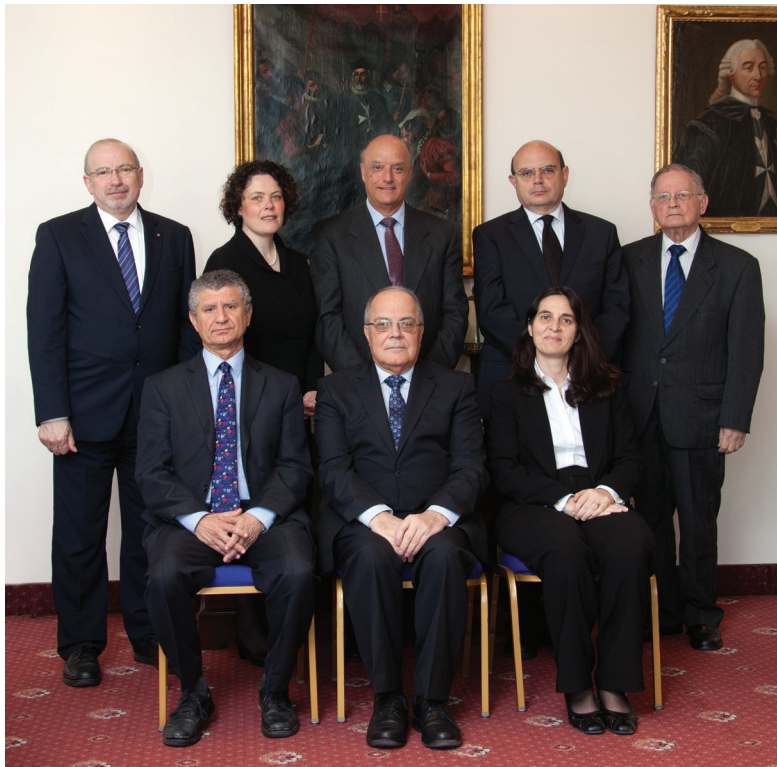
I wish to conclude my statement by thanking all the members of staff at the MFSA and my fellow Governors for their hard work and valuable counsel in 2013.



J V Bannister

THE AUTHORITY

BOARD OF GOVERNORS



FRONT ROW LEFT TO RIGHT:

Dr. David Fabri, Prof. Joe V. Bannister, Dr. Louise Ellul Cachia Caruana

BACK ROW LEFT TO RIGHT:

Prof. Josef Bonnici, Dr. Cynthia Scerri Debono, Mr. Frank Xerri de Caro, Dr Anton Felice, Mr. Albert A. Attard

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Dr. Louise Ellul Cachia Caruana, LL.D; M.A (Fin. Serv.)

Dr. Anton Felice LL.D

Dr. Cynthia Scerri Debono, LL.D

Mr. Frank Xerri de Caro, ACIB

SECRETARY

Dr. David Fabri LL.D

The Board of Governors is also the Listing Authority for the purpose of the Financial Markets Act.

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Director General

MEMBERS

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Director – Insurance and Pensions Supervision Unit

Mr. Mike Duignan
Director – Securities and Markets Supervision Unit

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Director – Banking Supervision Unit

Ms. Marianne Scicluna B.A (Hons.) Bnkg. & Finance, M.Sc (Fin. Reg. & Compliance Mngt.)
Director – Authorisation Unit

Dr. Michael Xuereb LL.D, M.A (Fin. Serv.)
Director – Regulatory Development Unit

SECRETARY

Ms. Daniela Grima B.A (Hons.) Bnkg. & Finance.

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(University of Leicester)
Head – Human Resources Development Unit

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Director – Finance & Risk Management Unit

Mr. Charles Zammit DBA, FCMI, FAIA.
Director – Administration Unit

SECRETARY

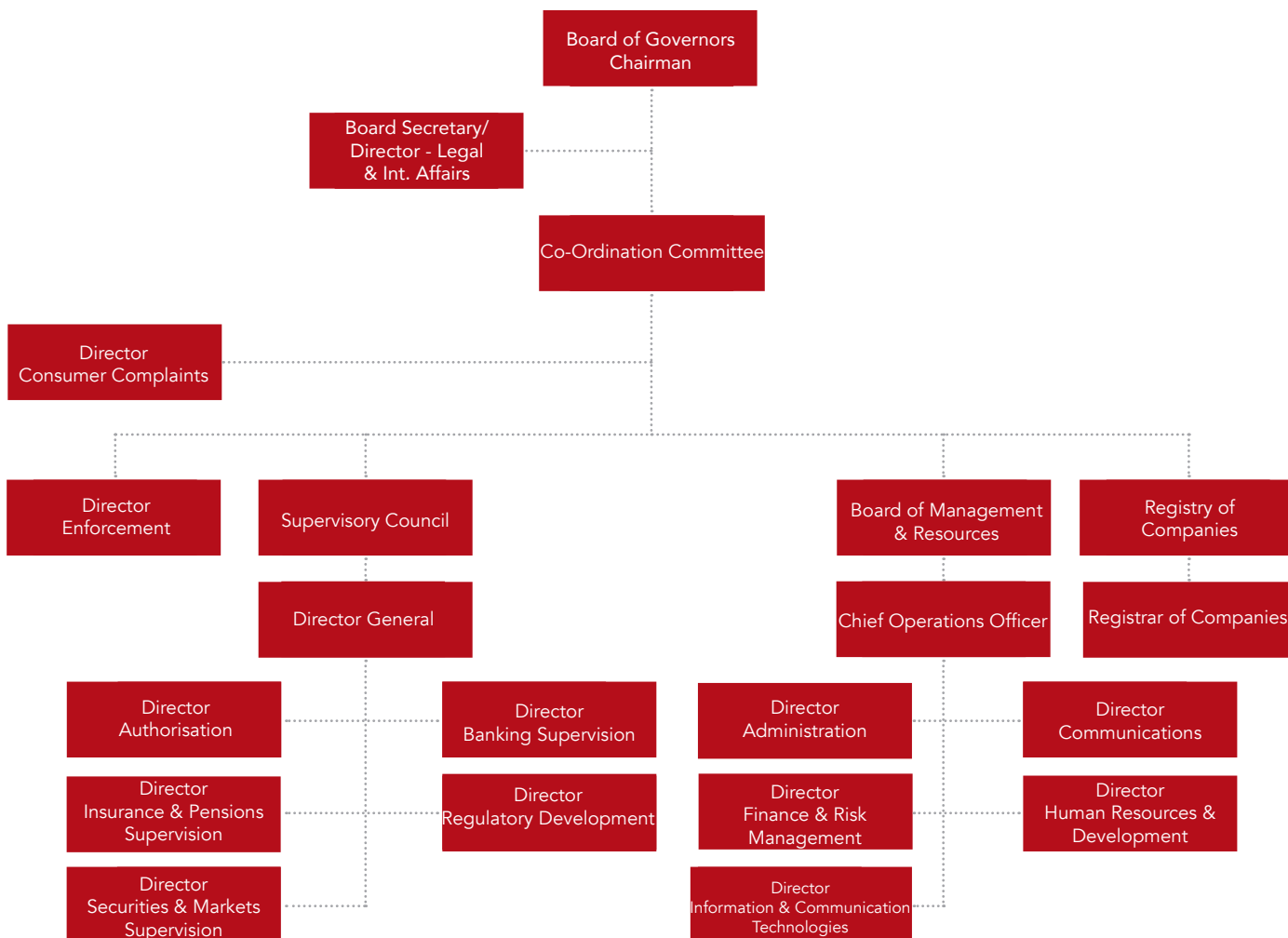
Mr. Colin McElhatton B.Sc (Hons), IS & Management (London)

ORGANISATION

The Malta Financial Services Authority (MFSA) was established by law in 2002. The Authority is the single regulator for the financial services sector which includes credit and financial institutions, securities and investment services companies, recognised investment exchanges, insurance companies, insurance intermediaries, pension schemes and trustees. The MFSA also incorporates the Registry of Companies and is responsible for the admissibility to listing on recognised investment exchanges.

The MFSA is an autonomous body constituted by the Malta Financial Services Authority Act, and reports annually to Parliament. The main organs are the Board of Governors, which is appointed by the Prime Minister, the Supervisory Council and the Board of Management and Resources. The three organs are co-ordinated through a Co-ordination Committee.

MFSA ORGINASATION CHART



The Legal and International Affairs Office is one of the statutory organs of the Authority and some of its primary functions are set out in the Act. These include the provision of legal advice and assistance to all the organs of the Authority. In addition to serving as secretary to the Board of Governors and the Co-ordination Committee and providing assistance to the various Units within the Authority, the Unit is also responsible for co-ordinating all legal international affairs.

COMPOSITION OF THE CO-ORDINATION COMMITTEE



The Supervisory Council is composed of the Authorisation Unit, The Regulatory Development Unit and three supervisory Units namely the Banking Supervision Unit, The Securities and Markets Supervision Unit and the Insurance and Pensions Supervision Unit.

THE SUPERVISORY COUNCIL



SUPERVISION UNITS:

BANKING SUPERVISION UNIT:

responsible for the supervision of credit and financial institutions.

INSURANCE AND PENSIONS SUPERVISION UNIT:

responsible for the supervision of insurance companies, insurance intermediaries, insurance management companies and pension schemes.

SECURITIES AND MARKETS SUPERVISION UNIT:

responsible for the supervision of investment services companies, collective investment schemes, fund management and related fund services operations, admissibility to listing on recognised investment exchanges, trustees and oversight of financial markets.

REGULATORY DEVELOPMENT UNIT:

responsible for the implementation of cross-sectoral policies and regulatory developments.

AUTHORISATION UNIT:

responsible for licensing of all financial services entities.

COMPOSITION OF THE BOARD OF MANAGEMENT & RESOURCES

**ADMINISTRATION UNIT:**

The Unit has now been separated from the Finance & Administration Unit so that more focus and attention will be given to the administrative function of the Authority. This Unit has responsibility for the day-to-day administrative functions including upkeep and maintenance of the premises, transport and logistics, security within the premises and other related matters.

COMMUNICATIONS UNIT:

The Unit's remit encompasses the functions for both information and public relations together with the provision of logistical support for events. It is also responsible for the preparation of corporate publications and for the development and maintenance of the Authority's internet and intranet site.

FINANCE & RISK MANAGEMENT UNIT:

The unit oversees and manages the finances of the Authority and is a support unit for all the regulatory and operational units. It prepares financial budgets and produces monthly management information. It sets, monitors and improves the operation of the MFSA's financial control framework ensuring compliance with policies and controls. The team is responsible for the collection of fees, payments to suppliers, computation of payroll together with timely submission of financial statistics and information required by the Ministry of Finance, Board of Governors as well as other Government bodies. Co-ordinates with the Statutory Auditors, the annual audit of the Authority's Financial Statements drawn up in compliance with International Financial Reporting Standards. As part of the recent restructuring of this Unit, the functions also include the responsibility for the development of a risk management framework for the organisation.

HUMAN RESOURCES AND DEVELOPMENT UNIT:

The Unit is responsible for employee welfare and personnel development through training and other initiatives. The Unit is also responsible for identifying training needs in the financial services sector and for developing, creating and implementing training programmes in conjunction with the relevant professional training bodies and academic institutions.

INFORMATION AND COMMUNICATION TECHNOLOGIES UNIT:

The Unit provides operational support to the other units and is responsible for managing the Authority's resources efficiently supporting the overall business strategy. This is achieved with the provision of reliable ICT services; systems and technology, enabling the MFSA to maximise the value of its information and knowledge whereby working with a mixture of in-house and outsourced technology suppliers. Recently, the Unit has also been assigned with a new remit in providing information security analysis as a service to the Regulatory Units.

THE ENFORCEMENT UNIT

The Enforcement Unit is responsible for reviewing the actions and where necessary conducting investigations of licence holders who have or are suspected of having committed serious compliance failures, serious misconduct, market abuse, breach of listing rules or any other serious breaches of the law.

REGISTRY OF COMPANIES

The MFSA also houses the Registry of Companies. All registered information and documentation including company accounts and annual returns are publicly available. The Registrar of Companies is appointed in terms of the Companies Act and is entrusted with ensuring compliance with the provisions of the Act.

LISTING COMMITTEE

The Listing Committees are appointed by the Board of Governors in terms of Article 14 of the Financial Markets Act. In accordance with the Listing Rules for primary and wholesale securities markets, the Listing Committees are responsible for scrutinising applications prior to admission to listing and ensuring compliance with Listing Rules. The Listing Committee for the primary securities market is chaired by Mr David Pullicino and has as members Mr Albert Attard, Mr Saviour Briffa, Dr Andre Camilleri, Mr Paul Spiteri (up to 24/06/2013) and mainly processes applications for the admissibility to the Malta Stock Exchange (MSE) while the Listing Committee for the wholesale securities market is composed of Mr Saviour Briffa and Ms Marianne Scicluna and mainly processes applications for the admissibility to the European Wholesale Securities Market (EWSM).

CONSUMER COMPLAINTS

The Consumer Complaints Unit investigates complaints from private consumers arising out of any financial services transaction. The Consumer Complaints Manager is directly responsible to the Board but, where appropriate, cases may be referred to the Supervisory Council. The Unit is also responsible for consumer awareness and education.

THE EDUCATION CONSULTATIVE COUNCIL (ECC)

The terms of reference of the ECC include co-ordination and information sharing on matters related to training and career development for current and prospective employees within the financial services sector including all employees of the Authority. The ECC provides input to the Authority on matters related to training and career development within the sector and co-ordinates initiatives aimed towards filling of skills gaps that may be identified within the sector from time to time.

The ECC is chaired by Professor Charles J. Farrugia. It includes representation from the Human Resources Development Unit of the Authority, which also provides secretarial support, the Malta College of Arts Science and Technology (MCAST), the Guidance and Counselling Unit within the Department of Education, the Malta International Training Centre (MITC), the Institute of Financial Services Practitioners (IFSP), the Institute of Legal Studies (ILS), the Institute of Financial Services – Malta (IFS), and the Malta Institute of Accountants.

CORPORATE SOCIAL RESPONSIBILITY

The Authority also continued providing financial support to the Fondazzjoni Patrimonju Malti.

The Children's Foundation established by the Authority in 2008 continued providing support to underprivileged children. The Board of the Foundation is composed of Mrs Sonia Camilleri as Chairperson, Mr Marcel Pisani, Ms Josephine Baldacchino, Mr George Spiteri, and Mr Robert Aquilina. Ms Nathalie Farrugia acts as Secretary to the Board.

During 2013, the Foundation provided financial assistance to a number of proposals that were submitted. Those assisted included CARITAS, The Richmond Foundation, Aгенzija Sapport, Vittoriosa Parish, Conservatorio Vincenzo Bugeja, and also some families who required assistance for specific reasons related to their children.

MARKET OVERVIEW

Major economies around the world are experiencing divergence in their growth dynamics. Emerging economies are facing structural weaknesses and imbalances with growth falling below forecasted trend levels, whereas advanced economies are performing as anticipated registering modest growth stimulated through monetary and fiscal policies. Changes in the drivers of growth require new policy measures which may have a negative spillover effect on emerging economies.

After six quarters of economic contraction within the Euro Area, growth was finally registered during the second quarter of 2013. This modest growth was mainly driven by domestic demand and rising net exports. Economic recovery is taking place in an environment dominated by growing government debt and rising unemployment rates especially amongst youths. The ECB lowered interest rates twice during the year due to low inflationary expectation pressures and economic weakness. This prompted the ECB to cut interest rates on the main refinancing operations of the Eurosystem to a historical low of 0.25 per cent, the marginal lending facility to 0.75 per cent and the deposit facility kept unchanged at 0.00 per cent. Inflation in the Euro Area remained on downward trend intensifying the ECB's challenge in averting deflation.

From a local perspective, the Maltese economy continued to expand during 2013 with net exports being the main driver for growth. Domestic demand did not recover as anticipated, however it is expected to gain momentum and drive growth during 2014. Fiscal consolidation remains high on the local agenda. The Government's commitment in reducing the deficit below the three percent benchmark intensified further during 2013 due to the reopening of the excessive deficit procedure against Malta. Furthermore, Malta's general government debt continued to accumulate deviating further from the EU's Stability and Growth Pact benchmark. Inflation in Malta decelerated during the year, following the downward trend as experienced in the Euro Area. Conversely, unemployment in Malta remained relatively stable, standing well below the Euro Area average.

The economic contribution made by the financial services sector in Malta continued to grow in terms of importance and size. New licences were issued by the MFSA during 2013 most notably in payment and electronic money institutions and in new Collective Investment Schemes with Professional Investor Funds being the most popular. Growth in the sector also contributed in generating new employment not only in direct financial intermediation services but also in other professional jobs required in servicing the sector. The financial services sector remained resilient during 2013 as noted from the 2013-14 Global Competitiveness report published by the World Economic Forum, ranking the soundness of Malta-registered banks in 14th place.

BANKING

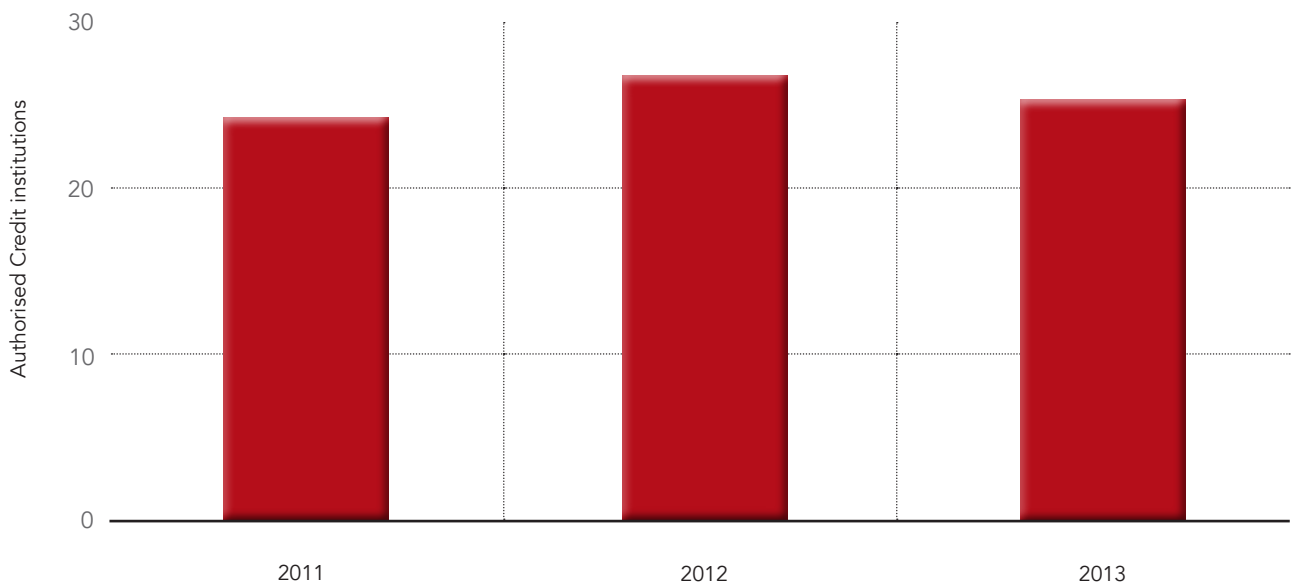
GENERAL OVERVIEW

The Banking sector in Malta retained adequate liquidity, capitalisation and profitability levels, but is being faced by tougher regulatory and capital requirements emanating from the implementation of the new European Union banking Legislation (more commonly known as CRDIV/CRR) which has come into force as at the beginning of 2014. The banking sector within the whole Euro Area is undergoing a major reform as part of the Banking Union. This will contribute to the strengthening of the Economic and Monetary Union.

BANKING SECTOR IN MALTA

As at end of 2013, the Banking sector in Malta consisted of 26 credit institutions and a branch of an EU bank which operates in Malta through the freedom of establishment. This represents one less institution than the previous end year. There were two credit institutions which had a Maltese majority shareholding and 24 institutions which were foreign owned. Of the foreign owned institutions, ten were subsidiaries of EU institutions, one subsidiary of a non-EU institution, and another two branches of non-EU institutions.

CHART 1: CREDIT INSTITUTIONS AUTHORISED IN MALTA (2011 – 2013)



Source: Malta Financial Services Authority

The number of bank offices and branches spread throughout Malta at the end of 2013 totalled 130, five less than in the previous year. Additionally, there were 214 ATMs positioned around Malta offering the convenience and flexibility to bank customers to process a wide range of banking transactions.

Table 1: Bank offices, ATMs, POS terminals, and payment cards in Malta (2011 – 2013)

	2011	2012	2013
Bank Offices and branches	137	135	130
ATMs	195	216	214
POS terminals	12,516	13,010	13,561
Payment cards	737,143	797,896	817,489

Source: ECB, Malta Financial Services Authority

Over 13,500 Point of Sale (POS) terminals were distributed across the island while there were above 800,000 payment cards offering customers a way to process non-cash payments.

The figures available with respect to the volume and segmentation of business for 2013 in respect of a number of credit institutions were still unaudited at the time of presentation of this report and consequently may be subject to revision.

For the purposes of the following sections, unless otherwise stated, the aggregate banking sector comprises all credit institutions licensed by the MFSA as well as a foreign branch which operates in Malta through the freedom of establishment.

Credit Institutions are classified as 'core domestic banks', 'non-core domestic banks', or 'other banks'¹. The sub-classification 'core domestic banks' denotes institutions which have strong links with the domestic economy. These banks have a widespread branch network, provide a full spectrum of banking services and are core providers of credit and deposit services in Malta.² The 'non-core domestic banks' are institutions which play a smaller role within the domestic economy, since the volume of operations and the banking services they offer to residents are rather limited.³ The third sub-classification 'Other banks' denotes institutions which have virtually no links with the domestic economy.⁴

¹ Methodology on the classification of banks can be found in the following document:
http://www.centralbankmalta.org/updates/Downloads/pdfs/FSR_2011.pdf

² The 'core domestic banks' are made up of APS Bank Ltd, Banif Bank (Malta) plc, Bank of Valletta plc, HSBC Bank Malta plc, and Lombard Bank Malta plc.

³ The 'non-core domestic banks' consists of BAWAG Malta Bank Ltd, Credit Europe Bank N.V. (Branch Malta), FIMBank plc, IIG Bank (Malta) Ltd, Izola Bank plc, Mediterranean Bank plc, Sparkasse Bank Malta plc, and Volksbank Malta Limited.

⁴ 'Other banks' comprises AgriBank plc, Akbank T.A.S., CommBank Europe Limited, Deutsche Bank (Malta) Limited, Erste Bank (Malta) Limited, Ferratum Bank Limited, FCM Bank Limited, Investkredit International Bank plc, NBG Bank Malta Limited, Nemea Bank Ltd, Raiffeisen Malta Bank plc, Saadgroup Bank Europe Limited, Turkiye Garanti Bankasi AS, and VoiceCash Bank Limited.

CAPITAL REQUIREMENTS RATIO

The capital requirements ratio of the aggregate banking sector, which is defined as the percentage of the aggregate banks' total own funds to their total risk-weighted assets,⁵ gained almost one percentage point on the previous period. Although there were drops in both the total own funds and the total risk-weighted assets, the fall experienced by the latter was significantly larger than the former which have pushed up the ratio.

While the capital requirements ratio of the core domestic banks increased slightly, from 14.21 per cent in 2012 to 14.94 per cent in 2013, that of the non-core domestic banks fell by almost 3.8 percentage points as a result of an increase of over 11 percent in risk weighted assets within this category. Credit institutions in the other banks category reported an increase of over 16 percentage points over the same period.

The original own funds to risk-weighted assets in the aggregate banking sector increased from 53.39 per cent in 2012 to 54.67 per cent in 2013. The core domestic banks and other banks experienced an increase of 0.84 percentage point and 17.0 percentage points respectively over the same period. The original own funds of the core domestic banks increased at a faster rate than the risk-weighted assets which have resulted in a surge in the ratio. In contrast, the non-core domestic banks reported an increase in the risk-weighted assets and a decline in the original own funds, causing the ratio to go down from 25.68 percent in 2012 to 23.48 percent in 2013.

The following table shows the capital requirements ratio and the original own funds to risk-weighted assets of the three categories of banks for the period 2011 – 2013.

Table 2: Capital requirements ratio and ratio of original own funds to risk-weighted assets (2011 – 2013).

		2011	2012	2013
Capital requirements ratio (%)	Core Domestic Banks	13.51	14.21	14.94
	Non-Core Domestic Banks	28.94	28.48	24.69
	Other Banks	119.22	115.64	132.10
	Aggregate Banking Sector	57.51	55.87	56.79
Original own funds to risk-weighted assets (%)	Core Domestic Banks	9.53	10.21	11.05
	Non-Core Domestic Banks	27.46	25.68	23.48
	Other Banks	118.03	115.10	132.10
	Aggregate Banking Sector	54.95	53.39	54.67

Source: Malta Financial Services Authority.

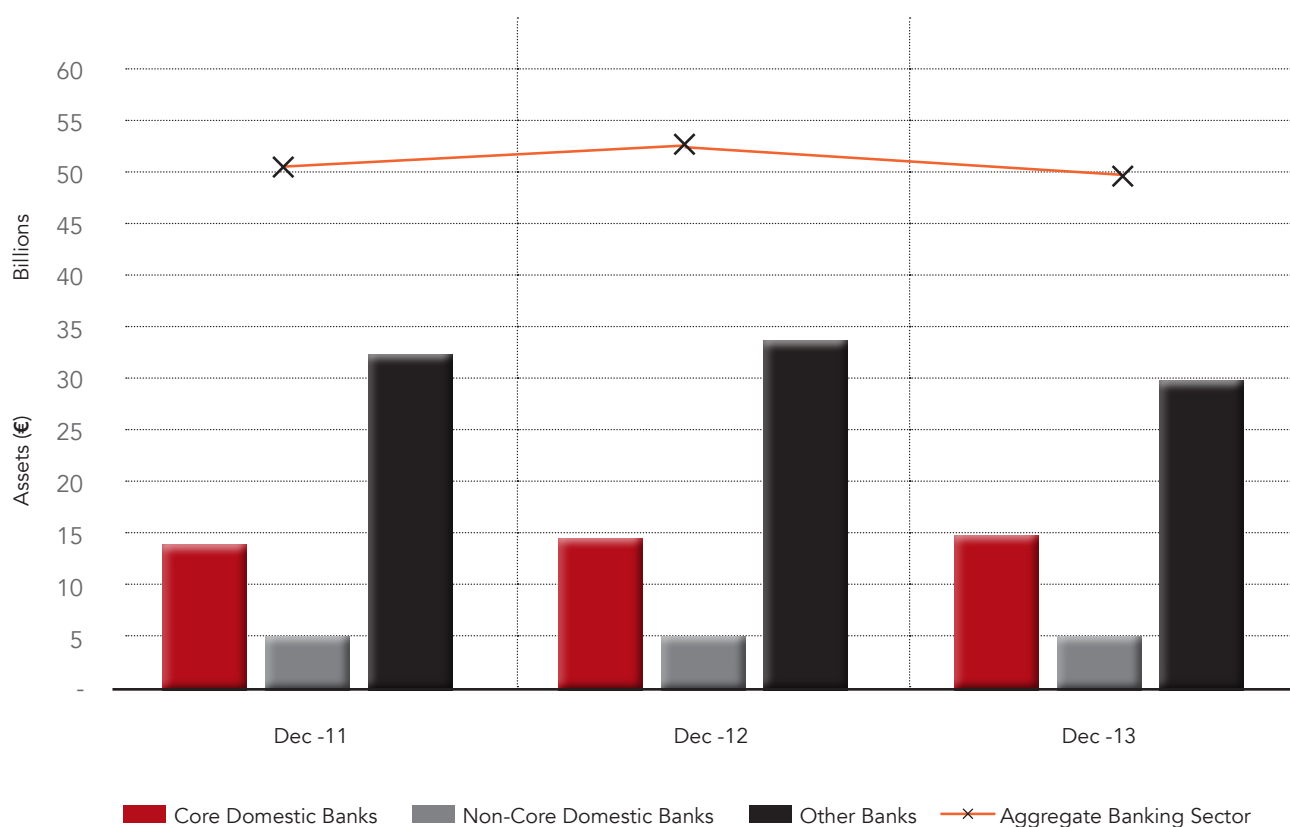
⁵ Foreign branches which operate in Malta are not required to calculate the capital requirements and consequently are not included in this analysis.

BANK ASSETS

The aggregate banking sector experienced a drop of almost six per cent in assets over the period 2012 – 2013, from €52.9 billion in 2012 down to €49.7 billion in 2013. While the assets of core domestic banks and non-core domestic banks went up slightly by 2.4 per cent and 2.3 per cent respectively from the previous year, other banks reported a decline of almost 11 per cent during the same period.

Chart 2 illustrates the assets of the aggregate banking sector and the assets of the three categories of banks for the period 2011 – 2013.

CHART 2: BANK ASSETS (2011 - 2013)



Source: Malta Financial Services Authority

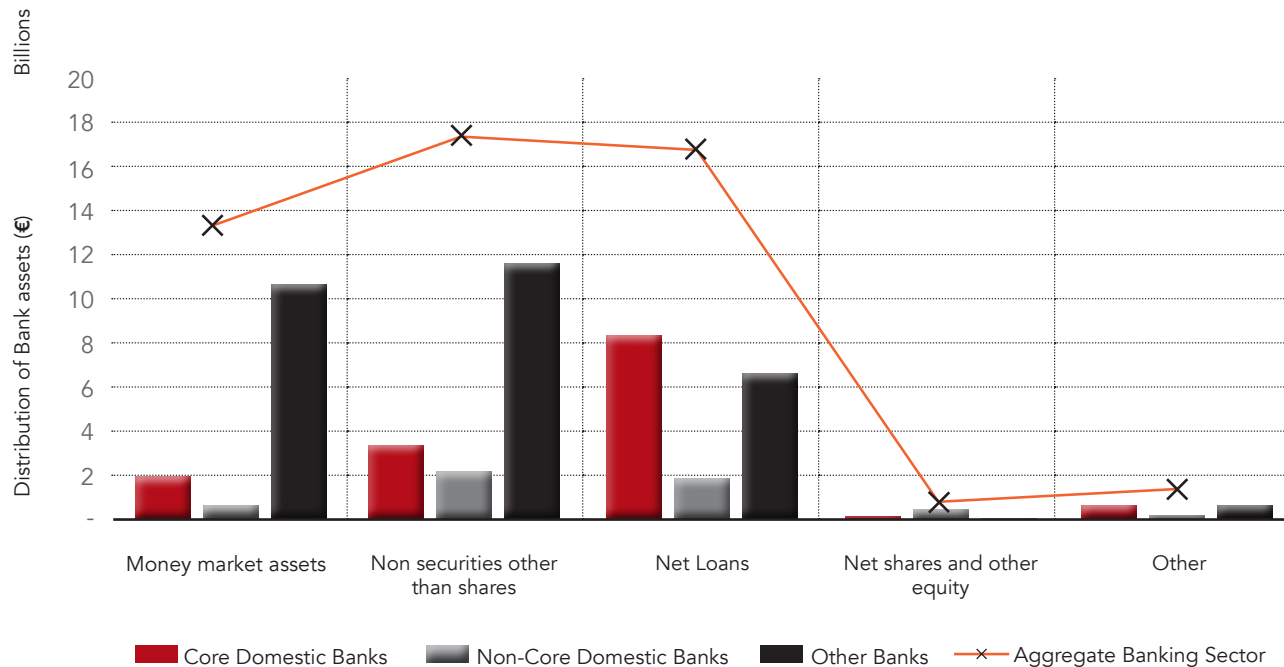
DISTRIBUTION OF BANK ASSETS

In the aggregate banking sector, 'net securities other than shares' contributed the largest allocation with 35.1 per cent of the total assets in 2013. 'Net loans' and 'money market assets' followed at 33.6 percent and 27.2 percent of the total assets in 2013 respectively. In 2012, 'net loans' had the largest share with 41 percent, followed by 'net securities other than shares' and 'money market assets' at 34 percent and 22 percent respectively.

'Net loans' constituted the largest category of assets held by core domestic banks in 2013, standing at almost 56 percent of the total assets. This represents a slight drop of one percentage point when compared to the previous year. 'Net securities other than shares' and 'money market assets' followed at 24.9 percent and 14.0 percent. The corresponding allocations for the previous year were 23.5 per cent and 14.0 per cent respectively.

The following chart illustrates the distribution of assets of the aggregate banking sector and the three categories of banks in Malta.

CHART 3: DISTRIBUTION OF ASSETS OF CREDIT INSTITUTIONS (2013)



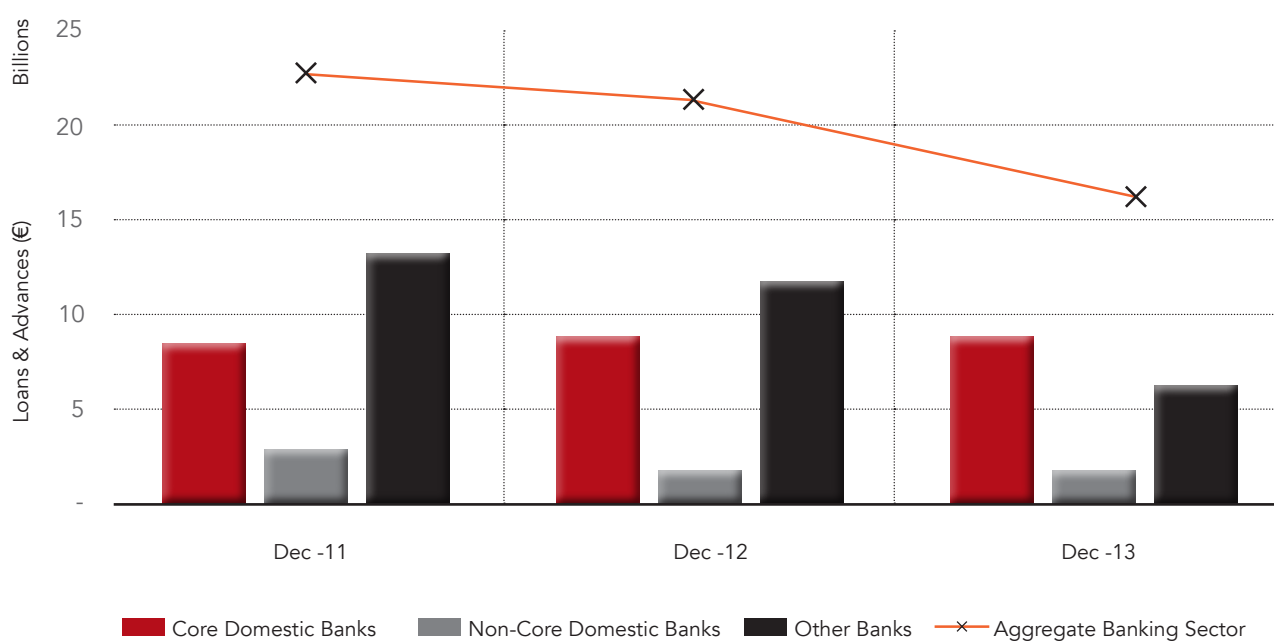
Source: Malta Financial Services Authority

LOANS AND ADVANCES BY SECTOR

Loans and advances in the aggregate banking sector continued to fall in 2013, to stand at €16.4 billion. This represents a drop of almost 23.4 percent when compared with the previous year. While loans and advances remained stable in the core domestic banks at nearly €8.5 billion, this was not the same with the volume of lending reported in the other banks category. The other banks experienced a decline of almost 42.8 percent over the previous period to stand at €6.6 billion at the end of 2013. Loans and advances reported by the non-core domestic banks went down by almost six per cent from the previous year.

Chart 4 shows a three-year period analysis of loans and advances of the three categories of banks and the aggregate banking sector.

CHART 4: LOANS AND ADVANCES OF CREDIT INSTITUTIONS (2011 – 2013)



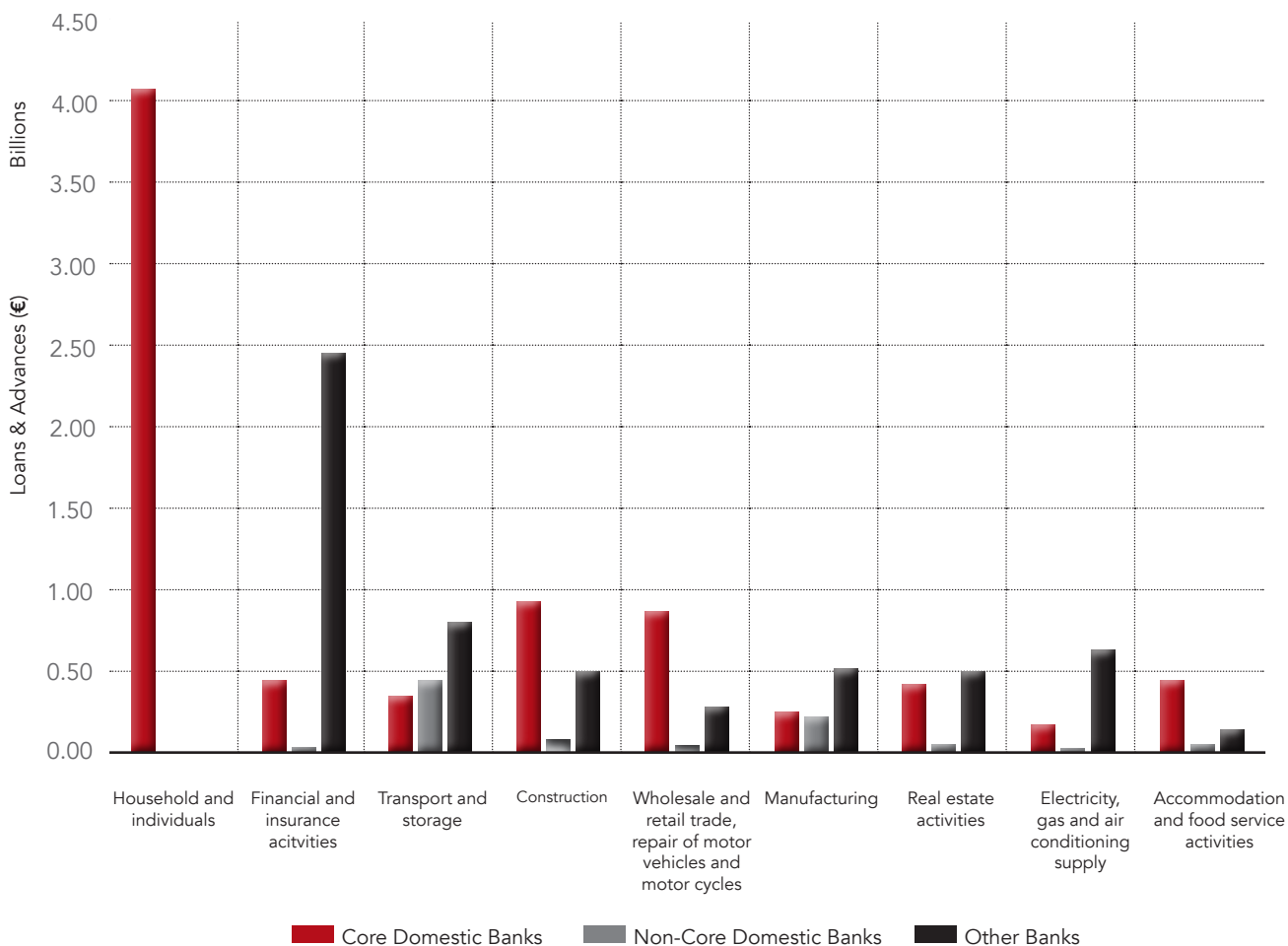
Source: Malta Financial Services Authority

A sectorial analysis of lending in the aggregate banking sector shows that lending to 'households and individuals' constituted the largest share at almost 25 percent of the total loans and advances in 2013. 'Financial and insurance activities' and 'Transportation and storage' followed at 17.4 percent and 9.6 percent of the total lending respectively.

Lending to the 'households and individuals' economic sector by the core domestic banks totalled €4.1 billion, or 48 percent of the total lending. Within the same category of banks, almost 11 per cent were advanced to the 'construction' economic sector while almost nine per cent of lending was directed to the 'Wholesale and retail trade, repair of motor vehicles and motor cycles' economic sector.

The 'Financial and insurance' sector constituted the largest share with 36.7 percent of lending in the other banks category. The 'Transportation and storage' and 'Electricity, gas and air conditioning supply' sectors followed at 12.3 percent and ten per cent respectively of the loans by other banks in 2013.

CHART 5: LOANS AND ADVANCES - TOP NINE SECTORS (2013).



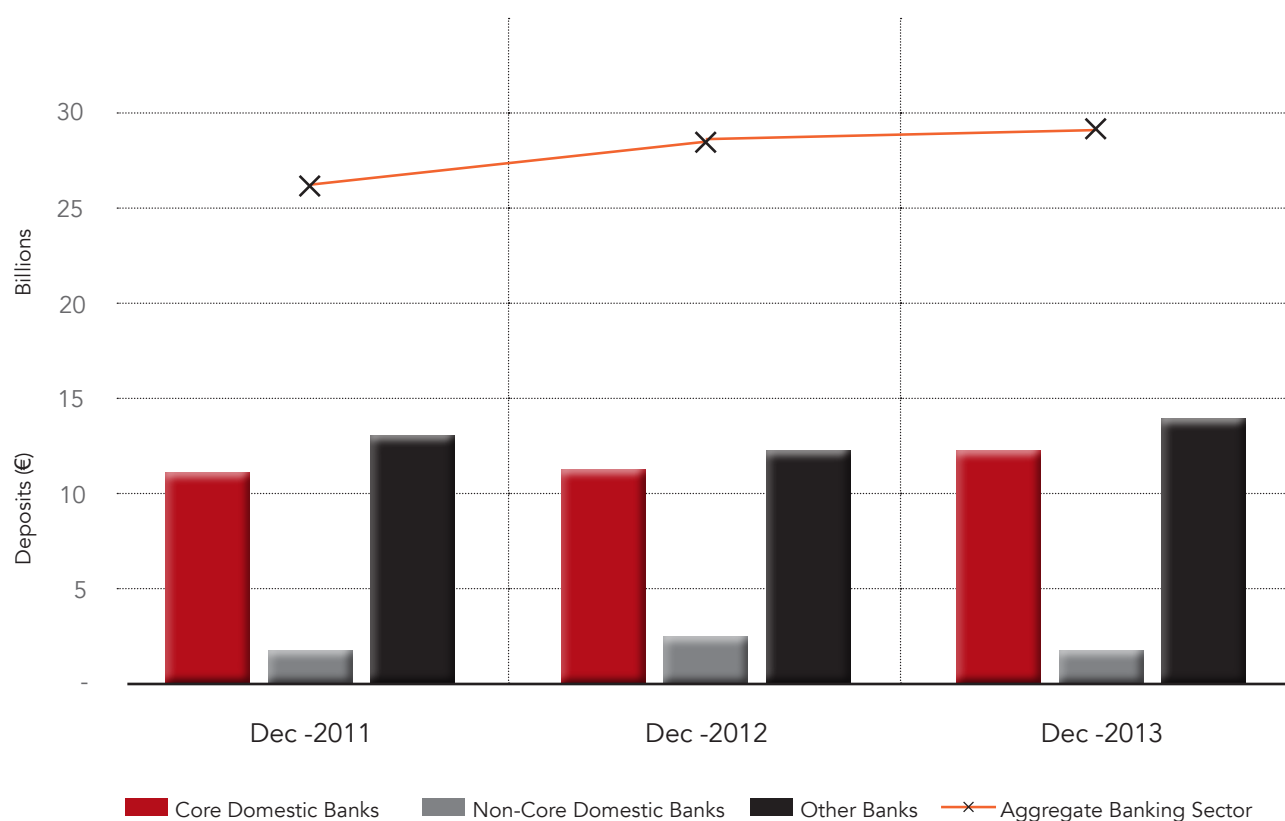
Source: Malta Financial Services Authority

BANK DEPOSITS

Bank deposits continued to build up in 2013 with all the three categories of banks in Malta reporting growth during the year. At the end of 2013, bank deposits in the aggregate banking sector jumped to €28.9 billion, up by 3.1 percent or €0.9 billion when compared to the previous year. As at end 2013, other banks had a share of 48.4 per cent of the total deposits in 2013, followed by the core domestic banks at 44.4 percent and non-core domestic banks with the remaining 7.2 percent.

Bank deposits of the core domestic banks increased to €12.8 billion in 2013, an increase of €0.7 billion over the previous year. Non-core domestic banks and other banks experienced slight increases of 1.8 percent and one percent respectively during the same period.

CHART 6: DEPOSITS OF CREDIT INSTITUTIONS (2011 – 2013).

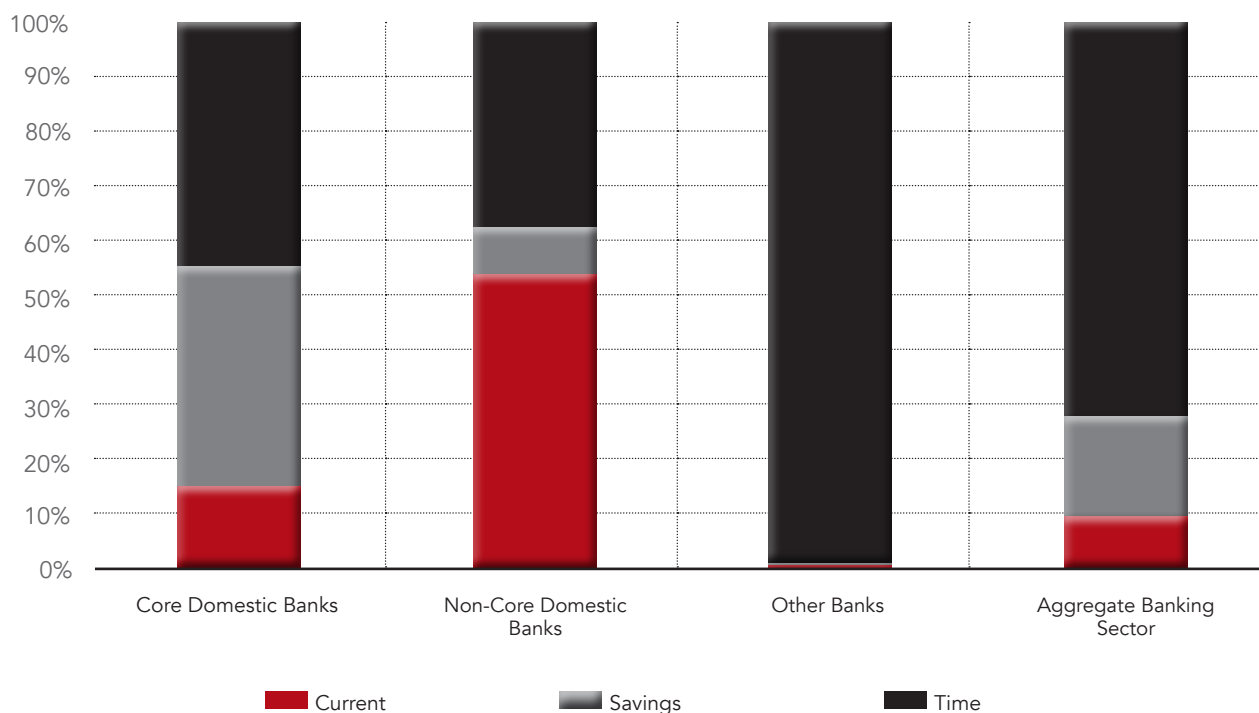


Source: Malta Financial Services Authority

DISTRIBUTION OF BANK DEPOSITS

In the aggregate banking sector, the composition of bank deposits in 2013 was as follows: 70.2 percent were time deposits, followed by savings accounts at 19.8 percent and current accounts at 10%.

CHART 7: DISTRIBUTION OF BANK DEPOSITS (2013)



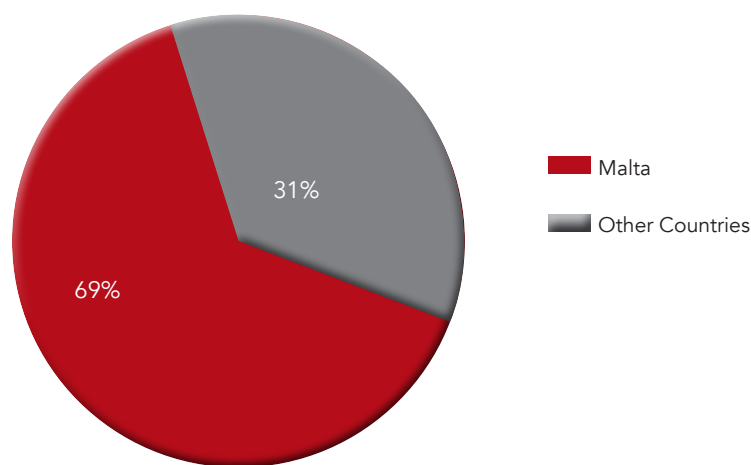
Source: Malta Financial Services Authority

Time deposits and savings accounts each contributed almost 42.6 percent of the deposits of the core domestic banks in 2013 with the remaining being held in current accounts. Chart 7 presents the distributions of bank deposits of the aggregate banking sector and the three categories of banks in Malta.

LENDING AND BORROWING

Placements and loans to residents in the aggregate banking sector accounted for 31 percent, an increase of one percentage point from the previous year. The remaining 69 per cent were advanced to non-residents, primarily to financial and non-financial corporations.

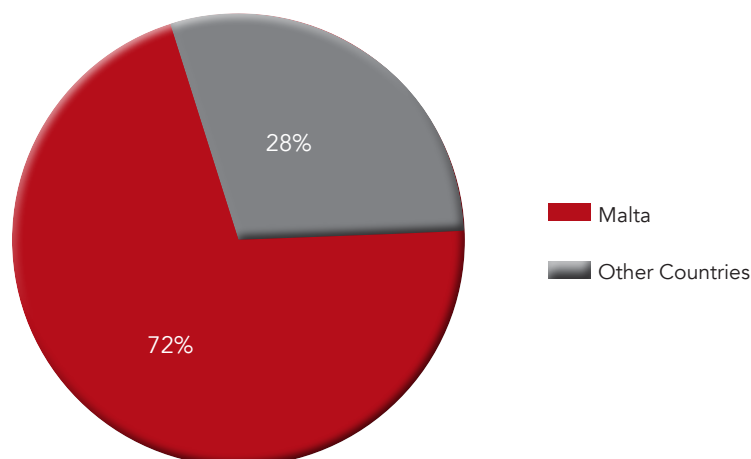
CHART 8: PLACEMENTS AND LOANS (2013)



Source: Malta Financial Services Authority

There was an increase of one percentage point in the volume of borrowings and deposits of the aggregate banking sector from residents. The next chart shows the share of banks' borrowings from residents of Malta and other countries.

CHART 9: BORROWINGS AND DEPOSITS (2013)



Source: Malta Financial Services Authority

SECURITIES AND INVESTMENT SERVICES

GENERAL OVERVIEW

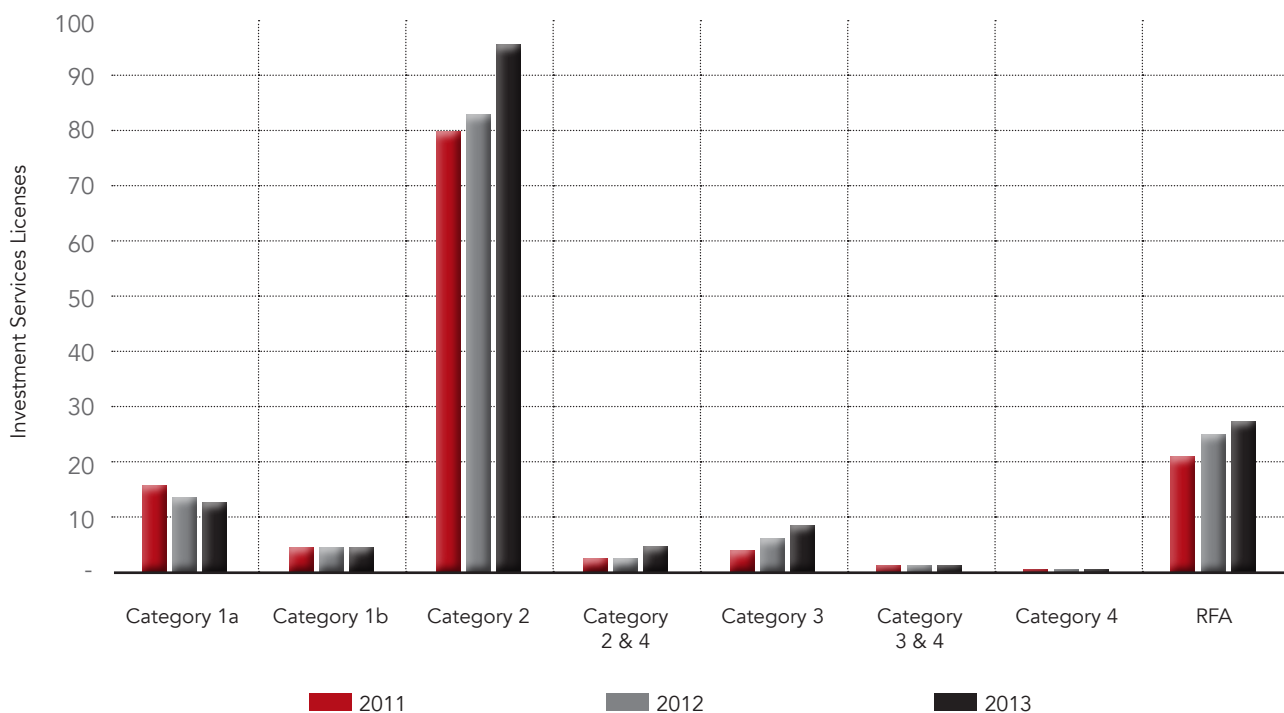
Investment services are the fastest growing financial activity in Malta with Professional Investor Funds being a key contributor to the sector’s success. The fund industry has evolved further following the UCITS IV directive and more recently with the transposition of the AIFM directive which has facilitated European internal market access for alternative investment funds managed in Malta. With all the necessary infrastructure in place, the investment services sector is envisaged to continue expanding, serving not only the domestic market but also the international market.

INVESTMENT SERVICES LICENCES

The fund services infrastructure in Malta continued to build up during the year with the issuance of more investment services licences predominantly at Category 2 level. There were 125 investment service licences at the end of 2013, a net increase of almost 11 per cent (or 12 net licences) from the previous year.

During the year, the Authority licensed 21 new investment services companies; one company at Category 1a, 18 companies at Category 2, one company at Category 2 & 4, and another company at Category 3 level. The next chart illustrates the number of investment services licences split by category of licence covering the period 2011 – 2013.

CHART 10: INVESTMENT SERVICES LICENCES (2011 - 2013)



Source: Malta Financial Services Authority

Furthermore, the Authority authorised two new recognised fund administrators, bringing the total number of recognised fund administrators at 28 at the end of the year under review.

COLLECTIVE INVESTMENT SCHEME LICENCES

During the year, the Authority licensed 135 new Collective Investment Schemes (including sub-funds), a slight increase over the previous year. While the number of new licensed PIFs remained almost at the same level of the previous year, the number of new licensed UCITS funds doubled during the same period.

Of the new funds licensed in 2013, 115 were Professional Investor Funds (PIFs), 18 UCITS funds, and two recognised private funds. During the year, 83 Professional Investor Funds, five UCITS funds and eight Retail Non-UCITS funds surrendered the licence.

Table 3: New Collective Investment Schemes (including sub-funds) (2011 – 2013)

	New in 2011	New in 2012	New in 2013	Total new licences (2004 - 2013)
PIFS	163	117	115	855
UCITIS	14	9	18	100
Retail Non - UCITIS	2	2	-	26
Private	-	-	2	5
Total	179	128	135	986

Source: Malta Financial Services Authority

Additionally, there were 188 non-Malta domiciled funds (including sub-funds) administered by Malta-based fund administration companies at the end of 2013. This represents an increase of 31 percent from the previous year.

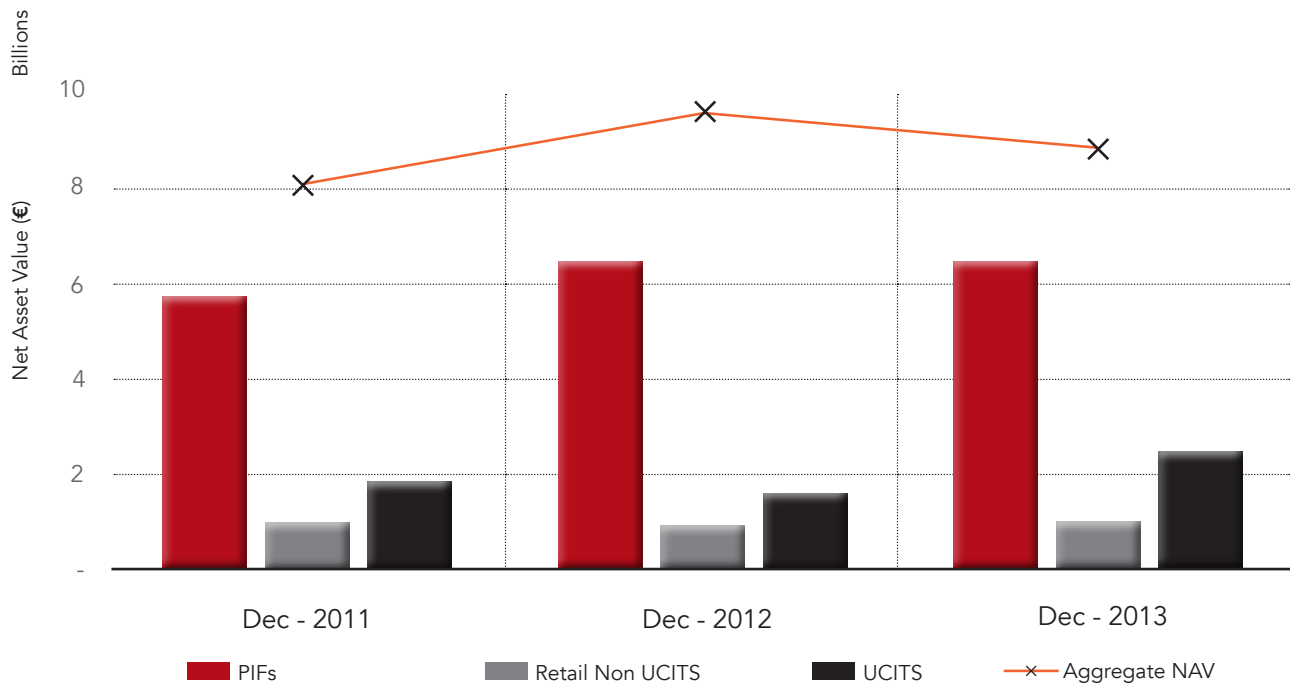
NET ASSET VALUE OF LOCALLY BASED COLLECTIVE INVESTMENT SCHEMES⁶

Net assets of funds domiciled in Malta⁷ totalled €9.4 billion at the end of 2013, a fall of almost three per cent or €0.3 billion from the previous year. Although there was a sharp rise in the net asset value reported by bond funds (almost 17.3 per cent) over the period 2012 - 2013, this was not sufficient to even out drops registered by equity funds (8.8 per cent), hedge funds (27.6 per cent) and diversified funds (4.8 per cent). It was a positive year for money market funds, property funds and mixed funds experiencing net inflows and gains in net asset value of almost 2.7 percent, 64.4 percent, and 25.4 percent respectively.

⁶ The NAV Figures available for a number of funds for year 2013 are still provisional at the time of presentation of this report and accordingly may be subject to revision.

⁷ PIFs, UCITIS, and Retail Non-UCITIS.

CHART 11: NET ASSET VALUE OF MALTA DOMICILED FUNDS (2011 - 2013)



Source: Malta Financial Services Authority

Professional Investor Funds registered a total net asset value of €6.4 billion in 2013, €0.1 billion less when compared with the previous year. The net asset value of UCITS funds declined slightly by almost 0.8 per cent over the period 2012 – 2013, to stand at €2.3 billion at the end of 2013. Retail Non-UCITS funds experienced a fall of €0.2 billion at the end of 2013 from the previous end year, recording a net asset value of €0.7 billion.

MANAGEMENT OF COLLECTIVE INVESTMENT SCHEMES

End of year figures show that almost 35 percent of the funds (including sub-funds) domiciled in Malta were managed by Malta-based fund managers. This represents a fall of nearly five percentage points when compared to the previous year. About 48 percent of the funds were managed from outside Malta, up by three percentage points in 2013. Self-managed funds accounted for 17.7 percent of the funds (including sub-funds) in 2013, an increase of 1.7 percent on the previous year.

Table 4: Management of locally based investment funds (2012 – 2013)

	% number of funds (including sub-funds) as at end 2012	% number of funds (including sub-funds) as at end 2013
Self-managed	16.0	17.7
Managed in Malta	39.2	34.5
Managed from outside Malta	44.9	47.8

Source: Malta Financial Services Authority

ADMINISTRATION OF COLLECTIVE INVESTMENT SCHEMES

While the share of self-administered funds remained unchanged over the period 2012 - 2013, there was a slight shift of 0.4 percentage points in the number of funds administered in Malta towards funds administered outside Malta. As at end 2013, 70.8 percent of the funds were administered in Malta while 29 percent of the funds were administered outside Malta.

Table 5: Administration of locally based investment funds (2012 – 2013)

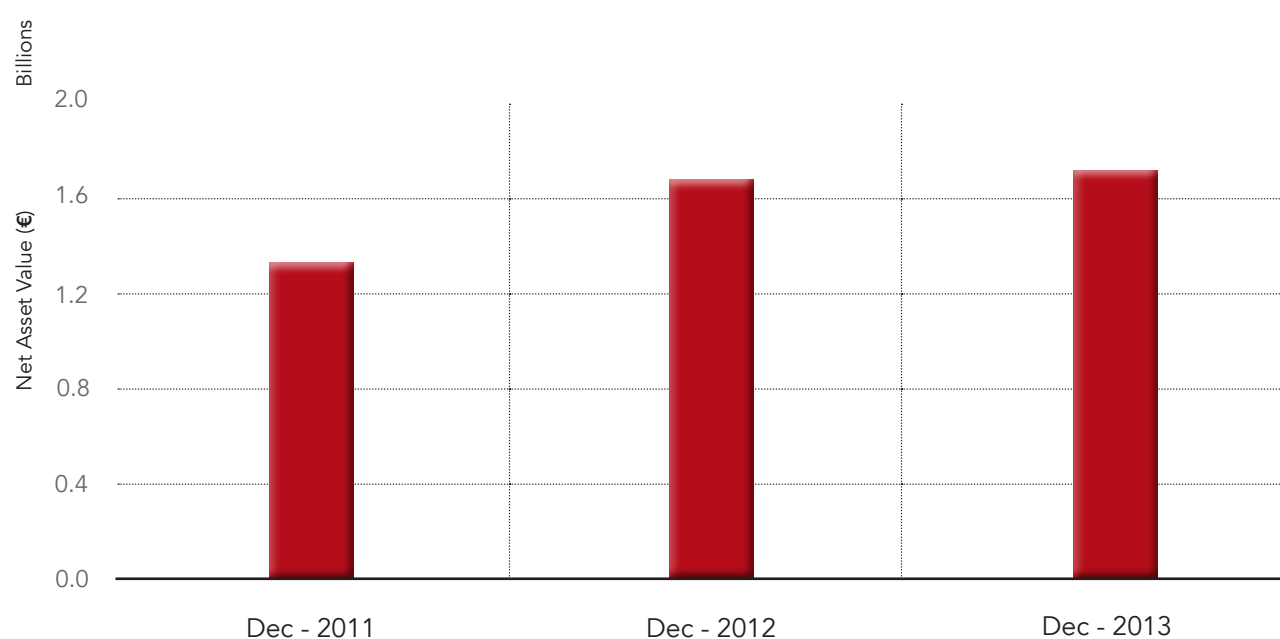
	% number of funds (including sub-funds) as at end 2012	% number of funds (including sub-funds) as at end 2013
Self-administered	0.2	0.2
Administered in Malta	71.2	70.8
Administered from outside Malta	28.6	29.0

Source: Malta Financial Services Authority

NAV OF NON-MALTA DOMICILED FUNDS ADMINISTERED IN MALTA

Non-Malta domiciled funds (including sub-funds) administered in Malta registered a net asset value of €1.7 billion at the end of 2013, up by 1.3 percent from the previous end year.

CHART 12: NET ASSET VALUE OF NON-MALTA DOMICILED FUNDS ADMINISTERED IN MALTA (2011 - 2013)



Source: Malta Financial Services Authority

INSURANCE BUSINESS

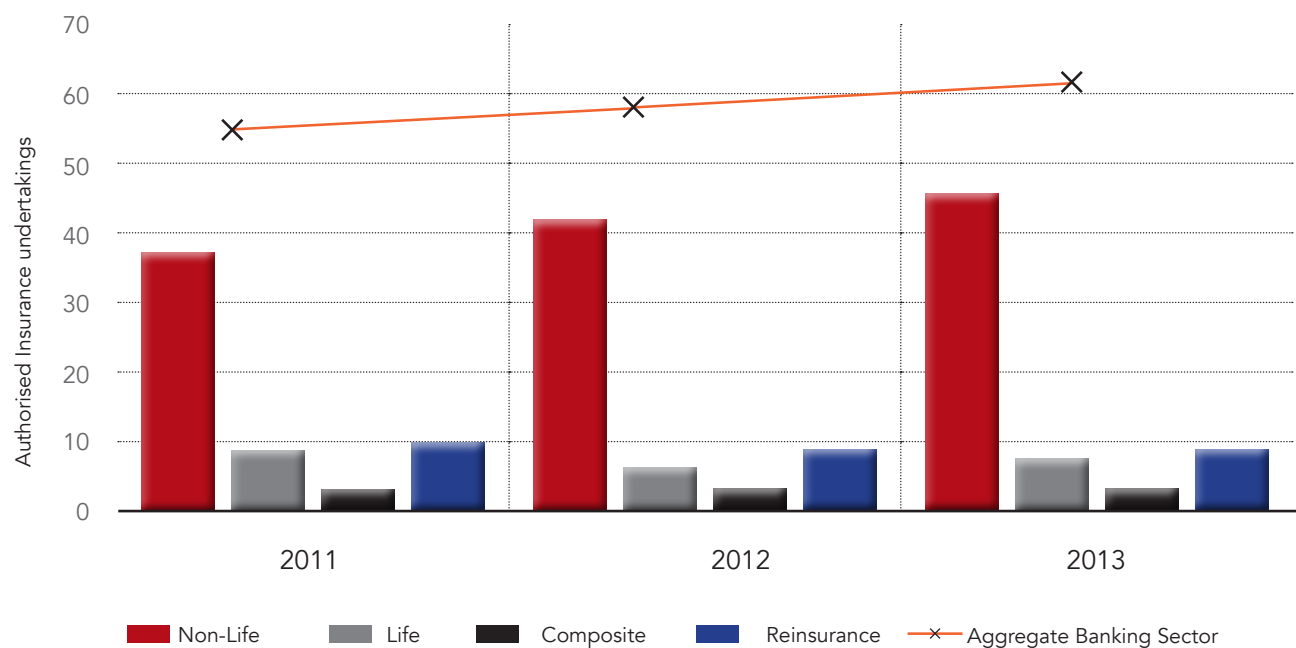
GENERAL OVERVIEW

Malta retained its reputation as an attractive jurisdiction for operators wishing to set up or redomicile captive and other insurance and reinsurance business. While the legislative framework increasingly caters for the setting up of innovative structures, the number of insurance intermediaries continues to increase. Malta remains the only full EU member state with legislation for Protected Cell Companies and Incorporated Cell Companies. The retirement pensions sector has also maintained a positive trend.

THE INSURANCE SECTOR

The insurance sector in Malta is comprised of 60 insurance undertakings, an increase of two undertakings on the previous year. There were 44 Non-Life, seven Life, two composite and seven reinsurance undertakings. Of the 60 licensed insurance undertakings, 11 were authorised as affiliated companies and ten as protected cell companies.

CHART 13: INSURANCE UNDERTAKINGS AUTHORISED IN MALTA (2011 - 2013)



Source: Malta Financial Services Authority

The figures available with respect to the volume and segmentation of insurance business for 2013 were still unaudited at the time of presentation of this report and therefore may be subject to revision.

CAPITAL ADEQUACY

The solvency ratio, defined as the ratio of available capital to required regulatory capital, of all authorised insurance undertakings declined from 423 per cent in 2012 to 339 per cent in 2013 as a result of a drop in the available capital reported by pure reinsurance undertakings.

The ratio for long-term business undertakings and general business undertakings experienced a rise of three percentage points and 67 percentage points respectively over the period 2012 – 2013. In contrast, the solvency ratio for pure reinsurance undertakings went down by 284 percentage points, from 610 per cent in 2012 to 326 per cent in 2013. There was an increase in the capital required by undertakings while a significant drop in the available capital.

The next table represents the solvency ratios for long-term insurance, reinsurance, and general insurance undertakings and the aggregate figures for all insurance undertakings covering the period 2011 – 2013.

Table 6: Solvency ratios (2011 – 2013)

Solvency ratio	2011	2012	2013
Long-term Business	183%	188%	191%
Pure Reinsurers	494%	610%	326%
General Business	363%	357%	424%
All Insurance undertakings	288%	423%	339%

TOTAL GROSS PREMIUMS WRITTEN

Insurance undertakings with Head-Office in Malta registered an increase of over ten percent in gross premium written over the period 2012 - 2013, from €2.39 billion in 2012 to €2.63 billion in 2013. The increase is significantly higher than that observed for period 2011 – 2012.

Table 7: Total gross premiums written (2011 – 2013)

	2011	2012	2013
	Billion €	Billion €	Billion €
Total gross premiums written	2.21	2.39	2.63

Source: Malta Financial Services Authority

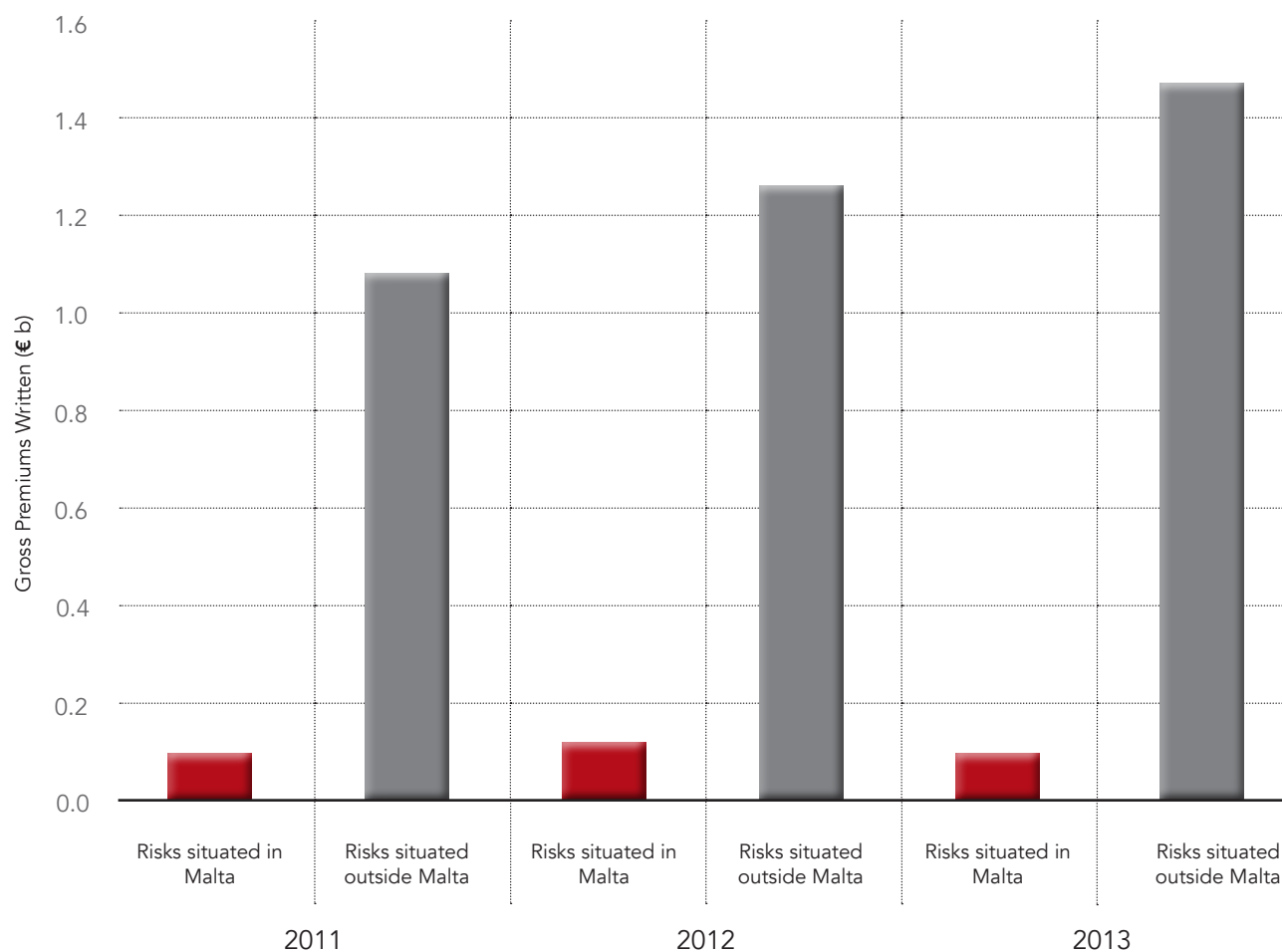
THE GENERAL BUSINESS SECTOR

GROSS PREMIUM WRITTEN

Insurance undertakings writing general business experienced an increase of almost 15.2 per cent in gross premium written, from €1.38 billion in 2012 to €1.59 billion in 2013. Gross premium written in relation to risks situated in Malta climbed up by 11.8 percent in 2013 when compared to the previous year, to stand at almost €122 million. There was also an increase of 15.3 percent in gross premium written in relation to risks situated outside Malta over the period 2012 – 2013.

The following chart depicts the gross premium written of companies with Head Office in Malta writing general business in relation to risks situated in and outside Malta for the period 2011 – 2013.

CHART 14: GROSS PREMIUMS WRITTEN BY COMPANIES WITH HEAD OFFICE IN MALTA - GENERAL BUSINESS (2011 - 2013)



Source: Malta Financial Services Authority

GROSS CLAIMS PAID

Gross claims paid in 2013 surged by 17.1 percent when compared to the previous year, reaching €0.79 billion at the end of 2013. There was an increase of 19.1 percent in gross claims paid in relation to risks situated outside Malta while gross claims paid in relation to risks situated in Malta fell by over eight per cent during the year.

Table 8: Gross claims paid by companies with Head Office in Malta – General Business (2011-2013)

	2011		2012		2013	
	Risks situated in Malta	Risks situated outside Malta	Risks situated in Malta	Risks situated outside Malta	Risks situated in Malta	Risks situated outside Malta
	Million €	Million €	Million €	Million €	Million €	Million €
Gross claims paid	47.0	417.8	50.4	627.1	46.2	747.0

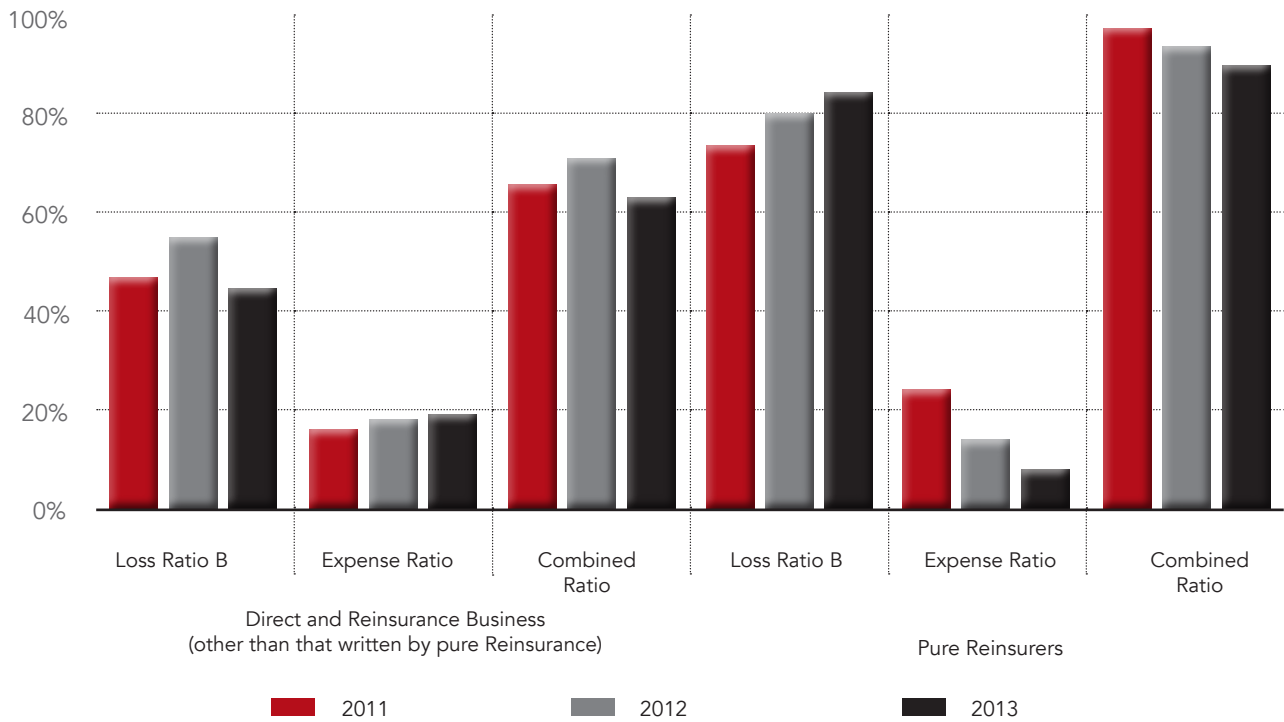
Source: Malta Financial Services Authority

KEY FINANCIAL INDICATORS

The net loss ratio, defined as the ratio of net claims incurred to net premiums earned, for the general business⁸ declined by 5.3 percentage points over the period 2012 – 2013, from 50.3 percent in 2012 down to 45 percent in 2013. There was a drop in the net claims incurred and an increase in net premiums earned which have pushed down the ratio. The expense ratio, defined as the ratio of net operating expenses to net premiums earned, grew by 1.1 percentage points in 2013 when compared with the previous year. The combined ratio, defined as the sum of net claims incurred and the net operating expenses over the net earned premiums, declined by 4.1 percentage points over the period 2012 – 2013.

⁸ Direct and reinsurance business other than that written by pure reinsurance.

CHART 15 : LOSS RATIOS FOR GENERAL BUSINESS UNDERTAKINGS WRITING DIRECT AND REINSURANCE BUSINESS (OTHER THAN THAT WRITTEN BY PURE REINSURANCE) AND PURE REINSURANCE UNDERTAKINGS ONLY (2011 - 2013)



Source: Malta Financial Services Authority

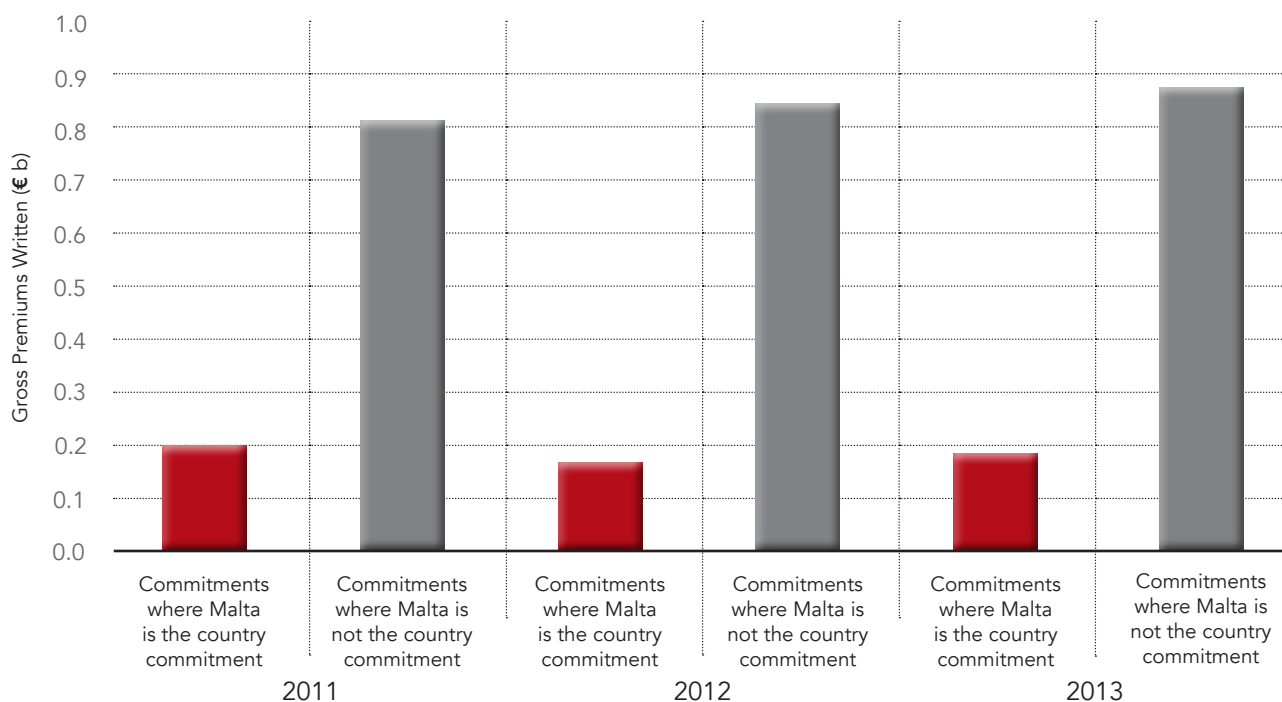
For the pure reinsurance business, the net loss ratio gained 2.5 percentage points on the previous year to stand at 82.6 percent in 2013. The expense ratio declined from 15.8 percent in 2012 to 8.5 percent in 2013 while the combined ratio went down from 95.9 percent in 2012 to 91.1 percent in 2013.

THE LONG-TERM INSURANCE SECTOR

GROSS PREMIUMS WRITTEN

Insurance undertakings writing long term business reported an increase of almost four percent in gross premium written in 2013 when compared with the previous year, from €1.01 billion in 2012 to €1.05 billion in 2013. There was a surge of 9.7 percent in gross premium written where Malta is the country of commitment while the gross premium written with respect to commitments outside Malta increased by 2.3 percent over the period 2012 - 2013. The following chart shows the gross premium written reported by undertakings writing long-term business in relation to risks situated in and outside Malta for the period 2011 – 2013.

CHART 16: GROSS PREMIUMS WRITTEN BY COMPANIES WITH HEAD OFFICE IN MALTA - LONG TERM INSURANCE BUSINESS (2011 - 2013)



Source: Malta Financial Services Authority

GROSS CLAIMS PAID

There was an increase of 21.9 percent in gross claims paid by insurance undertakings writing long-term business over the period 2012 – 2013, from €0.92 billion in 2012 to €1.12 billion in 2013. While gross claims paid in relation to commitments situated in Malta declined by 10.8 percent, gross claims paid in relation to commitments outside Malta went up by over 28 percent.

Table 9: Gross claims paid by companies with Head Office in Malta – Life Insurance Business (2011-2013)

	2011		2012		2013	
	Commitments where Malta is the country of commitment	Commitments where Malta is not the country of commitment	Commitments where Malta is the country of commitment	Commitments where Malta is not the country of commitment	Commitments where Malta is the country of commitment	Commitments where Malta is not the country of commitment
	Million €	Million €	Million €	Million €	Million €	Million €
Gross claims paid	117.6	517.9	145.8	771.7	130.0	988.7

Source: Malta Financial Services Authority

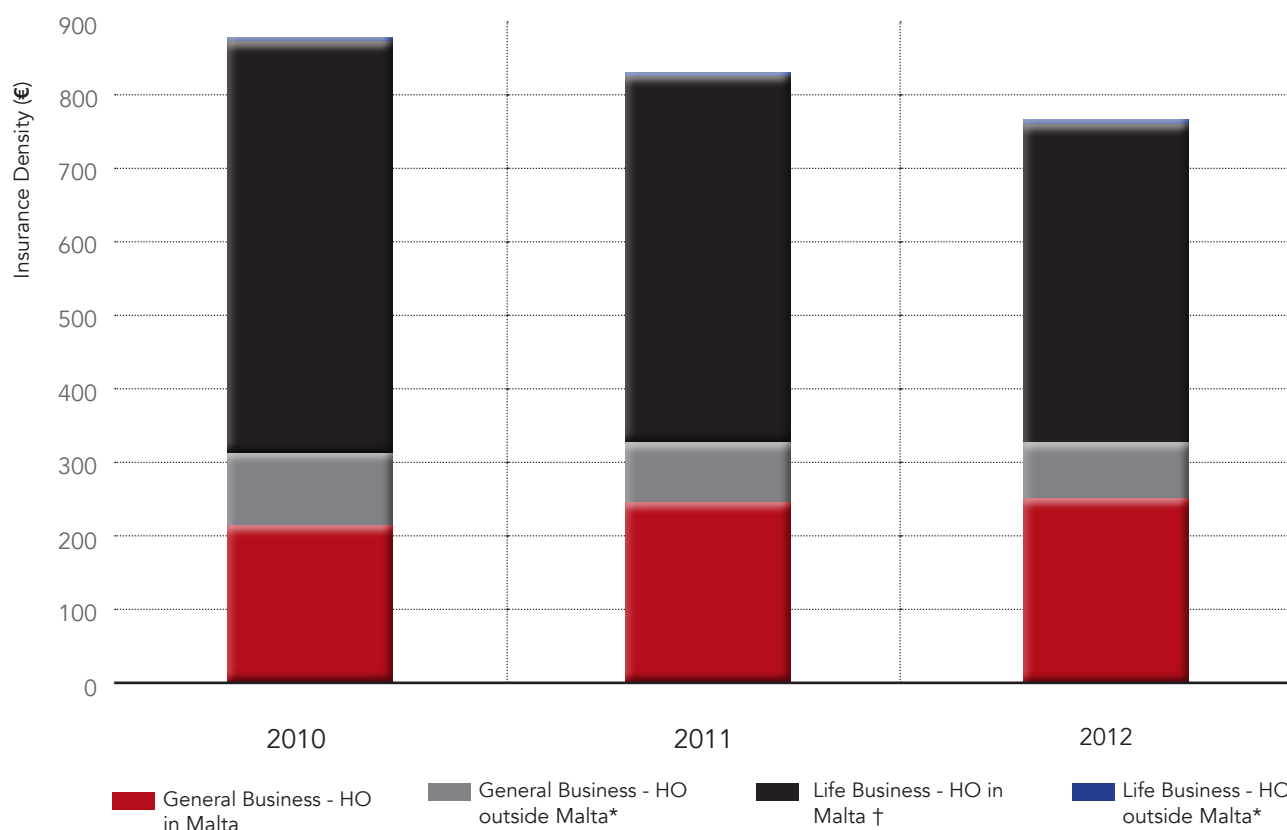
INSURANCE DENSITY⁹

The insurance density, defined as the gross premiums written with respect to risks and commitments situated in Malta on a per capita basis, for the sector as a whole went down from €842 in 2011 to €754 in 2012 representing a fall of 10.5 per cent.

In the general business insurance, insurance density continued to increase, registering a per capita average of €342 for 2012, an increase of 3.6 per cent on the previous year. In contrast, the insurance density in the life business contracted by 19.5 per cent, down from €512 in 2011 to €412 in 2012.

⁹ Figures of undertakings with Head-Office outside Malta writing long-term and general business in relation to risks in Malta in 2013 were unavailable at the time of presentation of this report. Consequently, the analysis of the insurance density covers the period 2010 – 2012.

CHART 17 : INSURANCE DENSITY WITH RESPECT TO RISKS AND COMMITMENTS SITUATED IN MALTA (2010 - 2012)



Source: Malta Financial Services Authority

* refers to non-EU/EEA insurers authorised under the Act and EU/EEA insurers carrying out business in Malta under the right of establishment.

† Life business includes investment contracts without discretionary participation features.

INSURANCE PENETRATION¹⁰

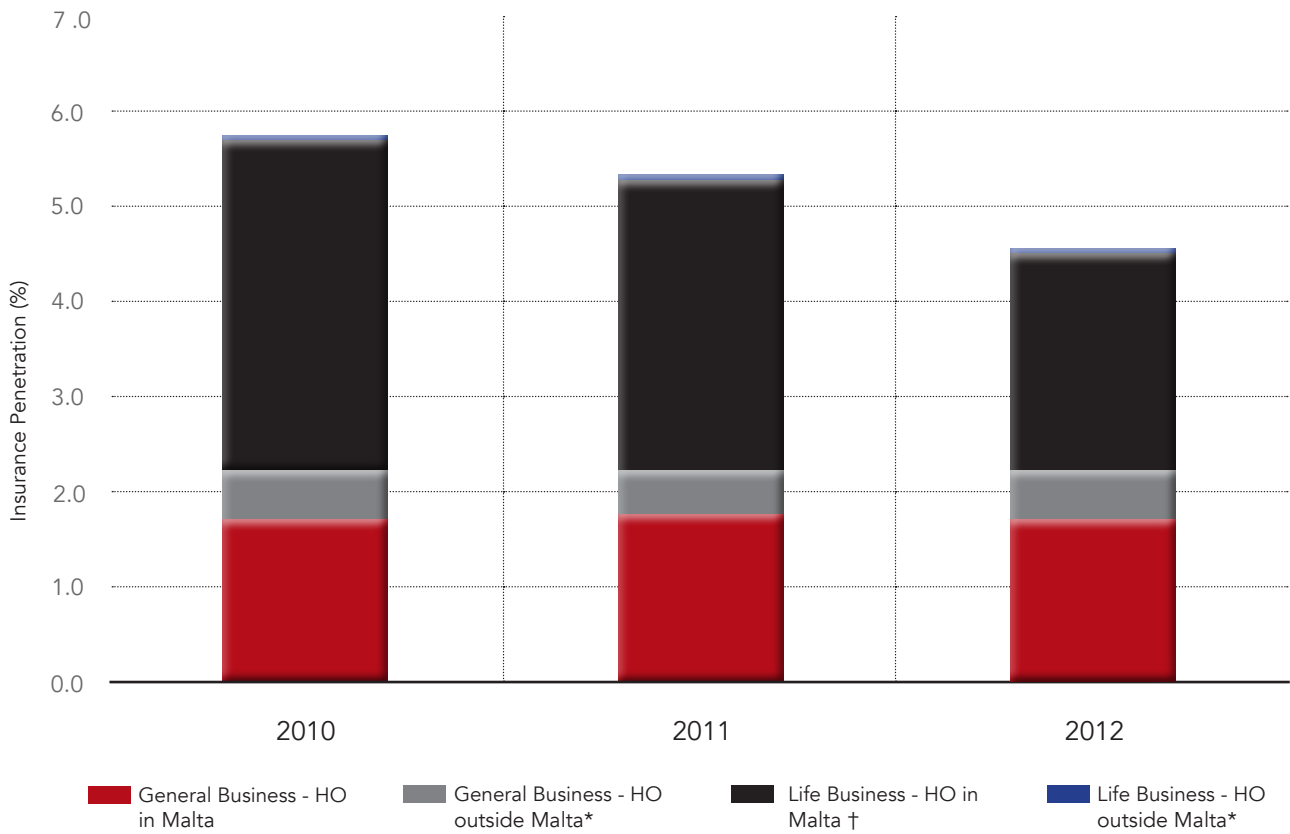
The insurance penetration rate, defined as the gross premiums written with respect to risks and commitments situated in Malta as a share of the gross domestic product,¹¹ dropped from 5.3 per cent in 2011 to 4.7 in 2012.

For the general business, the rate remained unchanged at almost 2.1 per cent over the period 2011 – 2012 while for the long-term business the rate declined from 3.2 per cent in 2011 to 2.6 per cent in 2012.

¹⁰ Figures of undertakings with Head-Office outside Malta writing long-term and general business in relation to risks in Malta in 2013 were unavailable at the time of presentation of this report. Consequently, the analysis of the insurance penetration covers the period 2010 – 2012.

¹¹ GDP is computed at market price.

CHART 18: INSURANCE PENETRATION RATE WITH RESPECT TO RISKS AND COMMITMENTS SITUATED IN MALTA (2010-2012)



Source: Malta Financial Services Authority

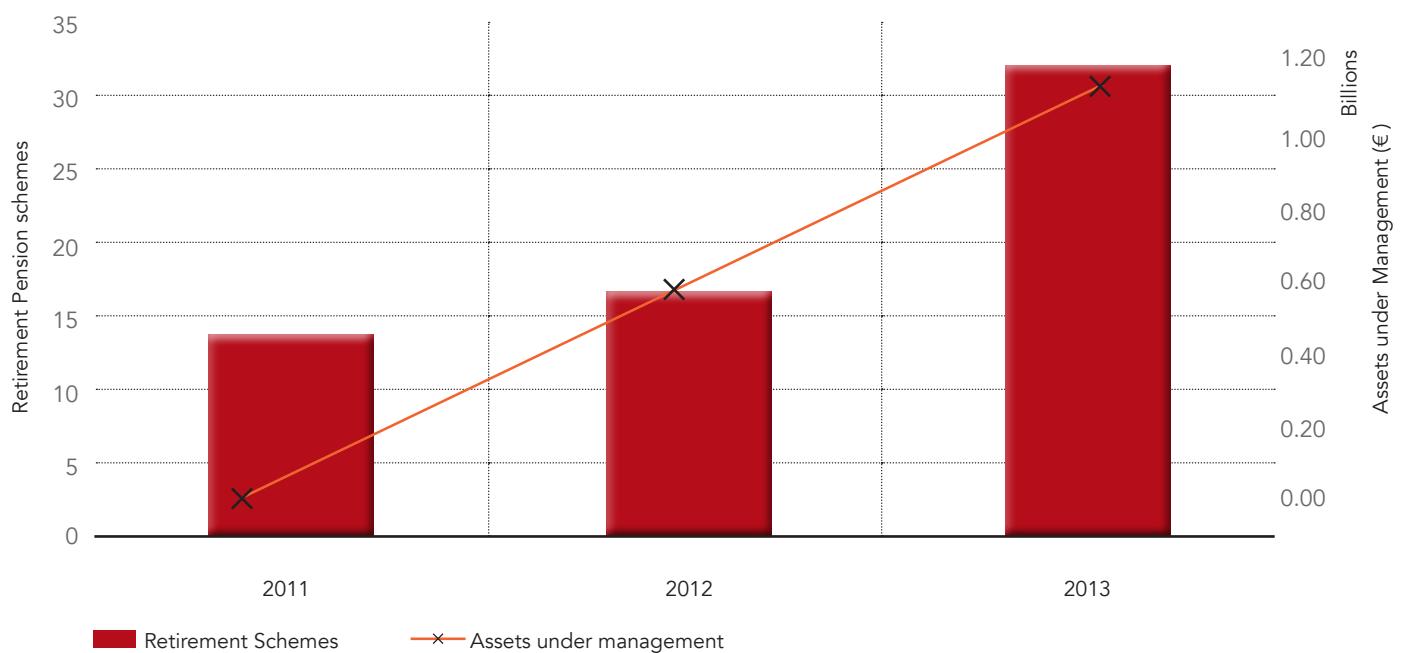
* refers to non-EU/EEA insurers authorised under the Act and EU/EEA insurers carrying out business in Malta under the right of establishment.

† Life business includes investment contracts without discretionary participation features.

RETIREMENT PENSION SCHEMES

At the end of 2013, there were 32 registered retirement pension schemes under the Special Funds Act, up by 88 per cent when compared to the previous year. Additionally, there were two retirement funds registered in terms of the Act.

CHART 19: RETIREMENT SCHEME LICENCES (2011 - 2013)



Source: Malta Financial Services Authority

The assets under management of the retirement pension schemes went up by almost 86 per cent on the previous year, to stand at €1.1 billion at the end of 2013.

SUPERVISION AND COMPLIANCE

In terms of the Malta Financial Services Authority Act, the Supervisory Council is responsible for the processing, approval and issuing of licences and other authorisations, and for the monitoring and supervision of persons and other entities licensed or authorised by the Authority. The Council met 31 times during 2013 to approve new authorisations, enrolments and registrations to conduct financial services business and, where deemed necessary, to sanction breaches of law and licence conditions or impose regulatory measures.

A licence applicant must satisfy the requirements as contained in legislations specific to the various sectors of financial services. The Authority will also consider the following factors when considering whether to grant or refuse a licence:

- i. the promotion of the general interests and legitimate expectations of consumers of financial services;
- ii. the promotion of fair competition and choice and;
- iii. Malta's international commitments including its commitments as a Member of the European Union.

The Supervisory Council seeks to maintain a balance between the requirements specific to each sector, reflecting international standards and European Union Directives, and the need to ensure more consistent and harmonised supervision across sectors.

As a signatory to the Multilateral Memoranda of Understanding on co-operation and information exchange of the International Association of Insurance Supervisors (IAIS) and the International Organisation of Securities Commissions (IOSCO), the MFSA's approach to supervision is modelled on IAIS and IOSCO Core Principles. With respect to banking, the Authority also seeks to maintain a supervisory approach which follows Basel Core Principles for Effective Banking Supervision.

SUPERVISORY ACTION

In 2013, the Authority had over 120 employees directly engaged in the licensing, regulation and supervision of licensed entities. Supervision is carried out through both off-site and on-site compliance activities.

OFF-SITE SUPERVISION

The off-site supervisory process includes the review and approval of ongoing developments in the business of licenced companies, such as changes in qualifying shareholding, directors and senior management; changes in the memorandum and articles of association; transfers of portfolio in the case of non-life business; mergers, and reductions and increases in share capital. Off-site compliance staff also monitors adherence by licence holders to prudential requirements through the review of periodical returns, audited financial statements and other documentation.

Detailed off-site analyses were carried out on Internal Capital Adequacy Assessment Processes (ICAAPs) of credit institutions, whereas investment service licence holders had their Risk Management Internal Capital Adequacy Assessment Process (RMICAAP) analysed.

During the year, the MFSA also monitored media advertising placed by authorised persons, newspaper articles and media coverage dealing with companies which have their financial instruments traded on the Malta Stock Exchange. This was carried out as part of its off-site supervisory functions.

ON-SITE SUPERVISION

Supervisory units continued to carry out on-site inspections on a regular basis at the premises of licence holders. During 2013 MFSA supervisors conducted 67 on-site inspections.

In the insurance segment, a total of 12 inspections were carried out at insurance licence holders' premises. Seven inspections were carried out at Insurance companies, three to Tied Insurance Intermediaries, and two to Retirement Scheme Administrators. Nine of these inspections consisted of a full review of the operations of the licence holder, one inspection focused on the systems of governance in preparation for Solvency II and two other inspections related to the internal model application process under Solvency II.

A total of 21 compliance visits were carried out to providers of securities business, namely, investment firms, collective investment schemes, fund administrators and the Malta Stock Exchange. The majority of these visits were mainly focused on: Governance, Risk Management and Compliance. In the case of investment firms, the SMSU officials interviewed a number of officials within the relevant institutions and examined relevant documentation, such as documentation related to RMICAAP and various management processes. Three compliance visits conducted at the Malta Stock Exchange focused on the MSE's trading platform, the operation of the CSD as well as the IT infrastructure.

The number of business reviews carried out on authorised trustees, fiduciaries and administrators of private foundations under the Trusts and Trustees Act was 22. Of these 14 took the form of on-site compliance visits carried out at the offices of authorised persons, including one on-site visit to an administrator of private foundations. The remaining 8 were top-down reviews of trustees conducted through meetings with senior management.

Eleven credit institutions and one financial institution were inspected by banking supervisors during 2013. These visits included a full credit risk review at one institution; four top-down inspections of credit institutions which included a Supervisory Review and Evaluation Process (SREP) analysis of the relative banks' Internal Capital Adequacy Assessment Processes (ICAAPs); assessment of audit function and Audit Committee at four credit institutions; a review of the Operational Risk and Internal governance of one credit institution; meetings with a credit institution on developments within the bank; and one top-down review of operations at a licensed financial institution.

The MFSA continues to adopt a risk-based approach in the supervision of licensed entities, in line with EU Directives. Through on-site inspections, supervisors have the ability to detect weaknesses or shortcomings, and ensure that corrective measures identified in previous on-site visits or through analysis of off-site reports including external auditors' annual statutory reviews are implemented. Also supervisors ensure through on-site reviews that operational activities conducted by licence holders are in line with the relative licence conditions and applicable legislation.

Investigations into a number of possible breaches of licence conditions continued with the initiation of new investigations during 2013. These included investigations into alleged breaches of investment restrictions; failure in submitting statements; failure to comply with the conditions of registration; as well as investigations into sales practices.

INFRINGEMENTS AND PENALTIES

A number of penalties were imposed during the year. These concerned a number of breaches of licence conditions as well as other infringements under the Investment Services Act, the Insurance Intermediaries Act, and the Insurance Business Act.

On the 2nd January 2013, the MFSA reprimanded the directors of Global and Emerging Market Real Estate Funds SICAV plc namely Dr Frank Chetcuti Dimech and Mr Charalambos Psimolophitis, and also the directors of Royal Rainbow Fund SICAV plc namely Mr Salvatore di Salvatore and Mr Michele Sagramoso, for the failure to submit their audited financial statements for the year ending 31st December, 2011 in a timely manner.

On the 21st January 2013, the MFSA imposed an administrative penalty of €4,658.74 on Abbey International Insurance PCC Ltd, of which €2,329.37 is in relation to Absolut Cell and €2,329.37 is in relation to AIF Cell for breaching its conditions of authorisation issued in terms of the Insurance Business Act (Cap. 403).

On the 21st March 2013, the MFSA imposed an administrative penalty of €2,000 on Mr Tonio Briffa for failure to comply with the conditions of registration in the Agents Register.

On the 21st March 2013, the MFSA imposed an administrative penalty of €2,000 on Mr Joseph G. Cutajar for failure to comply with the conditions of registration in the Brokers Register.

On the 11th April 2013, the MFSA resolved, on regulatory grounds, to cancel the Collective Investment Scheme Licence of Pan European Umbrella SICAV plc, including the Licence granted to its Sub-Funds, namely Energy-4-Europe Fund and Pan European Real Estate Fund, with immediate effect. The MFSA also reprimanded the director Mr Shahrddad Golban for Pan European's failure to comply with the applicable regulations, rules and the offering document.

On the 5th June 2013, the MFSA reprimanded the directors of Priveq Funds SICAV plc, namely Mr. Claudio A. Frick, Dr David Griscti and Mr Mikkel Lind, for the failure to submit its audited financial statements for the year ending 31st March, 2012 in a timely manner in terms of the deadlines established in Standard Licence Condition 1.57 of Part BII of the Investment Services Rules for Professional Investor Funds.

On the 6th June 2013, the MFSA suspended the investment services licence of All Invest Co. Ltd. after identifying a series of regulatory breaches. The Authority had instructed All Invest on the 17th April 2013 to suspend with immediate effect the process of transferring clients' holdings, including contacting its clients, until further instructions are received from the Authority. Notwithstanding this, the Authority was informed that such instructions were not followed by Mr Wallace Falzon, Director of All Invest Co. Ltd. The Authority also issued a Directive in terms of Article 15 of the Investment Services Act to All Invest Co. Ltd. on the 3rd May 2013. All Invest was directed to immediately suspend the transfer of the clients' holdings to other licensed firms. This directive also applied to those clients who had already signed the letter authorising such transfer but whose transfer had not been completed. All Invest was directed to accept the request of any clients who wish to withdraw their authorisation to such transfer. As a result of the series of regulatory breaches, on the 6th June 2013 the Authority announced that All Invest was not allowed to accept new business and had to begin an orderly transfer of its clients business. The Authority had determined that, in a number of instances, All Invest failed to act in the best interest of investors as required of all firms which provide investment services. On the 10th July 2013, All Invest Co. Ltd. submitted an appeal before the Financial Services Tribunal against the MFSA's decision to suspend the investment services licence of All Invest Co. Ltd. in terms of the powers granted to the MFSA under article 7 of the Investment Services Act.

On the 24th July 2013, the MFSA issued a Directive to the directors of Norvik (Malta) SICAV plc (the Scheme) to take the following action: cease all operations with immediate effect; refrain from carrying out any act and/or transaction whatsoever; put the scheme into dissolution without delay; and appoint a liquidator to wind up the company. The Authority's investigation determined that the Scheme is in an untenable situation and there are considerable difficulties for it to continue to operate successfully as a going concern and in compliance with the applicable laws.

On the 19th November 2013, the MFSA resolved, on regulatory grounds, to strike-off Mr Alberto Bisazza from the Brokers Register in terms of the Insurance Intermediaries Act (Cap 487) with immediate effect. The Authority will review the matter on the lapse of two years from the date of this decision and in the event that the said broker re-applies for registration in the Brokers Register.

The Supervisory Council was assisted by the Legal Unit on various regulatory issues and investigations and in the drafting of documentation in connection with these matters. Details on the penalties and other sanctions issued by the MFSA may be found on the Authority's website (<http://www.mfsa.com.mt/pages/AdministrativeMeasuresPenalties.aspx>).

WARNINGS

The Malta Financial Services Authority issued a number of warnings to the public during the year. The warnings advised against dealing with various companies not authorised to provide financial services in Malta. In its capacity to protect consumers of financial services, the MFSA urges consumers of financial services not to enter into any financial services transactions unless they have ascertained that the entity with which the transaction is being made holds a licence granted by the MFSA or is otherwise authorised to provide such services by another foreign reputable financial services regulator.

The following warnings on companies not authorised by the MFSA to provide any type of financial service in Malta were issued during the year: Forex Worldwide Ltd and ToroPROfit as depicted on website www.toroprofit.com; Redevelopment Corporation International Ltd operating under the trade name of "Forexperti" as depicted on website <https://www.forexperti.com/>; Multi Risk Benefits Limited as depicted on website <http://mrbld.com/>; AGB Malta plc as depicted on website <http://agbmalta.com>; SGT Malta as depicted on website <http://sgtmalta.net/eb/>; Ashoka Financial Services as depicted on website <http://www.ashoka-financial-services.com/>; Saad Group Malta, or Saad Bank Europe Limited, or Saad Group Bank of Malta, and the website <http://sb.saadgroupmt.net/> which could be undertaking unauthorised and possibly fraudulent activities involving the abusive use of the name Saad Group Bank Europe Limited which is a bank authorised by the MFSA which had its licence suspended by the Authority indefinitely in 2009; on-line operations under names which include 'The Bank', 'SaneFX Binary', 'New Rich Lazy Trader', 'FXPro2' and 'Gold Trade Pro', which have an internet presence at www.thebank.co, <http://sanefxbinary.com/>, <http://richlazytrader.com>, <http://fxpro2.com> and www.goldtrade.pro claim to be operated out of Malta by John Campbell; SeaMed Finance Savings and Investments, or SeaMed Finance Ltd, or SeaMed Bank or SeaMed Holdings with an internet presence at www.seamedfinance.com, www.seamedinternational.com, www.seamedbankrbn.com and www.seamedholdings.com; and CIB Malta as depicted on website <http://www.cib-malta.eu/secured/index.html>.

The MFSA has also become aware of the website <http://www.mfsaregulation.com> which uses the Authority's Logo without authorisation and may erroneously give the impression that it is an MFSA or an MFSA approved website. The website includes information lifted from the MFSA website in breach of copyright. The information provided by the website in question may not be complete or accurate and the MFSA does not accept any responsibility or liability in respect of the said website nor in respect of the contents thereof. The MFSA disassociates itself completely from this website and from its contents.

The MFSA also informed the public against replying and providing personal details to unknown persons and entities through scam emails targeting persons in Malta offering various financial services including unsecured loans at beneficial rates. The MFSA reminded consumers of financial services not to enter into any financial services transaction unless they have ascertained that the entity with whom the transaction is being made holds a licence to provide such services from the MFSA or another reputable financial services regulator.

The MFSA informed the public, in Malta and abroad, that the warning issued by the Authority on 14th August 2013 concerning Accedium Limited – www.accedium.com with reference number 07-2013 has been removed and is no longer in force.

A list of entities licenced by the MFSA and others licenced by the European Supervisory to provide financial services in Malta is available from the MFSA at: <http://www.mfsa.com.mt/pages/licenceholders.aspx>

PREVENTION OF FINANCIAL MARKETS ABUSE

The Malta Financial Services Authority has responsibility for enforcing the Prevention of Financial Markets Abuse (PFMA) regime and safeguarding the integrity and reputation of the financial markets.

The Authority has continuously monitored on-and-off exchange trading in financial instruments admitted to trading on the Malta Stock Exchange with the aim of identifying suspicious trading. During 2013, the Authority completed seven reviews and initiated six new reviews. At the end of the year the Authority had two pending PFMA reviews.

At the end of 2013 there were three appeals pending before the Financial Services Tribunal in relation to insider dealing cases. The appeals were filed by individuals who were fined by the Authority in 2009 for trading in listed securities when in possession of unpublished price-sensitive information.

LITIGATION BEFORE THE FINANCIAL SERVICES TRIBUNAL AND THE CIVIL COURTS

The Legal Unit is responsible for representing the Malta Financial Services Authority, with the cooperation of other Units, in a number of cases currently pending before the Financial Services Tribunal and the Courts of Malta. The Financial Services Tribunal is an appeal mechanism which allows a right of appeal to licence-holders who may feel aggrieved by a particular decision of the MFSA.

At the end of 2013 there were a total of eleven appeals from decisions of the MFSA pending before the Financial Services Tribunal, two of which were introduced in 2013. A further three cases are pending before the Civil Court, First Hall; one case is pending before the Civil Court, First Hall (Constitutional Jurisdiction) and three cases are pending before the Court of Appeal (Inferior Jurisdiction).

The MFSA also intervened in a case being heard by the Data Protection Tribunal following an appeal filed by an insurance intermediary against the Data Protection Commissioner – this case is still pending.

A list of appeals from decisions of the MFSA currently pending before the Financial Services Tribunal may be found on the Tribunal's website www.mfst.gov.mt

LISTING COMMITTEE

The Listing Committee for the primary securities market met eleven times during the year under review. A number of other ad hoc meetings were held to discuss specific topics with third parties including representatives of the various Issuers, representatives of the Malta Stock Exchange and Stockbrokers. The market is monitored regularly to ensure that Issuers comply with their continuing obligations under the Listing Rules. Recommendations are made to the Listing Authority proposing further action wherever this is required.

FINANCIAL STABILITY

JOINT FINANCIAL STABILITY BOARD (JFSB)

A Memorandum of Understanding setting up the Joint Financial Stability Board (JFSB) was signed by Central Bank of Malta and the MFSA on 25th January 2013. The JFSB was established in pursuance of Recommendation ESRB/2012/2 of the European Systemic Risk Board which required the setting up of a structure for cooperation among national authorities on matters impacting financial stability, including macro-prudential policy.

The JFSB held seven meetings during the year and discussed matters related to the formulation of macro-prudential policy and a number of measures aimed at strengthening resilience in the various sectors making up the financial system. These included legislative measures including a new CBM Directive and draft Regulations on macro-prudential policy and amendments to MFSA Banking Rules BR09 on Measures addressing Credit Risks arising from the assessment of the quality of asset portfolios of authorised Credit Institutions and BR12 on the Supervisory Review Process of authorised Credit Institutions. Other matters discussed included potential risk exposures in the financial sector, issues related to the implementation of the Single Supervisory Mechanism (SSM) as well as matters related to Malta's national reform and stability programmes.

The JFSB also discussed matters related to a number of ESRB Recommendations, including the follow-up to Recommendations ESRB/2011/1 on Lending in Foreign Currencies; ESRB/2011/2 on US dollar denominated funding of credit institutions, and ESRB/2011/3 on the macro-prudential mandate of national authorities as well as the implementation of Recommendation ESRB/2013/1 on intermediate objectives and instruments of macro-prudential policy and Recommendation ESRB/2013/2 on funding of credit institutions.

CRISIS MANAGEMENT TASK FORCE (CMTF)

The responsibilities of the Joint Task Force on Bank Resolution (JTFBR) were taken over by the Crisis Management Task Force (CMTF) during 2013. The CMTF is made up of the same technical experts representing the Malta Financial Services Authority, the Central Bank of Malta, the Ministry for Finance and the Attorney General's office as that of the JTFBR. It was proposed that the remit of the CMTF be widened so as to allow the task force to be responsible for: assessing and reviewing the domestic legal provisions for bank resolution and insolvency; contributing to the EU discussions relating to resolution and the deposit compensation scheme within the framework of the Banking Union and; proposing legislative amendments in light of the provisions of the proposed EU Directive for Recovery and Resolution (BRRD), the Single Resolution Mechanism (SRM) and the Deposit Guarantee Scheme, as necessary and as mandated by the Domestic Standing Committee (DSC). The CMTF met regularly during the year in both formal and informal composition and provided the required responses to the negotiation procedures taking place at the Council of the European Union. Members of this group also directly participated in this process through their attendance at the Council meetings.

CENTRAL BANK - MFSA DOMESTIC STANDING COMMITTEE

The Domestic Standing Group (DSG) changed its name to that of Domestic Standing Committee (DSC) to be more in line with its remit which encompasses decision making capabilities. The DSC is made up of senior representatives of the Malta Financial Services Authority, the Central Bank of Malta (CBM) and the Ministry for Finance (MFIN). The main topics discussed related to the proposed Bank Recovery and Resolution Directive (BRRD), the Single Resolution Mechanism (SRM) and the Single Supervisory Mechanism (SSM). Senior representatives from the MFSA, CBM and MFIN, attended regular meetings on these topics in European Union fora, and in turn provided the latest updates to the members of the Committee.

PREVENTION OF MONEY LAUNDERING

The Financial Intelligence and Analysis Unit (FIAU) is the competent authority responsible for licence holders' compliance with requirements of the Prevention of Money Laundering and Financing of Terrorism legislation and regulations. Nevertheless, the MFSA carries out work in this regard in collaboration with the FIAU. The MFSA carried out on-site compliance work and has also participated in a number of joint inspections together with the FIAU. In this respect, in 2013 a Memorandum of Understanding between the two authorities was drafted and should be signed in 2014.

Compliance reviews are intended to examine the Anti-Money Laundering and the Combating of Financing of Terrorism (AML/CFT) measures and procedures which licence holders should have in place and their obligations under the applicable rules and regulations. These are primarily the Prevention of Money Laundering Act (Cap. 373 of Laws of Malta), the Prevention of Money Laundering and Funding of Terrorism Regulations (Legal Notice 180 of 2008), and the Implementing Procedures issued by the FIAU under the aforementioned regulations. Compliance reports on AML/CFT on-site inspections carried out by the MFSA are submitted to the FIAU for any action that may be necessary.

During 2013, the MFSA continued to work with the FIAU, particularly with a view to address the recommendations made in the MONEYVAL Fourth Round AML/CFT Mutual Evaluation Report. This involved discussions, consultations and feedback on various issues, including the drafting of amendments to legislation. Dr Bartolo, the Director of the Enforcement Unit within the MFSA, continued to hold his position of Deputy Chairman of the Board of Governors of the FIAU.

The MFSA's Money Laundering Reporting Officer continued to represent the MFSA on the Joint Committee for the Prevention of Money Laundering and Funding of Terrorism, which held a number of meetings during the year. The main function of the Committee is to create a forum between the authorities and the industry to exchange views and discuss AML/CFT issues and developments, including the review of effectiveness of aspects of the AML/CFT system. The Joint Committee includes representatives of the FIAU, the MFSA, the Central Bank of Malta, the Attorney General, the Malta Police, Customs, the Lotteries and Gaming Authority, the Malta Stock Exchange, the Chamber of Advocates, Chamber of Legal Procurators, the Malta Insurance Association, the College of Notaries, the Malta Bankers' Association, the Association of Licensed Financial Institutions, the Malta Institute of Accountants, the Malta Funds Industry Association, the Institute of Financial Services Practitioners, the College of Stockbrokers, the Federation of Real Estate Agents and the Malta Institute of Taxation.

Malta continued to participate actively in the work of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL). Dr Bartolo, the Director of the Enforcement Unit within the MFSA, was elected interim Chairman of MONEYVAL in April 2013 and was re-elected Chairman for a period of two years in December 2013. Dr Bartolo is also co-chair of the Europe-Eurasia Regional Review Group within the International Cooperation Review Group of the Financial Action Task Force (FATF).

During 2013 the Maltese Government embarked on a national project to carry out a National AML/CFT Risk Assessment (NRA). The requirement to carry out this exercise arises out of the new international standard set by Recommendation I of the new FATF 40 Recommendations (2012) which makes it mandatory on all countries to carry out an NRA. The proposal for the EU Fourth Money Laundering Directive contains a similar obligation on Member States to carry out a NRA. This exercise is aimed at identifying, assessing and understanding the money laundering and terrorist financing (ML/FT) risks faced by Malta. The results of this national project will allow the authorities to develop effective and risk-based policies and actions, and to prioritise and allocate

the available resources in the most efficient way so that the identified risks can be properly managed and mitigated. The MFSA is significantly contributing to this project with representatives from various units of the MFSA being part of the working groups set up to collect data, information and statistics, and to provide opinions and views on the financial services sector and related risks.

CONDUCT OF BUSINESS

During 2013, the Malta Financial Services Authority appointed two internal task forces – an Investment Services Task force and a task force to analyse Consumer Redress to review the current Conduct of Business regulatory regime in investment services and the definition of appropriate policy changes for the enhanced protection of customers in investment services.

The areas of focus of the task forces included the following:

- Ensuring Fair treatment of customers
- Alternative dispute resolution / redress mechanisms
- Consumer education / financial literacy
- Compensation schemes
- Promoting competition
- Financial inclusion
- Broader market conduct which addresses financial markets efficiency and integrity issues, such as disclosures to the market (accounting standards), supervision of trades on securities exchanges, monitoring of insider trading and market abuse, etc. and combating financial crime.

The Conduct of Business (Consumer Redress) Task Force presented the Board of Governors with initial recommendations for the creation of a Financial Services Ombudsman. The recommendations conclude that a single independent dispute-resolution provider for investors and other consumers of financial services is essential in the Maltese context. Recent local episodes of consumer detriment have exposed the weakness of the current statutory regime under which the MFSA Consumer complaints Unit can only seek an amicable solution. Newly developing international standards in financial services mandate that consumers should have access to adequate complaints handling and redress mechanisms. The MFSA has presented its proposals to Government who is also committed to the creation of a Financial Services Ombudsman.

The aim of the proposals is to setup the Office of the Ombudsman that is independent and autonomous of MFSA. The Ombudsman would be responsible for giving advice, publishing findings and statistics, mediation and adjudication and conciliation. The Office of Financial Services Ombudsman would incorporate two distinct and clearly demarcated roles, namely conciliators and mediators and one or more Ombudsmen. A complaint would first be referred to a mediator with the Office of Financial Services Ombudsman in order to first try to settle the dispute informally through mediation or conciliation. If the latter fails, the case would be referred to the Financial Services Ombudsman who would then issue a binding decision.

The Conduct of Business (Investment Services) Task Force has also presented the MFSA Board of Governors with initial recommendations for the review of the current Conduct of Business (CoB) regulatory regime in investment services and the definition of appropriate policy changes for the enhanced protection of customers in investment services. The recommendations put forward require the creation of a single, unified Code regulating CoB in financial services.

The Code, which should have the force of law, should achieve a consistent customer-focussed standard of protection for purchasers of financial products and services. The framework must minimise opportunities for

regulatory arbitrage between different parts of the financial sector. The Code would set out the requirements which all financial services providers are required to satisfy when dealing with customers irrespective of the category of providers, and at the same time consolidate the existing disparate CoB regimes applicable to the various financial sectors into a single document. All financial services providers established in Malta, including firms passporting under freedom of establishment and freedom of services, should be subject to the same CoB regulation. The code would equally set out standards which financial services providers will be required to satisfy when passporting to other jurisdictions.

INTERNATIONAL SANCTIONS

The Malta Financial Services Authority is a member of the Sanctions Monitoring Board established by the Sanctions (Monitoring Board) Regulations of 2006 issued in terms of the National Interest (Enabling Powers) Act (Cap 365). The primary function of the Board is to monitor the adherence to regulations made under the National Interest (Enabling Powers) Act, while also ensuring compliance with Malta's commitments under international law.

The MFSA published a number of Legal Notices, EU Council Regulations and United Nations Security Council Resolutions on international sanctions to financial services licence holders. During 2013 the MFSA published restrictive notices against Liberia, Libya, the Democratic Republic of Congo, Iraq, Afghanistan, the Democratic People's Republic of Korea, Zimbabwe, Lebanon, Iran, Syria, Myanmar/Burma, Somalia, Belarus, the Republic of Guinea-Bissau, and also imposed specific restrictive measures directed against certain persons and entities associated with the Al Qaida network.

A list of all persons and entities against whom sanctions are currently in force in adherence to the UN Security Council Resolutions and EU Regulations is published under the 'International Sanctions' section on the Authority's website (www.mfsa.com.mt/pages/viewcontent.aspx?id=105).

THE EU FRAMEWORK FOR SUPERVISION OF THE FINANCIAL SYSTEM

The Malta Financial Services Authority is a member of the European Systemic Risk Board (ESRB) responsible for macro-prudential oversight of the financial system, and the supervisory authorities responsible for micro-prudential supervision, namely:

- European Banking Authority (EBA)
- European Securities and Markets Authority (ESMA) and
- European Insurance and Occupational Pensions Authority (EIOPA)

Together with other EU National Supervisory Authorities, the MFSA is a full member of the EBA, EIOPA and ESMA and a non-voting Member of the ESRB and was actively involved in all four throughout their third year of operation.

ACTIVITIES UNDERTAKEN BY THE EUROPEAN SYSTEMIC RISK BOARD

Among other initiatives undertaken by the European Systemic Risk Board (ESRB) during 2013, was the bottom-up survey to complement the surveillance work on risks and vulnerabilities carried out by the European Central Bank. This survey was carried out on a quarterly basis on the basis of inputs from National Central Banks and Supervisory Authorities. In the course of 2013, work was undertaken to complement this material by two more inputs: (i) the automated ESRB risk dashboard, and (ii) an analysis of national banking systems. During the year, through dedicated expert groups, the ESRB worked on a number of specific risks resulting

from: the regulatory treatment of sovereign exposures, asset encumbrance, forbearance, shadow banking and interconnectedness, the CDS market and securities financing transactions. As part of the development of a macro-prudential policy framework, a taxonomy of macro-prudential instruments has been developed. An ESRB recommendation on Intermediate objectives and instruments of macro-prudential policy (ESRB/2013/1) was issued in April 2013. The recommendation calls for the definition of intermediate objectives, the selection of macro-prudential instruments; policy strategy; periodical evaluation of intermediate objectives and instruments and single market and union legislation. The ESRB also consulted with its members for the postponement of the deadlines by six months in relation to the Recommendation on Funding of Credit Institutions (ESRB/2012/1).

During the year, the ESRB issued a follow-up report on the overall assessment of the ESRB Recommendation on Lending in Foreign Currencies. The report provides a detailed assessment of the implementation for each of the seven sub-recommendations. Malta was one of the few countries which ranked as fully compliant with the implementation of this recommendation.

The ESRB has also assessed the implementation of the ESRB Recommendation on the macro-prudential mandate and will in early 2014 issue a follow-up report on the overall assessment of the implementation of the ESRB recommendation on the macro-prudential mandate of national authorities. The Recommendation ESRB/2011/3 on the macro-prudential mandate of national authorities is aimed at complementing the EU macro-prudential institutional framework with a corresponding framework at national level. In its recitals, the Recommendation recalls that the "effectiveness of macro-prudential policy in the Union also depends on the national macro-prudential policy frameworks of the Member States, since the responsibility for the adoption of the measures necessary to maintain financial stability lies first within national frameworks".

The Central Bank of Malta is the national authority which is responsible for undertaking the macro-prudential mandate. The Joint Financial Stability Board which has been set up between the CBM and the MFSA puts forward recommendations to the Governor of the CBM who will discuss such recommendations with the Chairman of the MFSA. The CBM is according to law the national authority responsible for the conduct of macro-prudential policies.

During 2014, the ESRB work programme will be developed against the backdrop of fundamental changes in the European System of Financial Supervision and the establishment of the single supervisory mechanism (SSM). The proposed work programme for 2014 will focus on risks and vulnerabilities; macro-prudential policy framework; macro-prudential analysis and work on shadow banking and interconnectedness; and other issues such as stress-testing.

ACTIVITIES UNDERTAKEN BY THE EUROPEAN BANKING AUTHORITY

The European Banking Authority (EBA) is responsible for the oversight of the European banking system with a view of safeguarding the stability of the financial system, the transparency of markets and financial products and the protection of depositors and investors. During the year, the EBA has issued various consultations on draft implementing technical standards and draft regulatory technical standards including: the EU technical standards for recovery plans (EBA/CP/2013/01), consultation on the draft regulatory standards (RTS) on the conditions for assessing the materiality of extensions and changes of internal approaches for credit, market and operational risk (EBA/CP/2013/02); consultation on draft Implementing Technical Standards (ITS) on supervisory reporting on forbearance and non-performing exposures (EBA/CP/2013/06); consultation on draft Implementing Technical Standards (ITS) on Asset Encumbrance Reporting (EBA/CP/2013/05); consultation on draft regulatory technical standards (ITS) on joint decisions on institution-specific prudential requirements (EBA/CP/2013/09). The EBA also launched a public consultation on draft Guidelines on disclosure of

encumbered and unencumbered assets aimed at providing transparent and harmonised information on the subject across EU Member States; and consultation on draft guidelines proposing harmonised definitions and templates for funding plans of credit institutions (EBA/CP/2013/47) in accordance with the requirements of the ESRB recommendation on Funding of Credit Institutions.

During 2014, the fundamental objective for the EBA in the regulatory policy area will be to continue to play a central role in the development of the single rule book, with the aim to contribute to achievement of a level playing field for financial institutions as well as to raise the quality of financial regulation and the overall functioning of the Single Market. The main focus of the EBA's regulatory work will relate to the CRDIV/CRR legislation, in particular to credit and market risk and the prudential areas of liquidity and leverage, as well as to the recovery and resolution framework. The EBA's oversight activities in 2014 will continue to focus on identifying, analysing and addressing key risks in the EU banking sector ensuring they add value to the suite of risks products produced in the EU. The EBA will continue to monitor capital levels as well as capital plans for converging towards the new standards.

The establishment of the Single Supervisory Mechanism (SSM) in the EU will have important repercussions on the execution of the mandate of the EBA. The SSM will call for enhanced operational relationships in all the fields and with all the parties involved, in particular with the European Central Bank. Ensuring effective cooperation on joint projects such as stress testing will be crucial in this context. Further, the SSM will call on the Union for an even stronger commitment to the single rule book, and in particular to unified supervisory methodologies and practices.

Senior staff from the MFSA participated in meetings of five formal Supervisory Colleges during 2013 involving cross-border banking groups with operations in Malta. These colleges relate to the supervision of the Erste Group, the Raiffeisen Group, NBG Group, HSBC Group and Deutsche Bank Group. Members of the Banking Supervision Unit were also involved with other competent authorities in a number of focused meetings on banking prudential and regulatory matters.

ACTIVITIES UNDERTAKEN BY THE EUROPEAN SECURITIES AND MARKETS AUTHORITY

The European Securities and Markets Authority (ESMA) was set up with the aim of ensuring the integrity, transparency, efficiency and orderly functioning of securities markets and, at the same time, enhancing financial consumer protection. ESMA fosters supervisory convergence amongst securities regulators and is also focussed on creating a Single Rule book for the regulation of securities firms. Together with that of other European Supervisory Authorities (ESAs), its work also contributes to financial stability through its interaction with the ESRB.

During the year ESMA issued guidelines in relation to AIFMD namely: Guidelines on sound remuneration policies under the AIFMD [ESMA/2013/232]; Guidelines on key concepts of the AIFMD [ESMA/2013/600] and Guidelines on reporting obligations under articles 3 and 24 of the AIFMD [ESMA/2013/592]. During 2013, ESMA has issued nine technical standards under European Market Infrastructure Regulation (EMIR) which came into force at different intervals in 2013. ESMA has also issued a set of Questions and Answers on EMIR.

During 2014, ESMA's work plan includes the improvement of enforcement activities in order to contribute to stronger co-ordination and harmonisation of their application in the EU. ESMA will conduct peer reviews on the application of existing EU legislation in the field of securities regulation and report on those findings. Ensuring the interests of investors are properly met is another important objective for ESMA. As well as its on-going work to ensure a co-ordinated EU regulatory approach, ESMA will in 2014 particularly focus on tasks related to the Markets in Financial Instruments Regulation and the Packaged Retail Investment Products initiative.

In 2014 ESMA's single rulebook work will be focussed, amongst others, on the revision of the Markets in Financial Instruments (MiFID) and Market Abuse Directives (MAD), legislation related to European investment funds and corporate finance, and the implementation of the CRA III legislation. In 2014, ESMA will also have direct supervisory powers in two areas: credit rating agencies and trade repositories.

ACTIVITIES UNDERTAKEN BY THE EUROPEAN INSURANCE AND OCCUPATIONAL PENSIONS AUTHORITY

The core responsibilities of the European Insurance and Occupational Pensions Authority (EIOPA) relate to supporting the stability of the financial system, transparency of markets and financial products as well as the protection of policyholders, pension scheme members and beneficiaries. EIOPA is also commissioned to monitor and identify trends, potential risks and vulnerabilities stemming from the micro-prudential level, across borders and across sectors.

During 2013, EIOPA published a number of consultation papers including guidelines for the preparation of Solvency II to support both National Competent Authorities and insurance/reinsurance undertakings in their preparation for the Solvency II requirements – final guidelines were issued in October with an application date of January 1, 2014. On October 31, 2013, EIOPA published the Guidelines on System of Governance, the Guidelines on Forward Looking Assessment of Own Risks (based on the ORSA principles), the Guidelines on Submission of Information to National Competent Authorities, and the Guidelines on Pre Application of Internal Models. These Guidelines were issued to ensure the effective preparation and convergence in preparation for Solvency II.

The main priorities in the EIOPA Work Programme for 2014 are driven by supervisory and regulatory convergence, enhancement of financial stability as well as promoting a leading role in terms of consumer protection. In the regulatory field, additional work related to Solvency II is foreseen both in terms of technical standards as well as guidelines, but a stronger emphasis will be placed to the field of occupational pensions. Personal pensions represent an area where EIOPA will continue to work in 2014, with a clear focus on the consumer protection perspective. Supervisory tasks will be further enhanced, specifically in the areas of joint on-site inspections, where EIOPA will enhance its capacity based on the experiences gained in the pilot exercises of 2013, and in the strengthening of the Centre of Expertise on Internal models. The work of colleges will remain a core priority for EIOPA, as well as the Supervisory handbook.

LEGISLATIVE AND REGULATORY DEVELOPMENTS

During the period under review, the Authority conducted 18 consultations and issued 7 feedback statements relating to various legislative and regulatory changes that were being undertaken.

In particular, on 25 January 2013, the Authority and the Central Bank of Malta announced the establishment of a Joint Financial Stability Board constituted through the signing of a Memorandum of Understanding between the two institutions. The objective of this Board is that of establishing mechanisms of cooperation between the Bank and the Authority so as to formulate macro-prudential policy and to contribute to the safeguarding of the stability of the financial system in Malta. The setting up of this Board is in line with the recommendation adopted by the ESRB in December 2011 regarding the macro-prudential mandate of national authorities [ESRB/2011/3] which had to be implemented by Member States by 1 July 2013.

CAPITAL REQUIREMENTS DIRECTIVE IV (CRD IV)

On 26 June 2013, the European Parliament and the Council adopted the CRD IV Package consisting of:

- Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (hereinafter referred to as the 'Capital Requirements Regulation'); and
- Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (hereinafter referred to as the "Fourth Capital Requirements Directive").

The CRD IV Package was published in the Official Journal of the European Union on 27 June 2013 and came into force on 17 July 2013. The transposition and implementation deadline for Member States has been set to 1 January 2014.

The new rules seek to tackle some of the vulnerabilities shown by the banking institutions during the crisis whilst attempting to establish stronger prudential requirements for banks, with regards to capital reserves and liquidity.

The Fourth Capital Requirements Directive is applicable to both credit institutions and investment firms. It aims at empowering competent authorities with new supervisory tools, for the purpose of enhancing their prudential supervision. On the other hand, the Capital Requirements Regulation seeks to achieve maximum harmonisation in relation to the prudential rules applicable to credit institutions and investment firms and the need to establish a 'European Single Rule Book'.

In line with these developments the Authority issued a number of circulars aimed at updating the industry with regards to the transposition and implementation of the CRD IV package. This included an industry circular issued by the Authority on 28 October 2013 on the implementation of the common reporting framework (COREP) under the Capital Requirements Regulation. The circular aimed at providing investment services licence holders which qualify in terms of MiFID with a draft copy of the new automated COREP return and a manual providing an overview of the aforementioned return.

A subsequent circular outlined the proposed amendments to the Investment Services Act as well as the coming into force of two new regulations as a result of the transposition process namely:

- The Investment Services Act (Supervisory Review) Regulations, 2013 – These Regulations incorporate the supervisory aspects (Pillars 2 and 3) of the CRD and designate the MFSA as the competent authority for the purpose of implementing CRD IV and exercising the powers and functions pursuant to the Directive; and
- The Supervisory Consolidation Regulations, 2013 – These Regulations, which are issued both under the Banking Act and the Investment Services Act, repeal the Investment Services Act (Financial Capital Adequacy Consolidation) Regulations.

The aforementioned regulations together with the proposed amendments to the Investment Services Act and the Banking Act are expected to be published in the Government Gazette during the first weeks of January 2014. The revised Banking Rules will be available on the Authority's website during the first quarter of 2014.

SOLVENCY II

The final text of Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (recast) was adopted by the Council on 10 November 2009. The aim of Solvency II is that of introducing a comprehensive regulatory framework for the insurance sector for the benefit of the industry and the end consumers.

On 2 October 2013, the European Commission once more tabled a proposal for a Directive of the European Parliament and of the Council amending Directive 2009/138/EC on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) as regards the dates of transposition and application and the date of repeal of certain Directives ('Quick Fix 2'). The proposed Directive was adopted by the European Parliament on 21 November 2013 thus extending both transposition and application deadlines for Member States. The final text of the Directive is expected to be published in the Official Journal of the European Union during the first quarter of 2014.

On 27 September 2013 the European Insurance and Occupational Pensions Authority (EIOPA) published the final Guidelines on the preparation for Solvency II. The Guidelines were finalised following the public consultation held earlier in 2013. The aim of these Guidelines is to increase significantly the preparedness of insurers for Solvency II once the new framework is applicable. The Guidelines aim to ensure that insurance companies and groups take active steps towards implementing certain key elements of Solvency II in a consistent and convergent way. These Guidelines come into force on 1 January 2014 and foresee a gradual application through "phasing-in" provisions. They cover a number of key areas of Solvency II: system of governance, including risk management; forward looking assessment of the undertaking's own risk (based on the Own Risk and Solvency Assessment (ORSA) principles); submission of information to the Authority; and pre-application for internal models.

The EIOPA Guidelines were incorporated in Insurance Rule 31 of 2013 – Preparatory measures for Solvency II Implementation. Insurance Rule 31 of 2013 applies to insurance and reinsurance companies whose head office is in Malta and which are authorised to carry on business of insurance under the Insurance Business Act. The Rule comes into force on 1 January 2014.

On 30 April 2013, the Authority issued a Report on the 2012 MFSA Standard Formula Exercise for Solvency II. This document summarises the standard formula results for the insurance and reinsurance undertakings that participated in the 2012 MFSA standard formula exercise. For this exercise, the MFSA incorporated the proposed changes to the QIS5 Technical Specifications as set out in the working papers issued to Member States and other draft working papers dated 31 October 2011, post the QIS5 exercise.

In November the Authority issued a guidance paper on 'Insurance Groups under Solvency II' which provides a high-level overview of the key aspects of Solvency II aimed at assisting insurance groups in their preparation for the implementation of Solvency II.

During the coming year, the Authority is expected to progress further with the transposition of Solvency and will maintain constant contact with the industry in this regard.

ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE (AIFMD)

Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers [AIFMD] was published in the Official Journal of the European Union on 1 July 2011. The transposition deadline for this Directive was 22 July 2013.

The AIFMD was further supplemented by:

- Commission Delegated Regulation (EU) No. 231/2013 of 19 December 2012 supplementing Directive 2011/61/EU of the European Parliament and of the Council with regard to exemptions, general operating conditions, depositaries, leverage, transparency and supervision;
- Commission Implementing Regulation (EU) No. 448/2013 of 15 May 2013 establishing a procedure for determining the Member State of Reference of non-EU AIFM pursuant to Directive 2011/61/EU of the European Parliament and of the Council; and
- Commission Delegated Regulation (EU) of 17 December 2013 supplementing Directive 2011/61/EU of the European Parliament and of the Council with regard to regulatory technical standards determining types of alternative investment fund managers [still awaiting publication].

The following Guidelines issued by ESMA also apply:

- ESMA Guidelines on sound remuneration policies under the AIFMD [ESMA/2013/232];
- ESMA Guidelines on key concepts of the AIFMD [ESMA/2013/600] ;
- ESMA Guidelines on reporting obligations under articles 3 and 24 of the AIFMD [ESMA/2013/592]

On 15 March 2013, the MFSA announced the publication of four legal notices transposing the key provisions of the AIFMD namely:

- L.N. 113 of 2013: Investment Services Act (Marketing of Alternative Investment Funds) Regulations, 2013;
- L.N. 114 of 2013: Investment Services Act (Alternative Investment Fund Manager) (Passport) Regulations, 2013;
- L.N. 115 of 2013: Investment Services Act (Alternative Investment Fund Managers) Regulations, 2013; and
- L.N. 116 of 2013: Investment Services Act (Alternative Investment Fund Manager) (Third Country) Regulations, 2013.

A number of consultation documents and feedback statements were issued during the period under review. In particular the Authority consulted with the industry on the proposed regime applicable to de minimis fund managers, on the introduction of the Investment Services Rules for Alternative Investment Funds, on the proposed adaptation of the Investment Services Rules for Professional Investor Funds and on the introduction of the depositary lite regime. All consultation exercises were followed by feedback statements.

Furthermore, on 10 May 2013, the Authority issued two Self-Assessment Questionnaires for licence holders namely:

- A Questionnaire providing for the self-assessment for Fund Managers and Self-Managed Collective Investment Schemes Applying as De Minimis Licence Holders; and
- A Questionnaire providing for the self-Assessment for Fund Managers and Self-Managed Collective Investment Schemes applying for an AIFM licence.

The Authority further informed the industry that existing licence holders had a one year transitional period with effect from 22 July 2013 so as to satisfy the provisions of the Directive and upgrade their licence accordingly. The Authority also recommended that the relevant self-assessment questionnaires had to be duly submitted prior to 31st March 2014.

The Authority also kept the industry abreast on the developments in relation to the AIFMD through the holding of 'ad hoc' information sessions for the industry and a dedicated section on the Authority's website providing copies of the applicable Investment Services Rules.

FINANCIAL CONGLOMERATES DIRECTIVE (FICOD)

Directive 2011/89/EU of the European Parliament and of the Council of 16 November 2011 amending Directives 98/78/EC, 2002/87/EC, 2006/48/EC and 2009/138/EC as regards the supplementary supervision of financial entities in a financial conglomerate (FICOD) was published in the Official Journal of the European Union on 8 December 2011. The transposition deadline for Member States was 10 June 2013 with the exception of some provisions of the Directive which had to be transposed into national legislation by 22 July 2013.

On 22 March 2013, the MFSA issued for consultation the proposed Financial Conglomerates Regulations, 2013 aimed at repealing the Financial Conglomerates Regulations, 2004 and in part transposing the provisions of Directive 2011/89/EU. The Authority also consulted on the proposed amendments to the Insurance Business (Assets and Liabilities) Regulations and the Insurance Business (Supplementary Supervision of Insurance and Reinsurance Undertakings in an Insurance Group) Regulations. These two Regulations required revising as part of the transposition process of Directive 2011/89/EU. The Consultation Period ran until 12 April 2013. The Authority did not receive any submissions from the financial services industry in this respect. The Regulations were published in the Government Gazette on 12 July 2013 through Legal Notices 182, 183 and 184 of 2013.

Furthermore, Banking Rules BR/01/2012 – Application Procedures and Requirements for Authorisation of Licences for Banking Activities under the Banking Act, BR/04/2012 – Capital Requirements of Credit Institutions authorised under the Banking Act, BR/07/2012 – Publication of the Annual Report and Audited Financial Statements of Credit Institutions authorised under the Banking Act, BR/10/2011 – Supervision on a Consolidated Basis of Credit Institutions authorised under the Banking Act, and BR/12/2012 – The Supervisory Review Process of Credit Institutions authorised under the Banking Act, were amended to reflect the transposition of the Financial Conglomerates Directive. The revised Banking Rules came into force with effect from 10 June 2013.

AUCTIONING REGULATIONS

Commission Regulation (EU) No 1031/2010 on the timing, administration, and other aspects of auctioning greenhouse gas emission allowances pursuant to Directive 2003/87/EC of the European Parliament and of the Council establishing a scheme for greenhouse gas emission allowances trading within the Community was adopted by the European Commission on 12 November 2010. This Regulation provides for rules on the timing, administration and other aspects of the auctioning of allowances under Directive 2003/87/EC (hereinafter referred to as the 'Auctioning Regulations').

In this regard, on 22 March 2013, the Authority launched a consultation exercise which ran till 22 April 2013, to outline the manner in which the Authority intended implementing specific articles of the Auctioning Regulations and to propose the MFSA as the competent authority in Malta for the purpose of authorising and supervising certain bidders operating under the Auctioning Regulations. Included within the consultation document were also the proposed amendments to the First Schedule of the Investment Services Act together with two new regulations namely the Investment Services Act (Access to Emissions Allowance Auction) Regulations and the Banking Act (Access to Emissions Allowance Auction) Regulations. The proposed regulations are expected to be published in the Government Gazette during the first quarter of 2014.

EUROPEAN MARKET INFRASTRUCTURE REGULATION (EMIR)

Regulation (EU) No. 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories ('EMIR') was published in the Official Journal of the European Union on 27 July 2012 and came into force in all the Member States of the European Union on 16 August 2012. This Regulation was subsequently amended through Commission Delegated Regulation (EU) No 1002/2013 of 12 July 2013 amending Regulation (EU) No. 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories.

Subsequently, the following regulatory and implementing technical standards to further supplement EMIR were published in the Official Journal of the European Union:

- Commission Implementing Regulation (EU) No 1247/2012 of 19 December 2012 laying down implementing technical standards with regard to the format and frequency of trade reports to trade repositories according to Regulation (EU) No 648/2012 of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories;
- Commission Implementing Regulation (EU) No 1248/2012 of 19 December 2012 laying down implementing technical standards with regard to the format of applications for registration of trade repositories according to Regulation (EU) No 648/2012 of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories;
- Commission Implementing Regulation (EU) No 1249/2012 of 19 December 2012 laying down implementing technical standards with regard to the format of the records to be maintained by central counterparties according to Regulation (EU) No 648/2012 of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories;
- Commission Delegated Regulation (EU) No 148/2013 of 19 December 2012 supplementing Regulation (EU) No 648/2012 of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories with regard to regulatory technical standards on the minimum details of the data to be reported to trade repositories;
- Commission Delegated Regulation (EU) No 149/2013 of 19 December 2012 supplementing Regulation (EU) No 648/2012 of the European Parliament and of the Council with regard to regulatory technical standards on indirect clearing arrangements, the clearing obligation, the public register, access to a trading venue, non-financial counterparties, and risk mitigation techniques for OTC derivatives contracts not cleared by a CCP;
- Commission Delegated Regulation (EU) No 150/2013 of 19 December 2012 supplementing Regulation (EU) No 648/2012 of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories with regard to regulatory technical standards specifying the details of the application for registration as a trade repository;
- Commission Delegated Regulation (EU) No 151/2013 of 19 December 2012 supplementing Regulation (EU) No 648/2012 of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories, with regard to regulatory technical standards specifying the data to be published

and made available by trade repositories and operational standards for aggregating, comparing and accessing the data;

- Commission Delegated Regulation (EU) No 152/2013 of 19 December 2012 supplementing Regulation (EU) No 648/2012 of the European Parliament and of the Council with regard to regulatory technical standards on capital requirements for central counterparties;
- Commission Delegated Regulation (EU) No 153/2013 of 19 December 2012 supplementing Regulation (EU) No 648/2012 of the European Parliament and of the Council with regard to regulatory technical standards on requirements for central counterparties;
- Commission Delegated Regulation (EU) No 876/2013 of 28 May 2013 supplementing supplementing Regulation (EU) No 648/2012 of the European Parliament and of the Council with regard to regulatory technical standards on requirements for central counterparties; and
- Commission Delegated Regulation (EU) No 1003/2013 of 12 July 2013 supplementing supplementing Regulation (EU) No 648/2012 of the European Parliament and of the Council with regard to regulatory technical standards on requirements for central counterparties.

These technical standards came into force at different intervals during 2013. On 20 March 2013, ESMA published a set of questions and answers on EMIR. The Q&A provides responses to questions raised by the general public, market participants and competent authorities in relation to the practical implementation of the requirements in EMIR.

In view of the developments concerning EMIR, the Authority issued seven circulars to keep the industry abreast of the legislative instruments related to EMIR which came into force during the period under review. In particular, the Authority briefed the industry inter alia on what constitutes a financial counterparty and a non-financial counterparty in terms of EMIR as well as the reporting obligations related thereto and the approval Legal Entity Identifiers and the manner in which this code is obtained.

The Financial Markets Act (OTC Derivatives, Central Counterparties and Trade Repositories) Regulations, 2013 [L.N. 81 of 2013] were published in the Government Gazette on 1 March 2013. The purpose of these regulations is to create a registration framework for OTC derivatives, central counterparties and trade repositories and, in part, to implement the relevant provisions of the EMIR Regulation on OTC derivatives, central counterparties and trade repositories.

Following the publication of the aforementioned Regulations, on 4 March 2013, the MFSA made available a self-assessment questionnaire addressed to legal persons established in the Union which intend to provide clearing services as a Central Counterparty. These entities would have to apply for authorisation with the Malta Financial Services Authority, established as competent authority under Regulation 3 of Legal Notice 81 of 2013, in accordance with the procedure set out in EMIR. The purpose of this questionnaire is that of facilitating the application process as well as providing a checklist to the applicant to ensure that the necessary requirements are complied with prior to the issue of a CCP authorisation.

The Authority also released the Notification Form to be submitted to ESMA by non-financial counterparties exceeding the clearing thresholds for any of the following:

- OTC credit derivative contracts;
- OTC equity derivative contracts;
- OTC foreign exchange derivative contracts;
- OTC interest rate derivative contracts; or
- OTC commodity derivative contracts and other OTC derivative contracts not defined under points (a) to (d).

By way of guidance to the industry a dedicated section was put up on the MFSA website to provide detailed information about the delegated regulations supplementing EMIR as well as other technical aspects related to this Regulation. This initiative was also accompanied by a number of information sessions organised for the industry.

MARKETS IN FINANCIAL INSTRUMENTS DIRECTIVE II [MIFID II] (RECAST) & MARKETS IN FINANCIAL INSTRUMENTS REGULATION (MIFIR)

On 20 October 2011, the European Commission announced the tabling of proposals to revise MiFID, consisting in a Directive and a Regulation. The aim of these proposals is to make the financial market more resilient, efficient and transparent and to strengthen investor protection through the strengthening of conduct rules such as an extended scope for the appropriateness tests and reinforced information to clients. The Commission stated that the new framework is aimed at increasing the supervisory powers of regulators and providing clear operating rules for all trading activities. MiFID II also proposes to introduce a harmonised regime for granting access to EU markets for firms from third countries based on an equivalence assessment of third country jurisdictions by the Commission.

On 5 October 2012, the Committee on Economic and Monetary Affairs adopted a report proposing variations to the Commission's proposal. The European Parliament adopted these changes on 26 October 2012.

During the period under review, the debate moved to the European Council. The European Parliament and the Council are expected to reach an agreement on the revised text during the first half of 2014. Once the legislation is approved, ESMA will proceed to commence its work on the Level II Implementing Measures.

On its part, the MFSA plans to keep the industry abreast of all the developments taking place at EU Level on the MiFID II Package.

PACKAGED RETAIL INVESTMENT PRODUCTS (PRIPS)

On 3rd July 2012, the European Commission tabled a Proposal for a Regulation of the European Parliament and of the Council on Key Information Documents for Investment Products [2012/0169 (COD)]. The proposal aims at improving transparency in the investment market for retail investors through the cross-sectoral harmonisation of selling and disclosure rules for retail investment products. In particular, the proposal tabled by the Commission intends to meet its aim of harmonised disclosure requirements across retail investment products through the introduction of a Key Information Document (KID) to be issued with investment products sold to retail clients. As in the case of UCITS, the proposal sets out specific information to be included in the KID.

The proposed regulation defines investment products as being those products where 'the amount repayable to the investor is exposed to fluctuations in reference values or in the performance of one or more assets which are not directly purchased by the investor.' As such, products such as investment funds, retail structured products and investments packaged as insurance policies will be caught in the 'investment product' definition.

On 5 November 2013, the Committee on Economic and Monetary Affairs adopted a report on the said proposal recommending amendments to the Commission's text. This report was subsequently debated and endorsed by Parliament on 20 November 2013.

The MFSA plans to keep the industry abreast of all the developments taking place at EU Level with regards to PRIPs.

UNDERTAKINGS IN COLLECTIVE INVESTMENT OF TRANSFERABLE SECURITIES DIRECTIVE [UCITS V]

On the 3 July 2012 the European Commission issued a proposal for a Directive amending those parts of UCITS IV which deal with depositary functions, remuneration policies and sanctions for failure to comply with the Directive (hereinafter referred to as 'UCITS V'). These proposals centre on the need to align the requirements under the UCITS Directive and AIFMD in the areas of depositaries, sanctions and remuneration.

Following the reactions received from the industry, the plenary vote of the European Parliament, held on the 3 July 2013, rejected the bonus cap/performance fee proposals. Thus, a compromise Directive was adopted by Council on 4 December 2013. The Compromise Directive will go before the European Parliament for its consideration. Once a final text is reached, Member States will be given a two year period within which to transpose the Directive into national law.

MARKET ABUSE DIRECTIVE (MAD)/MARKET ABUSE REGULATION (MAR)

Directive 2003/6/EC of the European Parliament and of the Council of 28 January 2003 on insider dealing and market manipulation (hereinafter referred to as the 'Market Abuse Directive') was adopted on 28 January 2003 with a transposition deadline of 12 October 2004. The Directive builds upon the existing rules on insider dealing by introducing a common EU legal framework for the disclosure of information to the market as well as to combat both insider dealing and market manipulation and ensure appropriate administrative sanctions are applied when the rules are breached.

On the 20 October 2011, the Commission adopted proposals for a revised Directive dealing with criminal sanctions against market abuse (MADII) and a new Regulation dealing with administrative measures against such abuse (MAR). The proposals sought to:

- amend the scope of the proposed regulation to include benchmarks;
- amend the definitions to include a definition of benchmarks, based on an expanded version of the definition used in the proposal for a Regulation on Markets in Financial Instruments (MiFIR);
- amend the offence of "inciting, aiding and abetting and attempt" to include these behaviours in relation to the manipulation of benchmarks;
- ensure national competent authorities have a minimum set of investigative and enforcement powers, including the power to enter private premises, seize documents and access telephone records; and
- establish a harmonised regime of minimum criminal and administrative sanctions across the EU Member States;

Following agreement between the European Parliament, the Council and the Commission reached in 2013, the Level 1 MAR and the Level 1 MADII text are undergoing a technical review to ensure drafting consistency.

Since a number of provisions in both MAR and MADII are dependent on the Level 1 texts of MiFID II/MIFID, MAR and MADII are unlikely to be formally adopted until an agreement on MiFIDII/MiFIR has been reached.

The Authority will keep the industry informed of further developments in this area.

CREDIT AND FINANCIAL INSTITUTIONS

During the period under review, the Authority focused its efforts on the transposition and implementation of CRD IV primarily by identifying the necessary amendments to the Banking Act, the Regulations and the Banking Rules issued thereunder.

Apart from CRD IV, the Authority also focused its efforts on the implementation of Country Specific Recommendations related to the banking sector in Malta. In line with the European Council's Recommendation on Malta's 2012 National Reform Programme and the Council opinion on Malta's stability programme for 2012-2015, the Authority, in collaboration with the Central Bank of Malta under the auspices of the Joint Financial Stability Board, have taken measures in line with the Country Specific Recommendation 6 (CSR 6) to address specific policy challenges related to the banking sector. In particular, BR/09/2013 – Measures Addressing Credit Risks Arising from the Assessment of the Quality of Asset Portfolios of Credit Institutions Authorised under the Banking Act was amended to introduce a new principle requiring banks to allocate capital buffers in respect of the bank's Non-Performing Loans less IFRS impairments and interest in suspense. The revised Banking Rule also makes provision for the establishment of appropriate governance structures, internal control and reporting systems for credit institutions to be able to make the required adjustments prescribed in the said Rule.

The amendments to Banking Rule 9 also spurred updates to Banking Rule BR/12/2013 – The Supervisory Review Process of Credit Institutions authorised under the Banking Act. Banking Rule BR/12/2013 was amended to reflect the requirement introduced under Banking Rule BR/09 to allocate additional capital under Pillar II. The revised Rules came into force on 31st December 2013.

Lastly, on 6 November 2013, the Authority consulted with the industry on the proposed review of fees for credit and financial institutions for the period running between 2014 and 2018. In particular, the current application and licence fees were re-aligned to the actual cost structures required for granting an authorisation to the credit or financial institution and the current capping of the maximum supervisory fee was abolished. The consultation exercise ran until 20 November 2013. The Credit Institutions (Fees) (Amendment) Regulations and the Financial Institutions (Fees) (Amendment) Regulations are expected to be published in the Government Gazette during January 2014. Furthermore, Banking Rule BR/01/2007 - Application Procedures and Requirements for Authorisation of Licences for Banking Activities under the Banking Act was updated to reflect the removal of the capping of the maximum supervisory fee. The revised fee structures for credit and financial institutions together with the revised Banking Rule BR/01/2007 shall come into force on 1 January 2014.

INSURANCE AND PENSIONS

During the period under review, the Authority's resources were mainly focused on the transposition of Solvency II to the insurance regulatory framework.

Other initiatives undertaken by the Authority included industry consultations on proposed Rules and Regulations to be issued in terms of the Retirement Pensions Act. In a very extensive consultation document published on 11 April 2013, the Authority explained that the current six Regulations which were originally issued pursuant to the Special Funds (Regulation) Act would be repealed and replaced by a new set of nine regulations issued pursuant to the Retirement Pensions Act. On the other hand, the Special Funds (Registration) Fees Regulations, 2003 [L.N. 367 of 2003] would remain temporarily in force and applicable for the purposes of the Pensions Act. The Authority also informed the industry of its proposal to restructure the current Pension Rules into four different parts dealing with Occupational Retirement Schemes, Personal Retirement Schemes, Retirement Funds and Services Providers. All legislative instruments were circulated to the industry for comments. The consultation period ran till 13 May 2013 and the Authority received considerable response from the industry. The Authority is planning to issue a feedback statement during 2014.

An important development in insurance legislation was the introduction of regulations on reinsurance special purpose vehicles. On 31 May 2013, the Authority launched a consultation exercise dealing with proposals

for Reinsurance Special Purpose Vehicles Regulations. The Regulations find their basis in Directive 2005/68/EC of the European Parliament and of the Council of the 16 November 2005 on reinsurance and amending Council Directives 73/239/EEC, 92/49/EEC as well as Directives 98/78/EEC and 2002/83/EC (hereinafter referred to as the "Reinsurance Directive") which provides Member States with the framework to allow special purpose vehicles to assume risks from insurance or reinsurance undertakings. Reinsurance Special Purpose Vehicles can play a major role in facilitating alternative risk transfer, thus offering management solutions that enable insurance and reinsurance undertakings to better align their risk profile with their risk tolerance. These vehicles may also provide additional reinsurance capacity at times in which cover through more traditional channels is limited.

The Consultation Document was followed by a Feedback Statement issued by the Authority towards the end of 2013 together with the revised Reinsurance Special Purpose Vehicles Regulations which were published in the Government Gazette on 27 December 2013. The Authority is planning to further supplement these Regulations, through an 'ad hoc' Insurance Rule which should be issued during January 2014.

Lastly, on 9 December 2013, the Authority consulted with the industry on the proposed review of fees for insurers, reinsurers, insurance intermediaries and retirement funds for the period running from 2014 to 2018. In particular, the Authority informed the industry that the application and licence fees were re-aligned to the actual cost structures required for granting an authorisation to an insurance or reinsurance undertaking. The consultation exercise runs until 10 January 2014. Following an assessment of the feedback received, it is expected that the Insurance Business (Fees) Regulations, the Insurance Intermediaries (Fees) Regulations and the Special Funds (Fees) Regulations which will remain temporarily in force, will be published in the Government Gazette during January 2014.

TRUSTS AND TRUSTEES

During the period under review, the Authority concluded the consultation exercise on the proposed amendments to the Trusts and Trustees Act and on two proposed new regulations namely [i] the Trusts and Trustees Act (Registration of Notaries to Act as Qualified Persons) Regulations, and [ii] the Trusts and Trustees Act (Notarial Trust Deeds, Registration, Conservation and Access) Regulations (hereinafter referred to as the 'Regulations').

The Authority also held an information session during the month of February 2013 to discuss the draft legislative instruments as well as any issues of concern to the industry. In particular, during this session, the Authority discussed with the industry the proposed introduction of a draft Annual Compliance Return to be submitted by trustees and fiduciaries as well as the intention of the Authority to revise the Code of Conduct for Trustees.

The Authority received detailed written submission in relation to the aforementioned consultation exercise from a considerable number of licenced entities and a feedback statement was issued on 18 October 2013. Following this, Bill 32 of 2013 entitled the Trusts and Trustees (Amendment) Act, 2013 was published in the Government Gazette on 24 December 2013. The Bill is expected to receive parliamentary assent during the first quarter of 2014.

The discussion concerning the proposed introduction of an Annual Compliance Return for Trustees and Fiduciaries was followed by the issued of a Consultation Document. This Document refers to the proposed introduction of two new reporting requirements applicable to persons authorised to provide trustee and other fiduciary services under the Trusts and Trustees Act: [1] the completion and submission of an Annual Compliance Return; and [2] the submission of the audited financial statements to the Authority for review.

The consultation period ran till 12th April 2013. The Authority is expected to finalise the Annual Compliance Return as well as any proposed changes to the Code of Conduct for Trustees during the first half of 2014.

CORPORATE SERVICE PROVIDERS

The period under review was marked by an important development affecting corporate service providers. The requirement to regulate and supervise corporate service providers stems from Directive 2005/60/EC of the European Parliament and of the Council of 26 October, 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing, (hereinafter referred to as the "Third Money Laundering Directive") which requires relevant businesses, including trust or company service providers, to establish and maintain appropriate policies and procedures relating to, inter alia, customer due diligence, reporting, record keeping, monitoring and management of compliance in order to prevent activities related to money laundering and terrorist financing. In terms of Article 36 of the Third Money Laundering Directive, Member States are obliged to ensure that "...company service providers shall be licensed or registered....in order to operate their business legally' and to ensure that competent authorities refuse licensing or registration of such entities if they are not satisfied that the persons who effectively direct or will direct the business of such entities or the beneficial owners of such entities are fit and proper persons.

The relevant consultation on the proposed introduction of a new regime which would require company services providers to obtain a registration with the MFSA was conducted in 2012 when the proposed Company Services Providers Regulations issued in terms of the Investment Services Act and the Malta Financial Services Authority Act had been circulated to the industry for comments.

Following the extensive feedback which the Authority had received from the industry, the Authority issued a feedback statement on 17 May 2013 in which it addressed all the comments provided by the industry. Furthermore, the Authority announced that the new regime regulating company service providers would be issued under a separate Act of Parliament, as a stand-alone regime mainly incorporating the original proposals as revised following the incorporation of a number of comments proposed by the industry.

On 24 December 2013 the Authority announced the publication of Act XX of 2013 entitled the Company Service Providers Act 2013 in the Government Gazette. The Authority is expected to issue a consultation document during the first quarter of 2014 on the proposed Rules for Company Service Providers.

LISTING RULES

On 19 February 2013, the Authority issued a consultation document on the proposed amendments to the Listing Policies. In the Consultation Document, the Authority announced a proposal to revise the role of the sinking fund, the contributions thereto by issuers and the effectiveness of the role of the sinking fund in the protection of investors. The Authority also reviewed the role being played by the financial soundness report in providing timely and accurate information to investors.

The revised Listing Policies came into force on 5th March 2013 bringing into effect a number of changes including the removal of the mandatory requirement of a sinking fund, also for bonds issued with maturities longer than 5 years, except in certain prescribed instances. A financial soundness report for all bonds listed with a minimum subscription of less than €50,000 is still required.

New conditions requiring bond issuers to implement risk management policies which take into consideration any eventual maturing/refinancing risks that may occur at maturing of their bonds was also introduced.

SECURITIES AND MARKETS SUPERVISION

In addition to the transposition of the Alternative Investment Fund Managers Directive and the European Market Infrastructure Regulation, a number of other legislative initiatives relating to the securities markets were undertaken during the year.

On 1st March 2013, the Authority announced the publication of the revised Investment Services Rules for Investment Services Providers and the Investment Services Rules for Retail Collective Investment Schemes. These amendments followed an earlier consultation launched during January 2013 to transpose and implement the ESMA 'Guidelines for competent authorities and UCITS management companies - Guidelines on ETFs and other UCITS issues' [ESMA/2012/832]. The revised Investment Services Rules came into force on the same date.

The Investment Services Rules for Retail Collective Investment Schemes were further revised together with the Investment Services Rules for Professional Investor Funds later on during the same month. These changes had been spurred following a peer review which had been carried out by ESMA with a view to ensuring the applicability of uniform requirements to money market funds across all EU Member States.

During the period under review the Authority also incorporated the provisions on foreign currency lending as required under MFSA Rule 1 of 2012 on foreign currency lending in the Investment Services Rules for Investment Services Providers, the Investment Services Rules for Retail Collective Investment Schemes and the Investment Services Rules for Professional Investor Funds. This MFSA Rule is modelled on the Recommendation of the European Systemic Risk Board on lending in foreign currencies (ESRB/2011/1) published as Notice No. 2011/C 342/01 of the Official Journal of the European Union, which was approved by the General Board of the European Systemic Risk Board (ESRB) on 21 September 2011, in accordance with Regulation (EU) No. 1092/2010.

The period under review was also marked by further amendments to the Investment Services Rules for Professional Investor Funds with regards to the introduction of two principles namely:

- the introduction for Qualifying and Extraordinary Professional Investor Funds of the option to carry out cross sub-fund investments as part of the investment strategy of the fund; and
- the introduction of the principle that the settlement date by which payment of the full subscription price is to be received by the SICAV cannot be later than five working days from the date of issue of the shares. This principle was also introduced for retail collective investment schemes and alternative investment funds in the Investment Services Rules for Retail Collective Schemes and Investment Services Rules for Alternative Investment Funds respectively.

Both principles were further supplemented by changes to the Companies Act (Investment Companies with Variable Share Capital) Regulations (hereinafter referred to as 'SICAV Regulations'). In fact the revised SICAV Regulations [L.N. 165 of 2013] were published in the Government Gazette incorporating changes to Regulation 7 dealing with multi-fund companies and a new Regulation 16.

During the period under review, the Authority issued a Corporate Governance Manual for Directors of Investment Companies and Collective Investment Schemes. The Authority issued this Manual because it considers the role of directors to be vital to the proper operation of an investment fund. The purpose of this Manual is to provide general guidance to a director on how to implement good corporate governance practice for an investment fund, including some information on issues which can affect fund directors. The issues tackled by the Manual are intended to be indicative and should not be followed as a simple checklist.

Directors of a collective investment scheme should use this Manual to develop their “best” corporate governance practice to fit the particular context of the fund and its board.

On 18 November 2013, the Authority consulted with the industry on the proposed review of fees for investment services providers, collective investment schemes, regulated markets, central securities depositories and admissibility to listing for the period running from 2014 to 2018. In the consultation document, the Authority announced that the application and licence fees were being re-aligned to the actual cost structures required for granting an authorisation to investment services companies and collective investment schemes. The industry was also informed on the introduction of a new investment services licence classification, namely Category 4b following the introduction of the rules concerning the depositary lite. The Investment Services Act (Licence and Other Fees) Regulations were also revised to include the fees applicable to the private placement regime being introduced through the AIFMD. The revised regulations come into force on 1st January 2014.

LICENSING

CREDIT AND FINANCIAL INSTITUTIONS

As at end 2013, there were 26 credit institutions authorised by the Malta Financial Services Authority to undertake credit institution activities in terms of the Banking Act (Cap. 371), one less than the previous year. In February 2013, Fortis Bank Malta Ltd voluntarily surrendered its licence and ceased to carry on banking activities in terms of the Banking Act.

Table 10: Credit and Financial institutions (2011 - 2013)

	Total licences at end 2011	Total licences at end 2012	Total licences at end 2013
Credit institutions	25	27	26
Financial institutions	15	23	29
<i>of which:</i>			
<i>Payment Institutions</i>	8	15	19
<i>Electronic Money Institutions</i>	1	4	6

Source: Malta Financial Services Authority

The number of financial institutions increased to 29 at the end of 2013, six more authorisations than the previous year. Finance House plc was licensed to carry on lending activities and trading for own account or for account of customers in money market instruments. Malta MicroFinance Limited was authorised to carry on lending activities. Corporate & Commercial FX Services Ltd and Swish Payments Ltd were licensed to provide payment services while Em@ney plc and C4U-Malta Limited were licensed to provide payment services and to issue electronic money.

Northway Financial Corporation Limited and Northway Broker Limited had their licence extended to provide longer term credit which is not restricted to microlending.

INSURANCE BUSINESS

The number of insurance undertakings authorised to conduct insurance activities under the Insurance Business Act (Cap. 403) stood at 60 at the end of 2013, two more than in the previous year.

During 2013, the Authority authorised three new insurance undertakings, of which two were authorised as Protected Cell Companies. R & Q Insurance (Malta) Ltd was authorised to carry on business of insurance and reinsurance in relation to thirteen classes of the general business. Building Block Insurance (Malta) PCC Limited was authorised to carry on business of insurance in all classes of the general business while European Insurance Solution PCC Limited was authorised to carry on business of insurance in one class of the general business.

Table 11: Authorised insurance undertakings (2011 – 2013)

	Total licences at end 2011	Total licences at end 2012	Total licences at end 2013
Non-Life	37	42	44
Life	8	7	7
Composite	2	2	2
Reinsurance	7	7	7
Total	54	58	60
<i>of which</i>			
<i>Affiliated</i>	10	11	11
<i>Protected Cell Companies</i>	8 (16 cells)	8 (18 cells)	10 (22 cells)
<i>Insurers of domestic origin</i>	8	8	9
<i>Insurers of foreign origin [^]</i>	1	1	1

Source: Malta Financial Services Authority

[^] Foreign insurers refer to insurance undertakings with head office outside the EU/EEA Member States and which hold an authorisation under the Insurance Business Act (Cap. 403).

Axeria Assistance Ltd, R & Q Insurance (Malta) Ltd and HighDome PCC Ltd had their licences extended to carry on business of insurance and reinsurance in additional classes of the general business. Trinity Lane Insurance Company Limited, Caversham Insurance (Malta) Ltd, and ArgoGlobal SE had their licences extended to carry on business of insurance in additional classes of the general business. Palatina Insurance Limited had the licence extended to carry on business of affiliated reinsurance in three additional classes of the general business.

Genghis Insurance Company Limited was converted into a protected cell company, namely Genghis Insurance PCC Limited, in terms of the Companies Act (Cell Companies Carrying on Business of Insurance) Regulations, 2010. It was also approved an extension of licence to carry on business of insurance and reinsurance in two additional classes of the general business under the Insurance Business Act.

In February 2013, Axeria Life International PCC Limited, a company authorised to carry on business of insurance

in terms of the Insurance Business Act, was voluntarily merged into Axeria Assistance Limited, a company which is also authorised to carry on business of insurance and reinsurance in terms of the Act. Consequently, Axeria Life International PCC Limited ceased to be operative upon the effective date of the merger.

During 2013, the Authority approved five new cells, namely TVIS Cell of Atlas Insurance PCC Limited, PUMA Cell of Genghis Insurance PCC Limited, Cell A18 of White Rock Insurance (Europe) PCC Ltd, REI Cell of Highdome PCC Ltd, and cell WEEE of European Insurance Solution PCC Limited to write business in terms of the Companies Act (Cell Companies Carrying on Business of Insurance) Regulations, 2004. As at end 2013, there were 22 approved cells within ten protected cell companies.

PUMA Cell, a cell of Genghis Insurance PCC Limited, had its licence extended to carry on business of insurance and reinsurance in one additional class of the general business. Cell A2, a cell of White Rock Insurance (Europe) PCC Ltd, and Ocado Cell, a cell of Atlas Insurance PCC Limited, had their licences extended to carry on business of insurance in additional classes of the general business.

INSURANCE INTERMEDIARIES – COMPANIES

In 2013, the number of licensed insurance managers and insurance agents remained unchanged from the previous year at 15 and 20 respectively while the number of insurance brokers went up to 30 licences.

Table 12: Authorised insurance intermediaries – Companies (2011 – 2013)

	Total licences at end 2011	Total licences at end 2012	Total licences at end 2013
Enrolled Insurance Managers	15	15	15
<i>of which Pcc's</i>	-	-	3 (2 cells)
Enrolled Insurance Agents of:			
<i>Local Insurers</i>	9	9	9
<i>Foreign Insurers</i>	11	11	11
Enrolled Insurance Brokers	29	29	30
<i>of which Pcc's</i>	-	-	2 (1 cell)

Source: Malta Financial Services Authority

REGISTERED INDIVIDUALS

Article 11 of the Insurance Intermediaries Act, 2006 requires that no person shall act as insurance agent or insurance manager unless one or more of the company's directors are registered in the Agents Register and the Managers Register and the insurance intermediaries activities are carried out under the management of a registered person.

During 2013, five new individuals were added to the Managers Register, four to the Agents Register and 18 to the Brokers Register. As at end of 2013, there were 27 individuals registered in the Managers Register, 29 individuals registered in the Agents Register and 83 individuals in the Brokers Register. Additionally, there were 427 registered tied insurance intermediaries.

Table 13: Authorised insurance intermediaries – Individuals (2011 – 2013)

	Total licences at end 2011	Total licences at end 2012	Total licences at end 2013
Registered Insurance Managers	26	26	27
Registered Insurance Agents	28	28	29
Registered Insurance Brokers	71	78	83
Tied Insurance Intermediaries ¹²	513	506	427

Source: Malta Financial Services Authority

PENSIONS

There was a significant growth in the number of retirement schemes registered in 2013, from 17 in 2012 to 32 in 2013. The Authority issued 15 new certificates of registration in terms of the Special Funds (Regulation) Act (Cap. 450). These were issued to US Pioneer Retirement Plan, Harbour Retirement Scheme, Pioneer Retirement Scheme, Voyager Retirement Scheme, US Voyager Retirement Scheme, The Rinella Retirement Benefit Scheme, The Falcon Plan, Harbour Protected Retirement Scheme, Harbour US Qualified Retirement Scheme, The Centaurus Lite Retirement Benefit Scheme, Pathfinder Retirement Scheme, US Pathfinder Retirement Scheme, Explorer Retirement Scheme, US Explorer Retirement Scheme and The MCT Maltet International Retirement Scheme.

The Authority also approved the registration of two new retirement funds in 2013, namely to Trireme Pension SICAV plc and Trireme Pension (US) SICAV plc.

¹² Includes both individuals and companies.

Table 14: Authorisations and registrations in terms of the Special Funds Act (2011 – 2013)

	Total licences at end 2011	Total licences at end 2012	Total licences at end 2013
Retirement Schemes	13	17	32
Retirement Funds	-	-	2
Retirement Scheme Administrators	7	9	12
Retirement Funds Administrators	-	-	1
Asset Managers	3	3	6

Source: Malta Financial Services Authority

Three new retirement scheme administrators were registered in 2013, bringing the total to 12. New certificates were issued to Trireme Pension Services (Malta) Ltd, Harbour Pensions Limited, and Abacus Corporate Services Ltd. Furthermore, Praxis Fund Services (Malta) Ltd was registered as a retirement fund administrator.

In 2013, three new asset managers were registered under the Special Funds (Regulation) Act. These were Curmi & Partners Ltd, LCF Edmond de Rothschild Asset Management (C.I.) Limited, and DPZ Capital Limited. At the end of 2013, there were six registered asset managers.

SECURITIES BUSINESS

INVESTMENT SERVICES

There were 125 companies licensed to provide investment services activities in terms of the Investment Services Act (Cap. 370) at the end of 2013, resulting in a net increase of 12 licences over the previous year. In total twenty-one new companies were licensed in 2013. This was more than double the number of companies licensed the previous year.

Eighteen new companies were licensed as Category 2 investment services providers. These were True Value Fund Management Limited, Elgin (Europe) Limited, Rascasse Investments Limited, Heptagon Capital Limited, Brokersclub Ltd, Sensus Capital Markets Limited, Altruid Systems Limited, Cresco Capital Markets (Malta) Limited, Thybo Investment Management (Malta) Limited, Multi Partners Financial Services Limited, Port FX Limited, Timeless Asset Management Limited, RTFX Fund Management Limited, Auriga Asset Management Limited, Mediterrania Capital Partners Limited, Vertigo Management Services Limited, FX International Ltd, and Scotstone Fund Managers Limited. The Authority also issued one new Category 1A licence to Darwin Alpha Limited, one Category 3 licence to Domino Forex Ltd and one Category 2 & 4 licence to Citco Custody Limited.

Table 15: Investment services licences (2012 – 2013)

	2012			2013		
	New licenses	Surrendered licences	Total licences at end 2012	New licences	Surrendered licences	Total licences at end 2013
Category 1a	-	1	12	1	4	9
Category 1b	-	-	4	-	-	4
Category 2	8	5	82	18	5	95
Category 2 & 4	-	-	3	1	-	4
Category 3	2	-	9	1	-	10
Category 3 & 4	-	-	2	-	-	2
Category 4	-	-	1	-	-	1
Total	10	6	113	21	9	125

Source: Malta Financial Services Authority

Five other companies had their licences extended to provide additional investment services activities while another company had its licence revised.

During the year, the Authority accepted the surrender of five Category 2 licences, namely to: BlueGold Investments Limited, Financial + Investment Services Limited, Duet Alternative Investments Limited, HSBC Stockbrokers (Malta) Limited, and True Value Fund Management Limited. The Authority also accepted the surrender of four Category 1A licences, namely to Quest Investment Services Limited, ROCS Services Limited, FPC Investment Consultants Limited, and Sharp Advisory Limited.

In June 2013, the Authority suspended the investment services licence granted to All Invest Co. Ltd. after identifying a series of regulatory breaches. The Authority has also accepted the voluntary suspension of the licence granted to Elgin (Europe) Ltd for a period of six months.

RECOGNISED FUND ADMINISTRATORS

At the end of 2013 the number of recognised fund administrators stood at 28, two more than the previous year. The two new companies granted recognition certificates in terms of the Investment Services Act were Citco Fund Services (Malta) Limited and Equinoxe AIS Malta Limited.

Table 16: Investment services licences – Recognised Fund Administrators (2012 – 2013)

	2012			2013		
	New licences	Surrendered licences	Total licences at end 2012	New licences	Surrendered licences	Total licences at end 2013
Recognised Fund Administrators	2	-	26	2	-	28

Source: Malta Financial Services Authority

COLLECTIVE INVESTMENT SCHEMES (CISS)

During 2013, the Authority licensed 135 new funds (including sub-funds), seven more than the previous year. 85 per cent of the new funds were Professional Investor Funds, 13 per cent were UCITS funds and the remaining were Recognised Private Funds. Of the new 115 Professional Investor Funds, nine were licensed as Incorporated Cells.

Table 17: New and surrendered Collective Investment Schemes (including sub-funds) (2011 – 2013)

	2011		2012		2013	
	New licences	Surrendered licences	New licences	Surrendered licences	New licences	Surrendered licences
PIFs	163	26	117	79	115	83
<i>Of which ICs</i>	-	-	2	-	9	-
UCITS	14	5	9	14	18	5
Retail Non-UCITS	2	1	2	1	-	8
Private	-	-	-	-	2	-
Total	179	32	128	94	135	96

Source: Malta Financial Services Authority

In 2013, 74 Professional Investor Funds, five UCITS and eight Retail Non-UCITS funds voluntary surrendered the licence. Additionally, the Authority cancelled the Collective Investment Licences granted to two PIFs and their respective sub-funds (nine licences in all) in terms of the Investment Services Act.

RECOGNISED INCORPORATED CELLS COMPANIES

The Authority started issuing the first certificates for the setting up of recognised incorporated cell companies in 2012. During 2013, the Authority issued recognition certificates to three companies to provide incorporated cells with administrative services. Licences to nine Collective Investment Schemes set up as incorporated cells were also issued in terms of Article 6 of the Investment Services Act.

Table 18: Recognised Incorporated Cell Companies (2012 - 2013)

	2012			2013		
	New licences	Surrendered licences	Total licences at end 2012	New licences	Surrendered licences	Total licences at end 2013
Recognised Incorporated Cell Companies	1 (2 cells)	-	1 (2 cells)	3 (9 cells)	-	4 (11 cells)

Source: Malta Financial Services Authority

The recognition certificates were issued to Sei Private Invest Fund RICC Ltd, Aros RICC Ltd, and MAG Fund Solutions RICC Limited. These were issued in terms of Article 9A of the Investment Services Act to provide incorporated cells with administrative services.

Red Sandalwood Dynamic Fund IC SICAV plc, Feracs World Opportunities IC SICAV plc, The Cape Global Trading Fund IC SICAV plc, LE Capital Global Alpha IC SICAV plc, Escalade Fund IC SICAV plc, Wake World Equities IC SICAV plc, and Wake World Equities Hedged IC SICAV plc were licensed to carry on the activities of Professional Investor Funds targeting Qualifying Investors as Incorporated Cells of AKJ Simplon RICC Limited. One Collective Investment Scheme licence was issued to Nivesa Private Fund IC SICAV plc to carry on the activities of Professional Investor Fund targeting Extraordinary Investors as an Incorporated Cell of Sei Private Invest Fund RICC Ltd while Aros Bond Strategies SICAV IC plc was licensed as an Incorporated Cell of Aros RICC Ltd to carry on the activities of Professional Investor Fund targeting Qualifying Investors.

TRUST SERVICES

As at end 2013, there was a total of 140 authorisations in force under the Trusts and Trustees Act (Cap. 331), a net increase of nine over the previous year. A total of 11 new authorisations were issued during the year.

Table 19: Authorised Trustees, Nominees and Trusts (2011 – 2013)

	Total authorisations at end 2011	Total authorisations at end 2012	Total authorisations at end 2013
Authorisations in terms of the Trusts and Trustees Act (Trustees/ Fiduciary Service Providers/ Administrators of Private Foundations)	123	131	140
Nominees	22	20	19
Trusts registered in terms of the Trust Act, 1988	115	115	115

Source: Malta Financial Services Authority

Aequitas Trust & Fiduciary Limited, ForteQ Limited, IMS Limited, Equiom (Malta) Limited, Boston Trust and Fiduciary Services (Malta) Limited, Confiance Malta Limited, and Praxis Trustee & Corporate Services (Malta) Limited were authorised to act as a trustee and to provide other fiduciary services including acting as an administrator of private foundations.

Mare Nostrum Melita Limited, Kinanis Fiduciaries Limited, and Perfin Services Limited were authorised to provide fiduciary services which do not include acting as trustees. One individual was authorised to act as an administrator of private foundations.

Mdina Trust Services Limited, EMD Trust Services Limited, FACT Services Limited, Osiris Trust Limited, FZD Trustee & Fiduciary Services Limited, Custom House Global Fund Services Limited, and FJV Fiduciary Limited had the authorisation extended to act as an administrator of Private Foundations in terms of Article 43(12)(b) of the Trusts and Trustees Act.

The coming into force of the Trusts & Trustees Act in 2005 brought the issuing of licences for trusts and nominee services to an end. During 2013, nominees continued to be phased out with only 19 still registered. At the end of the year, 115 trusts were still registered in terms of the Trust Act (1988).

LISTING AUTHORITY

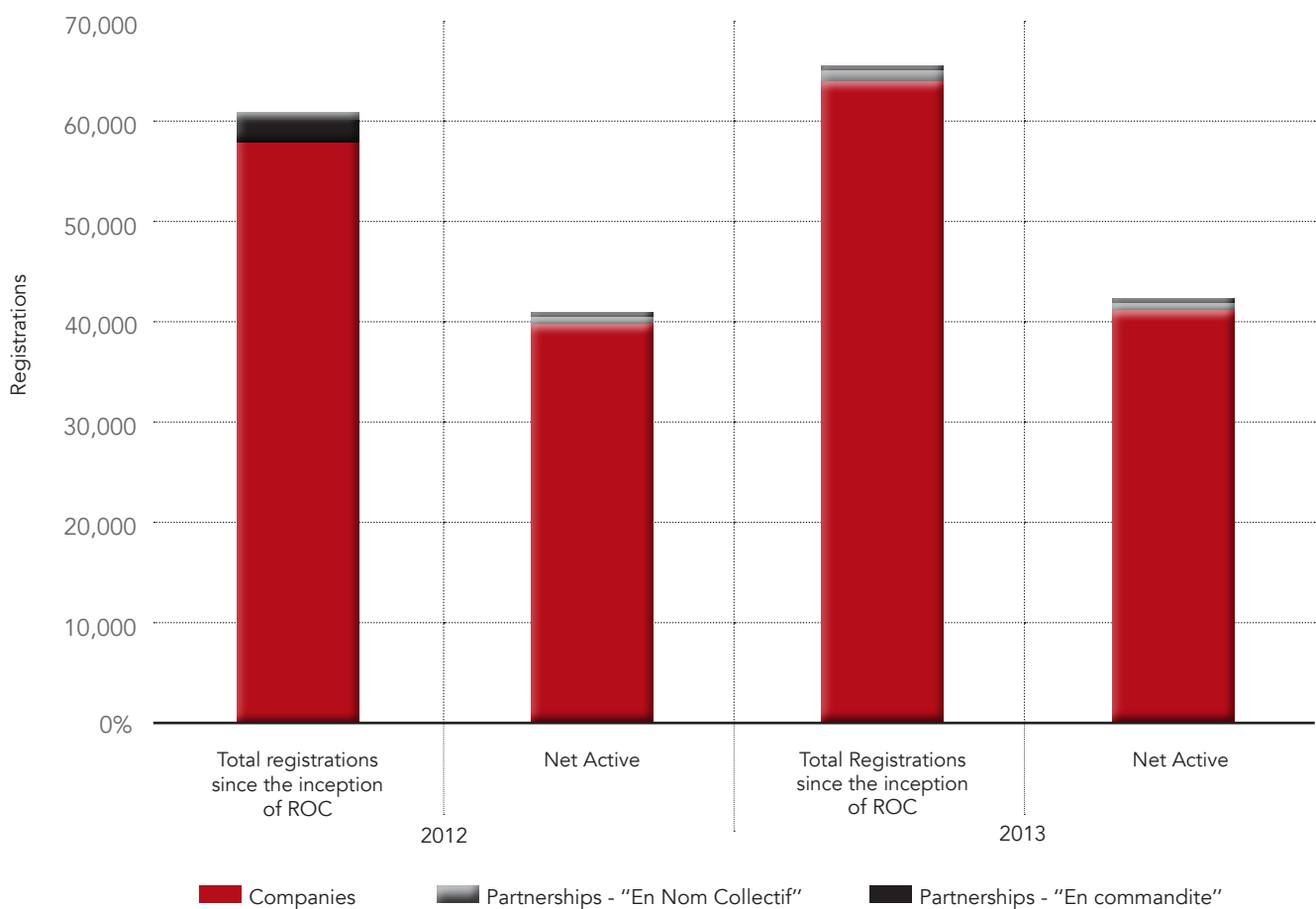
Following the appropriate evaluations undertaken by the Listing Committee, the Listing Authority approved the admissibility to listing of one equity issue, one corporate bond issue, six Malta Government Securities, two funds and one note issue. There were 10 de-listings during the year.

THE REGISTRY OF COMPANIES

TOTAL REGISTRATIONS AND ACTIVE REGISTRATIONS

There were 63,605 companies, 1,457 partnerships - "En Nom Collectif" and 100 partnerships - "En Commandite" registered in the Registry of Companies as at the end of 2013. The number of active companies and commercial partnerships stood at: 42,646 companies, 944 partnerships - "En Nom Collectif" and 73 partnerships - "En Commandite".

CHART 20: TOTAL REGISTRATIONS AGAINST NET ACTIVE REGISTRATIONS (2012 - 2013)

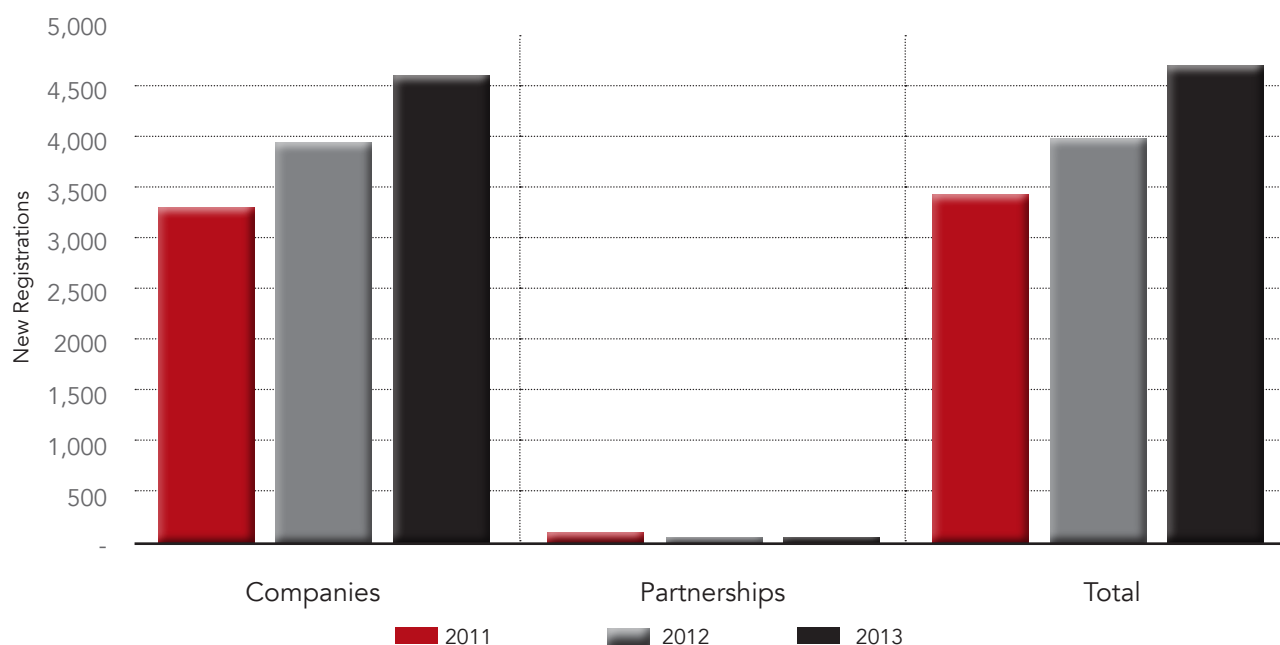


Source: Malta Financial Services Authority

NEW REGISTRATIONS

2013 closed with a total of 4,540 new registrations, of which 4,479 were new companies and the remaining 61 were new partnerships. Overall, this represents an increase of over 12 per cent from the previous year.

CHART 21: NEW REGISTRATIONS (2011 - 2013)



Source: Malta Financial Services Authority

MERGERS AND LIQUIDATIONS

During the year under review, 1,189 companies were placed into liquidation. There were 210 mergers during the year.

Table 20: Mergers and liquidation of companies (2011 – 2013)

	Mergers	Total companies placed into liquidation
2011	144	919
2012	135	1,049
2013	210	1,189

Source: Malta Financial Services Authority

REDOMICILIATION OF COMPANIES

In 2013, 111 companies transferred their domicile to Malta in terms of the Continuation of Companies Regulations under the Companies Act. This represents an increase of over 60 per cent from the previous year.

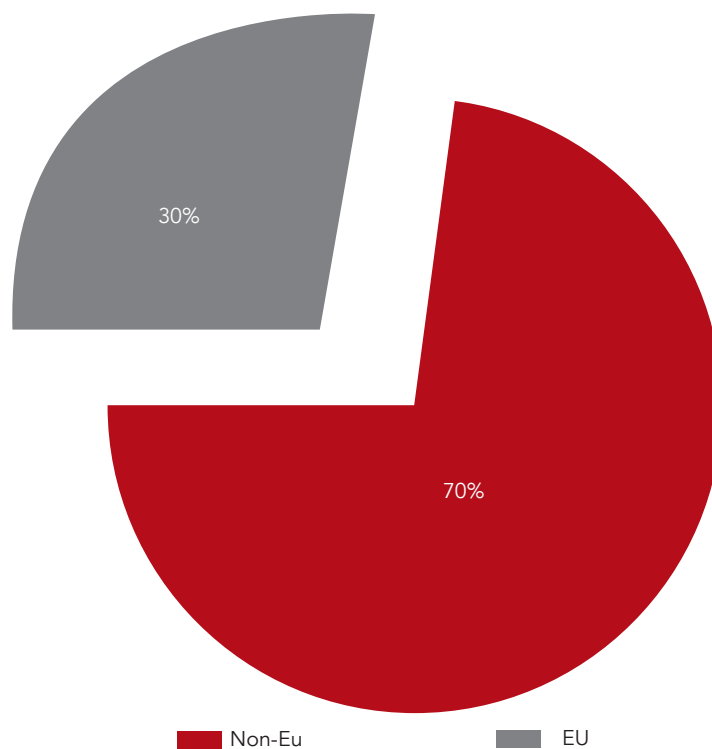
Table 21: Total inward redomiciled companies (2011 – 2013)

	Total redomiciled companies
2011	57
2012	68
2013	111

Source: Malta Financial Services Authority

The next chart illustrates a breakdown of the redomiciled companies registered in 2013 by country of origin, whether from EU or non-EU countries. Seventy per cent of the companies transferred their domiciles to Malta from Non-EU countries while the remaining 30 per cent from EU countries.

CHART 22: REDOMICILED COMPANIES BY COUNTRY OF ORIGIN FROM EU AND NON-EU COUNTRIES (2013)



Source: Malta Financial Services Authority

The following table represents a breakdown of the redomiciled companies registered in 2013 by type of operation.

Table 22: New notifications of passporting outside Malta via the freedom of services (2013)

Category	Number of companies
Financial Institutes	3
Insurance Undertakings	3
Insurance Intermediaries	2
Investment Services	14
UCITS	6

Source: Malta Financial Services Authority

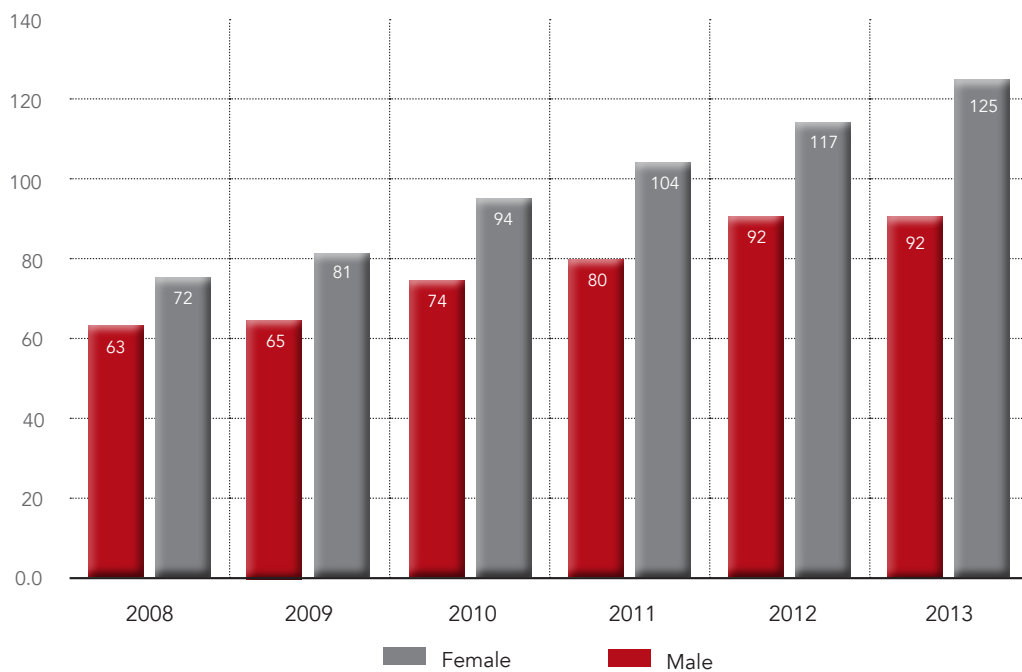
One investment services company notified the Authority that it will be passporting out of Malta via the freedom of establishment.

DEVELOPMENT OVERVIEW

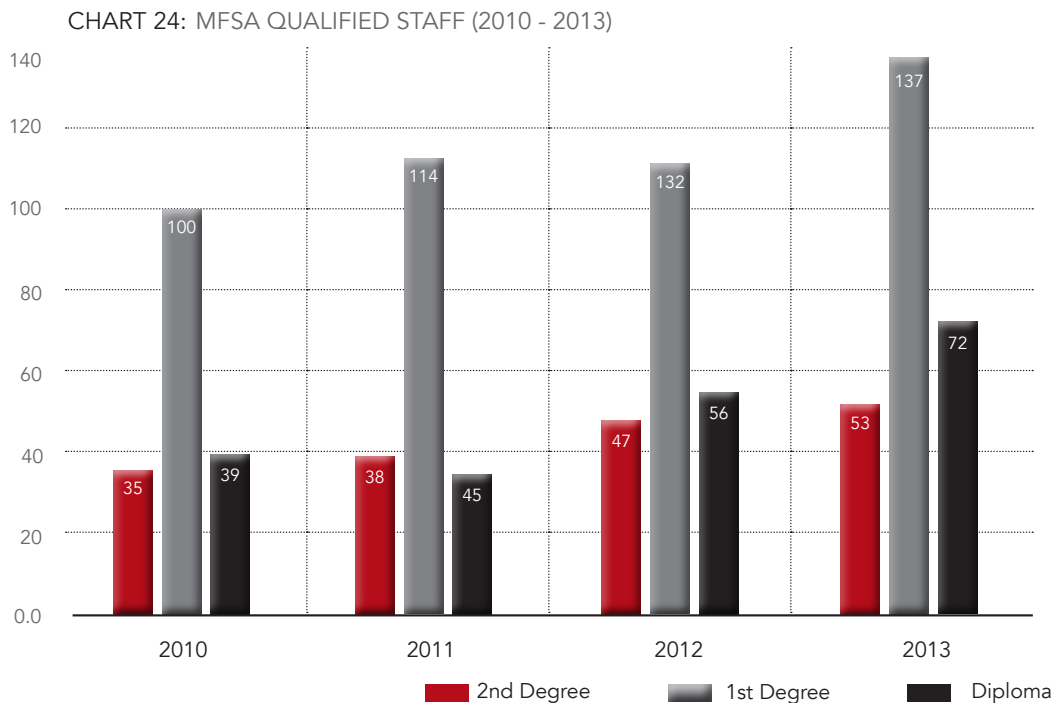
HUMAN RESOURCES DEVELOPMENT

The Authority continued to invest in the recruitment and training of highly qualified staff. The total staff complement at the MFSA as at end of December 2013 stood at 217. During 2013, 17 new members were engaged while 9 terminated their employment.

CHART 23: MFSA EMPLOYEES (2008 - 2013)



Source: Malta Financial Services Authority



Throughout the past year, the Authority reaffirmed its philosophy of offering full support in the areas of training and development to its staff as well as other employees working in the financial services sector. This meant that the MFSA took an active part in the organisation of training and development programmes for its workforce, staged courses for key financial services operators, designed and implemented courses for employees of other financial institutions and partnered with training providers who offer training packages for persons seeking to pursue a career within the sector. In the process, the Education Consultative Council renewed its role as the promoter of careers and provided for education and industry needs through the provision of varied training and education programmes.

EMPLOYEE TRAINING AND DEVELOPMENT

The Human Resources & Development Unit is the central provider of the MFSA's training functions. Its deliverables include the promotion and management of the Self Development Scheme; a function that entails the provision of advice and information to employees wishing to pursue an academic path in line with their duties and the close monitoring of its beneficiaries' academic progress throughout their studies whilst in employment with the MFSA.

By end of 2013, there were 48 staff members undertaking studies through the Self Development Scheme. The disciplines covered a wide range of areas in financial services, which include: accounting, ICT related studies, actuarial techniques, insurance-related disciplines, trusts and estate management and law.

On 31st December 2013, holders of a first degree stood at 137, of whom 53 have also attained a post graduate degree or equivalent. Moreover, 72 persons held a diploma in one of the current vocational disciplines. To further broaden the knowledge and experience of work, the Authority continued to offer opportunities of attachment programmes to its staff members throughout 2013. These initiatives related to attachments within the finance industry itself and highly rated international professional bodies. In addition, an encouraging

number of staff members shared and gained further technical expertise by taking a participative role in various working groups within the European Banking Authority (EBA), the European Securities & Markets Authority (ESMA), the European Insurance & Occupational Pensions Authority (EIOPA) and the European Central Bank (ECB).

LOCAL SEMINARS AND IN-HOUSE TRAINING

The Authority's main objective remains that of maintaining and strengthening employees' skills while building further a knowledge and skills base which extends beyond traditional academic training.

In view of its important role towards training, the MFSA collaborated with various training institutes to offer programmes specially designed to fulfil emerging development needs being experienced within the finance sector.

The HR & Development Unit has implemented a series of training programmes during 2013. These covered technical issues related to the different industries covered by the Authority, but also training in soft skills which included motivational courses, presentation skills, supervisory skills, and improving customer relationships.



An in-house training session at the MFSA

EDUCATION CONSULTATIVE COUNCIL

CAREERS IN THE FINANCIAL SERVICES SECTOR

During 2013, the ECC maintained its momentum towards the attainment of its primary goals which include the promotion of in-service and pre-service professional training and education within the Financial Services field through the co-ordinated initiatives and activities of its Members.

The Members of the ECC provided courses that satisfy current training needs, not only for those who were aspiring to join the ever-growing cadre of personnel working in the field, but also by providing on-going professional development through in-service programmes for existing employees.

Moreover, the ECC has played a major role in supporting its Members' work and efforts to cater for the financial services education. It has also contributed to spread among secondary and post-secondary school students, the awareness of the sector's contribution as one of the main stays of our economy. As a corollary, the ECC promoted among the young, and at times not so young, audiences' attractions of taking up employment in one of the Financial Services fields.

The HR Unit contributions towards the ECC's initiatives in the area of education included, amongst others:

- The continuous maintenance of the 'careersinfinance' website through periodical updates of education material and presentations;
- The revision of its Brochure which includes detailed information about the existing careers within the financial services sector;
- The organisation of school visits that spread throughout the scholastic year 2012-2013. School visits consisted of a presentation outlining the meaning of financial services, an update of the required qualifications requested for employment within the finance industry, and the importance of applying the appropriate 'soft skills' when working within the financial services context. Overall, the MFSA hosted 19 visits made by 21 schools/colleges and the number of students who attended amounted to 490.
- The annual meeting with Guidance Teachers was replaced by a new initiative – the Industry Exposure Programme for Guidance Practitioners. The event involved the allocation of Guidance Teachers with different licensed holders across the financial services sector for half a day. The visit was followed up by a workshop and a meeting with MFSA's Chairman. The objective of the programme is to help Guidance Practitioners understand better the skills required by the finance industry and what goes on in a working environment related to the field. Due to its success, it was decided that the event is to be a yearly event for the ECC and is to include the participation of ETC Advisers as well;
- The 'Women's Returning To Work Programme', which has been running by the Malta Institute of Accountants was designed primarily to promote employment within the financial services sector among women who wished to return to work.

In 2013, the annual Job Exposure Programme for students took a different turn, in that, it was not held in July as in previous years. The event is now being spread over the entire scholastic year. Thus, this year's Job Exposure commenced in November 2013 and is to carry on through to July 2014. In this way, more students are being given the chance to experience a week long placement with any of the financial services participating firms. A total of 26 firms are currently taking part in this Job Exposure Programme and are expected to host 106 students by beginning of July 2014.

The ECC is currently preparing to launch a new programme in 2014 entitled, 'Foundation Course in Financial Services'. The programme, which is expected to be certified as reaching MQRIC level 3, aims at giving a broad understanding of the basic concepts in Banking, Investments, Insurance, Accounts and Legal issues. It shall consist of four modules: Banking and Finance; Recording Financial Transactions; Insurance and Legal Aspects of Finance. The course will be covered in 70 hours and is to be delivered by four of the ECC members, namely the Malta International Training Centre (MITC), the Institute of Financial Services (Malta), the Malta Institute of Accountants (MIA) and the Institute of Legal Studies (Malta).

INFORMATION AND COMMUNICATION TECHNOLOGIES

The Information and Communication Technologies (ICT) Unit provides operational support to the other Units and is responsible for managing the Authority's resources efficiently. The Unit also provides information security analysis as a service to the Regulatory and Supervisory Units.

In addition to the normal day-to-day routine service and support, the Information Systems Section and the Systems Infrastructure Section within the MFSA ICT Unit have completed a number of projects and processes during 2013 as highlighted below.

INFORMATION SYSTEMS SECTION

The Information Systems Section within the MFSA ICT Unit continued to work closely on delivering high availability services to the organisation and its external users. This also includes the operation of the Registry of Companies Online System.

ROC ONLINE SYSTEM

The Registry's primary objective is to maintain an efficient and effective service to its users. By the end of 2013, the number of active companies residing on the system reached the 44K figure. The number of active users of the system amounted to around 7,500 users. An increase in the number of electronic submissions was also encountered. For 2013 around 8,000 Annual Returns; and more than 1,000 other statutory forms were signed electronically and filed online. More than 200 new companies were also created electronically through the ROC Online System.

During 2013, new enhancements continued to be introduced to the system. By July of last year, the system has been connected to the European Business Register and the first standard services that were exposed relate to the Company Search; Company Profile; Company Appointments and Personal Appointments services. This integration enabled us to add further improvements to the existing system since subject to EBR's' Service Level Agreement (SLA), the enhanced ROC Online System required to pass from various functional and non-functional tests including performance and stress tests to ensure efficiency and reliability.

The user registration process was also revamped to make it easier for prospective users to register with the system and start making use of it. Another important functionality, rolled-out during the last quarter of 2013, was the notifications letters mechanism whereby officials of registered companies having a valid email address registered with the system will now be receiving emails notifying them that filing of the respective annual accounts and/or annual returns are due. When the time-frame stipulated by law to file these documents is overdue, another notification will be sent, informing the company officials that a daily penalty will start to be incurred.

The system was used as a proof of concept by the parliamentary secretariat for justice who currently embarked on a similar project to develop what is meant to be the Law Courts Registry System. Once again, the ROC Online System was used for the EU eGov Services Benchmarking exercise.

SYSTEMS FOR REGULATORY AND SUPERVISION UNITS

To improve the monitoring and handling of the various data exchange projects being requested by the European Supervisory Authorities (ESAs), an EU Systems User-Group composed of representatives from each Supervisory Unit together with the information systems team was setup. The main aim was to improve the way how such EU initiatives are addressed. Amongst the projects started in 2013, there was the finalisation of the selection process for the XBRL tool. This tool will be used namely to meet the implementation of the new Implementing Technical Standards (ITS) in relation to EBA's, and now SSM's, new reporting templates on Financial Reporting (FINREP) and Common Reporting (COREP) as well as for the approaching deadline vis-a-vis Solvency II reporting requirements as set by EIOPA. In relation to these new reporting requirements where it comes quantitative data, further enhancements and new features were added to the MFSA's financial reporting engine – FRE/D.

Work on another central system to enable the exchange of qualitative data namely for the ESMA Registers project, which is being developed in-house, has also started during 2013. The plan is to have a centralised exchange mechanism that could then be extended to cater for other non-quantitative data for similar registers that would be requested by other ESAs like EIOPA. The XETRA Trade and Order Monitoring System is another in-house developed system implemented on-top of the existing Microsoft SharePoint platform for the Securities and Markets Supervision Unit.

CORPORATE-WIDE SYSTEMS

Existing corporate-wide used systems including the authority's websites and other internal applications like the MFSA Intranet were updated to keep abreast with emerging technologies. In February, 2013, the MFSA Mobile App. was also launched on the Apple's App Store and Google Play Store. The Licence Holders Register on the MFSA website was also updated. The same applies for the Complaints Management System for Financial Services which is used internally by the Consumer complaints Unit and which also has a public interface linked with the MyMoneyBox portal.

SYSTEMS INFRASTRUCTURE SECTION

Apart from the everyday systems administration, system provisioning and technical support, the Systems Infrastructure Section within the MFSA ICT Unit has completed a number of projects as follows.

NETWORK CONVERGENCE AND UNIFIED COMMUNICATION

Organisational growth and a depleted PABX system called for the development of a new solution. This entailed systematic research and prospect thought within the area of communications. Traditional voice communication requirements were coupled with real-time communication possibilities thus permitting unified communications services. The design necessitated for an architectural change within the computer network components. In fact, network switches had to be upgraded to sustain both voice and data communication and also supply power-over-Ethernet (PoE) to phones. Subsequently, an innovative Voice over Internet Protocol (VoIP) telephony system was successfully deployed throughout the organisation.

IT RECOVERY PROVISIONS

The previously initiated network project in relation to ICT disaster recovery services triggered the need of an architecture change within the wide-area-network (WAN). This involved the inclusion of a redundant communication link between sites, IP transit and symmetrical bandwidth upgrade and network routing redesign. Successively, other disaster recovery infrastructure provisions were carried out. These involved the introduction of a number of systems infrastructure servers and replication services.

ENTERPRISE STORAGE

Enterprise storage has been upgraded to accommodate increased organisation data storage needs. The

upgrade allowed for the provisioning and expansion of storage capacity within the storage area network system. Additionally, we took the opportunity to renovate the storage volumes thus permitting better server related resource allocation and faster data access. One of the main beneficiaries of this exercise is the e-mail solution system which consumes a hefty storage allocation.

RESEARCH AND ANALYSIS

Another important exercise involved an extensive research and technical design in relation to upcoming projects and procurement due to servers' hardware ageing and growth. This exercise also covered the area of server virtualisation, data backup and deduplication solutions thus involving a number of technical resources.

INFORMATION SECURITY ANALYSIS

A new questionnaire with respect to IT risk has been established to surpass the existing IT questions in the established Authorisation's questionnaire process. The new questions focus on IT risks that are encountered by prospective licensees in current times. We have created the questions in a generic manner so that these can be applied to all the sectors. A number of services were also provided to the Authorisation Unit, mainly focused on the analysis of prospective licensees' applications.

With respect to the Banking Supervision Unit we were involved in providing a detailed analysis of various management letters received by the MFSA from the external auditors of the bank in question. We have also been involved in various site visits with the Supervisory Units and created a site visit report respectively. Mainly, the site visits were focused on the IT Risk and Governance of the IT systems.

COMMUNICATIONS UNIT

The MFSA's Communications Unit handles the Authority's internal and external communication, most notably through the dissemination of key information and updates related to the Authority itself, to legislative and regulatory changes. The Unit is also responsible for the organisation and support of events in the financial services industry which ensure that practitioners are regularly kept abreast of developments in this industry.

The Unit is also responsible for handling relations with the local and international media, for producing and distributing a number of regular and special publications, as well as for working with external bodies relevant to the Authority's statutory duties.

Through its different tasks, the Unit seeks to continuously build upon MFSA's image as a robust, innovative and effective regulator, which, while maintaining Malta's reputation as a top notch regime, supports the industry in its requirements towards growth and success.

The Unit has also continued to build on its digital tools, which had been developed over the previous years. The Website remains a resource which serves as a one-stop shop covering the requirements for license holders, researchers, journalists and other service providers. It includes updated legislation, regulation, supervisory procedures, guidance notes, alerts and warnings and is updated on a daily basis.

The website's audience and usage has continued to grow significantly. In the year under review, 117,000 unique visitors made 370,000 visits to www.mfsa.com.mt, a 25% increase over the previous year. Users from 182 different countries visited the MFSA Website and made more than 1 million page views. A quarter of these visits came from international jurisdictions, mainly the United Kingdom, the United States of America, Italy, Switzerland and Germany. These numbers further reflect the wide-reaching nature of Malta's financial services jurisdiction,

confirming the interest and following from the top financial centres around the world as well as from a growing number of emerging centres. The Communications Unit also replied to 765 queries received through the Website, a 15% increase over the previous year.

In late 2013, the Communications has also embarked on its next venture into the digital world, by embracing social media, as Twitter and LinkedIn accounts were setup towards the end of the year, attracting immediately a growing following amongst professionals in the sector. These social media tools are used to disseminate information issued by the Authority as well as to provide an update on conferences, seminars and events of interest that are organised or supported by the MFSA.

CONFERENCES, SEMINARS, EVENTS

The MFSA continued in its endeavour to supporting a number of Conferences, Seminars and other events that were held during the year under review.

Major events, organised with the support of the Authority included ESAFON's Fund Conference in March on UCITS, AIFMD and MiFID II implications for Funds, Managers and Service Providers and the Malta International Financial Crime Forum 2013 held in June by the International Chamber of Commerce (ICC) and the IBC/IIr conference European Funds: Future of Asset Management held in September.

In 2013, the Authority hosted a landmark event, the EIOPA's Pilot Workshop on Proportionality in Regulation, attended by around 60 delegates from different European financial services regulators. The workshop served as a forum for discussion among representatives of national competent authorities regarding the application of the principle of proportionality in regulation and supervision. At the same time, EIOPA sought to achieve a blue print for an upcoming seminar on proportionality in 2014.



EIOPA Workshop – Delegates from European financial services jurisdictions

Moreover, the MFSA also hosted and supported events and organisations such as FERMA's Risk Management Forum, the Malta Institute of Management workshop on Islamic Finance, the Malta Insurance Management Association conference on Asset Management, the Malta Institute of Directors seminar on the changing Nature of Corporate Governance following the Eurozone Crisis, the Malta Funds Industry Association seminar on Managing Risks in the Fund Management Industry, the Chamber of Advocates conference on the relevance of the civil law for commercial law practitioners.

The unit also provides on a regular basis logistical support for meetings held by third parties within the MFSA premises.

Although the Communications Unit regularly keeps the industry updated through Circulars and Newsletter articles, specific sessions are organised with particular emphasis on developments in legislation and regulation. In 2013, practical industry updates were organised by the MFSA on a number of themes, including the AIFMD, the proposed amendments to the Trusts and Trustees Act and other related legislation, the European Markets Infrastructure Regulation ('EMIR') as well as a training on Company Law and Anti-Money Laundering Legislation for Company Service Providers, organised with the support of the FIAU.

PRINT MEDIA

During 2013, MFSA featured in the international media including coverage in The Wall Street Journal, Bloomberg Markets, Hedge Funds Review, Incisive Media's Risk Magazine, EIR magazine "Invest News", The Ned, Business Outlook for Times representatives' Special Reports, Mondo Alternative, The Commonwealth Governance Handbook by Nexus Strategic Partners, The Global Domicile Report, The International Business Guide by Euro News & Metropolitan Media Ltd, the Hedgeweek Guide to setting up Alternative Investment Funds 2012, FTSE Global Markets Malta Report - Interview coverage and Directory Entry, Clear Path Analysis's Re-Domiciling and Co-Domiciling for Fund Managers Report 2013, First Magazine, and in CBI Business Voice's Business to Business Contacts Guide.

Frequent contact was maintained with the media through 23 Media Releases as well as through the provision of replies and comments as requested by editorialists and journalists on a variety of issues as requested by both local and foreign members of the press.

The Unit also oversees the publication of the MFSA Annual Report, the monthly Newsletter as well as the publication of notices and adverts as required in the media.

In 2013, the Authority issued through the unit 75 Notices, 31 Circulars, and 14 Warnings, 17 Consultation Papers and seven Feedback Statements. Once these documents are published on the MFSA Website, the relevant documents are sent to MFSA Licence Holders, subscribers and local and international connections. The internet service continued to expand and in 2013 the electronic library was strengthened with the inclusion of a number of journals and relevant publications which assist the staff in various areas of the work, including policy development, regulatory aspects as well as emerging issues in the industry. Over 275 publications were added to the Library in 2013 alone.

CONSUMER COMPLAINTS

The Consumer Complaints Unit encompasses the role of the Consumer Complaints Manager, who is empowered by law to investigate complaints from private individuals relating to any financial services transaction in a fair and impartial manner. Recommendations made by the Consumer Complaints Manager are non-binding, however most of the times both companies and consumers agree to these recommendations in order to settle a complaint amicably.

The Unit is also responsible for providing consumer education and information about financial services and endeavours to promptly answer queries from the public on financial services matters in general. The Unit also assists the MFSA to identify issues which may affect consumer confidence or lead to consumer detriment.

The Consumer Complaints Manager provides administrative support to and is also the Secretary of the Compensation Schemes Management Committee which administers the Depositor Compensation Scheme and the Investor Compensation Scheme. The Consumer Complaints Manager is also the secretary of the Protection and Compensation Fund.

REVIEW OF COMPLAINTS

During the year, the Unit received 194 formal complaints and 201 formal enquiries. A total of 116 cases were reviewed and concluded, which include a number of cases carried forward from previous years. A number of cases, totalling 182, were also reviewed but not yet concluded.

The Unit also received over 2000 phone calls from consumers enquiring on various subjects with just under half of the calls taking less than five minutes to conclude. Other calls involved more complicated enquiries and required more time.

Most of the queries received related to investments, in particular questions relating to the manner investments had been sold or requests relating to updates on investment products which had suspended payment or entered into administration. Although the total number of queries on banking is slightly less than that of the previous year, calls relating to the extent of coverage of the Depositor Compensation Scheme constituted the second most common query received during the year.

Table 23: FORMAL COMPLAINTS / ENQUIRIES

Complaints related to	FORMAL COMPLAINTS / ENQUIRIES									
	Cases Received		Cases Closed*		Pending Cases		Enquiries		Queries	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Banking	17	22	12	25	6	8	32	63	469	516
Insurance	55	48	42	58	16	14	43	64	597	570
Investments	122	636	62	798	160	187	124	68	891	518
Other	0	2	0	3	0	0	2	17	51	111
Total:	194	708	116	884	182	209	201	212	2008	1715

*Includes cases carried forward from previous years.

Source: Malta Financial Services Authority

Similarly to the last few years, investment-related complaints represented a substantial part of the number of complaints received, and processed, during 2013. In the main, complaints were related to claims of mis-selling of various complex products by various financial firms. Although many of these complaints were similar in nature, each complaint was considered on the basis of its own merits.

Although these complex products could be sold to retail investors, they could not be considered appropriate unless the firm demonstrated that the investor had sufficient knowledge and experience to be able to understand the investment's complexity and risks. Investigation into these complaints illustrates that some financial firms had possibly presented such complex products by promoting them as alternative assets providing higher-than-average market returns. Some products might have also been offered as being free from any charges and taxes, as opposed to traditional investments such as funds and life insurance policies. The Unit's investigations into these complaints indicated that, in some instances, inherent risks had been downplayed significantly by some financial firms.

In the Unit's view, for investors to be considered eligible to invest in such complex and other alternative investment funds, they must have the necessary knowledge and experience to be able to understand the risks involved. There are many factors which can influence an investor's knowledge and experience, and these include employment, previous investments, portfolio mix as well as risk attitude. If an investor fails to adequately meet any of these criteria, the product would generally be considered unsuitable and the firm would be informed that it had mis-sold it. The Unit has identified many cases where the assessment which would normally be expected from a financial planner had not been carried out diligently and in the best interest of the investor.

Although a number of the complaints received during 2013 have been closed, there are still a number of complaints which are currently under investigation mainly due to the delay from the financial firms to provide the Unit with replies and documentation. The Unit has adopted a consistent methodology when reviewing complaints and would normally request clarifications as well as documentation on various aspects relating to the complaint. At times, the Unit has also felt the need to meet with financial planning officers involved with the sale of an investment, even if such personnel may no longer be employed with the firm against which the complaint had been lodged. This inevitably increases the review time on complaints as replies are sometimes drawn out. The methodology adopted by the Unit however ensures a fair review for both firms and complainants.

CONSUMER EDUCATION

The Unit has maintained a very active presence in the Maltese broadcasting media which is considered to be an important platform through which consumers are educated on various matters relating to financial services. On average, Unit officials participated in three television programmes and four radio broadcasts almost on a weekly basis to discuss a wide range of financial subjects and issues relevant to the rights of consumers purchasing financial products.

The Authority's internet portal "MyMoneyBox", which provides impartial information to consumers about financial products and services, has been updated with new subjects and a monthly electronic newsletter is also sent to subscribers of the portal. The Unit has also endeavoured to translate various parts of this consumer portal into Maltese. The database of tariffs and charges levied on a number of financial products and services continues to be an important feature aimed to facilitate comparison of charges between different providers. The Unit is also using Facebook to promote MyMoneyBox and reach out to a broader network of consumers.

The Unit has widened the scope of the online database by including comparative features of motor insurance policies offered in Malta. This database does not delve into pricing structures and its aim is to assist policyholders when selecting which policy may be applicable for their circumstances and does not replace the insurance policy provided by the insurer. The Unit aims to widen the database to include other policies, such as travel insurance.

The Unit seeks to promote, coordinate and be a leader in promoting financial literacy, but it cannot do so alone. Teachers are the closest influential figures to students and for this purpose we have created a dedicated teacher's corner on MyMoneyBox to help them in this learning process. This page provides teachers with a portfolio of websites which can be used not only to gather ideas to include in the annual syllabus but also offers them the possibility to interact with other teachers within the EU to exchange views and share consumer education news and experiences.

INTERNATIONAL PARTICIPATION

The Consumer Complaints Manager is an active member of FIN-NET, the European out-of-court network for the resolution of disputes between consumers and financial services providers. Within this network, national consumer complaint schemes assist consumers who have disputes with financial service providers based in another Member State in identifying and contacting the scheme which is competent to deal with their complaint. The Complaints Manager is also a member of the steering group which assists the European Commission in the preparation of the agenda of the two annual plenary meetings.

Staff of the Consumer Complaints Unit participated in meetings of the EIOPA Committee on Consumer Protection and Financial Innovation and the EBA SCConFin (Standing Committee on Consumer Protection and Financial Innovation) which aim to enhance consumer protection in the area of financial services on a European level.

A full report on the activities of the Unit is published separately.

APPENDICES

APPENDIX I – ACTS, LEGAL NOTICES AND GOVERNMENT NOTICES

ACTS

- Company Service Providers Act, 2013 [Act XX of 2013]

BILLS

- Trusts and Trustees (Amendment) Act, 2013 [Bill No. 32 of 2013]

LEGAL NOTICES

BANKING ACT

- Banking Act - Declaration of Bank Holidays [L.N. 51 of 2013]

CIVIL CODE

- Interest Rate (Exemption) (Amendment) Regulations, 2013 [L.N. 107 of 2013]

COMPANIES ACT

- Companies Act (Investment Companies with Variable Share Capital) (Amendment) Regulations, 2013 [L.N. 165 of 2013]

FINANCIAL COLLATERAL AGREEMENTS ACT

- Financial Collateral Agreements (Amendment) Regulations, 2013 [L.N. 283 of 2013]

FINANCIAL MARKETS ACT

- Financial Markets Act (OTC Derivatives, Central Counterparties and Trade Repositories) Regulations, 2013 [L.N. 81 of 2013]
- Financial Markets Act (OTC Derivatives, Central Counterparties and Trade Repositories) Regulations, 2013 – Commencement Notice [L.N. 316 of 2013]
- Financial Markets Act (Off-Market Deals) (Amendment) Regulations, 2013 [L.N. 424 of 2013]

INSURANCE BUSINESS ACT

- Insurance Business (Supplementary Supervision of Insurance and Reinsurance Undertakings in an Insurance Group) (Amendment) Regulations, 2013 [L.N. 183 of 2013]
- Insurance Business (Assets and Liabilities) (Amendment) Regulations, 2013 [L.N. 184 of 2013]
- Reinsurance Special Purpose Vehicles Regulations, 2013 [L.N. 452 of 2013]

INSURANCE INTERMEDIARIES ACT

- Insurance Intermediaries Act (Amendment) Regulations, 2013 [L.N. 451 of 2013]

INVESTMENT SERVICES ACT

- Investment Services Act (Marketing of Alternative Investment Funds) Regulations, 2013 [L.N. 113 of 2013]
- Investment Services Act (Alternative Investment Fund Manager)(Passport) Regulations, 2013 [L.N. 114 of 2013]
- Investment Services Act (Alternative Investment Fund Managers) Regulations, 2013 [L.N. 115 of 2013]
- Investment Services Act (Alternative Investment Fund Manager) (Third Country) Regulations, 2013 [L.N. 116 of 2013]
- Investment Services Act (Alternative Investment Fund Manager) (Third Country) (Amendment) Regulations, 2013 [L.N. 214 of 2013]
- Investment Services Act (Alternative Investment Fund Manager) (Third Country) Regulations, 2013 [L.N. 215 of 2013]
- Investment Services Act (Amendment) Regulations, 2013 [L.N. 251 of 2013]
- Investment Services Act (Exemption) (Amendment) Regulations, 2013 [L.N. 252 of 2013]
- Investment Services Act (Marketing of UCITS) (Amendment) Regulations, 2013 [L.N. 344 of 2013]
- Investment Services Act (Control of Assets) (Amendment) Regulations, 2013 [L.N. 425 of 2013]
- Investment Services Act (Performance Fees) (Amendment) Regulations, 2013 [L.N. 426 of 2013]

MALTA FINANCIAL SERVICES AUTHORITY ACT

- Financial Conglomerates Regulations, 2013 [L.N. 182 of 2013]

APPENDIX II – RULES – ISSUED AND REVISED DURING 2013

BANKING RULES

- BR/01/2013 - Application Procedures and Requirements for Authorisation of Licences for Banking Activities under the Banking Act 1994
- BR/02/2011 - Large Exposures of Credit Institutions authorised under the Banking Act 1994
- BR/03/2012 - Own Funds of Credit Institutions Authorised under the Banking Act 1994
- BR/04/2013 - Capital Requirements of Credit Institutions Authorised under the Banking Act 1994
- BR/05/2007 - Liquidity Requirements of Credit Institutions authorised under the Banking Act 1994
- BR/06/2007 - Statutory Financial Information to be submitted by Credit Institutions Authorised Under the Banking Act 1994
- BR/07/2013 - Publication of Annual Report and Audited Financial Statements of Credit Institutions Authorised under the Banking Act 1994
- BR/08/2012 - Capital Adequacy of Credit Institutions Authorized Under the Banking Act 1994
- BR/09/2013 - Measures Addressing Credit Risks Arising from the Assessment of the Quality of Asset Portfolios of Credit Institutions Authorised under the Banking Act 1994
- BR/10/2013 - Supervision on a Consolidated Basis of Credit Institutions authorised under the Banking Act 1994
- BR/11/2007 - Extension of the Applicability of the Arm's Length Principle by Credit Institutions authorised under the Banking Act 1994
- BR/12/2013 - The Supervisory Review Process Of Credit Institutions Authorized Under The Banking Act 1994
- BR/13/2009 - Prudential Assessment of Acquisitions and Increase of Shareholdings in Credit Institutions Authorised under the Banking Act 1994
- BR/14/2009 - Outsourcing by Credit Institutions Authorised under the Banking Act 1994

INSURANCE BUSINESS RULES

- Insurance Rule 1 of 2007 - Own Funds of Companies Carrying on Business of Insurance
- Insurance Rule 31 of 2013 - Preparatory Measures for Solvency II Implementation

INVESTMENT SERVICES RULES

- Investment Services Rules for Investment Services Providers
- Investment Services Rules for Retail Collective Investment Schemes
- Investment Services Rules for Professional Investor Funds
- Investment Services Rules for Alternative Investment Funds

LISTING RULES

- Listing Rules revised as at 15 July 2013

APPENDIX III CIRCULARS ISSUED IN 2013

ANTI MONEY LAUNDERING

- Notice to Financial Services Licence Holders dated 19 December 2013 on the FIAU's National Risk Assessment
- Notice to Financial Services Licence Holders dated 31 October 2013 on the identification by the FATF of jurisdictions with strategic deficiencies
- Notice to Financial Services Licence Holders dated 15 July 2013 on the publication by the FIAU of the 2012 Annual Report
- Notice to Financial Services Licence Holders dated 26 June 2013 on the identification by the FATF of jurisdictions with strategic deficiencies
- Notice to Financial Services Licence Holders dated 28 February 2013 on the identification by the FATF of jurisdictions with strategic deficiencies
- Notice to Financial Services Licence Holders dated 11 February 2013 on the revision of FIAU Implementing Procedures

BANKING SUPERVISION

- Circular to the financial services industry dated 27 June 2013 regarding the CRD IV Package
- Circular to the Banking Sector dated 31 December 2013 on the Amendments to Banking Rule BR/09 - Measures Addressing Credit Risks arising from the Assessment of the Quality of Asset Portfolios of Credit Institutions Authorised under the Banking Act 1994

INSURANCE AND PENSIONS SUPERVISION

SOLVENCY II

- Information Note dated 27 December 2013 on Insurance Rule 31 of 2013 – Preparatory Measures for Solvency II Implementation
- MFSA Guidance Paper issued in 22 November 2013 on Insurance Groups under Solvency II
- Note for Information dated 4 October 2013 on the publication by EIOPA of the final Guidelines for the preparation of Solvency II
- Report issued in 30 April 2013 on the 2012 MFSA Standard Formula Exercise for Solvency II
- Circular dated 28 March 2013 on the EIOPA Consultation on the Guidelines for the preparation of Solvency II

PREVENTION OF MARKET ABUSE

- Circular to the financial services industry dated 28 June 2013 regarding the new Market Abuse Regulation

SECURITIES AND MARKETS SUPERVISION

AIFMD

- Circular to the financial services industry dated 3 December 2013 on changes to the Investment Services Rules for Investment Services Providers
- Circular addressed to the financial services industry dated 29 November 2013 on the Self-Assessment Questionnaires for Fund Managers and Self-Managed Collective Investment Schemes
- Circular addressed to the financial services industry dated 21 October 2013 on the publication by ESMA of the signed Alternative Investment Fund Manager Directive (AIFMD) cooperation agreements
- Circular to the financial services industry dated 6 September 2013 on the cooperation agreements signed by MFSA in relation to the Alternative Investment Fund Managers Directive (AIFMD).

- Circular addressed to the financial services industry dated 23 August 2013 on the ESMA Guidelines on key concepts of the AIFMD
- Circular addressed to the financial services industry dated 5 August 2013 regarding the European Securities and Markets Authority opinion on the practical arrangements for the late transposition of the AIFMD
- Circular addressed to the financial services industry dated 28 June 2013 regarding the European Commission proposal for a new investment fund framework
- Circular to the financial services industry dated 10 May 2013 on the issue by the Authority of Self-Assessment Questionnaires for Fund Managers and Self-Managed Collective Investment Schemes
- Circular to the financial services industry on dated 3 April 2013 on the publication by ESMA of draft regulatory technical standards to determine types of AIFMs
- Circular to the financial services industry dated 26 March 2013 on the consultation exercise on the Alternative Investment Fund Rulebook
- Circular to the financial services industry dated 22 March 2013 on the consultation exercise on the Rulebook applicable to de minimis Licence Holders
- Circular to the financial services industry dated 15 March 2013 on the publication of new Regulations which transpose the Alternative Investment Fund Managers Directive ('AIFMD')
- Circular to the financial services industry dated 14 February 2013 on the Alternative Investment Fund Managers Directive ('AIFMD')

COLLECTIVE INVESTMENT SCHEMES

- Circular to the financial services industry dated 30 August 2013 on the publication of revised Investment Services Rules for Retail Collective Investment Schemes and the Investment Services Rules for Professional Investor Funds
- Feedback Statement dated 9 May 2013 issued further to industry responses to the MFSA Circular dated 30 October 2012 on Cross Sub-Fund Investments
- Circular to the financial services industry dated 7 May 2013 on the publication of revised Investment Services Rules for Retail Collective Investment Schemes
- Circular to the financial services industry dated 7 March 2013 on the publication of revised version of the Investment Services Rules for Professional Investor Funds and of the Investment Services Rules for Retail Collective Investment Schemes
- Circular to the financial services industry dated 1 March 2013 on the publication of the revised Investment Services Rules for Retail Collective Investment Schemes
- Second Circular addressed to the investment services industry dated 5 February 2013 regarding the Prevention of Money Laundering and Funding of Terrorism (Amendment) Regulations, 2009

CRD IV

- Circular to the investment services industry dated 4 November 2013 regarding the proposed transposition of requirements of the Fourth Capital Requirements Directive (CRD)
- Circular dated 28 October 2013 regarding the implementation of the common reporting framework (COREP) under the capital Requirements Regulation (CRR)
- Circular to the financial services industry dated 27 June 2013 regarding the CRD IV Package
- Circular to the investment services industry dated 10 January 2013 regarding the Fourth Capital Requirements Directive (CRD IV) and the Capital Requirements Regulation (CRR) known together as the CRD IV Package

EMIR

- Circular to the financial services industry dated 20 November 2013 on the European Market Infrastructure Regulation ('EMIR')
- Circular to the financial services industry dated 18 November 2013 on the European Markets Infrastructure Regulation ('EMIR') - Legal Entity Identifiers
- Update to the financial services industry dated 14 November 2013 on European Markets Infrastructure Regulation ('EMIR')
- Note on the European Markets Infrastructure Regulation ('EMIR') dated 1 July 2013
- Circular to the financial services industry dated 27 March 2013 on the European Markets Infrastructure Regulation ('EMIR')
- Circular to the financial services industry dated 8 March 2013 on the European Markets Infrastructure Regulation ('EMIR')
- Circular to the financial services industry dated 8 January 2013 on the European Markets Infrastructure Regulation ('EMIR')

FINANCIAL MARKETS

- Circular dated 27 March 2013 on the Third Credit Rating Agencies Legislative Package

INVESTMENT SERVICES

- Circular addressed to the financial services industry dated 18 November 2013 on changes to the Investment Services Rules for Investment Services Providers
- MFSA Circular dated 17 July 2013 on investment services provided in relation to binary options
- Circular dated 7 May 2013 on the publication of revised Investment Services Rules for Investment Services Providers
- Circular to the financial services industry dated 1 March 2013 on the publication of the revised Investment Services Rules for Investment Services Providers

MIFID

- Circular addressed to the financial services industry dated 28 June 2013 regarding ESMA Guidelines on remuneration policies and practices (MiFID)

APPENDIX IV – CONSULTATION PAPERS AND FEEDBACK STATEMENTS ISSUED IN 2013

CONSULTATION PAPERS AND FEEDBACK STATEMENTS ISSUED BY THE BANKING SUPERVISION UNIT

BANKING ACT – CONSULTATION PAPERS

- Consultation on the proposed review of fees for Credit and Financial Institutions for the period 2014 to 2018
- Consultation on the proposed amendments to Banking Rule BR/09 - Credit Risk Provisioning By Credit Institutions Authorised Under The Banking Act 1994

CONSULTATION PAPERS AND FEEDBACK STATEMENTS ISSUED BY THE INSURANCE AND PENSIONS SUPERVISION UNIT

INSURANCE BUSINESS ACT – CONSULTATION PAPERS

- Consultation on the proposed review of Fees for Insurers, Reinsurers, Insurance Intermediaries And Retirement Funds for the period 2014 to 2018
- Consultation on the proposals for Reinsurance Special Purpose Vehicles Regulations

INSURANCE BUSINESS ACT – FEEDBACK STATEMENTS

- Feedback Statement further to Industry Responses to the MFSA Consultation Document on the Proposed Reinsurance Special Purpose Vehicle Regulations

RETIREMENT PENSIONS ACT – CONSULTATION PAPERS

- Consultation on the Regulations and Pension Rules to be issued under the Retirement Pensions Act

CONSULTATION PAPERS AND FEEDBACK STATEMENTS ISSUED BY THE SECURITIES AND MARKETS SUPERVISION UNIT

COMPANY SERVICE PROVIDERS ACT- FEEDBACK STATEMENT

- Feedback Statement further to Industry Responses to MFSA Consultation Document dated 23rd November 2012 regarding the proposed regulatory regime for Company Service Providers

INVESTMENT SERVICES ACT – CONSULTATION PAPERS

- Consultation on the proposed review of fees for Investment Service Providers, Collective Investment Schemes, Regulated Markets, Central Securities Depositories and Admissibility to listing for the period 2014 to 2018
- Consultation on the Emissions Allowances Auctioning Regulation applicable to Investment firms and Credit Institutions

AIFM DIRECTIVE - CONSULTATION PAPERS

- Consultation on the proposed implementation of the Alternative Investment Fund Managers Directive
- Consultation on the proposed implementation of the Alternative Investment Fund Managers Directive
- Consultation on the proposed implementation of the Alternative Investment Fund Managers Directive
- Consultation on the Alternative Investment Fund Rulebook
- Consultation on the Rulebook applicable to de minimis Licence Holders

AIFM DIRECTIVE – FEEDBACK STATEMENTS

- Feedback Statement on the MFSA Consultation Document issued on 18 September 2013 on the proposed implementation of the Alternative Investment Fund Managers Directive
- Feedback Statement further to Industry Responses to MFSA Consultation document dated 3 December 2012 on the proposed transposition of certain requirements of the Alternative Investment Fund Managers Directive
- Feedback Statement further to Industry Responses to MFSA Consultation document dated 26 March 2013 on the Rulebook Applicable to Alternative Investment Funds
- Feedback Statement further to Industry Responses to MFSA Consultation document dated 22 March 2013 on the Rulebook Applicable to de minimis Licence Holders

UCITS DIRECTIVE – CONSULTATION PAPERS

- Consultation on the proposed implementation of the Guidelines for Competent Authorities and UCITS Management Companies - Guidelines on ETFs and other UCITS issues

LISTING AUTHORITY POLICIES – CONSULTATION PAPERS

- Consultation Procedure on the proposed amendments to the Listing Policies

TRUSTS AND TRUSTEES ACT – CONSULTATION PAPERS

- Consultation on the proposed introduction of an Annual Compliance Return for Trustees and other Fiduciaries

TRUSTS AND TRUSTEES ACT – FEEDBACK STATEMENTS

- Feedback Statement to MFSA Consultation Document on the proposed amendments to the Trusts and Trustees Act and other related legislation

JOINT CONSULTATION PAPERS AND FEEDBACK STATEMENTS**SET-OFF AND NETTING ON INSOLVENCY ACT – CONSULTATION PAPER**

- Consultation procedure on the draft Financial Collateral Arrangements (Amendment) Regulations 2013

FINANCIAL CONGLOMERATES REGULATIONS – CONSULTATION PAPER

- Consultation on the proposed transposition of Directive 2011/89/EU [FICOD I]

APPENDIX V: ISSUED AND SURRENDERED LICENCES IN 2013

LICENCES ISSUED

FINANCIAL INSTITUTIONS

NEW LICENCES

- Finance House plc to carry out lending activities and trading for own account or for account of customers in Money Market Instruments.
- Em@ney plc to provide payment services and to issue electronic money.
- Corporate & Commercial FX Services Limited to provide payment services.
- C4U – Malta Limited to provide payment services and to issue electronic money.
- Malta MicroFinance Limited to carry out lending activities.
- Swish Payments Limited to provide payment services.

EXTENSION OF LICENCES

- Northway Financial Corporation Limited to provide longer term credit which is not restricted to microlending (payday lending).
- Northway Broker Limited to provide longer term credit which is not restricted to microlending (payday lending).

INSURANCE UNDERTAKINGS AND PROTECTED CELLS

NEW LICENCES

INSURANCE UNDERTAKINGS

- R & Q Insurance (Malta) Limited to carry on business of insurance and reinsurance in 13 classes of the general business.
- European Insurance Solution PCC Limited to carry on business of insurance in one class of the general business.
- Building Block Insurance (Malta) PCC Limited to carry on business of insurance in all classes of the general business.

PROTECTED CELLS

- TVIS Cell has been approved as a cell of Atlas Insurance PCC Limited.
- Cell A18 has been approved as a cell of White Rock Insurance (Europe) PCC Limited.
- REI Cell has been approved as a cell of HighDome PCC Limited.
- WEEE Cell has been approved as a cell of European Insurance Solution PCC Limited.
- PUMA Cell has been approved as a cell of Genghis Insurance PCC Limited.

INSURANCE INTERMEDIARIES

NEW LICENSES

PROTECTED CELLS

- Novins Cell has been approved as a cell of Ark Insurance Management PCC Limited.
- Lex Risk Solutions Cell has been approved as a cell of Jatco Insurance Brokers PCC Limited.

INSURANCE BROKERS

- South Risk Insurance Brokers Limited was enrolled in the Brokers List.
- Lawsons Equity Limited was enrolled in the Brokers List.

EXTENSION OF LICENCES, REVISIONS, MERGERS AND CONVERSIONS

INSURANCE UNDERTAKINGS

- Axeria Assistance Limited to carry on business of insurance and reinsurance in one additional class of the general business.
- Palatina Insurance Limited to carry on business of affiliated reinsurance in three additional classes of the general business.
- Genghis Insurance PCC Limited to carry on business of insurance and reinsurance in two additional classes of the general business.
- Trinity Lane Insurance Company Limited to carry on business of insurance in four additional classes of the general business.
- Caversham Insurance (Malta) Limited to carry on business of insurance in two additional classes of the general business.
- HighDome PCC Limited to carry on business of insurance and reinsurance in one additional class of the general business.
- ArgoGlobal SE to carry on business of insurance in one additional class of the general business.
- R & Q Insurance (Malta) Limited to carry on business of insurance and reinsurance in five additional classes of the general business.
- Axeria Life International PCC Limited merged into Axeria Assistance Limited, a company authorised to carry on business of insurance and reinsurance.

PROTECTED CELL COMPANIES

- Approval for the conversion of Genghis Insurance Company Limited into a protected cell company, Genghis Insurance PCC Limited.

PROTECTED CELLS

- PUMA Cell to carry on business of insurance and reinsurance in one additional class of the general business.
- A2 Cell to carry on business of insurance in two additional classes of the general business.
- Ocado Cell to carry on business of insurance in three additional classes of the general business.

INSURANCE INTERMEDIARIES

PROTECTED CELL COMPANIES

- Approval for the conversion of Ark Insurance Management (Malta) Limited into a cell company, Ark Insurance Management PCC Limited.

- Approval for the conversion of Aon Insurance Managers (Malta) Limited into a protected cell company, Aon Insurance Managers (Malta) PCC Limited.
- Approval for the conversion of Jatco Insurance Brokers Limited into a protected cell company, Jatco Insurance Brokers PCC Limited.

INSURANCE AGENTS

- MIB Insurance Agency Limited to act as insurance agent on behalf of Aegis Syndicate 1225 in respect of one class of the general business.

INVESTMENT SERVICES

NEW LICENSES

CATEGORY 1A

- Darwin Alpha Limited to provide the services of reception and transmission of orders, investment advice and placing of instruments without a firm commitment basis to Retail Clients.

CATEGORY 2

- True Value Fund Management Limited to provide the service of investment management to Collective Investment Schemes.
- Elgin (Europe) Limited to provide the service of investment management to Retail Clients.
- Rascasse Investments Limited to provide the service of investment management to Professional Clients (including Collective Investment Schemes).
- Brokersclub Limited to provide the service of execution of orders on behalf of other persons.
- Heptagon Capital Limited to provide the services of investment management and investment advice for Retail Clients, Professional Clients (including Collective Investment Schemes) and Eligible Counterparties.
- Sensus Capital Markets Limited to provide the services of execution of orders on behalf of other persons and to provide reception and transmission of orders to Retail Clients, Professional Clients (including collective investment schemes).
- Altruid Systems Limited to provide the service of investment management to Professional Clients (including Collective Investment Schemes).
- Cresco Capital Markets (Malta) Limited to provide the services of execution of orders on behalf of others to Retail Clients, Professional Clients (including collective investment schemes) and Eligible Counterparties and to provide reception and transmission of orders to Professional Clients (including Collective Investment Schemes) and Eligible Counterparties.
- Thybo Investment Management (Malta) Limited to provide the services of investment management to Professional Clients (including Collective Investment Schemes) and to deal on own account as well as to hold and control clients' money and assets.
- Multi Partners Financial Services Limited to provide the service of investment management to Professional Clients (including Collective Investment Schemes).
- Port FX Limited to provide the services of execution of orders and to provide reception and transmission of orders for Retail Clients, Professional Clients (excluding Collective Investment Schemes) and Eligible Counterparties.
- Timeless Asset Management Limited to provide the services of investment management to Professional Clients (including Collective Investment Schemes) and Eligible Counterparties and to hold or control Clients' Money or Customers' Assets.
- RTFX Fund Management Limited to provide the service of investment management to Professional Clients (including Collective Investment Schemes).

- Auriga Asset Management Limited to provide the service of investment management to Professional Clients (including Collective Investment Schemes) and Eligible Counterparties.
- Mediterrania Capital Partners Limited to provide the service of investment management and to hold or control Clients' Money or Customers' Assets, but not to deal for their own account or underwrite.
- Vertigo Management Services Limited to provide the service of investment management for Professional Clients (including Collective Investment Schemes).
- FX International Limited to provide the services of reception and transmission of orders, investment advice and investment management to Retail Clients and Professional Clients (excluding Collective Investment Schemes).
- Scotstone Fund Managers Limited to provide the services of investment management to Professional Clients (including Collective Investment Schemes) and to provide the service of investment advice to Professional Clients (including Collective Investment Schemes) and Eligible Counterparties.

CATEGORY 2 & 4

- Citco Custody Limited to provide the services of execution of orders on behalf of other persons, reception and transmission of orders, nominee, trustee and custody for Retail Clients, Professional Clients (including Collective Investment Schemes) and Eligible Counterparties.

CATEGORY 3

- Domino Forex Limited to provide the services of reception and transmission of orders, execution of orders and dealing on own account for Retail Clients and Professional Clients (including Collective Investment Schemes).

INVESTMENT SERVICES – EXTENSION AND REVISION OF LICENCES

EXTENSIONS

- Altarius Asset Management Limited to provide investment advice services to Collective Investment Schemes.
- Gamma Capital Markets Limited to provide investment advice services to Professional Clients (including Collective Investment Schemes).
- NBG Bank Malta Limited to include Collective Investment Schemes as target clients and transferable Securities and Money Market Instruments as additional investment instruments.
- Pamplona PE Investments Limited to provide Investment Advice to Professional Clients (including Collective Investment Schemes) solely in relation to transferable securities.

REVISIONS

- Altarius Asset Management Limited to remove the reference to Management to Retail Clients from its licence.

RECOGNISED FUND ADMINISTRATORS

NEW LICENSES

- Citco Fund Services (Malta) Limited.
- Equinox AIS Malta Limited.

COLLECTIVE INVESTMENT SCHEMES

NEW LICENSES

PROFESSIONAL INVESTOR FUNDS – QUALIFYING INVESTORS

- Himalaya SICAV plc in respect of five sub-funds.
- J&T Advanced Solutions SICAV plc in respect of one sub-fund.
- Malta IFP SICAV plc in respect of two sub-funds.
- Taliti Funds SICAV plc in respect of four sub-funds.
- TGA Funds SICAV plc in respect of three sub-funds.
- Abundance & Prosperity SICAV plc in respect of one sub-fund.
- Aurelius SICAV plc in respect of one sub-fund.
- HMP Woodman Funds SICAV plc in respect of three sub-funds.
- Litmus Umbrella SICAV plc in respect of one sub-fund.
- Odyssey SICAV plc in respect of one sub-fund.
- Patronus Invest SICAV plc in respect of three sub-funds.
- The Nascent Funds SICAV plc in respect of two sub-funds.
- Concorde SICAV plc in respect of four sub-funds.
- Unimar Total Return Bond Fund SICAV plc in respect of one sub-fund.
- Zodial Opportunites Fund SICAV plc in respect of one sub-fund.
- Bulkara Capital SICAV plc in respect of one sub-fund.
- Burren Global Arbitrage II Fund SICAV plc.
- Burren Global Arbitrage II Master Fund SICAV Ltd.
- Burren Global Arbitrage Opportunites Master Fund SICAV Limited.
- Hedge Invest Alternative Funds SICAV plc in respect of one sub-fund.
- Innocap Fund SICAV plc in respect of four sub-funds.
- NBCG Fund SICAV plc in respect of four sub-funds.
- Rascasse Capital SICAV plc in respect of one sub-fund.
- RBAM I Funds SICAV plc in respect of one sub-fund.
- Resco Funds SICAV plc in respect of two sub-funds.
- Valletta Global Multi Strategy SICAV plc in respect of one sub-fund.
- Sunshine Fund (Malta) SICAV Limited in respect of one sub-fund.
- PSquared Master SICAV Limited in respect of one sub-fund.
- PSquared SICAV plc in respect of one sub-fund.
- Cembra Brazil Fund SICAV plc.
- Cembra India Fund SICAV plc.
- Cembra Gold Fund SICAV plc.
- Cembra East Fund SICAV plc.
- Cembra High Yield Fund SICAV plc.
- Greater China Value Partners Fund SICAV plc.
- MCM Global Opportunities Fund SICAV plc in respect of three sub-funds.
- Metatron Capital SICAV plc in respect of one sub-fund.
- Polaris Finance SICAV plc in respect of one sub-fund.
- Prestige SICAV plc in respect of two sub-funds.
- Spinoza Capital SICAV plc in respect of two sub-funds.
- Sunshine Fund (Malta) SICAV Limited in respect of one sub-fund.
- Trips SICAV plc in respect of one sub-fund.
- Tourist Investment Fund SICAV plc in respect of one sub-fund.
- Excellence Investment Umbrella SICAV plc in respect of two sub-funds.

- IJC Funds SICAV plc in respect of two sub-funds.
- Knights of Malta Investment Funds SICAV plc in respect of one sub-fund.
- Meltemi Capital SICAV plc in respect of one sub-fund.
- Comino Umbrella Fund SICAV plc in respect of one sub-fund.
- Jacaranda Special Situations SICAV plc in respect of one sub-fund.
- Mediterrania Capital II SICAV plc.
- Cerro Torre SICAV plc in respect of one sub-fund.
- VIP Select Funds SICAV plc in respect of one sub-fund.
- Bluechip SICAV plc in respect of one sub-fund.
- Ananea Funds SICAV plc in respect of one sub-fund.
- Palladium Fund SICAV plc in respect of one sub-fund.
- Swiss Investment Funds SICAV plc in respect of one sub-fund.
- TTC SICAV plc in respect of one sub-fund.

PROFESSIONAL INVESTOR FUNDS – EXPERIENCED INVESTORS

- RS Resources (Malta) SICAV plc in respect of one sub-fund.
- Comino Umbrella Fund SICAV plc in respect of one sub-fund.
- Cerro Torre SICAV plc in respect of two sub-funds.
- J&T Advanced Solutions SICAV plc in respect of one sub-fund.
- AIS Capital Management Investment Fund SICAV plc in respect of two sub-funds.
- PMG Partners SICAV plc in respect of one sub-fund.

PROFESSIONAL INVESTOR FUNDS – EXTRAORDINARY INVESTORS

- EurAsia Alternative Investments Fund SICAV plc in respect of two sub-funds.
- Falcon NR&I SICAV plc in respect of three sub-funds.
- IJC Funds SICAV plc in respect of one sub-fund.
- Futura Funds SICAV plc in respect of one sub-fund.
- Signature Opportunities Fund SICAV plc in respect of one sub-fund.
- Concorde SICAV plc in respect of one sub-fund.
- RIVATE SCHEMES
- Trumpington Street Investments SICAV plc.
- Brokart Investment Unit Trust Fund.

UCITS

- Eiger SICAV plc in respect of one sub-fund.
- Libero International SICAV plc in respect of two sub-funds.
- Solid Future UCITS Funds SICAV plc in respect of one sub-fund. Vilhena Funds SICAV plc in respect of five sub-funds.
- Finex Navigator UCITS SICAV plc in respect of one sub-fund.
- 2.1 Alternative Investments SICAV plc in respect of one sub-fund.
- Calamatta Cuschieri Funds SICAV plc in respect of one sub-fund.
- Falcon Funds SICAV plc in respect of three sub-funds.
- Tortuga Fonds SICAV plc in respect of three sub-funds.

COLLECTIVE INVESTMENT SCHEMES – CONVERSIONS

- CTH SICAV plc - Prynicipia Fund was converted from a Professional Investor Fund targeting Experienced Investors to a Professional Investor Fund targeting Qualifying Investors.
- Calamatta Cuschieri Funds SICAV plc was converted from Retail Non-UCITS to UCITS scheme.
- Amalgamated Investments SICAV plc - Amalgamated Growth & Income Fund was converted from a Professional Investor Fund targeting Experienced Investors to a Professional Investor Fund targeting Qualifying Investors.

RECOGNISED INCORPORATED CELL COMPANIES

NEW LICENSES

RECOGNITION CERTIFICATE ISSUED

- Sei Private Invest Fund RICC Limited to provide incorporated cells with administrative services.
- Aros RICC Limited to provide incorporated cells with administrative services.
- MAG Fund Solutions RICC Limited to provide incorporated cells with administrative services.

INCORPORATED CELLS

- Feracs World Opportunities IC SICAV plc as an incorporated cell of AKJ Simplon RICC Limited to carry out the activities of Professional Investor Fund targeting Qualifying Investors.
- Red Sandalwood Dynamic Fund IC SICAV plc as an incorporated cell of AKJ Simplon RICC Limited to carry out the activities of Professional Investor Fund targeting Qualifying Investors.
- Q Behavioural Global Macro Fund IC SICAV plc (previously known as LE Capital Global Alpha IC SICAV plc) as an incorporated cell of AKJ Simplon RICC Limited to carry out the activities of Professional Investor Fund targeting Qualifying Investors.
- The Cape Global Trading Fund IC SICAV plc as an incorporated cell of AKJ Simplon RICC Limited to carry out the activities of Professional Investor Fund targeting Qualifying Investors.
- Aros Bond Strategies SICAV IC plc as an incorporated cell of Aros RICC Ltd to carry out the activities of Professional Investor Fund targeting Qualifying Investors.
- Escalade Fund IC SICAV plc as an incorporated cell of AKJ Simplon RICC Limited to carry out the activities of Professional Investor Fund targeting Qualifying Investors.
- Wake World Equities Hedged IC SICAV plc as an incorporated cell of AKJ Simplon RICC Limited to carry out the activities of Professional Investor Fund targeting Qualifying Investors.
- Wake World Equities IC SICAV plc as an incorporated cell of AKJ Simplon RICC Limited to carry out the activities of Professional Investor Fund targeting Qualifying Investors.
- Nivesa Private Fund IC SICAV plc as an incorporated cell of Sei Private Invest Fund RICC Ltd to carry out the activities of Professional Investor Fund targeting Extraordinary Investors.

TRUSTEES AND FIDUCIARIES

AUTHORISATION ISSUED

- Aequitas Trust & Fiduciary Limited to act as a trustee and to provide other fiduciary services (including acting as an administrator of private foundations).
- Forteq Limited to act as a trustee and to provide other fiduciary services (including acting as an administrator of private foundations).
- IMS Limited to act as a trustee and to provide other fiduciary services (including acting as an administrator of private foundations).
- Mare Nostrum Melita Limited to provide fiduciary services in terms of Article 43 of the Trusts and Trustees Act.
- Equiom (Malta) Limited to act as a trustee and to provide other fiduciary services (including acting as an administrator of private foundations).
- Boston Trust and Fiduciary Services (Malta) Limited to act as a trustee and to provide other fiduciary services (including acting as an administrator of private foundations).
- Kinanis Fiduciaries Limited to provide fiduciary services which do not include acting as trustee.
- Perfin Services Limited to provide fiduciary services which do not include acting as trustee.
- Confiance Malta Limited to act as a trustee and to provide other fiduciary services (including acting as an administrator of private foundations).
- Praxis Trustee & Corporate Services (Malta) Limited to act as a trustee and to provide other fiduciary services (including acting as an administrator of private foundations).

TRUSTEES AND FIDUCIARIES – EXTENSIONS

- Mdna Trust Services Limited to include acting as an administrator of private foundations.
- EMD Trust Services Limited to include acting as an administrator of private foundations.
- FACT Services Limited to include acting as an administrator of private foundations.
- Osiris Trust Limited to include acting as an administrator of private foundations.
- Custom House Global Fund Services Limited to include acting as an administrator of private foundations.
- FJV Fiduciary Limited to include acting as an administrator of private foundations.

PENSIONS

NEW CERTIFICATES OF REGISTRATION

RETIREMENT SCHEMES

- US Pioneer Retirement Plan.
- Harbour Retirement Scheme.
- Pioneer Retirement Scheme.
- Voyager Retirement Scheme.
- US Voyager Retirement Scheme
- The Rinella Retirement Benefit Scheme.
- The Falcon Plan.
- Harbour Protected Retirement Scheme.
- Harbour US Qualified Retirement Scheme.
- The Centaurus Lite Retirement Benefit Scheme.
- Pathfinder Retirement Scheme.
- US Pathfinder Retirement Scheme.
- Explorer Retirement Scheme.
- US Explorer Retirement Scheme.
- The MCT Maltet International Retirement Scheme

RETIREMENT SCHEMES ADMINISTRATORS

- Trireme Pension Services (Malta) Limited.
- Harbour Pensions Limited.
- Abacus Corporate Services Limited.

RETIREMENT FUND ADMINISTRATORS

- Praxis Fund Services (Malta) Limited.

RETIREMENT FUNDS

- Trireme Pension SICAV plc.
- Trireme Pension (US) SICAV plc.

ASSET MANAGERS

- Curmi & Partners Ltd.
- LCF Edmond de Rothschild Asset Management (C.I.) Limited.
- DPZ Capital Limited.

SURRENDERED LICENCES

BANKING

CREDIT INSTITUTIONS

- Fortis Bank Malta Limited.

INSURANCE

INSURANCE UNDERTAKINGS

- Axeria Life International PCC Limited.

INSURANCE BROKERS

- FPC Investment Consultants Limited.

INVESTMENT SERVICES

CATEGORY 1A LICENCE

- Quest Investment Services Limited.
- ROCS Services Limited.
- FPC Investment Consultants Limited.
- Sharp Advisory Limited.

CATEGORY 2 LICENCE

- BlueGold Investments Limited.
- Financial + Investment Services Limited.
- Duet Alternative Investments Limited.
- HSBC Stockbrokers (Malta) Limited.
- True Value Fund Management Limited.

COLLECTIVE INVESTMENT SCHEMES

PROFESSIONAL INVESTOR FUND – QUALIFYING INVESTORS

- Innocap Fund SICAV plc in respect of sixteen sub-funds.
- NBCG Fund SICAV plc in respect of seventeen sub-funds.
- NEF Funds SICAV Ltd in respect of one sub-fund.
- NEF Global Resources SICAV Ltd in respect of one sub-fund.
- NEF Nordic Power SICAV Ltd in respect of one sub-fund.
- The Nascent Fund SICAV plc in respect of one sub-fund.
- VIP Select Funds SICAV plc in respect of four sub-funds.
- Resco Funds SICAV plc in respect of one sub-fund.
- SF Global Equity Fund SICAV plc.
- SF Global Equity Master Fund SICAV Limited.
- Neutron Fund SICAV plc in respect of one sub-fund.
- Alphabetos Funds SICAV plc in respect of two sub-funds.
- Forsythe Investment SICAV plc in respect of one sub-fund.
- Paragon SICAV plc in respect of one sub-fund.
- Prestige SICAV plc in respect of one sub-fund.
- Shelter Island Fund SICAV plc in respect of one sub-fund.
- World Dynamic Fund SICAV plc in respect of one sub-fund.

- Novium Opportunity Umbrella SICAV plc in respect of two sub-funds.
- Century Leader SICAV plc.
- PMG Focus Funds SICAV plc in respect of one sub-fund.
- Adaptiverse SICAV plc in respect of one sub-fund.
- TPO Global Opportunités SICAV plc.
- Burren Global Arbitrage II Master Fund SICAV Limited.
- Burren Global Arbitrage II Fund SICAV plc.
- Patronus Invest SICAV plc in respect of one sub-fund.
- Axiom Capital Partners SICAV plc.
- Abundance & Prosperity SICAV plc.
- Level E Capital SICAV plc in respect of one sub-fund.
- Renaissance Institutional Equities Fund SICAV plc.
- Renaissance Institutional Diversified Alpha Fund SICAV plc.
- Amati Fund SICAV plc in respect of one sub-fund.

PROFESSIONAL INVESTOR FUND – EXPERIENCED INVESTORS

- HFH SICAV plc in respect of one sub-fund.

PROFESSIONAL INVESTOR FUND – EXTRAORDINARY INVESTORS

- SC Malta SICAV plc.

UCITS

- Celsius Fund SICAV plc in respect of one sub-fund.
- Vilhena Funds SICAV plc in respect of four sub-funds.

RETAIL NON-UCITS

- La Valette Funds SICAV plc in respect of seven sub-funds.
- Wignacourt Funds SICAV plc in respect of one sub-fund.

FOREIGN BASED

- Brewin Dolphin Portfolios Limited in respect to one sub-fund.
- Lloyds TSB Offshore Funds Limited in respect to one sub-fund.

TRUSTEES AND FIDUCIARIES

- Integrated-Capabilities Limited.
- Chartered Trust Limited.

CANCELLED LICENCES

COLLECTIVE INVESTMENT SCHEMES

- Pan European Umbrella SICAV plc.
- Norvik (Malta) SICAV plc.

APPENDIX VI - MEMORANDA OF UNDERSTANDING IN FORCE

Entity	Scope of Agreement
Bilateral MoU with Foreign Regulators	
Australian Prudential Regulation Authority	Banking and Insurance
Austrian Financial Market Authority	Credit Institutions
Banking Regulation and Supervision Agency of Turkey	Banking
Belgian Banking and Finance Insurance Commission	Banking
Bermuda Monetary Authority	Insurance, Credit Institutions and Trusts
Capital Markets Board of Turkey (Sermay Piyasasi Kurulu)	Securities
Cayman Islands Monetary Authority	Credit Institutions, Insurance, Securities and Trusts
Central Bank of Portugal	Credit Institutions
Central Bank of Cyprus	Credit Institutions
Central Bank of Netherlands (DNB)	Banking
China Banking Regulatory Commission	Banking
China Securities Regulatory Commission	Securities
Dubai Financial Services Authority	Securities, Credit Institutions, Insurance and Trusts
Financial Services Board of South Africa	Securities, Insurance and Pension Funds
German Federal Financial Supervisory Authority (BaFin)	Banking, Securities and Insurance (Primarily Banking)
Gibraltar Financial Services Commission	Banking, Securities and Insurance.
Guernsey Financial Services Commission	Banking, Investment Services, Insurance and Fiduciary Services
Isle of Man Financial Services Commission	Securities and Banking
Isle of Man Insurance and Pensions Authority	Mutual Assistance and exchange of information
Italian Securities and Exchange Commission (CONSOB)	Securities
Jersey Financial Services Commission	Mutual Assistance and exchange of information
Mauritius Financial Services Commission	Securities, Insurance and Pensions
National Bank of Slovakia	Banking, Insurance and Securities
Nebraska Department of Insurance	Insurance
Qatar Financial Centre Regulatory Authority	Banking, Financial and Insurance related business
Securities Market Commission of Portugal	Securities

Swiss Financial Market Supervisory Authority	Banking and Securities
UK Financial Services Authority	Banking, Insurance and Investment Services
Multilateral MoUs and Protocols	
EIOPA	Insurance and occupational Pensions
ESMA	Securities
Financial Supervisory Authorities, Central Banks and Finance Ministries of the EU	Cross-Border Financial Stability
International Association of Insurance Supervisors (IAIS)	Exchange of Information in insurance regulatory and supervisory matters
IOSCO	Securities
Bilateral MoU's with Local Authorities	
Central Bank of Malta	Payment and Securities settlements systems, and on the Exchange of Information in the Fields of Financial Services
Ministry of Finance, the Economy and Investment and Central Bank of Malta	Co-operation in the management of financial crisis situations
Office of Fair Competition	Mutual Assistance and exchange of information

APPENDIX VII – PENDING APPEALS BEFORE THE FINANCIAL SERVICES TRIBUNAL

1. Christopher J. Pace v. MFSA (Case Ref: FST3/09)
An appeal from a penalty imposed by the MFSA for alleged insider dealing in GlobalCapital plc shares.
2. Nicholas Portelli v. MFSA (Case Ref: FST04/09)
An appeal from a penalty imposed by the MFSA for alleged insider dealing in GlobalCapital plc shares.
3. James Blake v. MFSA (Case Ref: FST5/09)
An appeal from a penalty imposed by the MFSA for alleged insider dealing in GlobalCapital plc shares.
4. European Insurance Group Ltd v. MFSA (Case Ref: FST01/10)
An appeal from a decision of the MFSA to revoke the company's licence to carry on insurance business.
5. Bank of Valletta plc v. MFSA (Case Ref: FST04/11)
An appeal from a decision of the MFSA to issue a directive in connection with the La Vallette Multi-Manager Property Fund.
6. Denise Zammit v. MFSA (Case Ref: FST01/12)
An appeal from a decision of the MFSA not to enrol Ms Zammit in the register of insurance brokers.
7. Bank of Valletta plc v. MFSA (Case Ref: FST02/12)
An appeal from a fine for breach of the MFSA's rules record-keeping, suitability and disclosure to potential investors.
8. Bank of Valletta plc v. MFSA (Case Ref: FST03/12)
An appeal from the MFSA's decision to order an independent file review of Bank of Valletta's La Vallette Multi-Manager Property Fund client files.
9. MFSP Financial Management Ltd v MFSA (Case Ref: FST04/12)
An appeal from a fine for failure to properly apply the appropriateness and suitability tests when selling asset-backed securities, specifically the ARM Bond, to retail investors.
10. All Invest Company Limited v MFSA (Case Ref: FST 1/13)
An appeal from a decision of the MFSA to suspend All Invest's licence for, amongst others, failure to correctly apply the appropriateness and suitability tests when selling asset-backed securities, specifically the ARM Bond, to retail investors.
11. All Invest Company Limited and Wallace Falzon v MFSA (Case Ref: FST 2/13)
An appeal from a directive of the MFSA requiring All Invest to do all in its power to delay the winding-up of its business following All Invest's application to the Court for the dissolution and winding-up of the company.

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