MFSA

MALTA FINANCIAL SERVICES AUTHORITY

ANNUAL REPORT 2014

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CHAIRMAN'S STATEMENT

The Malta Financial Services Authority is pleased to present this report of its activities in 2014.

During 2014 the finance industry continued to grow and experience high levels of activity and business flow. Statistical information and reports from the Authority's senior executive and from its operational units appear later in the annual report.

2014 was a wholly progressive year for the financial services industry in the country and for the Malta Financial Services Authority (MFSA – hereinafter also referred to as the 'Authority'). Malta stood out in Europe as one of very few countries experiencing real growth, falling unemployment and stable public finances. The year again saw Malta enter the global top ten for the soundness of its banks and ranked in the top fifteen for its audit and reporting standards. More positive news came with the International Monetary Fund (IMF) Article IV assessment that "Malta continues to host a relatively large financial sector without exposing itself to excessive risk."

Maintaining the stability of the financial system in Malta is one of the fundamental duties of care of the MFSA. It is a duty we share with others and we are naturally pleased that our efforts have contributed to the stability Malta currently enjoys. Economic and financial system stability breeds confidence and it is confidence that is at the heart of successful economies. Success breeds success.

What we have done in Malta is develop a formula that underpins our success and gives us a solid platform for the future. Our Maltese formula is this: European Union (EU) membership; local political consensus; high quality, well-trained people; a genuine welcome from Malta's authorities and people; robust and flexible regulation; and innovation to open up new opportunities for the finance industry and its clients.

The MFSA is a champion of innovation. Our philosophy is not to find reasons why a thing should not be done but to find ways to make beneficial things happen. Innovation is the evolution of proven products, services and structures to make more things possible. As a country we approach innovations in financial services in a steady, thoughtful, considered and measured way. It is innovation that builds on a sound base of legislation, proven regulation, deep market and product knowledge and well-researched information that gives confidence to consumers, providers and regulators. The MFSA's track record of innovation has helped the industry open up new markets, find more productive ways to utilise capital, widened the range of products available to retail and professional customers and stimulated competition in price, service delivery and product features and benefits.

Innovation has been a feature of our national commitment to making financial services a pillar of the Maltese economy since the modern era of finance in Malta began in 1994. In a world where offshore jurisdiction was the structure of choice for small economies, we elected for onshore and moved into the mainstream. As early as 2001 we launched an e-money initiative, making Malta one of the first jurisdictions in the world to see the impact of the internet. When the country joined the EU in 2004 our legislation and regulation was ready because we had spent the preceding decade making Malta EU compliant. Once in the EU we developed innovative structures for the funds industry. In 2004 Malta had thirty funds. Today that number has grown many times.

On reinsurance, we have in less than ten years gone from an almost blank sheet to be an EU preferred location for world-ranked corporations. Our innovations made redomiciliation faster, cheaper and more efficient, and we have since built a suite of insurance and reinsurance rules and legislation that have kept the country competitive and attractive for business. Perhaps one of the most innovative developments in insurance was the 2014 introduction of the regulations permitting protected cell companies for asset-back securitisations and insurance-linked securities.

Now we have the innovation of the European Wholesale Securities Market (EWSM). It is another development that promises to contribute to more success. The EWSM is a joint venture between the stock exchanges of Malta and Ireland. It represents two of the EU's smaller economies working together to create a new front rank institution. One example of the benefits of this cross-border partnership is the potential for Malta-registered Reinsurance Special Purpose Vehicles to list debt securities on the EWSM. Promoters benefit from speed, competitive pricing and familiar legislation and regulation.

Preparing for future opportunities

On the horizon is the European Capital Markets Union (ECMU). Consultation on the creation of the ECMU was launched by the EU Commission in February 2015. The initiative has been described as an engine of growth for Europe. Among the central aims of the ECMU are to knock away barriers that block or discourage cross-border trading in the financial marketplace, unlock underused capital and provide alternative sources of finance for the small business sector across the EU. A key element will be building a legislative and regulatory regime across the EU that gives people the same confidence in dealing with a business in another EU country as they have in their own domestic providers. The EU's ambition to create the ECMU has been widely welcomed and we in Malta see it as one of the single most important initiatives the EU has ever promoted. Among its many strengths is its potential to provide ordinary savers and investors across the EU with opportunities to invest in small and medium businesses throughout the EU. Not only will the EU open up a new era of competition and new products and services it has the potential to strengthen the entire EU economy and create new jobs. Many of the innovations Malta has introduced over the years will fit comfortably into an ECMU structure.

At the MFSA we will be responding to the ECMU consultation and have already begun to research and discuss the structures and regimes needed for Malta to take advantage of the ECMU as soon as its birth is announced.

We prepared in 2014 a large range of legislative changes and enhancements for the tabling to Parliament in 2015. The purpose of the changes vary and include competiveness measures, improving consumer protection, risk management evaluation and the quality of risk management and governance systems. The latter will greatly strengthen the responsibility of individuals and boards for the proper management of financial organisations. Other legislative actions will affect financial markets and instruments and market abuse measures, credit rating agencies and will see the implementation of EU companies' registry requirements. A raft of other European measures will come into force once approved by the EU institutions.

Tight cost controls to stay competitive

One of the consequences of the 2008 crash has been the inevitable increase in the cost of regulation. Every country has witnessed regulatory cost inflation because of wide ranging changes in regulatory structures and requirements. At the MFSA we are acutely aware of our responsibility to stay lean and efficient while delivering an effective service to the public, the industry and the country. Historically, the Authority has reviewed the fees charged to the industry on a five-year cycle. Our approach has assisted licensees with business planning, helped keep prices down for consumers and added to Malta's global competitiveness.

In our drive to keep down costs and raise efficiency we have continued to invest in advanced IT, in quality people to run and maintain our systems, and to look to IT to minimise bureaucracy and speed up processes. However, at the core of the MFSA is the need to have intelligent and well-qualified people. We will continue to invest in people and in their continuing professional development. As always, the MFSA made a substantial practical contribution to industry training and education in 2014. The best run financial businesses in Malta adopt the same policy.

New structures for Authority

Malta, as an EU member enjoying many benefits of membership, has been and remains a committed advocate of an EU-wide level playing field in financial law and regulation. The MFSA has steadily and carefully been managing the very big changes that the post-crash EU financial regulation and supervision regime has brought. In 2015 we will embark on yet another series of profound changes in the way the MFSA is organised particularly with the introduction of a Conduct of Business supervisory regime separate from the Prudential one.

Over the past twenty years the Authority and the finance industry have benefited from well-established technical processes and a culture of constructive consultation on generic issues. This cooperation has been good for consumers, good for Malta and good for the industry. In introducing new ways of doing things we aim to create a more robust environment for consumers while maintaining strengths that have served the country well in the past. Of equal importance is maintaining the MFSA's core values of impartiality, fairness and professionalism.

In addition to the need for the MFSA to change to meet new global attitudes to consumer protection and in response to new EU requirements, the government of Malta has also led on seeking a stronger consumer protection environment. Most notably it seeks the establishment of an independent Financial Services Arbiter.

Consequently, the MFSA will set out to establish five key pillars of consumer protection reform in 2015.

- Enhanced institutional framework
- Improved regulatory framework
- Stronger implementation
- Strengthened enforcement
- Support for other structures, such as the Financial Services Arbiter

We are as innovative and measured in introducing a new structure to the Authority as we have been in enabling the industry to offer its customers new products and services.

Global strength

Malta has been a high quality mainstream jurisdiction for many years. 2014 saw the country move up onto a higher plane. I am confident that Malta now has all the credentials necessary to see significant further growth in the finance sector over the next five years. We can expect expansion and diversification across the industry. We can expect further inward investment as Malta consolidates its position as a jurisdiction rooted in the EU and increasingly finds new opportunities in global markets.

We have good reason to be confident, though we must remain realistic. The US and the UK appear to be on the road to sustained recovery and Asia remains buoyant. While it is too early to know the impact of recent measures to kick-start the European economies, prospects for growth have been rekindled. There can be little doubt, though, that global growth would be stronger and the future more confident, were it not for the conflicts and tensions in a number of key regions. Any new global economic instability may have its roots in the current geopolitical landscape, rather than in the world's financial system. However these tensions have existed for some time and during the period Malta's finance sector has grown. There will be many reasons for that. Most certainly the stability of our financial services system, the strength of the national economy and the agility with which we respond to changing circumstances are prime among them.

Executive and board

No part of the MFSA was left untouched by change in 2014 and this equally applied to the most senior part of the organisation.

Ms Marianne Scicluna took up her position of MFSA Director General in August 2014. Ms Scicluna, who is one of the most senior women in financial regulation in Europe, joined the MFSA in 1995 and intimately understands the complexities and demands of her new post. She succeeds Dr Andre Camilleri. I wish to thank Dr Camilleri for his distinguished service to the MFSA. A number of long-serving and highly valued Governors retired from the board during 2014. They helped guide the MFSA through years of great progress and some testing challenges. They gave freely of their experience, knowledge and skills and I thank them all for their service. New board members have been appointed and the Authority has already benefited from their wise counsel. In concluding, I wish to thank past and new Governors and the staff who served the Authority in 2014. Their work and commitment is greatly appreciated.

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

Chairman

Prof. Joe V. Bannister, B.Sc, M.Sc, D.Phil (Oxon)

Members

Mr. Albert A. Attard
Prof. Josef Bonnici, B.A.(Hons.), M.A., Ph.D.
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.

SUPERVISORY COUNCIL

Chairperson
Ms. Marianne Scicluna B.A (Hons.) Bnkg. & Finance, M.Sc (Fin. Reg. & Compliance Mngt.)
Director General (w.e.f. 8th August 2014)

Dr. Andre Camilleri LL.D, Dip. Econ. & Ind. Law
Director General (up to 7th August 2014)

Members
Dr. Marisa Attard LL.D, ACII
Director – Insurance and Pensions Supervision Unit

Dr Christopher Buttigieg B.Com. (Melit.), B. Accty. (Hons) (Melit.), M.A. Fin. Ser (Melit.), M.A. EU Law and Soc (Sussex), D.PHIL Law Studies (Sussex), C.P.A.
Director – Securities and Markets Supervision Unit (w.e.f. 10th June 2014)

Mr. Karol Gabarretta B.A (Hons.) Econ., M.A (Fin. Serv.)
Director – Banking Supervision Unit

Ms Angele Galea St John BA (Hons) Accty, MSc (Risk Mgmt), CPA (w.e.f. 1st August 2014)
Director - Authorisation Unit

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

Secretary
Mr Edward Grech B.Com (Hons), A.C.C.A., Dip IFR, C.P.A.

BOARD OF MANAGEMENT AND RESOURCES

Chairman
Mr. Joseph Demanuele FCCA, FIA, CPA
Chief Operations Officer

Members
Mr Neville Agius BSc. (Hons.), MSc.
Head Information Systems, Information and Communication Technologies Unit

Mr. Robert Aquilina DPA, MBA (Executive)
Head Communications Unit

Mr. George Spiteri Dip. Social Studies (Industrial Relations), MSc. in Training and HR Mgt. (University of Leicester)
Director Human Resources Development Unit (w.e.f. 1st April 2014)

Ms. Anne Marie Tabone B.A Hons, Accty. FIA, CPA
Director - Finance & Risk Management Unit

Mr Reuben Vella BSc. (Hons.), MSc.
Head Systems Infrastructure, Information and Communication Technologies Unit

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

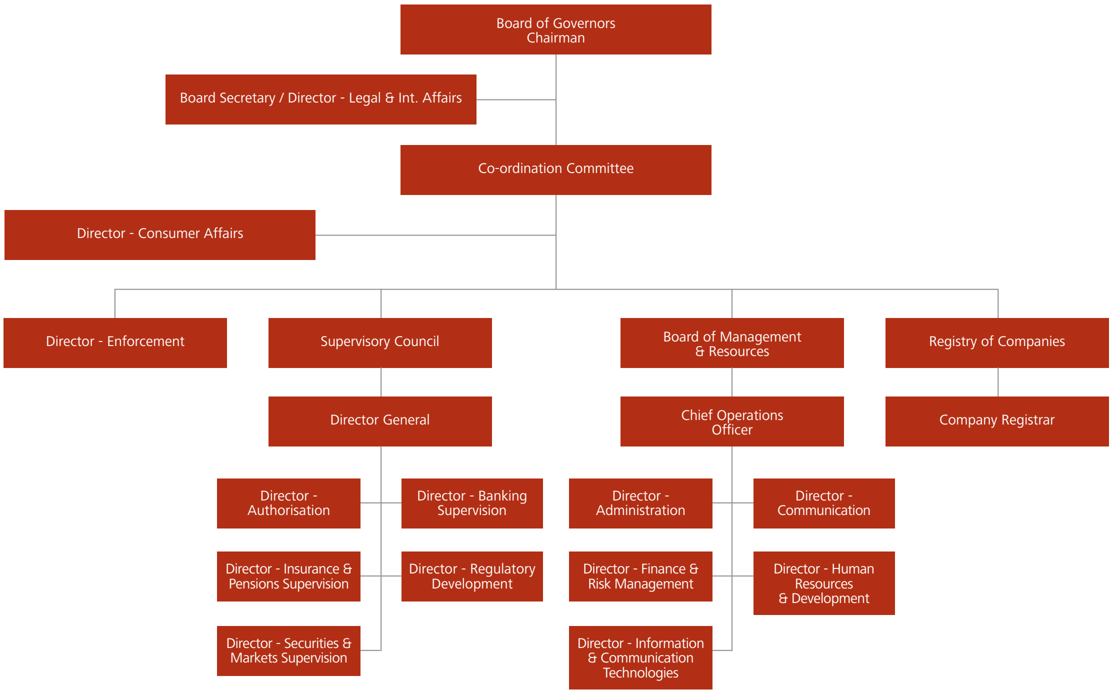
Secretary
Mr. Colin McElhatton B.Sc (Hons), IS & Management (London)

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 Organisation Chart

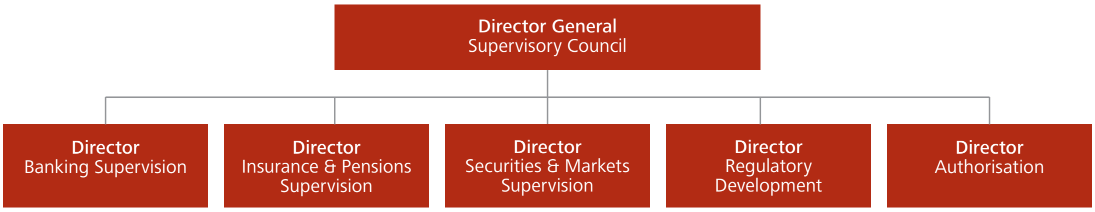


The Legal and International Affairs Office is one of the statutory organs of the Authority and some of its primary functions are set out in the Act. These include the provision of legal advice and assistance to all the organs of the Authority. In addition to serving as secretary to the Board of Governors 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



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, pension schemes, pension funds and pension service providers.

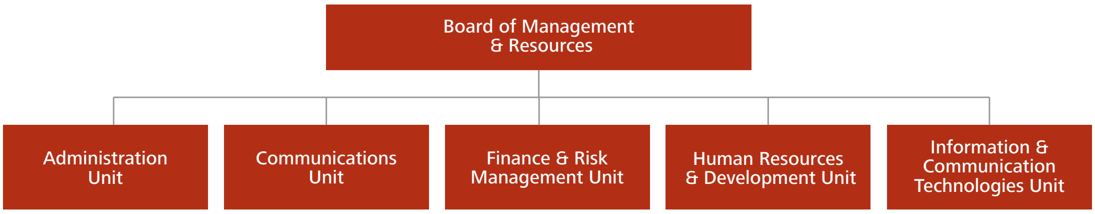
Securities and Markets Supervision Unit: Responsible for the supervision of investment services companies, collective investment schemes, fund management and related fund services operations, admissibility to listing on recognised investment exchanges, trustees and oversight of financial markets.

Regulatory Development Unit: Responsible for the implementation of cross-sectoral policies and regulatory developments.

Authorisation Unit: Responsible for licensing of all financial services entities.

Management Units

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. The day-to-day administrative functions include 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 and other Government bodies. It 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 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 while working with a mixture of in-house and outsourced technology suppliers. The Unit has recently been assigned with a new remit to provide 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. It furthermore investigates the actions of persons carrying on financial services activities without having the necessary licence or authorisation.

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 Committees

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 and wholesale securities for primary 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 markets is chaired by Mr David Pullicino and has as members Mr Albert Attard, Mr Saviour Briffa and Dr Andre Camilleri, 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 Affairs

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 Prof Joseph V. Bannister. 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, Castille Institute, PricewaterHouse Coopers (PwC) and the Malta Institute of Management (MIM).

CORPORATE SOCIAL RESPONSIBILITY

During 2014 the Authority provided financial support to the Pieta Local Council towards the conservation and restoration of paintings at Our Lady of Sorrows chapel in Pieta and to Din l-Art Ħelwa towards the restoration of the St Agatha Tower in Mellieħa. The Authority also continued providing financial support to the Fondazzjoni Patrimonju Malti.

The Children's Foundation continued providing support to underprivileged children. During 2014, the Foundation provided financial assistance to a number of families who required assistance for specific reasons related to their children and proposals that were submitted by the Directorate for Church Children's Homes, Agenzija Appogg, Agenzija Sapport, St Jeanne Antide Foundation, Caritas, Millenium Chapel Foundation, Dar Frate Jacoba and the National Foster Care Association.

Following a re-focus on MFSA CSR initiatives, the Foundation is being wound up.

REGULATORY AND MARKET OVERVIEW

2014 was characterised by a number of factors that contributed to divergent economic trends and policy developments in major economies around the world. As several central banks cut interest rates to historical lows to stimulate growth, other economies including the United States and United Kingdom registered an improved economic performance with growing employment rates. The Euro Area and Japan continued to struggle with a weak recovery and falling inflation. This gave rise to the implementation of different monetary policy frameworks across major economies contributing towards a wider divergence. As recovering and growing economies moved towards a tighter monetary policy stance, with expectations of raising interest rates, weaker economies adopted looser monetary policies aimed at strengthening demand and supporting credit growth. The year was also marked by falling commodity prices, particularly in the second half of the year as a weaker demand for energy contributed to a sharp decline in oil prices. This sizeable shift in oil prices led to income shifts from oil-exporting to oil-importing countries.

The Euro Area emerged from double-dip recession showing signs of improvement in the labour market and declining uncertainties on banks' balance sheets. Nevertheless growth in economic activity was weaker than anticipated and continued to be subdued by feeble business and consumer confidence, persistent geopolitical tensions, and growing deflationary risk. Economic performance was marked by unexpected slowdowns in the bloc's largest economies and marginal improvements in the worse hit economies. Against a background of enhanced fiscal consolidation efforts driven by the European Commission, the European Central Bank (ECB) implemented various measures aimed at stimulating the economy and counteracting the downward pressure on inflation. It lowered the main refinancing operations rate to 0.05 per cent, the marginal lending facility to 0.30 per cent and its deposit facility to -0.2 per cent, taking it into negative territory. These efforts were complemented by longer term loan programmes for banks followed by the launching of a full-scale bond buying programme launched at the beginning of 2015 aimed at revitalising the Euro Area economy and counterbalancing the deflationary trend.

Driven by a robust increase in domestic demand, the Maltese economy continued to outperform those of other EU Member States. The positive economic performance was acknowledged by both the European Commission in its Economic Forecast Report and by the IMF in its Concluding Statement to the 2014 Article IV Mission, with the latter forecasting further economic expansion over the projected horizon. Growth in economic activity was also reflected in the expanding domestic labour market with lower unemployment and an increase in female participation in the workforce. Fiscal consolidation remained a priority registering marked improvements in Malta's fiscal position over the year.

Malta's financial services sector continued to contribute to economic growth. New licences were issued by the MFSA notably in the payment services, electronic money and in the alternative investment management sectors. New employment opportunities in financial services continued to grow not only within the direct financial intermediation segment but also in other related professionals' services activities. The World Economic Forum's Global Competitive Index 2014-2015 once again gave Malta a high ranking with respect to financial market developments. In this regard, the soundness of banks improved by a further four points placing Malta in 10th position among 144 countries.

BANKING

General Overview

The domestic banking sector remained resilient during the year retaining adequate solvency, liquidity, and profitability levels against a background of tightening capital requirements being implemented in the European Union. The Comprehensive Assessment carried out by the ECB during the year confirmed the soundness and resilience of Malta's significant banks and their ability to withstand shocks without incurring capital shortfalls. The ECB also assumed the role of supervisor of the Euro Area's significant banks through the Single Supervisory Mechanism which also includes three local banks.

The Banking Sector in Malta

The Maltese Banking sector comprises 27 credit institutions authorised to carry on banking activities in terms of the Banking Act and a branch of an EU credit institution which conducts business in terms of the European Passporting Rights for Credit Institutions Regulations, 2004.

There were 135 bank offices and branches around Malta in addition to 206 Automated Teller Machines (ATMs) providing various banking services to customers. Additionally, there were around 14,000 Point of Sale (POS) terminals and almost 850,000 payment cards offering more convenience, flexibility and also security compared to other traditional payment systems – Table 1 refers.

Table 1: Bank offices, ATMs, POS terminals, and payment cards in Malta (2012 – 2014).

	2012	2013	2014
Bank offices and branches	135	130	135
ATMs	216	214	206
POS terminals	13,010	13,561	14,010
Payment cards	797,896	817,490	847,190

Source: ECB, Malta Financial Services Authority

The aggregate banking sector consists of all credit institutions authorised by the Authority and a branch of an EU credit institution which operates in Malta through the freedom of establishment.

For analytical purposes the sector is broken down into three categories, namely: *'core domestic banks'*, *'non-core domestic banks'* and *'other banks'*.[1] *'Core domestic banks'* represent credit institutions that have a strong connection with the domestic economy. These institutions also account for a wide national branch network, provide a full range of banking services and are core providers of credit and depository services in Malta.[2] *'Non-core domestic banks'* are institutions which play a smaller role within the domestic economy, since they provide limited operations and banking services to residents.[3] *'Other banks'* represents credit institutions which have virtually no connections with the domestic economy.[4]

Figures available relating to the volume and segmentation of business in 2014 regarding a number of credit institutions were still unaudited at the time of presentation of this report and accordingly may be subject to revision. The following is a trend analysis of some of the main performance indicators for the year under review.

[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 the following banks: APS Bank Limited, 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 the following banks: BAWAG Malta Bank Limited, Credit Europe Bank N.V. (Branch Malta), FIMBank plc, IIG Bank (Malta) Limited, Izola Bank plc, Mediterranean Bank plc, Sparkasse Bank Malta plc, and Mediterranean Corporate Bank Limited.*

[4] *'Other banks' comprises of the following banks: AgriBank plc, Akbank T.A.S., CommBank Europe Limited, Deutsche Bank (Malta) Limited, ECCM Bank plc, Ferratum Bank Limited, FCM Bank Limited, NBG Bank Malta Limited, Nemea Bank Limited, Pilatus Bank Limited, Saadgroup Bank Europe Limited, Sata Bank, Turkiye Garanti Bankasi AS, Novum Bank Limited, and Yapi Kredi Bank Malta.*

Capital Requirements Ratio and Tier 1 Capital Ratio[5]

The capital requirements ratio of the Maltese banking sector, expressed as the ratio of the aggregate banks' total own funds to their total risk-weighted assets, was 25.4 per cent in 2014. Although changes in the definitions brought by the Capital Requirements Directive (CRD) IV and Capital Requirements Ratio (CRR) framework in 2014 make the 2014 ratios incomparable with the previous years, one observes that there was a substantial decline in the CPR in 2014 when compared with the previous year. This is primarily attributed to a credit institution in the 'other banks' category which reported a significant drop in the total own funds in 2014. However, all credit institutions within the three categories of banks reported regulatory CRR above the minimum required threshold of eight per cent of risk weighted assets in 2014.

The Tier 1 capital ratio of the Maltese banking sector, defined as tier 1 capital to risk-weighted assets, amounted to 23.3 per cent. This is well below the level recorded in the previous year predominantly due to the same reasons already mentioned above. Notwithstanding, the Tier 1 capital ratios reported by all the three categories of banks exceeded the required minimum six per cent of risk weighted assets.

Table 2 presents the CRR and the tier 1 capital ratio of the three categories of banks and the aggregate banking sector for the period 2012 – 2014.

Table 2: Capital requirements ratio and Tier 1 Capital Ratio (2012-2014)

	Category	2012	2013	2014[6]
Capital requirements ratio (%)	Core Domestic Banks	14.2	14.9	13.8
	Non-Core Domestic Banks	28.5	24.3	17.9
	Other Banks	115.7	119.9	68.2
	Aggregate Banking Sector	55.9	46.5	25.4
Tier 1 Capital Ratio (%)	Core Domestic Banks	10.2	11.1	11.3
	Non-Core Domestic Banks	25.7	23.1	15.2
	Other Banks	115.1	119.9	68.2
	Aggregate Banking Sector	53.4	44.2	23.3

Source: Malta Financial Services Authority

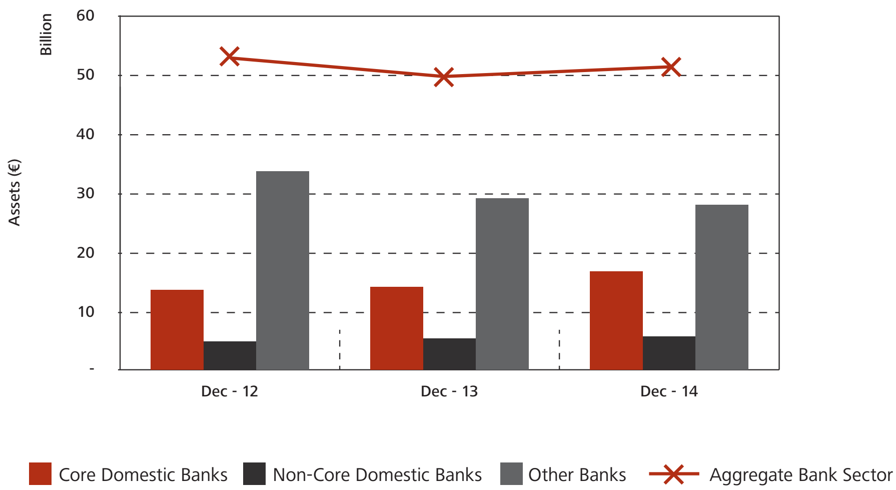
[5] *Foreign branches which operate in Malta are not required to calculate the capital requirements and consequently are not included in this analysis.*
[6] *The coming into force of the CRD IV and CRR in 2014 brought changes in definitions which make the 2014 ratios incomparable with the previous years.*

Bank Assets

Assets in the aggregate banking sector expanded by almost 4.6 per cent when compared with the previous year, to stand at €52 billion. *Core domestic banks* reported assets totalling €16.5 billion in 2014, an increase of 12.4 per cent from the previous year. *Non-core domestic banks* experienced a growth in assets of 15.7 per cent, from €5.33 billion in 2013 to almost €6.17 billion in 2014. Assets registered by *other banks* continued to decline in 2014 to stand at €29.3 billion at the end of 2014, a drop of slightly more than one per cent over the last year.

Chart 1 represents the assets of the aggregate banking sector and the assets of the three categories of banks covering the period 2012 – 2014.

Chart 1: Assets (2012 – 2014)



Source: Malta Financial Services Authority

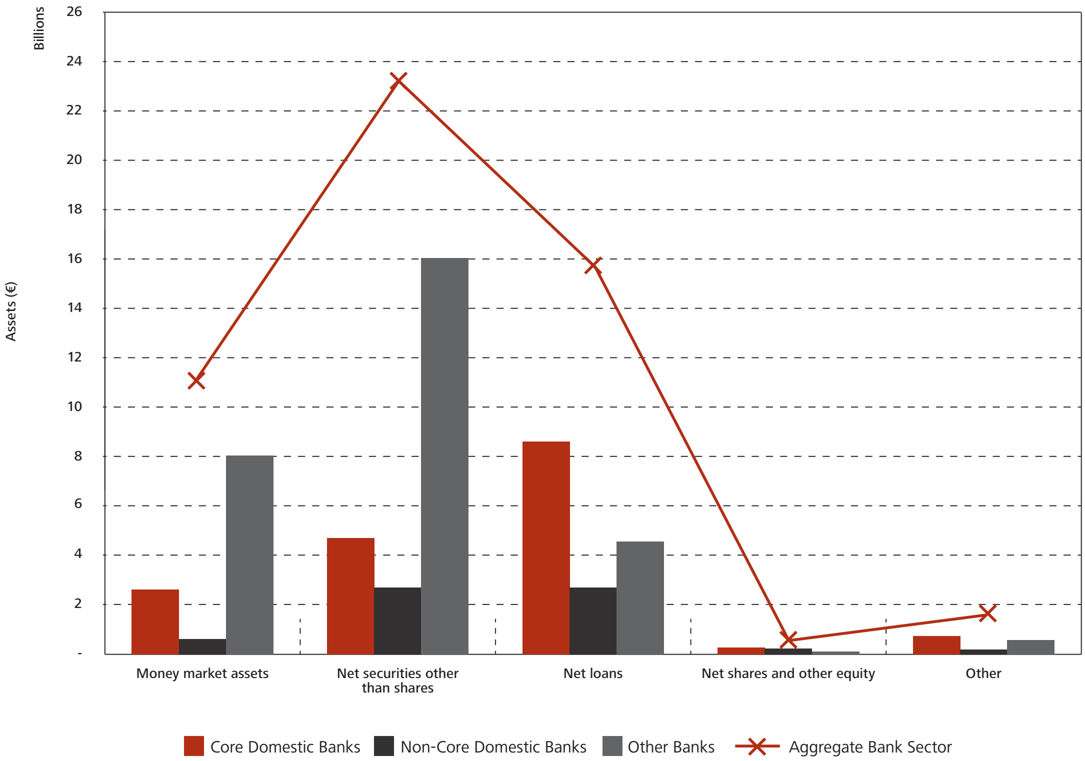
Allocation of Bank Assets

'Net securities other than shares' accounted for almost 44.5 per cent of the total asset allocation in the aggregate banking sector. This represents an increase of over nine percentage points on the previous year. *'Net loans'* had the second largest share with 30.7 per cent of the total assets, representing a drop of around three percentage points since 2013. *'Money market assets'* followed at 21.4 per cent, 5.7 percentage points less than the previous year.

Core domestic banks reported *'net loans'* worth €8.5 billion or 51.8 per cent of the total assets in the domestic banking sector. Although *'net loans'* remained the largest share of assets in 2014 when compared with 2013, there was a drop of 4.4 percentage points over the year indicating a shift to *'net securities other than shares'* (3.3 percentage points) and *'money market assets'* (1.1 percentage points). Allocations to *'Net securities other than shares'* and *'money market assets'* in the domestic sector amounted to 28.4 per cent and 14.7 per cent of total assets respectively.

The following Chart 2 illustrates the distribution of assets of the aggregate banking sector and the three categories of banks in Malta.

Chart 2: Distribution of assets (2014)



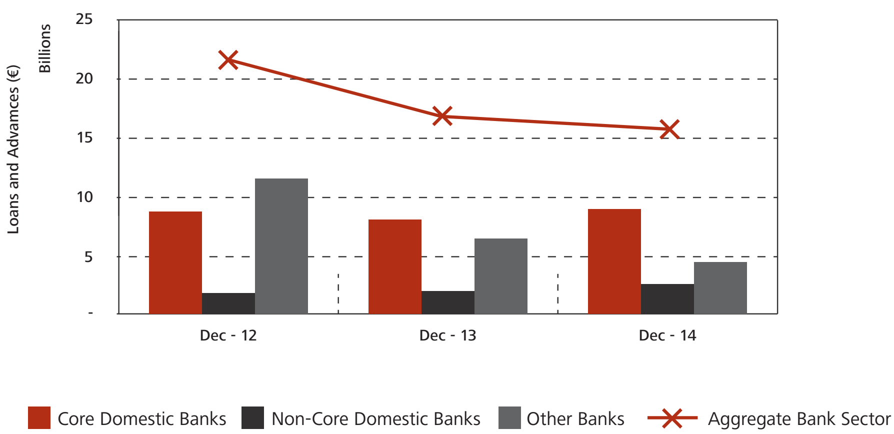
Source: Malta Financial Services Authority

Loans and advances by sector

The downward trend in the loans granted by credit institutions continued to persist throughout 2014 hitting their lowest mark in the last five years. Loans in the aggregate banking sector reached €16.4 billion, a drop of four per cent when compared to the previous year. While *core domestic banks* and *non-core domestic banks* reported growth in the loans of €0.4 billion and €0.9 billion respectively, *other banks* experienced a decline of almost two billion euro or 29 per cent over the period 2013 – 2014.

Chart 3 illustrates the volume of loans and advances granted in the three categories of banks and the aggregate banking sector for the period 2012 – 2014.

Chart 3: Loans and advances (2012 - 2014)



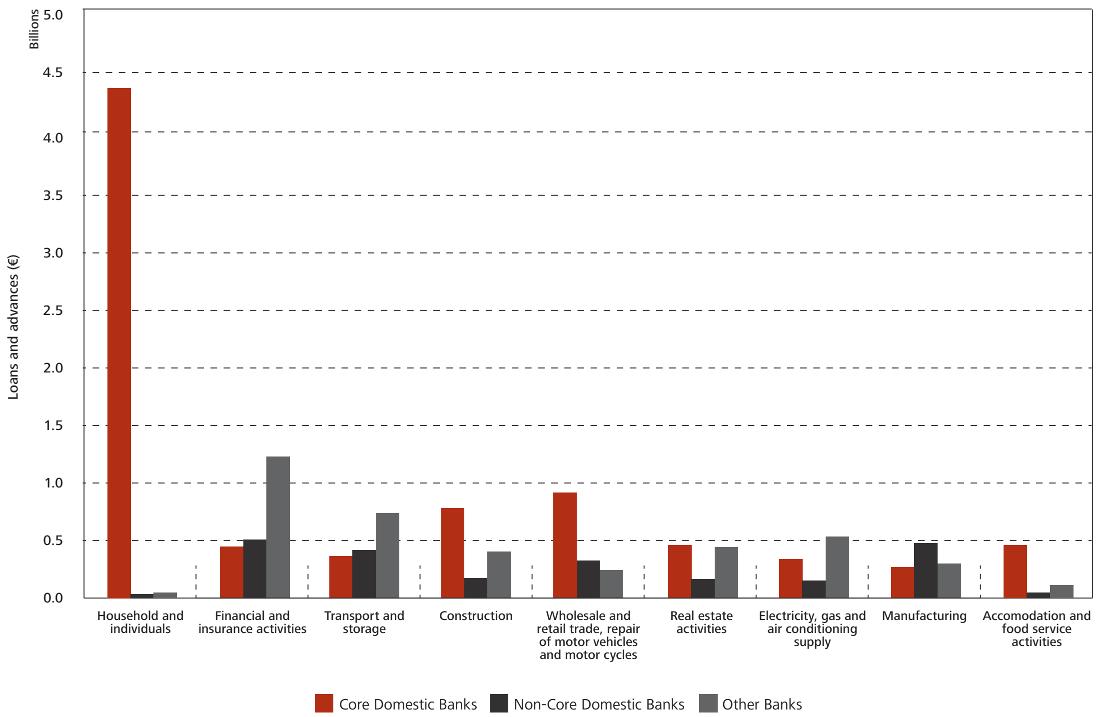
Source: Malta Financial Services Authority

In the aggregate banking sector, loans and advances to *'households and individuals'* represented the largest share with 26.7 per cent of the total lending. *'Financial and insurance activities'* and *'transportation and storage'* followed at 13.4 per cent and 8.9 per cent respectively. While there was a surge of 7.2 per cent in loans granted to *'household and individuals'* over the period 2013 - 2014, credit institutions reported declines of 32.4 per cent and 8.1 per cent in loans granted to *'financial and insurance activities'* and *'transportation and storage'* sectors over the same period.

Almost 49 per cent of the total loans granted by the core domestic banks were advanced to *'households and individuals'* followed by *'wholesale and retail trade, repair of motor vehicles and motor cycles'* and *'construction'* sectors at 9.5 per cent and nine per cent respectively. Lending to *'households and individuals'* and *'wholesale and retail trade, repair of motor vehicles and motor cycles'* increased by almost seven per cent and nine per cent respectively over the period 2013 – 2014 while loans advanced to the *'construction'* sector contracted by over ten per cent.

Chart 4 shows the amount of lending granted by credit institutions to the top nine sectors in 2014.

Chart 4: Loans and advances - top nine sectors (2014)



Source: Malta Financial Services Authority

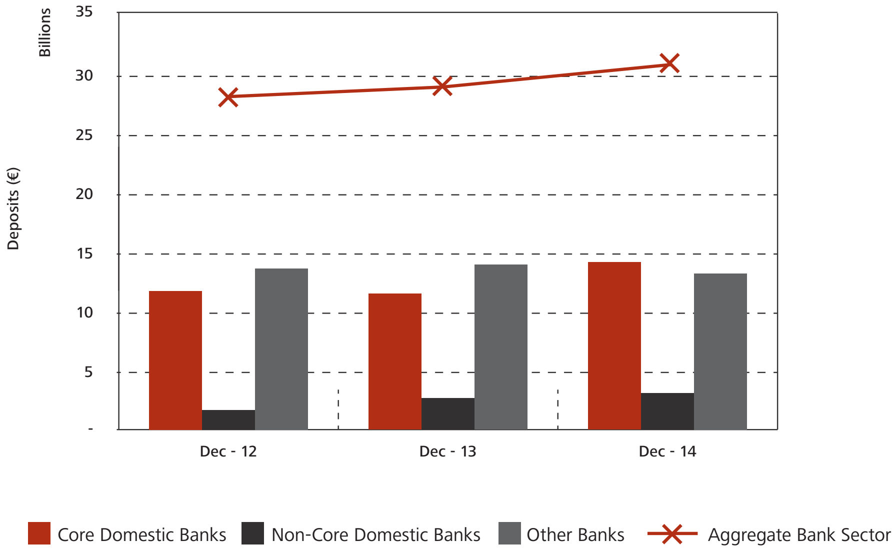
Bank Deposits

Bank deposits continued to expand touching an all-time high of €31.2 billion, an increase of eight per cent compared to the previous year end. *Core domestic banks* increased their deposits by almost 13 per cent, closing the year at €14.5 billion in 2014. There was also an increase of 52 per cent in deposits reported by *non-core domestic banks* while *other banks* experienced a slight drop of three per cent during the same period.

The *core domestic banks* had the largest deposits share with over 46 per cent of the total deposits, followed by *other banks* at 43.4 per cent and *non-core domestic banks* at almost 10.2 per cent in 2014.

Chart 5 depicts the spread of deposits by the three categories of banks against the aggregate for the period 2012-2014

Chart 5: Deposits (2012 – 2014).



Source: Malta Financial Services Authority

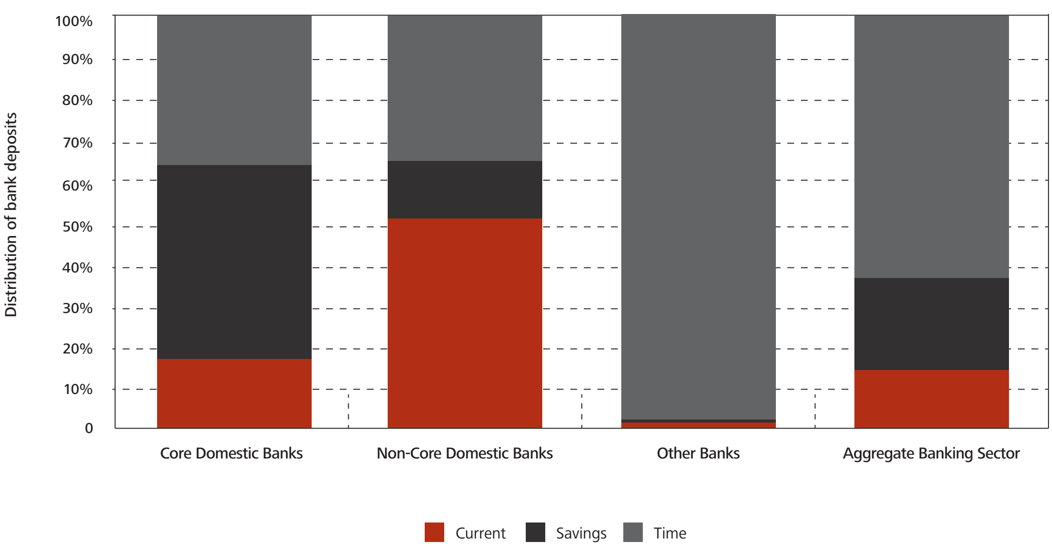
Distribution of bank deposits

In the aggregate banking sector, there was a slight shift in time deposits towards savings and current accounts. At the end of 2014, 62.7 per cent of deposits were time deposits, savings accounts accounted for 23.5 per cent and current accounts for 13.8 per cent. In the previous corresponding year, 70.4 per cent were time deposits, 19.6 per cent savings accounts and the remaining 10 per cent were current accounts.

In the core domestic sector, savings accounts contributed the largest share with 47.3 per cent of the total deposits of the core domestic banks, followed by time deposits and current accounts at 35.3 per cent and 17.4 per cent respectively.

Chart 6 presents the distribution of bank deposits in the aggregate banking sector and the three categories of banks in Malta.

Chart 6: Distribution of deposits (2014)

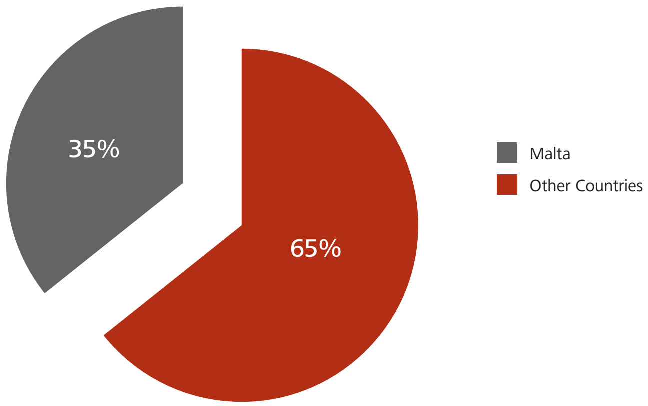


Source: Malta Financial Services Authority

Lending and Borrowing

In the aggregate banking sector, 35 per cent of the total placements and loans were advanced to residents in 2014 predominantly to households and non-financial corporations. This indicates a share increase of four percentage points from the previous year. The remaining 65 per cent were advanced to non-residents mainly to monetary financial institutions - Chart 7 refers.

Chart 7: Placements and loans (2014)

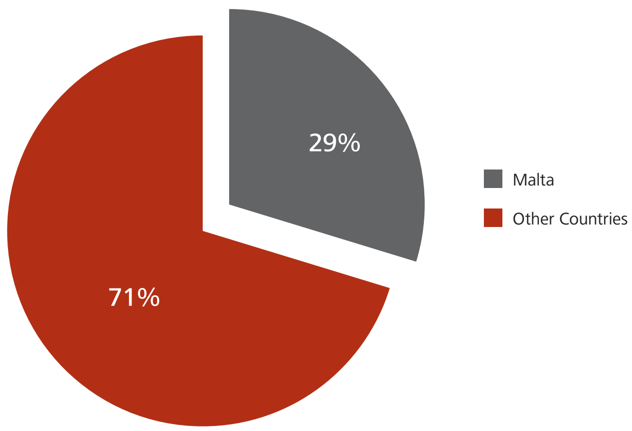


Source: Malta Financial Services Authority

Resident deposits and borrowings held by the aggregate banking sector had a share of 29 per cent at the end of 2014, an increase of one percentage point from the previous year with the remaining 71 per cent owed to non-residents.

Chart 8 shows the share of banks' borrowings and deposits from residents of Malta and other countries.

Chart 8: Borrowings and deposits (2014)



Source: Malta Financial Services Authority

SECURITIES AND INVESTMENT SERVICES

General Overview

Investment services continues to be one of the fastest growing financial sectors in Malta. With the industry's adoption of the EU Alternative Investment Fund Managers (AIFM) Directive, internal market access to alternative investment funds managed in Malta has been facilitated and alternative investment management has become one of the most dynamic areas generating investment and employment within the financial services sector. The Loan Fund Rules published early last year, and the Private Equity Fund framework, which was reviewed towards the end of the year, will continue to spur the transformation taking place in the sector. The Securitisation Cell Company regulations which were also published towards the end of the year is another innovative feature aimed at the primary market which is also showing signs of renewed growth. 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

At the end of 2014, 135 investment services providers were licensed in terms of the Investment Service Act (Cap.370), ten more than the previous year. Over the course of the year, the Authority granted authorisation to 23 firms to carry on business in terms of the Investment Services Act. Additionally, there were 27 recognised fund administrators in 2014, one less than the previous year.

Collective Investment Scheme Licences

118 new funds (including sub-funds) were licensed by the Authority during the year, 12.6 per cent less than the previous year. Professional Investor Funds remained the most popular with almost 85 per cent of the total new funds issued in 2014, followed by the Undertakings for Collective Investment in Transferable Securities (UCITS) funds at nine per cent. The Authority licensed the first Alternative Investment Funds in 2014, six in all.

There were 123 surrenders of licence from the market in 2014, an increase of almost 22 per cent when compared with the previous year. This results in a negative net variation of five funds in 2014. Of the 123 surrendered funds (including sub-funds) in 2014, 97 were Professional Investor Funds, nine Retail Non-UCITS and 17 UCITS funds.

At the end of 2014, there were also 134 non-Malta domiciled funds (including sub-funds) administered by Malta-based fund administration companies. Additionally, there were 153 non-Malta domiciled funds (including sub-funds) managed by fund managers domiciled in Malta.

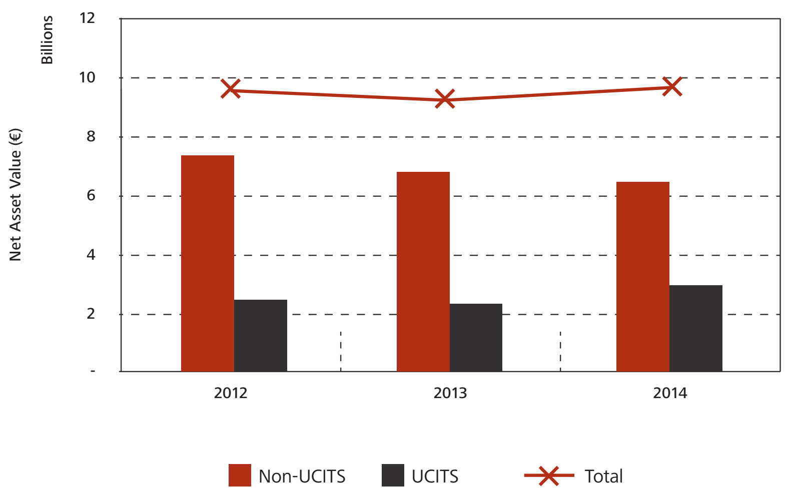
Net Asset Value of Malta Domiciled Funds[7]

The net asset value of Malta domiciled funds[8] touched €9.7 billion at the end of 2014, up by over €0.3 billion or 3.3 per cent from the previous year. This represents almost the same level reached at the end of 2012. Diversified funds remained the most popular with investors, experiencing a share of 46.4 per cent of the total net assets in 2014. Equity funds and bond funds followed at 23.2 per cent and 15.9 per cent respectively.

Diversified funds attracted the largest net increase in net assets with €138 million, followed by mixed funds and bond funds at €122 million and €105 million respectively. Net assets of equity funds went up by 3.5 per cent, or €76 million, when compared to the previous year despite an uncertain economic environment throughout the year. In contrast, hedge funds and money market funds suffered declines in net assets of €118.5 million and €23.8 million respectively in 2014.

[7] The NAV figures available for a number of funds for 2014 were still provisional at the time of presentation of this report and accordingly may be subject to revision.
[8] PIFs, AIFs, UCITS, and Retail Non-UCITS.

Chart 9: Net asset value of Malta domiciled funds (2012 – 2014)



Source: Malta Financial Services Authority

Net assets of Non-UCITS funds totalled €6.8 billion at the end of 2014, 4.2 per cent less when compared with the previous end year. In contrast, the net asset value of UCITS funds expanded by 26.6 per cent over the period 2013 – 2014, to stand at €2.9 billion at the end of 2014 - Chart 9 refers.

Management of Malta Domiciled Funds

About 35 per cent of the funds (including sub-funds) domiciled in Malta were managed by Malta based fund managers. This implies a slight increase of 0.4 percentage points on the previous year. Over the same period, the share of funds (including sub-funds) managed from outside Malta declined by nearly 12 percentage points reflecting a shift in preferences towards the setting up of self-managed funds in Malta. At the end of 2014, 36 per cent of the funds were managed from outside Malta while 64 per cent of funds were self-managed or third party managed in Malta - Table 3.

Table 3: Management of Malta domiciled funds (2013 – 2014)

	% number of funds (including sub-funds) as at end 2013	% number of funds (including sub-funds) as at end 2014
Self-managed	17.7	29.1
Managed in Malta	34.5	34.9
Managed from outside Malta	47.8	36.0

Source: Malta Financial Services Authority

Administration of Malta Domiciled Funds

The number of funds administered in Malta continued to increase reaching 75 per cent of all locally established funds – an increase of almost five percentage points over the previous year.

Table 4: Administration of Malta domiciled funds (2013 – 2014)

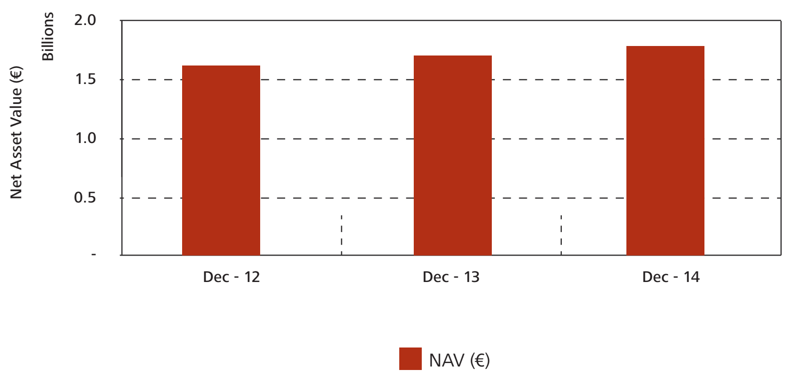
	% number of funds (including sub-funds) as at end 2013	% number of funds (including sub-funds) as at end 2014
Self-administered	0.2	0.0
Administered in Malta	70.8	75.4
Administered from outside Malta	29.0	24.6

Source: Malta Financial Services Authority

Net Asset Value of Non-Malta domiciled funds administered in Malta

As shown in Chart 10 below, net assets of non-Malta domiciled funds (including sub-funds) administered in Malta increased by 5.4 per cent in 2014 over 2013, reaching almost €1.8 billion at the end of 2014.

Chart 10: Net asset value of non-Malta domiciled funds administered in Malta (2012 - 2014)



Source: Malta Financial Services Authority

Non-Malta domiciled funds managed in Malta

Fund managers domiciled in Malta managed 153 non-Malta domiciled funds (including sub-funds) as at the end of 2014 with assets under management totalling €18.3 billion.

INSURANCE BUSINESS

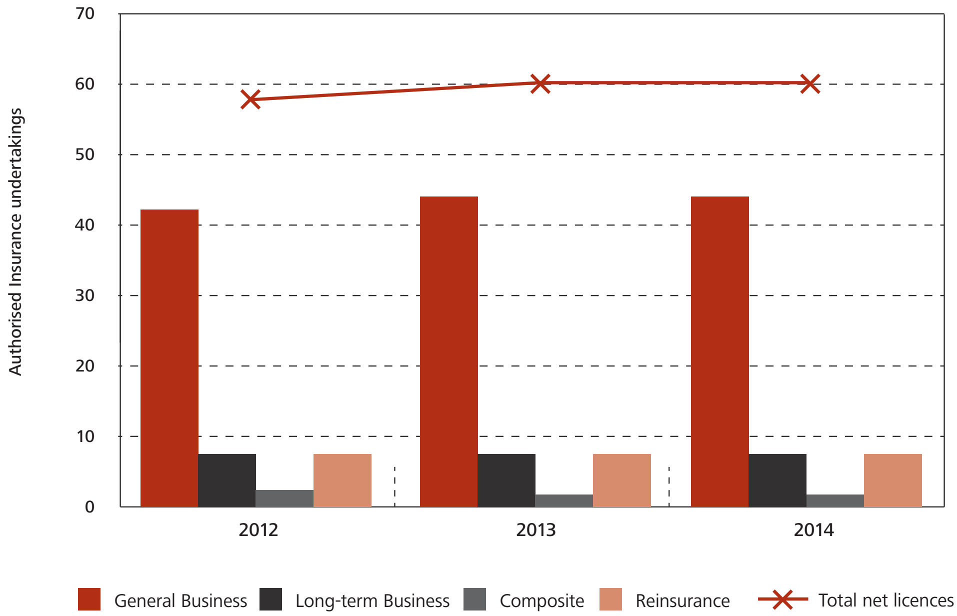
General Overview

Malta remains an attractive jurisdiction for operators wishing to set up or redomicile captive and other insurance and reinsurance business. Furthermore, the number of insurance intermediaries licenced in Malta are on the increase. The number of Protected Cell structures is on the increase. Positive trends have also been registered in the retirement pensions sector.

The Insurance Sector

As shown in Chart 11, at the end of 2014, the Maltese insurance sector consisted of 45 general business, six long-term business, two composite and seven reinsurance undertakings. Of these 60 authorised insurance undertakings, 10 were affiliated companies and 11 were protected cell companies.

Chart 11: Insurance undertakings authorised in Malta (2012 – 2014).



Source: Malta Financial Services Authority

Figures available with respect to the volume and segmentation of insurance and reinsurance business for 2014 were still unaudited at the time of presentation of this report and therefore may be subject to revision. The following is a trend analysis of some of the main performance indicators for the year under review.

Solvency Ratio

The solvency ratio of all insurance undertakings, expressed as the ratio of capital available to required regulatory capital, weakened by 16 percentage points when compared to the previous year. This is mainly attributable to the decline in capital available to pure reinsurance undertakings.

While the solvency ratio for the general business increased by 30 percentage points over the period 2013 – 2014, long-term business and pure reinsurance undertakings experienced a decline of five and 58 percentage points respectively over the same period.

The solvency ratios for general insurance, long-term business, reinsurance business and the aggregate ratios for all insurance undertakings covering the period 2012 – 2014 are presented in the below table.

Table 5: Solvency ratios (2012-2014)

	2012	2013	2014
General Business	357%	424%	454%
Long-term Business	188%	191%	186%
Pure Reinsurers	610%	326%	268%
All Insurance undertakings	423%	339%	323%

Source: Malta Financial Services Authority

Total Gross Written Premiums

As shown in Table 6 below, the total gross written premiums of insurance undertakings with Head-Office in Malta went up from €2.58 billion in 2013 to €2.82 billion in 2014. This represents an increase of €0.24 billion or 9.3 per cent over the period 2013 – 2014.

Table 6: Total gross written premiums (2012 – 2014)

	2012	2013	2014
	Billion €	Billion €	Billion €
Total gross written premiums	2.31	2.58	2.82

Source: Malta Financial Services Authority

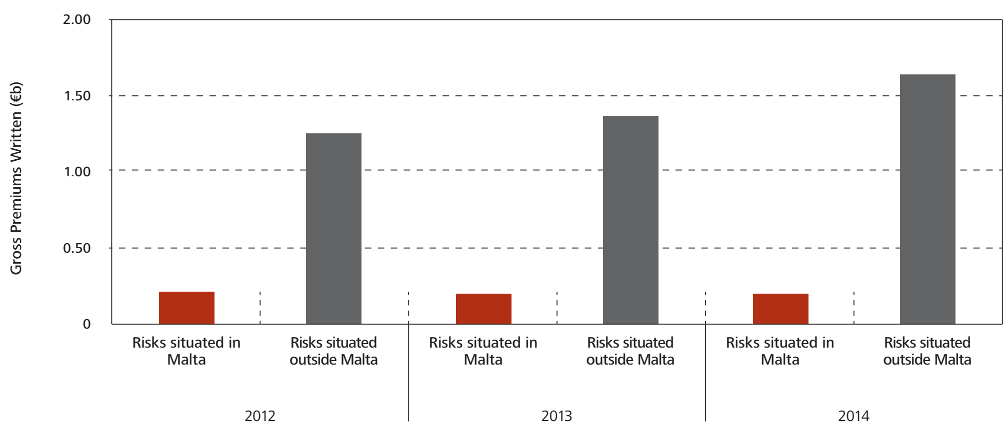
THE GENERAL BUSINESS SECTOR

Gross Written Premiums

The gross written premiums of insurance undertakings writing general business in and outside Malta expanded by 10.5 per cent in 2014, from €1.53 billion in 2013 to €1.69 billion in 2014. Gross written premiums in relation to risks situated in Malta reached €0.11 billion in 2014, a surge of almost three per cent when compared with the previous year. In relation to risks situated outside Malta, gross written premiums went up by 10.8 per cent in 2014 to stand at an all-time high of €1.58 billion.

The following chart illustrates the gross written premiums of companies with Head Office in Malta writing general business in relation to risks situated in and outside Malta covering the period 2012 – 2014.

Chart 12: Gross written premiums by undertakings with Head Office in Malta - General Business (2012 – 2014)



Source: Malta Financial Services Authority

Gross Claims Paid

Gross claims paid in respect to risks situated in Malta and outside Malta reached €831.8 million in 2014. This represents an increase of 9.4 per cent over 2013. While gross claims paid in respect to risk situated in Malta declined by almost two per cent in 2014 when compared to 2013, gross claims paid in respect to risks situated outside Malta expanded 10.2 per cent - see Table 7 below.

Table 7: Gross claims paid by undertakings with Head Office in Malta – General Business (2012-2014)

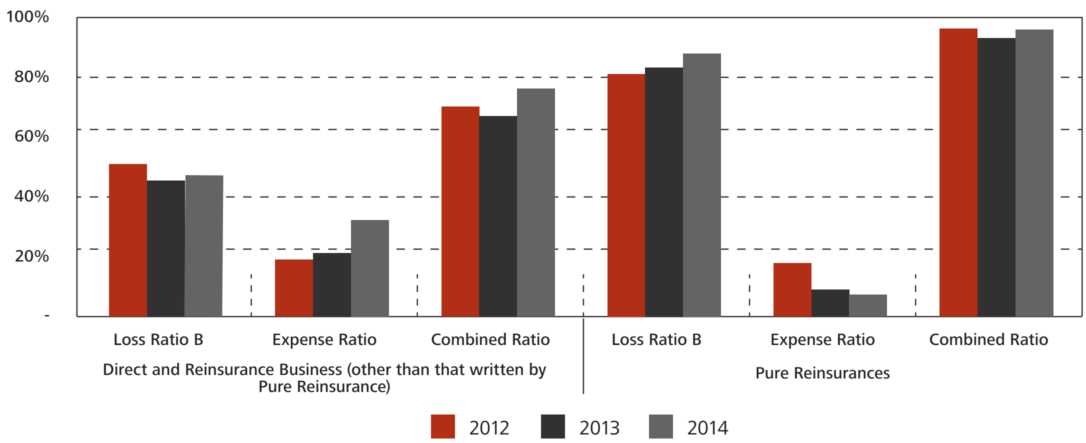
	2012		2013		2014	
	Risks situated in Malta	Risks situated outside Malta	Risks situated in Malta	Risks situated outside Malta	Risks situated in Malta	Risks situated outside Malta
	Million €	Million €	Million €	Million €	Million €	Million €
Gross claims paid	50.4	627.1	54.1	706.5	53.0	778.8

Source: Malta Financial Services Authority

Key financial indicators

As indicated in Chart 13 below, the net loss ratio, calculated as the ratio of net claims incurred to net premiums earned, for the general business[9] increased from 44.45 per cent in 2013 to 46.1 per cent in 2014. Similarly, the expense ratio for the general business which is calculated as the ratio of net operating expenses to net premiums earned increased from 19.4 per cent in 2013 to 31.3 per cent in 2014. The combined ratio, defined as the sum of net claims incurred and the net operating expenses over the net earned premiums, increased by 12.9 percentage points over the period 2013 – 2014.

Chart 13: Loss ratios for general business undertakings writing direct and reinsurance business (other than that written by pure reinsurance) and pure reinsurance undertakings only (2012 – 2014)



Source: Malta Financial Services Authority

For the pure reinsurance business, the net loss ratio gained 6.2 percentage points on the previous year to stand at 88.9 per cent in 2014. The expense ratio continued to decline in 2014; from 8.5 per cent in 2013 to 7.1 per cent in 2014 while the combined ratio increased by 4.0 percentage points to 95.9 per cent in 2014.

[9] *Direct and reinsurance business other than that written by pure reinsurance.*

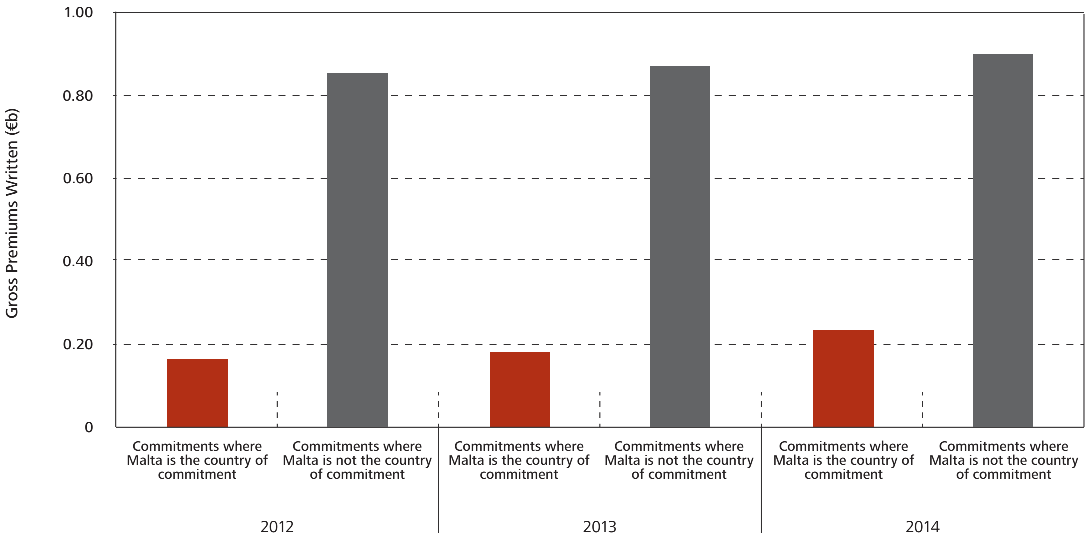
THE LONG-TERM INSURANCE SECTOR

Gross Written Premiums

The gross written premiums of undertakings with Head Office in Malta writing long-term business increased by 7.6 per cent in 2014, from €1.05 billion in 2013 to €1.13 billion in 2014. There was a surge of 17.7 per cent in gross written premiums where Malta is the country of commitment while the gross written premiums with respect to commitments outside Malta increased by 5.5 per cent over the period 2013 - 2014.

Chart 14 presents the gross written premiums reported by undertakings writing long-term business in relation to risks situated in and outside Malta for the period 2012 – 2014.

Chart 14: Gross written premiums by undertakings with Head Office in Malta – Long-term business (2012 – 2014)



Source: Malta Financial Services Authority

Gross Claims Paid

In the long-term business, gross claims paid by undertakings with Head Office in Malta dropped by 16.1 per cent over the period 2013 – 2014. Gross claims paid with respect to risks situated in Malta declined by 0.7 per cent while gross claims paid in respect to risks outside Malta decreased by 18.2 per cent in 2014 from the previous year - Table 8 below.

Table 8: Gross claims paid by undertakings with Head Office in Malta – Long-term business (2012-2014)

	2012		2013		2014	
	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	145.8	771.7	138.7	991.3	137.6	810.7

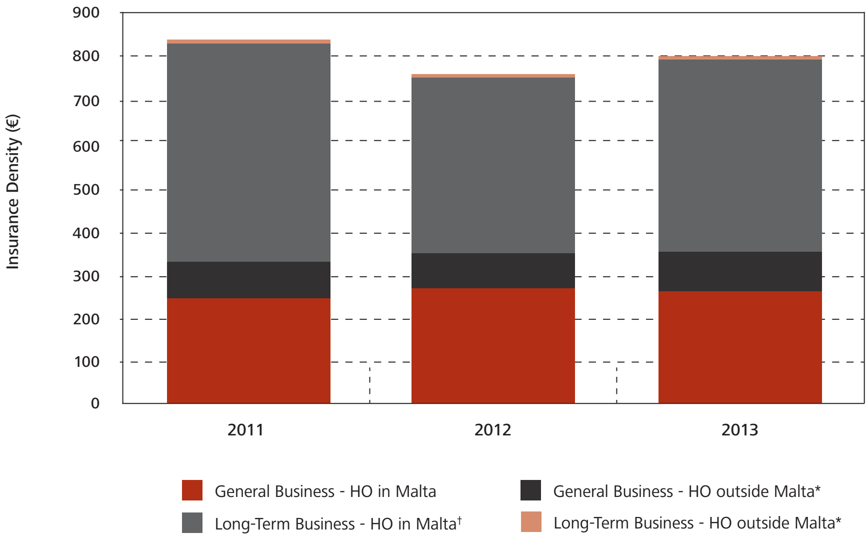
Source: Malta Financial Services Authority

Figures of undertakings with Head-Office outside Malta writing long-term and general business in relation to risks in Malta in 2014 were unavailable at the time of presentation of this report. Consequently, the analysis of the insurance density and insurance penetration covers the period 2011 – 2013.

Insurance Density

The insurance density, calculated as the ratio of total insurance premiums in respect to risks and commitments in Malta to population, increased from €754 in 2012 to €799 in 2013. This represents an increase of almost six per cent. In the general business insurance, the insurance density declined to €336 in 2013 from €342 in 2012. In contrast, as indicated in Chart 15, the insurance density in the long-term business increased from €412 in 2012 to €463 in 2013.

Chart 15: Insurance density with respect to risks and commitments situated in Malta (2011-2013)



Source: Malta Financial Services Authority

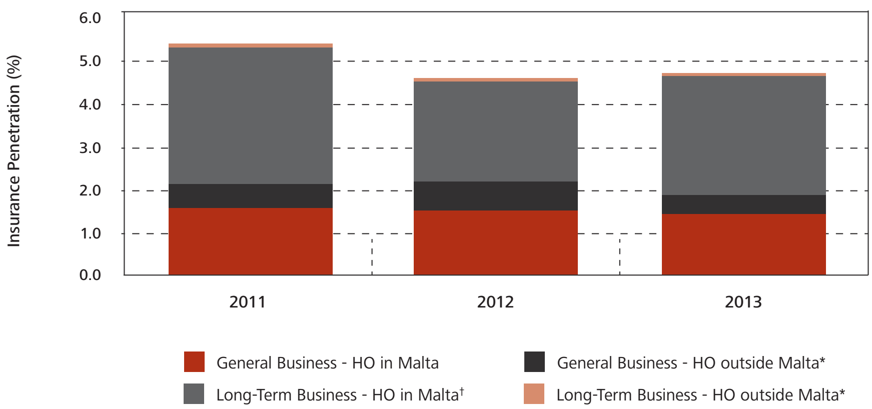
** refers to non-EU/EEA insurers authorised under the Act and EU/EEA insurers carrying out business in Malta under the right of establishment.*
† Life business includes investment contracts without discretionary participation features.

Insurance Penetration

The insurance penetration rate, expressed as the ratio of total insurance premiums in respect to risks and commitments in Malta to gross domestic product[10], increased slightly from 4.6 per cent in 2012 to 4.7 per cent in 2013 - see Chart 16 below.

In the general business, the rate declined from 2.1 per cent in 2012 to 2.0 per cent in 2013. In contrast, the rate in the long-term business increased from 2.5 per cent in 2012 to 2.7 per cent in 2013.

Chart 16: Insurance penetration rate with respect to risks and commitments situated in Malta (2011-2013).



Source: Malta Financial Services Authority

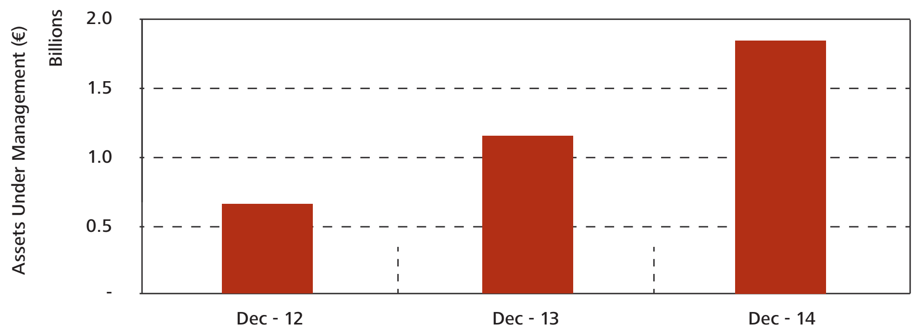
** refers to non-EU/EEA insurers authorised under the Act and EU/EEA insurers carrying out business in Malta under the right of establishment.*
† Life business includes investment contracts without discretionary participation features.

Retirement Pension Schemes

There were 35 registered retirement pension schemes under the Special Funds Act at the end of 2014, up by three schemes from the previous year. There were also two retirement funds registered in terms of the Act.

The assets under management (AUM) of the retirement pension schemes (Chart 17) continued to increase, reaching €1.9 billion at the end of the year. This represents an increase of 66 per cent when compared with the previous year.

Chart 17: AUM of retirement pension schemes (2012 - 2014)



Source: Malta Financial Services Authority

[10] *GDP is computed at market price.*

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 38 times during 2014 to approve new licences and authorisations, decide on compliance and other supervisory issues, sanction breaches of licence conditions and take other regulatory measures as appropriate.

Applicants for licences must satisfy the requirements contained in the relevant legislation and abide by the ongoing obligations that apply under the relevant licence once this has been issued. The general criteria that are taken into consideration in the grant or refusal of licences include the general interests and legitimate expectations of consumers of financial services; the promotion of fair competition and choice and Malta's international commitments including its commitments as a Member of the European Union.

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 as well as EU legislation. With respect to banking, the Authority forms an integral part of the Single Supervisory Mechanism (SSM) established by the European Union in November 2014. The SSM aims to ensure the safety and soundness of the European Banking system, increase financial integration and stability and ensure consistent supervision. It is one of the two pillars of the EU banking union, along with the Single Resolution Mechanism and comprises the ECB and the national supervisory authorities of the participating countries.

SUPERVISORY ACTION

In 2014 the Authority had over 137 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 the review and approval of changes in qualifying shareholding, directors and senior management and changes in statutory instruments; transfers of portfolios in the case of non-life business; mergers, and reductions and increases in share capital of licenced entities. Off-site compliance staff also monitor adherence by licence holders to prudential requirements through the review of periodical returns, audited financial statements and other documentation.

Detailed off-site analyses are carried out on Internal Capital Adequacy Processes (ICAAPs) of credit institutions and the Risk Management Internal Capital Adequacy Assessment Process (RMICAAP) reports submitted by investment service licence holders. The own funds and solvency position of insurance and reinsurance undertakings is monitored through the submission of quarterly returns, including solvency calculation and breakdown of the assets covering technical provisions of the undertaking.

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

The MFSA continues to follow a risk-based approach in the supervision of licensed entities, in line with EU Directives. The objective of on-site inspections is to determine the level of compliance with statutory obligations, rules and regulations, including conduct of business and internal governance, and in the process to detect weaknesses or shortcomings in the supervised entities being reviewed. On site visits further ensure that corrective measures identified during previous visits, or through the analysis of off-site reports including external auditors' annual statutory reviews, are followed up and implemented by the relevant licensed entities.

During 2014 MFSA supervisors conducted 76 on-site inspections. An inspection takes an average of five days to complete. On-site inspection visits are complemented by a number of other meetings with licence holders which are usually held at the MFSA. Over 115 of these supplementary meetings were held with licence holders during 2014. Table 9 below provides an overview of the number of licences and on-site inspections carried out since 2012.

Table 9: Number of On-site inspections in relation to number of Licence Holders

	2012	2013	2014
No. of Licences	674	764	805
On-site Inspections	42	67	76
Supplementary meetings	N/A	N/A	115

Source: Malta Financial Services Authority

Notes:

1. The number of licences includes banks, financial institutions, insurance principals and intermediaries, pension schemes, investment services licences and collective investment schemes and trustees.

2. The figures quoted exclude tied insurance intermediaries and company service providers.

The Insurance and Pensions Unit carried out a total of nine on-site inspections during the year under review. Six of these inspection visits were made to insurance companies, one to an insurance broker, one to a reinsurance principal and one to a retirement scheme administrator. A number of these inspections focused on the systems of governance at the respective entities, in preparation for Solvency II-Pillar 2 and Pillar 3. The MFSA also carried out on-site work at the offices of those insurance principals that will be adopting a partial or full internal capital model under the Solvency II regime.

A total of 40 compliance visits were carried out at the offices of investment service providers by the Securities and Markets Supervision Unit. These included visits to investment firms, collective investment schemes, fund administrators and the Malta Stock Exchange. The majority of these visits focussed on a thematic review of governance, compliance and risk management processes. These reviews were designed to verify the extent to which selected licence holders have proper governance, compliance and risk management procedures in place and the extent to which these are being complied with and applied in practice. Circulars were issued to all licence holders setting out the findings that arose from these thematic reviews, advising these entities to take corrective action and to avoid the common pitfalls related to the observance of regulatory and compliance standards. The Authority also conducted a number of on-site inspections related to the implementation of the European Markets Infrastructure Regulation (EMIR). These inspections were carried out in order to verify the status of implementation of this regulation in the relevant entities. Following these visits, the MFSA also issued circulars to licence holders identifying the main issues and recommending appropriate action.

The number of business reviews carried out on authorised trustees, fiduciaries and administrators of private foundations under the Trusts and Trustees Act was 21. Of these, 11 took the form of on-site compliance visits carried out at the offices of authorised persons. The remaining 10 were top-down reviews of trustees conducted through meetings with senior management.

In preparation for the operation of the Single Supervisory Mechanism, the ECB in collaboration with the national competent authorities responsible for banking supervision in the Member States also carried out a Comprehensive Assessment (CA) on significant banks within the Euro Area. This exercise took up a substantial part of the review process undertaken by the Banking Supervision Unit. The process was structured in the form of an Asset Quality Review (AQR) and a stress testing exercise based on the AQR assessment on three Maltese credit institutions identified by the ECB. The AQR process involved extensive credit risk reviews at the three local credit institutions.

Further to this exercise the MFSA carried out similar reviews at two other credit institutions considered to be significant at a national level and another top-down review exercise at a financial institution.

Review of supervisory processes

In line with the its Strategic Plan 2011-2014 the MFSA is committed to "operating risk based regulatory practices to better anticipate threats which may potentially harm companies and ultimately consumers" whilst promoting convergence in supervisory processes and practices under the guidance of the various European National Supervisory Authorities.

Over the past year the Authority has therefore been reviewing its approach to regulation and supervision from both a good practice point of view as well as in preparation for some significant changes which Solvency II will eventually bring about.

Among other things, the Insurance and Pensions Supervisory Unit was involved in assessing the level of preparedness registered by insurance undertakings in respect of Solvency II. This assessment is carried out through on-site visits as well as by requesting undertakings to provide presentations explaining their preparations in detail. During 2014, 19 insurance and reinsurance undertakings were requested to provide presentations. These are then followed up with written feedback given by the Authority.

Another preparatory measure involves the analysis of the Forward Looking Assessment of Own Risks (based on the ORSA – Own Risk and Solvency Assessment - Principles) submitted by insurance and reinsurance undertakings.

In addition to Solvency II, the Insurance and Pensions Unit has also been taking the necessary steps to comply with the Guidelines on the Supervisory Review Process developed by EIOPA with the aim of achieving a risk-based, prospective and proportionate approach to the supervision of insurance and reinsurance undertakings. This entails further development in supervisory tools in order to focus on undertakings that pose the greatest threat to financial stability and policyholders. To ensure that these risks are being identified, assessed and monitored on an ongoing basis, the Unit continued developing a range of early warning quantitative and qualitative indicators and to enhance the IMPROVE (Impact Probability Risk Oversight) tool and other tools to detect and correct potential threats to the solvency of undertakings before they materialize, including the forward-looking assessment. Furthermore, the Unit has engaged with all insurance and reinsurance undertakings by means of an extensive questionnaire requesting them to identify possible risks that the undertakings might be exposed to; the controls developed to mitigate such risks and how such controls are being monitored to ensure that weaknesses are being properly addressed and adequate internal controls are in place.

Infringements and Penalties

A number of new investigations into possible breaches of licence conditions were initiated during 2014 while a number of others were continued from the previous year. 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.

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 Financial Markets Act, the Insurance Intermediaries Act, and the Insurance Business Act.

On the 7th January 2014, the MFSA imposed an administrative penalty of €1,000 and a daily penalty of €69.88 on QIC International LLC for breaching a provision of the Insurance Business Act (Cap. 403) and of Insurance Rule 12 of 2007. The total administrative penalty imposed amounted to €14,207.37.

On the 28th January 2014, the MFSA fined FXDD Malta Ltd €25,000 under the provisions of Article 16A of the Investment Services Act. FXDD Malta was found to be in breach of Standard Licence Conditions 2.01 of Part B1 of the Investment Services Rules for Investment Services Providers.

On the 10th June 2014, the Listing Authority decided to discontinue the listing of A25 Gold Producers Corp in terms of Listing Rule 1.21 and Article 18 of the Financial Markets Act (Cap. 345). On the 7th July 2014, the MFSA suspended Mrs Rosanne Galea's registration from the Brokers Register in terms of article 16(c) and 16 (l) of the Insurance Intermediaries Act (Cap. 487) and directed Mrs Galea to resign as director of Galea Insurance Brokers Ltd ('GIB') on regulatory grounds in terms of article 16 (2)(b) of the MFSA Act. The MFSA 's decision will be reviewed on the lapse of one year from the date of the decision and in the event that she applies for reinstatement in the Brokers register and/or reappointment as director of GIB.

On the 7th July 2014, the MFSA directed Mr John Galea to resign as director of Galea Insurance Brokers Limited (GIB) on regulatory grounds in terms of article 16(2)(b) of the MFSA Act. The MFSA 's decision will be reviewed on the lapse of one year from the date of the decision and in the event that he applies for reappointment as director of GIB.

On the 15th July 2014, the MFSA suspended the collective investment scheme licence of Brightwell Portfolio Fund SICAV plc in respect of its sub-funds, namely Sub-Fund A – Global Managed Futures, Sub-Fund B – Equity Hedged, Sub-Fund C – High leverage Managed Futures, Sub-Fund I – Properties Preferred and Sub-Fund P – Fixed Yield. Following the resignation of key officials and service providers, Brightwell Portfolio Fund SICAV plc was found to be in breach of certain Standard Licence Conditions of the Investment Services Rules for Professional Investor Funds as well as certain provisions of the Companies Act.

On the 4th November 2014, the MFSA suspended the Category 1A investment services licence of Cosmic Financial Services (Malta) Limited, after identifying a series of regulatory breaches. As a result, Cosmic Financial Services (Malta) Limited cannot accept new business and cannot continue servicing existing clients. The MFSA identified breaches in relation to the compliance function and reporting requirements of the Company.

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 administrative penalties and other sanctions issued by the MFSA may be found on the Authority's website **(http://www.mfsa.com.mt/pages/AdministrativeMeasuresPenalties.aspx).**

Listing Committee

The Listing Committee met ten times during the year under review. A number of other ad hoc meetings were held to discuss specific issues with a number of entities, including representatives of a number of issuers, representatives of the MSE 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. The Listing Committee advises the Listing Authority on any action it considers appropriate to ensure the proper application of the listing rules or the transparency of the market with respect to the operations of listed companies.

Central Bank–MFSA Domestic Standing Committee

The Domestic Standing Committee (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.

Crisis Management Task Force (CMTF)

The Crisis Management Task Force (CMTF) is made up of technical experts representing the MFSA, the CBM, the MFIN and the Attorney General's office as that of the Joint Task Force on Bank Resolution (JTFBR). The remit of the CMTF has been broadened 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 for a number of times 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.

Single Supervisory Mechanism (SSM)

On the 4 November 2014 the Single Supervisory Mechanism (SSM) officially entered into operation marking a step towards greater European harmonisation through the promotion of the single rulebook approach to the prudential supervision of credit institutions. As from this date, the ECB announced that it would be responsible for the supervision of euro area banks, following a year-long preparatory phase.

The SSM is composed of the ECB and participating Member States' National Competent Authorities (NCAs) so as to combine the particular experience and expertise of each institution. The ECB is responsible for the effective and consistent functioning of the SSM, cooperating with the NCAs of participating EU countries.

The MFSA is a member of the Supervisory Board whose mandate is to plan and carry out the ECB's supervisory tasks, undertake preparatory work, and propose complete draft decisions for adoption by the ECB's Governing Council.

During 2014, a number of MFSA staff members represented the Authority on a number of SSM Committees and Working Groups, including the high level group on supervision, the task force on banking supervision, Legal Committee of the Eurosystem/ESCB Committees in SSM Composition, the Eurosystem/ESCB Communications Committee, the Financial Stability Committee, the Information Technology Committee, the Internal Auditors Committee, the Statistics Committees, the Budget Committee and the Human Resources Committee.

Banking Comprehensive Assessment (CA)

The Banking Comprehensive Assessment consisted of two key components, an Asset Quality Review (AQR) on the basis of a methodology designed and published by the ECB, and a forward-looking stress test designed and published by the European Banking Authority (EBA). The objective of the AQR was to determine the quality of the different types of assets held on the balance sheets of major banks as at 31 December 2013. The assessment was broad in its nature and covered both credit and market exposures. The portfolios selected varied from one bank to another in order to ensure an in-depth review into exposures with the highest risk.

The conduct of the Comprehensive Assessment for Malta was overseen by a National Steering Committee (NSC) composed of the Chairman MFSA, as chairman of the Committee, the Governor of the Central Bank, the MFSA Director General, the Director General (Financial Policy) of the Central Bank, and the Director Banking Supervision MFSA.

The CA was conducted on three credit institutions licensed by the MFSA namely Bank of Valletta plc, HSBC Bank Malta plc and Deutsche Bank (Malta) Limited. The selection of these banks was made on the basis of criteria that were determined and published by the ECB. The AQR on the three local credit institutions was undertaken by the ECB and the MFSA as an initial health check of those banks that were to be directly supervised by the ECB. The AQR also facilitated comparison amongst participating banks for all member states by adopting common definitions and applying uniform methodologies by means of the AQR Manual published by the ECB.

The overall results of the CA confirmed the soundness and resilience of each of these three banks whose Core Equity Tier 1 (CET1) capital ratio following the AAR remained above the 8% minimum. Similarly the results of the stress test, under the adverse scenario and including the full impact of the AQR, show that by 2016 the CET1 capital ratio for each of these three banks should still remain well above the 5.5% established minimum threshold.

The AQR was preceded by a procurement process, which involved the assessment of a number of proposals made by auditing firms and real estate valuation experts, submitted in relation to a call issued by the MFSA for technical assistance in the carrying out of the Asset Quality Review. Another call for experts was issued in relation to assistance required by the Banking Supervision Unit in the performance of its role as Project Management Office (PMO) co-ordinating the Comprehensive Assessment at national level. Other experts were also engaged to assist the Unit in carrying out the required stress testing based on the AQR results. The Comprehensive Assessment exercise was finalised by the ECB in October.

EIOPA Insurance Stress Test

During 2014 an Insurance Stress Test was also carried out by the European Insurance and Occupational Pensions Authority (EIOPA). The stress test was undertaken to gain an insight into the insurance sector's resilience in relation to a number of risks and vulnerabilities. It also served as an evaluation of potential systemic risk in the sector.

The EIOPA stress test was composed of two independent elements:

(i) A Core Stress Module which focused on group results covering asset price stresses, a set of insurance-specific stresses and a qualitative assessment of entities responses to stress; and

(ii) A Low Yield Module entirely run at individual level focusing specifically on the impact of low interest rates as a follow-up to the EIOPA opinion on the supervisory response to a prolonged period of low interest rates published in 2012.

Although the modules differed in scope having different shock scenarios and sample size, the technical basis for both modules was the upcoming Solvency II insurance regulatory regime.

Nine Maltese individual undertakings participated in the Core Module which was co-ordinated by the Insurance and Pensions Supervision Unit. Four of these undertakings also participated in the Low Yield Module. The resulting pre-stress solvency ratios for these participants were above 100%. In view of the fact that as part of the stress test technical specifications, the recalculation of the Solvency Capital Requirements (SCR) post-stress was optional, the solvency ratio post-stress for the Core Module Stress Test and the Low Yield Module did not provide a clear indication of the solvency position of the participants. The MFSA is closely monitoring the instances where the post-stress calculations relating to certain participants resulted in a solvency ratio of less than 100%. No supervisory action was however deemed necessary at that stage.

ENFORCEMENT

During 2014, the Unit reviewed 66 new enforcement cases and continued to review 12 cases carried forward from the previous year. The majority of new cases dealt with non-licence holders, in fact only three out of 66 cases reviewed dealt with licence holders. Half of the investigations related to the possible promotion of Financial Services without a licence. Nine cases were related to fraudulent activity or scams and 12 cases dealt with unregistered corporate service providers (CSPs). The MFSA also investigated three cases dealing with binary options which required a licence in terms of the Investment Services Act. The MFSA also dealt with two cases of licence holders where a number of fit and proper issues arose with regard to the persons involved.

In 2014, the Enforcement Unit issued 11 warnings to the public concerning fraudulent or doubtful provision of financial services. These warnings were published on the MFSA website and distributed to the press in order to alert and protect consumers. Following investigations carried out, three reports about possible fraudulent and unlicensed activities were lodged with the police. Details on the warnings issued by the MFSA may be found on the Authority's website:
(http://www.mfsa.com.mt/pages/viewcontent.aspx?id=3).

Prevention of Money Laundering

During 2014 the Enforcement Unit continued to be the point of reference for Anti-Money Laundering (AML) and matters related to the Combating the Financing of Terrorism (CFT) within the MFSA. The Unit monitored international developments in the AML/CFT field, including the work of the Financial Action Task Force (FATF) and the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), as well as the development of standards, methodologies and best practices, and the forthcoming 4th EU Directive. The new FATF standards and methodology for assessment will be employed in the next AML/CFT assessment of Malta. The 4th AML Directive will also have an impact on Maltese AML/CFT legislation which will have to be amended to implement the Directive.

The Enforcement Unit also provided assistance and advice to MFSA staff on AML/CFT matters. This included the consideration of suspicions of money laundering and the submission of Suspicious Transaction Reports (STRs) to the Financial Intelligence Analysis Unit (FIAU). Two STRs were submitted to the FIAU in 2014. The Unit was also involved in the collation and provision of information requested by the police authorities and/or by the FIAU and in coordinating replies to the police, Attorney General and Court Registrar in connection with Court investigation orders, attachment orders and freezing orders.

The MFSA also received and processed seven court investigation orders and 54 court freezing orders during the year. Seven notices containing AML/CFT related information and guidance were issued, published on the MFSA website and circulated to licence holders. The latter related to FATF and MONEYVAL statements and Amendments to the Prevention of Money Laundering and Funding of Terrorism Regulations of 2008 (PMLFTR).

During 2014, 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. The MFSA also participated in internal discussions on the implementation of the action plan, provided advice and was involved in the legal drafting of consequential amendments to the Prevention of Money Laundering Act (PMLA) and the PMLFT. The Director of the Enforcement Unit within the MFSA is a member of the Board of Governors and Deputy Chairman of the FIAU.

The Director of the Enforcement Unit also heads the Maltese delegation to the Council of Europe MONEYVAL Committee. During 2014, he continued to coordinate the MFSA's contribution to the National Risk Assessment (NRA) and was responsible for the organisation and coordination of the AML/CFT Self-Assessment carried out by the MFSA together with a team of experts led by Mr Piero Ugolini, a former senior official of the International Monetary Fund (IMF).

During the year, the Unit also provided due diligence information to the Authorisations Unit and the supervisory units as requested from time to time. In this respect the Unit handled 897 internal due diligence requests.

International Sanctions

The MFSA 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.

111 documents issued by the European Union and the Maltese Government were monitored and placed on the MFSA website. These concerned sanctions against various countries and regimes, including Iran, Iraq, Syria, Libya, Afghanistan, Myanmar/Burma, Lebanon, Somalia, Belarus, Zimbabwe, Democratic People's Republic of Korea, Democratic Republic of Congo, Central African Republic, Liberia, Yemen, Republic of Guinea, Cote d'Ivoire, Tunisia and Al Qaida.

The MFSA also published sanctions concerning the illegal annexation of Crimea and Sevastopol, restrictive measures in view of Russia's actions destabilising the situation in Ukraine, and restrictive measures in respect of actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine.

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

Reporting on Frozen Assets

In line with the Member States' reporting obligations under EU legislation and other international commitments of Malta, the MFSA from time to time compiles information on the amounts of frozen funds held by local financial institutions. During 2014, the MFSA prepared four Frozen Assets Reports on Iran for onward transmission to the EU.

Whistleblowing

Following the approval by Parliament of the Whistleblower Act, the Enforcement Unit within the MFSA was assigned the role of Whistleblowing Reports Unit. In 2014, the Unit finalised procedures for Internal Disclosures (within the MFSA) and External Disclosures (from licence holders) and the MFSA's own Working Procedures in regards to both types of Disclosures.

Prevention of financial markets abuse

The MFSA 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 2014, the Authority completed seven preliminary reviews and five reviews. At the end of the year the Authority had one pending PFMA review.

At the end of 2014 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, with the cooperation of other Units, is responsible for representing the MFSA 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 created by the Malta Financial Services Authority Act which allows a right of appeal to licence-holders who may feel aggrieved by a particular decision of the MFSA.

At the end of 2014 there were a total of nine appeals from decisions of the MFSA pending before the Financial Services Tribunal. A further two cases are pending before the Civil Court, First Hall; one case is pending before the Constitutional Court; and two cases are pending before the Court of Appeal.

A list of appeals from decisions of the MFSA currently pending before the Financial Services Tribunal may be found in [Appendix VII] and on the Tribunal's website **www.mfst.gov.mt**.

CONDUCT OF BUSINESS

In 2013, the MFSA appointed two internal task forces – an Investment Services Task Force and a task force to analyse Consumer Redress to review the existing 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. These task forces focused on various aspects, such as the fair treatment of customers, alternative dispute resolution and redress mechanisms, consumer education and financial literacy, compensation schemes, promotion of competition, financial inclusion as well as broader market conduct addressing financial markets efficiency and integrity issues.

The Conduct of Business (Investment Services) Task Force presented the MFSA Board of Governors with initial recommendations for the review of the current 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 included a proposal for the creation of a single, unified Code regulating CoB in financial services.

In January 2014, the Board of Governors approved most of the recommendations made relating to CoB regulatory changes. As a result, the MFSA issued a consultation document on the 'Proposed Conduct of Business Rules for the enhanced protection of customers in investment services'. The consultation process was concluded on 14 March 2014. Following this the MFSA started working on the drafting of a Conduct of Business Rulebook which is aimed at achieving a consistent standard of protection for consumers of financial products and services. The Authority has decided to adopt a staggered approach in the drafting of this rulebook which initially will be addressed to persons providing investment services and persons carrying on insurance activities. This rulebook will regulate matters relating to sales processes, conflicts of interest, product governance, disclosures to clients and governance of licensed entities. Furthermore, the various chapters of this rulebook will be issued by the MFSA for public consultation, and licensed entities will be given a transitional period within which to comply and put the relevant processes in place in order to satisfy the new requirements.

The MFSA decided to adopt an internal twin peaks approach which would consist of a Conduct Supervisory Unit focusing on business conduct and consumer protection, whilst the Supervisory Units, namely Securities and Markets Supervision Unit, Banking Supervision Unit, and the Insurance and Pensions Supervision Unit would focus on prudential supervision. The Board of Governors appointed Dr. Michelle Mizzi Buontempo as Director of the Conduct Supervisory Unit which is currently in the process of being set up. The Conduct Supervisory Unit is responsible for the setting up of a regulatory framework aimed at securing appropriate consumer protection in financial services on a cross-sectoral basis. Furthermore it is tasked with adopting a pre-emptive supervisory regime which addresses potential or emerging risks for financial consumers, as well as an operational regime to strengthen the responsibilities of regulated persons in treating customers fairly. The transfer of supervision duties of Company Service Providers and Trustees from the Securities and Markets Supervision Unit has already taken place, however the Conduct Supervisory Unit is still not operational with respect to the other areas of financial services, as the relevant resources and structures are still being identified and set up. Accordingly, until such time as the Unit is fully functional, the supervision of Investment Services Licence Holders, insurance undertakings and insurance intermediaries under the current regime, remain under the responsibility of the Securities and Markets Supervision Unit and the Insurance and Pensions Supervision Unit respectively.

INTERNATIONAL COLLABORATION

Two bilateral Memoranda of Understanding with non-EU regulatory Authorities were concluded during the year. A Memorandum of Understanding with the National Securities and Stock Market Commission of Ukraine was signed on the 4 June 2014. On the 5 November 2014 another MoU was entered into with the National Financial Supervisory Commission of Vietnam whose remit extends to banking, securities and insurance.

The aim of these MoUs is to facilitate the exchange of information and to create a formal framework for regulatory collaboration and co-operation between respective regulatory authorities. These arrangements provide for clearer channels for co-operation including increased mutual co-operation, the exchange of regulatory and technical information as well as investigative assistance between the signatories where the need arises. MoUs are negotiated with the assistance of the Legal and International Relations Unit. A list of MoUs currently in force is reproduced in Appendix VI.

FINANCIAL STABILITY AND MACRO-PRUDENTIAL SUPERVISION

Joint Financial Stability Board (JFSB)

The Joint Financial Stability Board (JFSB) was established in pursuance of Recommendation ESRB/2012/2 of the European Systemic Risk Board (ESRB) which required the setting up of a structure for cooperation among national authorities on matters impacting financial stability, including macro-prudential policy. The Board is chaired by the Deputy Governor of the Central Bank of Malta responsible for financial stability, and is composed of members from the Central Bank and the MFSA. The Governor of the Central Bank, the MFSA Chairman and the Minister of Finance also participate in the meetings of the Board.

The JFSB held five 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 amendments to CBM Directive No. 11 on macro-prudential policy – implementation of CRDIV provisions on the systemic risk buffer, global and other systemically important institutions and the countercyclical capital buffer, new MFSA Banking Rules BR/15 on Capital Buffers of authorised Credit Institutions, BR/16 on Funding Plans of authorised Credit Institutions and amendments to MFSA Banking Rules BR/07 on the Publication of Annual Report and Audited Financial Statements of authorised Credit Institutions and BR/12 on the Supervisory Review Process of authorised Credit Institutions.

Apart from the legislative aspect of the macro-prudential policy framework, during the year, the Board focused also on the operational aspects of the potential policy measures emanating from the CRR/CRD package. These included amongst others, various technical studies related to the counter-cyclical capital buffer (CCB), the O-SII buffer and the capital conservation buffer.

Another matter that took prominence on the JFSB's agenda during the year was the monitoring of developments throughout all the phases of the ECB's Comprehensive Assessment on the local significant banks, including the analysis of the ensuing results.

Other matters discussed included the 2014 EIOPA Insurance Stress Test for Solvency II, potential risk exposures in the financial sector and risk dashboards, issues related to the implementation of the Single Supervisory Mechanism (SSM), as well as matters related to Malta's national reform and stability programmes.

Following discussions within the JFSB in 2013, measures addressing credit risks arising from the assessment of the quality of asset portfolios introduced by Banking Rule BR/09 came into operation in 2014. The impact of these new measures on the reporting of Non-Performing Loans (NPLs) and the corresponding capital allocations by banks was assessed at the end of the year. The Board noted that during 2014, total provisions increased by 18%, outpacing the 6.3% growth rate in NPLs, with the coverage ratio reaching 44.1% by end 2014. The faster growth in total provisions (7.6%) relative to NPLs led to an improved coverage ratio, which rose from 39.5% in 2013 to 40.3% by mid-2014. As a direct result of the BR/09 amendments, the coverage ratio is anticipated to increase by around 3pp over the three-year implementation period to 2016.

The JFSB also monitored the implementation of 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.

The third monitoring exercise under the MFSA Rules on US Dollar Funding was carried out in September 2014. The relevant liquidity and funding positions in credit institutions with a total funding in US Dollar exceeding 10% of their total liabilities were assessed. On aggregate, the systemically-important banks did not record any net short positions. Specific mismatches detected in certain other licensed institutions are being followed up by the MFSA on an individual basis via the supervisory review process. The JFSB was advised that no further action was deemed necessary at this stage.

The second monitoring exercise under the MFSA Rules on Lending in Foreign Currencies was carried out in August 2014. The assessment concluded that there were no significant risks related to foreign currency lending requiring further action. Credit institutions again registered negligible amounts of household lending in foreign currency. Foreign Currency Lending to non-financial corporations was also not considered to be significant except in isolated cases where, in any case, the currency risk appeared to be hedged. No potential systemic risks were identified in the insurance sector where a very small number of undertakings forming part of multinational groups hold assets in the form of foreign currency loans.

The ESRB Recommendation on funding of credit institutions (ESRB/2012/2) is currently in the process of implementation by national supervisory authorities, national macro-prudential authorities and the EBA. During 2014, the MFSA submitted information regarding covered bonds and other instruments that generate encumbrance to satisfy the requirements of Part E.1 of the Recommendation. MFSA Banking Rule BR/07/2014 on Publication of Annual Report and Audited Financial Statements of Credit Institutions was updated to include additional public disclosure requirements on encumbered and unencumbered assets as required under parts C and D of the Recommendation. A new rule, BR/16/2014 on Funding Plans of Credit Institutions, was issued in December to adopt the requirements prescribed in the Guidelines on harmonised definitions and templates for funding plans of credit institutions under Recommendation A4 which were issued by the EBA on 19 June 2014 (EBA/GL/2014/04). Banking Rule BR/12/2014 was also partly amended to implement the requirements of this Recommendation in relation to bank funding plans. The MFSA also implemented the EBA's Implementing Technical Standards on supervisory reporting regarding asset encumbrance templates. These templates will be submitted to the MFSA on a quarterly basis with effect from 31 December 2014.

Financial Stability

During the year under review, the Regulatory Development Unit (RDU) also focused on the build-up of the MFSA's capacity to monitor financial stability developments and associated risks. The Unit also contributed to the technical research on potential CRR/CRD-related macro-prudential measures, in conjunction with the Central Bank of Malta. In terms of the former, the Unit embarked on the development of a financial stability indicators database aimed at forming the basis of an internal analytical platform. Related to this strand of work, the MFSA is also working on a long-term early warning capability for systemic risks based on data collected in the course of the micro-prudential supervisory process. The RDU is currently testing an experimental stress index aimed at studying the financial stress points of the past in order to serve as a basis to test leading indicators of systemic stress.

The outcomes of this work will feed back into the risk-based approach to the supervision of individual licence holders and will moreover dovetail into the macro-prudential supervisory work undertaken by the JFSB, the ESRB and the Financial Stability Committee of the ECB in its SSM composition.

THE EU FRAMEWORK FOR SUPERVISION OF THE FINANCIAL SYSTEM

The Malta Financial Services Authority is an active member of:

- the European Banking Authority (EBA)
- the European Securities and Markets Authority (ESMA)
- the European Insurance and Occupational Pensions Authority (EIOPA) and
- the European Systemic Risk Board (ESRB)

Activities undertaken by the European Banking Authority

The 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 final Guidelines on disclosure requirements for the EU banking sector (EBA/GL/2014/14); draft technical standards on data waiver (EBA/RTS/2014/14); final draft technical standards on countercyclical buffer disclosure (EBA/RTS/2014/17); procedures and contents of notifications under the recovery and resolution regime (EBA/CP/2014/47); implementation of guidelines on internet payment security (EBA/CP/2014/31); and on the implementation of resolution tools (EBA/CP/2014/23).

The EBA also published final draft technical standards on supervisory colleges (EBA/RTS/2014/11); Guidelines to strengthen requirements for the security of internet payments across the EU (EBA/GL/2014/12); guidelines to assess other systemically important institutions (O-SIIs); final technical advice on criteria and factors for intervention on structured deposits under the Markets in Financial Instruments Regulation (MiFIR). In October, the EBA published the results of the 2014 EU-wide stress test of 123 banks.

During 2015, the fundamental objective for the EBA in the regulatory policy area is the development of the Single Rulebook in banking. The EBA will also be playing a central role in the area of recovery and resolution, with several mandates stemming from the Banking Recovery and Resolution Directive (BRRD).

Activities undertaken by the European Securities and Markets Supervision

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 Rulebook 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 various guidelines including guidelines on enforcement of financial information (ESMA/2014/1293); guidelines and recommendations regarding the implementation of the CPSS-IOSCO Principles for Financial Market Infrastructures in respect of central counterparties (ESMA/2014/2013); guidelines on Exchange-Traded Funds (ETFs) and other UCITS issues (ESMA/2014/937); guidelines on reporting obligations under articles 3(3)(d) and 24(1), (2), and (4) of the AIFMD (ESMA/2014/869); guidelines on model Memorandum of Understanding (MoU) concerning consultation, cooperation and the exchange of information related to the supervision of AIFMD entities (ESMA/2014/264). ESMA has also issued a number of Q&A documents including on the Application of the AIFMD (ESMA/2014/163); Application of the European Social Entrepreneurial Funds (EuSEF) and the European Venture Capital (EuVECA) Regulations (ESMA/2014/311); Q&A on guidelines on ETFs and other UCITS issues (ESMA/2014/295); Q&A on the implementation of the Credit Rating Agencies (CRA) Regulation (ESMA/2014/578) and various Q&A on EMIR Implementation.

ESMA plans to enhance in 2015 its international engagement with non-EU regulators and supervisors to further improve the global consistency of regulation and effective co-operation between EU and non-EU supervisors, whether ESMA itself or the National Competent Authorities (NCAs). ESMA will also continue its work on monitoring financial activities with a particular focus on financial innovation. It also intends to continue improving its capacity to survey the financial markets for financial stability and risk purposes, and will conduct research on various projects including High frequency Trading, Credit default swaps and central counterparties to mention a few.

Activities undertaken by the European Insurance and Occupational Pensions Supervision

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 2014, EIOPA published a number of consultation papers including proposal for guidelines on the use of the Legal Entity Identifier (LEI) to facilitate the use of LEIs as unique identification codes for insurance and reinsurance undertakings as well as for institutions for occupational retirement provision (IORPs) when fulfilling their reporting obligations; the first set of draft implementing technical standards (ITS) for Solvency II and the first set of Solvency II Guidelines. In July, EIOPA published the technical specifications for the Solvency II preparatory period and in July published the Underlying Assumptions in the standard formula for the SCR calculation.

The main priorities in the EIOPA Work Programme for 2015 are driven by supervisory and regulatory convergence, enhancement of financial stability as well as promoting a leading role in terms of consumer protection. 2015 will be the final year of preparation before the expected implementation of Solvency II on January 1, 2016. In fact, EIOPA is planning to finalise 7 guidelines and deliver 12 implementing technical standards to the European Commission in 2015. EIOPA also plans to run its first stress tests in the field of occupational pensions during 2015.

Activities undertaken by the European Systemic Risk Board (ESRB)

The ESRB contributes to the prevention or mitigation of systemic risks to financial stability in the EU that arise from developments within the financial system. It also takes into account macro-economic developments, so as to avoid periods of widespread financial distress.

Among other initiatives undertaken by the European Systemic Risk Board (ESRB) during 2014, 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 2014, work was undertaken to complement this material by an analysis of sectorial risks aimed at identification of non-financial sectors that might be a potential source of systemic risk. Through the surveillance work, the ESRB will continue to identify risks and vulnerabilities which may merit a more detailed follow-up through the establishment of dedicated work streams. During the year, through dedicated expert groups, the ESRB worked on a number of specific risks resulting from: interconnectedness and the mechanisms of indirect financial contagion, role of insurance in the economy and the interconnectedness of insurance companies, market liquidity, real estate, over-banking, loan origination by investment funds, securities financing transactions, the regulatory treatment of sovereign exposures and macro-prudential issues on Central Counterparties (CCPs).

During 2015, the ESRB work programme 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 the work of the assessment team on recommendations and stress-testing.

LEGISLATIVE AND REGULATORY DEVELOPMENTS

One of the functions of the Authority is to advise Government on the formulation of policies in the field of financial services, including the development of legislation and transposition of EU law in areas falling under the Authority's remit. The MFSA Act also empowers the Authority to issue Rules regulating the procedures and duties of persons licensed or falling under its regulatory or supervisory functions.

During the year under review the Investment Services Act (Cap. 370) was amended by Act No. XXII of 2014 and the Trusts and Trustees Act (Cap. 331) was amended by Act No. XI of 2014. 31 Legal Notices were published during the year under various Acts of Parliament related to the Authority's areas of competence. These included 22 new Regulations and nine sets of amendments to existing Regulations. 12 Legal Notices were repealed, six of which were replaced by new Regulations. A list of relevant primary and subsidiary legislation published during the year is included in Appendix I to this Report.

13 new or revised Rules were issued by the Authority during the year. These included six Investment Services Rules effecting both investment services licence holders and collective investment schemes, two Insurance Business Rules, one Insurance Intermediaries Rule, a Rule for Corporate Service Providers, two Listing Rules and one MFSA Rule applying on a cross-sectoral basis. Five Banking Rules were repealed and two partly repealed following the coming into force 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. The full list of Rules published during the year is reported in Appendix II.

The implementation of these regulatory initiatives was supported by the issue of a significant number of Guidance Notes and Circulars as reported in Appendix III. The Authority also conducted 13 consultation exercises related to these legislative and regulatory initiatives and issued two feedback statements during the course of the year (Appendix IV).

CAPITAL REQUIREMENTS DIRECTIVE

2014 was a particularly challenging year for banking supervision. The most important development was the coming into force of the CRD IV Package together with the establishment of the Single Supervisory Mechanism and the legislative frameworks ensuing therefrom. This culminated in the transfer of supervision with respect to 120 significant Eurozone banking groups to the European Central Bank. These groups, representing 82% of assets in the banking sector of the Euro Area, were formerly supervised by the relevant national competent authorities.

The CRD IV Package was published in the Official Journal of the European Union on 27 June 2013. 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 (CRD IV) had a transposition deadline for Member States of 31 December 2013 whereas 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 (CRR) became directly applicable in all Member States on 1 January 2014[11]. The CRD IV Package is also complemented by Binding Technical Standards, Guidelines, and Lists which have been and are still being drafted by the EBA.

During the period under review, the Authority focused its resources on the transposition and implementation of the CRD IV Package. New Regulations that came into force as part of the transposition process of the CRD IV included, in particular:

[11] *The exceptions are Articles 8(3), 21 and 451(1) CRR which shall apply from 1 January 2015 and Article 413(1) which shall apply from 1 January 2016.*

- the Investment Services Act (Supervisory Review) Regulations, 2014 (L.N. 30 of 2014) which designated the MFSA as the competent authority in Malta for the implementation of and supervisory evaluation of licence holders' compliance with CRD IV;
- the Supervisory Consolidation Regulations, 2014 (L.N. 31 of 2014) issued in terms of both the Banking Act and the Investment Services Act; and
- the CRD (Administrative Penalties, Measures and Investigatory Powers) Regulations, 2014 (L.N. 32 of 2014) issued in terms of the Investment Services Act.

These Regulations continue to consolidate the MFSA's responsibilities as the competent authority responsible for the micro-prudential supervision of credit institutions within the European System of Financial Supervision (ESFS). The Regulations also compliment the role of the Central Bank of Malta (CBM) as the designate authority in terms of the Central Bank of Malta Act (Appointment of Designate Authority to implement Macro-Prudential Instruments) Regulations, 2014 (L.N. 29 of 2014) for the purpose of specific articles of the CRD and CRR.

In this context, CBM Directive No. 11 on Macro-Prudential Policy, the revised version of which was issued on 27 August 2014, sets out the framework for the co-ordination and joint exercise of the micro and macro-prudential supervisory interface incorporated in the CRD IV and CRR, and encompasses the implementation of:

(a) the Recommendation of the European Systemic Risk Board of 22 December 2011 on the macro-prudential mandate of national authorities (ESRB/2011/3);
(b) the Recommendation of the ESRB of 4 April 2013 on intermediate objectives and instruments of macro-prudential policy (ESRB/2013/1);
(c) the relevant provisions of the CRD and CRR.

The corollary of the CBM Directive No. 11 i.e. Banking Rule BR/15 on Capital Buffers of Credit Institutions authorised under the Banking Act is expected to be published and come into force during the first quarter of 2015.

The revised Banking Act (Cap. 371) incorporating the provisions of the CRD IV is expected to be published during the first semester of 2015 whereas the amendments to the Investment Services Act came into force through Act XXII of 2014 published in the Government Gazette on 24 June 2014.

The transposition of the CRD IV Package also entailed a considerable revision to the Banking Rules. As a consequence of the coming into force of the CRR, a number of these Rules have either been repealed in their entirety, or amended as indicated hereunder:

- BR/02/2011 Large Exposures of Credit Institutions Authorised under the Banking Act 1994 – repealed and replaced by relevant CRR provisions;
- BR/03/2012 Own Funds of Credit Institutions Authorised under the Banking Act 1994 – repealed and replaced by relevant CRR provisions;
- BR/04/2013 Capital Requirements of Credit Institutions Authorised under the Banking Act 1994 – repealed and replaced by relevant CRR provisions;
- BR/07/2014 Publication of Annual Report and Audited Financial Statements of Credit Institutions Authorised under the Banking Act 1994 – partly repealed by relevant CRR provisions;
- BR/08/2012 Capital Adequacy of Credit Institutions Authorized Under the Banking Act 1994 – repealed and replaced by relevant CRR provisions;
- BR/10/2013 Supervision on a Consolidated Basis of Credit Institutions Authorised under the Banking Act 1994 – repealed and replaced by relevant CRD IV and CRR provisions;
- BR/12/2014 Supervisory Review Process of Credit Institutions Authorised under The Banking Act 1994 – partly repealed and replaced by relevant CRD IV provisions.

The Investment Services Rules for Investment Services Providers were also reviewed as a consequence of the transposition of the CRD IV Package and the revised Rules were published on 4 February 2014.

Over the course of the year, the Authority issued a number of circulars to keep the industry informed on the ongoing developments related to the implementation of the CRD/CRR, namely:

- Circular to credit institutions on the draft Implementing Technical Standards (ITS) with regards to supervisory reporting, excluding reporting on Asset Encumbrance and Financial Information (FINREP) dated 28 March, wherein the Authority outlined the applicable requirements in relation to supervisory reporting by credit institutions both on a solo and consolidated basis, in specific areas outlined in the circular. Subsequent circulars were issued in the last quarter of 2014 with the purpose of updating credit institutions with regards to developments on supervisory reporting;

- Circular to all credit institutions dated 12 May 2014 with regards to Transitional Provisions for Own Funds in anticipation of the publication of the new regulation on Options and Discretions;

- Circular on Common Equity Tier 1 (CET1) capital instruments dated 3 June 2014, wherein the Authority informed of the list which had been published by the EBA on 28 May 2014 of capital instruments across the EU which the national supervisory authorities classified as CET1. The Authority further recommended Investment Services Licence Holders and Credit Institutions to consider the aforementioned list as part of the calculation of the regulatory capital;

- Circular dated 7 November 2014 addressed to all licenced credit institutions or branches of EU credit institutions notifying of the postponement of the implementation of the Liquidity Coverage Ration from 1 January 2015 to 1 October 2015. This circular was followed by a second one issued on 26 November 2014 outlining the requirements of the Delegated Act on Liquidity which specifies the detailed general liquidity coverage requirement for credit institutions.

On 30 June 2014, the Authority launched a consultation exercise on "Proposals for the Categorisation of Investment Firms as 'Significant'". The Consultation Document outlined the distinction between investment firms considered "significant" and investment firms considered not to be "significant" for the purposes of the implementation of Articles 76, 88, 91 and 95 of the CRD IV and Articles 6, 11 and 450 of the CRR. The Consultation Document also outlined the proposed amendments to the Investment Services Rules for Investment Services Providers as a result of the said distinction. The revised Investment Services Rules were issued on 11 November 2014.

Furthermore, during the period under review, the Authority also held various training sessions which included comprehensive presentations on the transposition of the CRD IV package.

SINGLE SUPERVISORY MECHANISM

The Single Supervisory Mechanism (SSM) was implemented through a legislative package composed of:

- Regulation No. 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions (SSM Regulation) which sought to confer onto the European Central Bank specific tasks in relation to financial stability and banking supervision; and
- Regulation No. 1022/2013 of the European Parliament and of the Council of 22 October 2013 amending Regulation (EU) No 1093/2010 establishing a European Supervisory Authority (European Banking Authority) as regards the conferral of specific tasks on the European Central Bank pursuant to Council Regulation (EU) No 1024/2013. This Regulation aimed at aligning the existing Regulation No. 1093/2010 on the establishment of the EBA to the new banking supervision framework.

The aim of the SSM is primarily that of combating the vulnerabilities of the banking sector.
The SSM's reach covers all the banks in the Eurozone with larger, significant banks being at the centre of the new regime. The ECB has been tasked with the direct supervision of banks having

assets of more than Euro 30 billion or constituting at least 20 per cent of their home country's GDP or which have requested or received direct public financial assistance from the European Financial Stability Facility (EFSF) or the European Stability Mechanism (ESM). On the other hand, the day-to-day supervision of the less significant banks remains with the national supervisors even though the ECB may at any point opt to include any of the less significant banks within its remit. Such direct supervision of a credit institution may also take place following a request by the ESM.

During the period under review, in furtherance of its obligations under the SSM Regulation, the ECB also enacted Regulation No. 673/2014 of the European Central Bank of 2 June 2014 concerning the establishment of a Mediation Panel and its Rules of Procedure [ECB/2014/26]. The ECB Regulation aims at providing redress to participating Member States concerned by or who have different views regarding an objection by the Governing Council to a draft decision of the Supervisory Board.

Complementing the SSM is the Single Resolution Mechanism (SRM) established through Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014, establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010 (SRM Regulation). Together with the SSM, the SRM Regulation forms one of the key elements of Europe's banking union and it proposes to cover all banks established in the euro area and in other Member States that choose to participate. The SRM will be applicable from 1 January 2016.

Also forming part of the SSM and SRM framework are the following legislative initiatives:

- Draft Regulation of the European Parliament and of the Council on Structural Measures improving the resilience of EU credit institutions: The proposed regulation was published on 29 January 2014 and effectively it seeks to:

    - o prohibit a bank, and any entity belonging to its group, from engaging in proprietary trading in financial instruments, physical commodities and investing in hedge funds; and

    - o separate non-proprietary trading activities (such as market-making, OTC derivative trading and complex securitised product investment) from group entities that take eligible deposits.

- Directive 2014/49/EU of the European Parliament and of the Council of 16 April 2014 on deposit guarantee schemes: Directive 2014/49/EU was published in the Official Journal of the European Union on 12 June 2014 and came into force upon publication. It aims at increasing the stability of the banking system whilst achieving the protection of depositors. The Directive confirms and maintains the €100,000 threshold applicable to all aggregated accounts at the same bank. However, deposits by the same depositor in different banks all benefit from separate protection. The transposition deadline for most of the provisions of the Directive is set at 3 July 2015 with 31 May 2016 set for the transposition of the remaining provisions.

- Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (BRRD): The BRRD was adopted by the European Parliament on 15 May 2014 and it aims at establishing a harmonized framework of rules and procedures on bank resolution. The transposition deadline for the BRRD has been set to 31 December 2014.

The BRRD has been transposed into the local legal framework through ad hoc Regulations which are expected to be published during the first semester of 2015 together with the amended Malta Financial Services Authority Act, Banking Act and Investment Services Act. The Authority has been designated as the Resolution Authority in terms of the BRRD.

ESRB RECOMMENDATIONS

European Systemic Risk Board Recommendation of 20 December 2012 on the funding of credit institutions (ESRB/2012/2) was published in the Official Journal of the European Union on 25 April 2013. The Recommendation, which is divided into four parts, requires national supervisory authorities and the EBA to monitor and assess the systemic risk implications of bank funding risks.

The Recommendation provides for the monitoring and assessment of funding risks and funding risk management by supervisors on the basis of Guidelines provided by the EBA. The Guidelines on harmonised definitions and templates for funding plans of credit institutions were published on 19 June 2014 (EBA/GL/2014/04) and incorporated into a new Banking Rule on Funding Plans for Credit Institutions authorised under the Banking Act 1994 by the MFSA on 31 December 2014 (BR/16/2014). The Rule is applicable to credit institutions which represent a material share of the total banking assets in Malta.

Other aspects of the ESRB Recommendation dealing with risk management and the monitoring asset encumbrance in credit institutions were also brought into effect through amendments to Banking Rule BR/12/2014 on the Supervisory Review Process of Credit Institutions published by the Authority on 31 December 2014.

Banking Rule BR/07/2014 on the Publication of Annual Reports and Audited Financial Statements of Credit Institutions Authorised under the Banking Act 1994 was also reviewed and amended to incorporate the provisions of Guidelines on Disclosure of Encumbered and Unencumbered Assets (EBA/GL/2014/03) which were published by the EBA on 27 June 2014 in terms of the same ESRB Recommendation.

On 12 March 2014, the Authority announced the publication and coming into force of the revised version of MFSA Rule 1 of 2012 on Foreign Currency Lending. This MFSA Rule is modelled on the Recommendation of the European Systemic Risk Board on lending in foreign currencies (ESRB/2011/1). The Rule was reviewed to incorporate new provisions reflecting Guidelines issued by the EBA on capital measures for foreign currency lending to unhedged borrowers under the Supervisory Review and Evaluation Process (SREP) (EBA/GL/2013/02) issued on 20 December 2013.

MiFID II & MiFIR

The MiFID II Package was published in the Official Journal of the European Union on 12 June 2014 and has the objective of regulating the provision of services for investments in financial instruments and on the operation of regulated financial markets. Falling within the remit of MiFID II are banks' and investment firms' provisioning of services such as brokerage, financial advice, dealing, portfolio management and underwriting.

The MiFID II Package, which replaced the existing MiFID, consists of two new legislative instruments which together aim at providing the legal framework governing the requirements applicable to investment firms, regulated markets and data reporting services providers namely:

- Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU which amends the rules on the authorisation and organisational requirements for providers of investment services and on investment protection. The purpose of this Directive is to cover undertakings, the regular occupation or business of which is to provide investment services and/or perform investment activities on a professional basis. The Directive also introduces a new trading venue namely the organised trading facility ('OTF').

- Regulation No. 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No. 648/2012 which is aimed at improving transparency and competition of trading activities by limiting the use of waivers on disclosure requirements and by providing for non-discriminatory access to trading venues and central counterparties for all financial instruments, and requiring derivatives to be traded on organised venues.

Following the granting of the mandate from the European Commission to ESMA, on 22 May 2014 the latter announced the publication of a package of documents aimed at starting the preparation of its technical standards and at presenting its proposed technical advice for the adoption of the Commission delegated acts by the Commission. The package consisted of:

- A discussion paper on a selected number of technical topics in order to receive first feedback from stakeholders for the preparation of ESMA technical standards.

- A consultation paper on all the topics on which the Commission has formally requested ESMA to provide technical advice for the adoption of delegated acts by the Commission.

The launch of this consultation exercise was also notified to the financial services industry through a circular issued by the Authority on 23 May 2014.

Subsequently, on 19 December 2014, ESMA published its final technical advice and launched a consultation on its draft regulatory technical and implementing standards concerning MiFID II and MiFIR. The consultation will run until 2 March 2015.

The transposition deadline for MIFID II has been set at 3 July 2016. Currently, the Authority is taking stock of the situation and to date it has issued a number of circulars to keep stakeholders abreast of the developments at EU level including:

- Circular addressed to Investment Firms and Market Operators dated 16 January 2014 notifying of the agreement reached by the European Parliament and the Council on the updated rules for MiFID II/MiFIR.

- Circular addressed to Investment Firms and Market Operators dated 25 April 2014 notifying of the adoption by the European Parliament of the MIFID II Package and providing an outline of the key elements of the new legislation.

- Circular addressed to the industry dated 28 April 2014 notifying of the mandate granted by the European Commission to ESMA for technical advice on possible delegated acts and implementing acts concerning the regulation on markets in financial instruments and amending regulation (EMIR) on over-the-counter (OTC) derivatives, central counterparties and trade repositories (MiFIR) and MiFID II.

During the coming year, the Authority proposes to carry out an evaluation of the Investment Services Act and of the Rules issued thereunder, as well as the Financial Markets Act with a view to transposing the provisions of MiFID II and the relative Implementing Measures which may be issued by the European Commission in due course.

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 (Auctioning Regulations).

In this regard on 12 May 2014, the Authority announced the publication of three Legal Notices namely:

- Investment Services Act (Amendment of First Schedule) Regulations (L.N. 147 of 2014) aiming to add the activity of bidding in emissions allowance auctions as an investment service;

- Banking Act (Access to Emissions Allowance Auction) Regulations (L.N. 145 of 2014) and Investment Services Act (Access to Emissions Allowance Auction) Regulations (L.N. 146 of 2014): Both regulations seek to implement Articles 18(2), (3) and 59 of the Auctioning Regulations and establish the Authority as the competent authority in Malta for authorising and supervising certain bidders operating under the said regulations.

UCITS V

Directive 2014/91/EU of the European Parliament and of the Council of 23 July 2014 amending Directive 2009/65/EC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) as regards depositary functions, remuneration policies and sanctions (UCITS V) was adopted by the European Parliament on 15 April 2014 and published in the Official Journal of the European Union on 28 August 2014. The changes being introduced by UCITS V are intended to enhance investor protection, increase the degree of harmonisation in the application of UCITS rules by regulators, and align the rules to a greater degree with those applicable under the AIFMD.

On 28 November 2014, ESMA published its technical advice to the Commission on the content of two of the delegated acts on depositaries as required by UCITS V. During the coming year, ESMA will be working closely with the European Commission on the formal delegated acts.

The Authority is monitoring all the developments in relation to this Directive and has issued four circulars notifying stakeholders of the changes which are in the pipeline. Given that the transposition deadline for Member States is set at 18 March 2016, during 2015 the Authority will be commencing the transposition process for this Directive.

PRIIPS

Regulation (EU) No. 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs) was published in the Official Journal of the European Union on 9 December 2014. It shall apply in all Member States with effect from 31 December 2016. This Regulation lays down uniform rules on the format and content of the key information document to be drawn up by PRIIP manufacturers and on the provision of the key information document to retail investors in order to enable retail investors to understand and compare the key features and risks of the PRIIP.

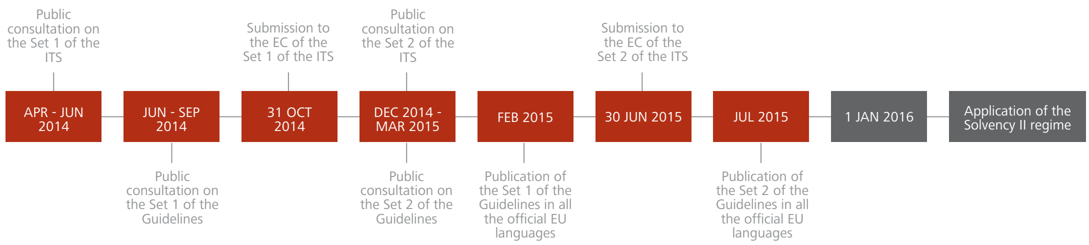
The PRIIPs Regulation empowers the EBA, ESMA and EIOPA through the Joint Committee of the European Supervisory Authorities to develop draft Regulatory Technical Standards (RTSs) in specific areas. On 17 November 2014, the aforementioned Joint Committee of European Supervisory Authorities issued a Discussion Paper aimed at outlining the strategy which the ESAs are proposing to adopt and to receive feedback from stakeholders thereon. It is expected that the ESAs will issue the draft RTSs during the fourth quarter of 2015. This will be preceded by a more detailed technical discussion paper, expected to be issued during the first semester 2015.

The Authority will continue monitoring developments with regards to the publication of the RTSs by the Joint Committee and will be informing the industry accordingly.

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. Solvency II will be introducing a comprehensive regulatory framework for the insurance sector for the benefit of the industry and the end consumers. Directive 2013/58/EU of the European Parliament and of the Council of 11 December 2013 amending Directive 2009/138/EC (Solvency II) as regards the date for its transposition and the date of its application, and the date of repeal of certain Directives (Solvency I) has extended the application date of the Solvency II Directive for 1 January 2016.

On 31 January 2014, EIOPA proposed the following timeline for the delivery of the Solvency II Implementing Technical Standards and Guidelines:



Source: EIOPA Website

On 2 June 2014, EIOPA launched a consultation exercise on Guidelines for Solvency II (Set 1 -EIOPA –CP-14/020). This comprises five Consultation Papers covering:

- Pillar 1 Guidelines, including Guidelines on Technical Provisions, Own Funds, the Standard Formula SCR and Group Solvency;
- Internal models Guidelines;
- Pillar 2 Guidelines, including ORSA and Governance;
- Supervisory Review Process (SRP) Guidelines; and
- Equivalence Guidelines.

This package also included a separate Consultation Paper containing the Impact Assessment (IA) for the Guidelines. Presenting the IA in one global consultation paper allows stakeholders to assess the links between different issues and to understand the common basis of the IA, in particular the choice of the baseline. The consultation ran until 29 August 2014.

On 20 October 2014, EIOPA published Guidelines on the use of the Legal Entity Identifier (LEI) (EIOPA – BoS – 14 – 026). The purpose of these Guidelines is to facilitate the use of LEIs as unique identification codes for insurance and reinsurance undertakings as well as for institutions for occupational retirement provision (IORPs) when fulfilling their reporting obligations. Following the publication of the Guidelines, the Authority issued a Circular to insurance and reinsurance undertakings and groups as well as to occupational schemes, notifying licence holders of the requirement to obtain a LEI code for all entities falling within the scope of 'group' as defined in the Solvency II Directive.

In the local context, 1 January 2014 saw the coming into force of Insurance Rule 31 of 2013 – Preparatory Measures for Solvency II Implementation. This Rule adopts the Guidelines on interim measures issued by EIOPA for the preparatory phase leading up to the implementation of Solvency II. During the preparatory phase, that is, from 1 January 2014 to 31 December 2015, licensed insurance companies are required to take into account the following Guidelines issued by EIOPA namely:

(a) Guidelines on the System of Governance (EIOPA – CP – 13/08);
(b) Guidelines on Forward Looking Assessment of Own Risks (EIOPA – CP – 13/09);

(c) Guidelines on Submission of Information to National Competent Authorities (EIOPA – CP – 14/049);
(d) Guidelines on Pre-Application of Internal Models [EIOPA – CP – 13/011].

On 22 August 2014, the Authority issued a Guidance Note on the Solvency Requirements in relation to Protected Cell Companies (PCCs). This Guidance Note which was circulated as a follow-up to the Guidance Notes issued by the Authority in May 2011 and December 2012, proposes to outline the treatment of PCCs under Solvency II and the adjustment to the own funds. The Guidance Note also refers to the presence of diversification within PCCs.

On 12 September 2014 and 13 October 2014, the Authority issued Circulars addressed to Insurance and Reinsurance Undertakings updating the industry on the developments relating to Solvency II. In the course of the year, the Authority proceeded with the identification of the amendments to the Insurance Business Act in view of the transposition of Solvency II. The Authority also worked on draft regulations and Insurance Rules to transpose the Directive.

CREDIT AND FINANCIAL INSTITUTIONS

In addition to the transposition and implementation of the CRD IV Package, primarily through the finalisation of amendments to the Banking Act and related rules and regulations, a number of other legislative initiatives were implemented during the year.

As part of the periodical updating of regulatory fees, new fees for credit and financial institutions came into force on 1 January 2014 by means of the Financial Institutions (Fees) (Amendment) Regulations, published by means of Legal Notice 10 of 2014, and the Credit Institutions (Fees) Regulations, 2014, published by means of Legal Notice 11 of 2014.

The revised Banking Rule 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 came into force on 1 January 2014. Banking Rule BR/09 was amended following consultations with the Joint Financial Stability Board to introduce new principles related to the allocation of capital buffers in respect of the bank Non-Performing Loans. The revised Banking Rule also made 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.

COMPANY SERVICE PROVIDERS

The Company Service Providers Act was published in the Government Gazette on 24 December 2013.

On 7 January 2014, the Authority launched a consultation exercise on the proposed Rules for Company Service Providers (CSPs). These Rules are intended to supplement the legal framework for CSPs provided in the Act and include detailed regulatory requirements by which persons registered in terms of the Act are expected to comply. The consultation exercise ran until 17 February 2014. A feedback statement was issued on 21 March 2014 together with the final version of the Rules which came into effect on the same day.

During the period under review, the Authority also sought to raise awareness among company service providers as to the requirement to register in terms of the Act. On 9 January 2014, the Authority issued a circular to remind entities which could be subject to registration with the Authority in terms of the Act of the deadline of 24 March 2014 to apply for registration.

CONDUCT OF BUSINESS

During 2013, a Conduct of Business (Investment Services) Task Force was established within the Authority with the aim of reviewing the current conduct of business regulatory regime in investment services, and to define appropriate policy changes for the enhanced protection of customers in investment services. This had led to the launch of a consultation exercise on the Proposed Conduct of Business Rules for the Enhanced Protection of Customers in Investment Services. The consultation exercise ran until 24 March 2014 and considerable feedback was received from stakeholders. Based on the recommendations made, the Authority proceeded with the drafting of a single, unified Code regulating Conduct of Business in Financial Services. The proposed Code will take into consideration inter alia the different degrees of risk involved in relation to the different types of investments available on the market as well as the different degrees of expertise that consumers may have. During the coming year, the Authority proposes to consult with the industry on the proposed Code.

INSURANCE AND PENSIONS

In addition to the transposition and implementation of Solvency II by means of amendments to the Insurance Business Act and related rules and regulations, a number of other legislative changes in the insurance sector were implemented during the year.

Legal Notices 53 and 54 of 2014 namely the Insurance Business (Fees) Regulations and the Insurance Intermediaries (Fees) Regulations came into force on 1 January 2014. Similarly the Special Funds (Fees) Regulations (L. N. 64 of 2014) issued in terms of the Special Funds (Regulation) Act came into force on 1 January 2014.

The Insurance Business (Assets and Liabilities) Regulations were amended with respect to the calculation of the equity yield. The revised regulations were published in the Government Gazette on 28 March 2014 and came into force immediately.

Insurance Rule 30 of 2012 on Complaints Handling by Authorised Companies was revised to reflect the requirements published in:

- the Guidelines on Complaints handling by Insurance Undertakings published by EIOPA on 27 June 2012; and

- the Report on Best Practices by Insurance Undertakings in Handling Complaints published by EIOPA on 27 June 2012.

The revised Insurance Rule came into force on 3 February 2014.

Similarly, following a consultation exercise, on 30 April 2014, the Authority announced the publication of a new Insurance Intermediaries Rule namely Insurance Intermediaries Rule 25 of 2014 on Complaints Handling by Insurance Intermediaries. The Rule incorporates:

- the Guidelines on Complaints-Handling by Insurance Intermediaries published by EIOPA on 27 November 2013; and

- the Report on Best Practices by Insurance Intermediaries in handling complaints published by EIOPA on 27 November 2013.

The Rule came into force on 1 July 2014.

Insurance Rule 32 of 2014 came into force on 17 January 2014 and is intended to further supplement the Reinsurance Special Purpose Vehicle Regulations which came into force during 2013. Insurance Rule 32 applies to:

(a) an undertaking desirous of applying for authorisation to carry on, and on continuing basis an undertaking authorised to carry on, business as a reinsurance special purpose vehicle; or

(b) an undertaking authorised to carry on business as a reinsurance special purpose vehicles desirous of applying for approval of additional risk transfer arrangements.

The process of evaluating and assessing the feedback received in relation to the consultation exercise on the new Retirement Pensions Rules and Regulations launched in the second quarter of 2013 was finalised during the year under review in anticipation of the coming into force of the Retirement Pensions Act (Chapter 514 of the Laws of Malta) on the 1st January 2015. This Act repeals and replaces the Special Funds (Regulation) Act (Chapter 450 of the Laws of Malta), regulations and directives issued thereunder.

The Retirement Pensions Act provides the legal framework for the licensing and regulation of retirement schemes, whether personal or occupational, retirement funds and service providers related thereto, as well as the requirement of recognition for persons carrying on back-office administrative activities. The scope of the Act is similar to that of the Special Funds (Regulation) Act, that is, it provides for a regulatory framework for occupational retirement schemes, retirement funds, and service providers but specifically makes reference to schemes setup as personal retirement schemes.

Once the Act will come into force various Legal Notices will be issued under the Retirement Pension Act. In addition, Pension Rules for Occupational Retirement Schemes, Personal Retirement Schemes, Retirement Funds and Service Providers, will be issued by the MFSA under the Retirement Pensions Act. A feedback statement on the consultation process will also be issued by the MFSA and is accessible on the MFSA website.

SECURITISATION

On 4 September 2014, the Authority launched a consultation exercise on Proposals for Securitisation Cell Companies Regulations and subsequently issued a feedback statement on 27 October 2014.

The Securitisation Cell Companies Regulations (L.N. 411 of 2014) (Regulations) provide a framework for a new type of Cell Company acting as a special purpose vehicle in Malta. The Regulations apply the protected cell company concept to securitisation vehicles and reinsurance special purpose vehicles, by introducing a new structure called the Securitisation Cell Company (SCC). The Regulations provide an effective and legally entrenched framework for the segregation of different sets of assets and risk instruments within a single special purpose vehicle, the Securitisation Cell Company. This enables the launch of multiple securitisation transactions or insurance-linked securities without incurring any risk of cross-contamination between the different sets of creditors and investors.

The Regulations provide that an SCC may create cells by means of a resolution of its Board of Directors and may issue financial instruments in one or more tranches, in respect of any of its cells, the proceeds of which are comprised in the cellular assets attributable to the cell. An SCC may not carry securitisation transactions through its non-cellular assets. Asset-based and risk-based securitisation transactions may therefore only be carried out in respect of specific cells and securitisation assets have to be allocated to a particular cell.

A key feature of the Regulations is that a creditor of a cell has rights to the assets of that particular cell only and has no recourse to the assets of other cells or to non-cellular assets. The Regulations also provide for the winding up of individual cells separately from the SCC itself as a whole.

The directors of a cell have the responsibility to keep the cellular assets separate and separately identifiable from non-cellular assets as well as separate records for every cell. Directors may also choose the base currency of a cell which may be different from the currency of non-cellular share capital.

An SCC may require a licence depending on the nature of the activity to be carried out through the respective cells. Otherwise notification to the Authority will suffice.

LISTING RULES

During the period under review, specifically on 29 April 2014, the Authority announced the publication of the revised amendments to the Listing Rules in view of the transposition of Article 1(1)(a)(ii) of Directive 2010/73/EU[12] and Article 1(2)(f) of Directive 2003/71/EC[13]. The revised Listing Rules also reflect the revised Admissibility to Listing Fees for the period 2014 to 2018. The amendments to the Listing Rules other than the fees came into force on 29 April 2014. The Admissibility to Listing Fees became effective on 1 January 2014.

On 7 July 2014, the Authority published the revised Listing Rules for the European Wholesale Securities Market. The amendments concerned the inclusion of convertible debt securities within the scope of these Rules. The revised Rules came into force upon publication.

TRUSTS AND TRUSTEES

The period under review was marked by the coming into force, on 25 April 2014, of Act No. XI of 2014 entitled the Trusts and Trustees (Amendment) Act. The publication of the Act was also accompanied by a circular issued by the Authority on 2 May 2014 outlining the salient changes to the Trusts and Trustees Act.

Key changes brought in through these amendments included provisions dealing with settlor reserved powers as well as the introduction of the office of 'enforcer' in the case of trusts established for a charitable purpose. A minimum capital requirement was also introduced for both trustees and mandatories whether individuals or body corporates.

During the last quarter of 2014, the Authority launched two consultation exercises concerning proposed Rules for Trustees of Family Trusts and a proposed Regulation on the use of trusts for persons with disability.

The aim of the proposed Rules for Trustees of Family Trusts is to further regulate the activities of trustees which are eligible for registration in terms of Article 43B as well as that of providing a definition of persons who are deemed to be family dependents in relation to family trusts.

The proposed Regulations on the use of trusts for persons with disability are designed to provide specific duties for trustees of trusts which are established for persons with disability. In particular, the proposed regulations make the appointment of a protector obligatory. Both the Rules and the Regulations are expected to come into force during the first quarter of 2015.

Furthermore, during the coming year, the Authority is expected to issue for consultation the Rules applicable to Trustees and other Fiduciaries inter alia relating to the compliance function, auditing and reporting functions and the financial resources requirements.

[12] *Directive 2010/73/EU of the European Parliament and of the Council of 24 November 2010 amending Directives 2003/71/EC on the prospectus to be published when securities are offered to the public or admitted to trading and 2004/109/EC on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market*

[13] *Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC*

SECURITIES AND MARKETS

During the period under review, the Authority focused its resources on the transposition of the CRD IV Package as well as on the implementation of European Markets Infrastructure Regulation (EMIR).

With regards to the implementation of EMIR, on 16 January 2014, the Authority issued a circular to the financial services industry in which it informed that given its designation as competent authority for the purposes of the implementation of EMIR, it was carrying out a number of EMIR related on-site inspections to verify the extent of implementation of the said regulation by the industry. The industry was further notified that the reporting obligation in terms of EMIR would commence on 12 February 2014, meaning that the relevant procedures and arrangements had to be in place by that date.

On 11 September 2014, the Authority notified the industry of its intention to comply with the ESMA Guidelines and Recommendations regarding the implementation of the CPSS-IOSCO Principles for Financial Market Infrastructures in respect of Central Counterparties. The Authority further confirmed that whilst authorising and supervising all CCPs which fall under its jurisdiction, the Authority would ensure that these CCPs conform to the CPSS-IOSCO PFMIs.

The period under review was also marked by two important developments in the funds sector, namely

(i) the publication of the Rules applicable to collective investment schemes which are authorised to invest through loans on 2 April 2014; and

(ii) the publication of the Companies Act (Substitution of the Tenth Schedule) Regulations by means of Legal Notice 478 of 2014 together with the launch of a Consultation Exercise on the issue of a proposed Rulebook to regulate the establishment and supervision of private equity funds.

The Loan Fund Rules apply in addition to the provisions of the Alternative Investment Funds Managers Directive and take into consideration the various studies and policy recommendations on the regulation of shadow banking published by the Financial Stability Board (FSB) and other standard setting bodies. The Rules apply to collective investment schemes which engage in direct loan origination or in the acquisition of a portfolio of loans or a direct interest in loans and which consequently gives rise to a direct legal relationship between the Scheme as lender and borrower.

In terms of these Rules, loan funds set up in Malta may only be closed-ended SICAVs and are subject to a variable Net Asset Value (NAV). These types of funds may only be marketed to professional investors and may not lend to other financial institutions or households. The minimum entry level for investors has been set at EUR100, 000. Additional requirements apply over and above AIFMD in areas such as credit assessment, liquidity provision, exposure limits and disclosure. Leverage and reuse of collateral are not permitted.

The Companies Act (Substitution of the Tenth Schedule) Regulations, 2014 involve a complete review of the regime applicable to partnerships en commandite, otherwise referred to as Limited Partnerships, established as collective investment schemes in terms of article 66A of the Companies Act and the Tenth Schedule to the Companies Act. In order to supplement the provisions of the Tenth Schedule of the Companies Act, towards the end of 2014, the Authority launched a Consultation Exercise relating to the issue of Investment Services Rules applicable to private equity funds. A feedback statement is expected to be issued during the first semester of 2015.

During the period under review, the Authority also sought to finalise the implementation of the Alternative Investment Fund Managers Directive (AIFMD). Thus the Authority updated its FAQs on the AIFMD together with the list of co-operation agreements which the Authority has signed with non-EU securities regulators with responsibility for the supervision of alternative investment funds.

On 26 March 2014, the Authority issued a circular to the financial services industry on the reporting requirements applicable to AIFMs in terms of the ESMA Guidelines on reporting obligations

(ESMA/2013/1339). The circular outlined the reporting categories which eventually determine the reporting frequency for AIFMs on the basis of the calculation of the assets under management. This was followed by a second circular issued on 16 December 2014 providing information to the industry relating to the reporting obligations of an AIFM in terms of Articles 3(3) and 24 AIFMD.

On 28 March 2014, the Authority published a Guidance Note on the application of the proportionality principle in relation to the ESMA Guidelines on Sound Remuneration Policies under the AIFMD.

During the period under review, the Authority also formalised the National Private Placement Regime applicable in Malta in terms of Articles 36 and 42 of the AIFMD through the issue of ad hoc notification forms and Guidance Note aimed at assisting the industry in compiling these forms correctly.

EU Regulation No. 345/2013 of the European Parliament and of the Council of 17 April 2013 on European Venture Capital Funds and EU Regulation No. 346/2013 of the European Parliament and of the Council of 17 April 2013 on European Social Entrepreneurship Funds (hereinafter collectively referred to as 'EU Regulations') came into force on 22 July 2013. These two EU Regulations led to the publication of the Investment Services Act (European Venture Capital Funds) Regulations, 2014 (L.N. 105 of 2014) and the Investment Services Act (European Social Entrepreneurship Funds) Regulations, 2014 (L.N. 106 of 2014) in the Government Gazette on 28 March 2014. Both Regulations make provision for the designation of the MFSA as competent authority for the purposes of implementing the relevant provisions of the EU Regulations, as well as outlining the procedure applicable in the case of breaches of the provisions of the EU Regulations by fund managers. The implementation of the EU Regulations also necessitated amendments to the Investment Services Rules for Professional Investor Funds and the Investment Services Rules for Alternative Investment Funds. The revised Rulebooks were published on 3 October 2014.

On 24 March 2014, the Authority announced the publication of the revised:

(i) Investment Services Rules for Alternative Investment Funds;
(ii) Investment Services Rules for Professional Investor Funds;
(iii) Investment Services Rules for Investment Services Providers;
(iv) Investment Services Rules for Retail Collective Investment Schemes;
(v) Investment Services Rules for Recognised Persons;
(vi) Guidance Notes on the Computation of the Annual Supervisory Fees for Investment Services Licence Holders.

These amendments were made to:

- transpose certain provisions of the CRD IV Package in the Investment Services Rules for Investment Services Providers;
- update all the Rulebooks and Guidance Notes with the latest fee structures prescribed in the Investment Services Act (Licence and Fees) Regulations; and
- introduce different categories of Alternative Investment Funds (AIFs) namely retail AIFs, AIFs promoted to Professional Investors as defined in MiFID, AIFs promoted to Experienced Investors, AIFs promoted to Qualifying Investors and AIFs promoted to Extraordinary Investors.

During the period under review, the Investment Services Rules were also updated to incorporate the changes consequent to the review by ESMA of the CESR Guidelines on a Common Definition of European Money Market Funds issued on 28 August 2014.

Amendments to the Investment Services Act (UCITS Merger) Regulations were published in the Government Gazette on 19 September 2014. The purpose of the amending Regulations was to better transpose the provisions of Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) in relation to cross-border mergers of UCITS.

With regards to financial markets, during the period under review, the Authority issued two circulars in relation to International Financial Reporting Standards (IFRSs). The first circular, issued on 2 June 2014, drew the attention of the industry to the publication by ESMA of a Report on Activities of IFRS Enforcers in Europe in 2013. The intention of the report was to provide an overview of the activities conducted at European and national level with respect to examining the compliance of financial information with the applicable reporting framework. Subsequently, on 18 June 2014, the Authority notified the industry of the publication by ESMA of a report on the application of accounting requirements for business combinations in IFRS financial statements.

The Financial Markets Act (Credit Rating Agencies) Regulations (L.N. 479 of 2014) were published in the Government Gazette during the last quarter of 2014. The purpose of these Regulations is to implement the relevant provisions of Regulations (EC) No. 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies. The Regulations revoked the Financial Markets Act (Credit Rating Agencies) Regulations 2010 and came into force upon publication.

LICENSING

CREDIT AND FINANCIAL INSTITUTIONS

The number of credit institutions established in Malta in terms of the Banking Act (Cap. 371) totalled 27 at the end of 2014, one more authorisation than the previous year - Table 10 refers. In 2014, the Authority issued credit institution licences to *Pilatus Bank Limited, Satabank plc,* and *Yapi Kredi Bank Malta Limited. Erste Bank (Malta) Limited* and *Investkredit International Bank plc* voluntarily surrendered their licences and ceased to carry on banking activities in terms of the Banking Act.

Ferratum Bank (Malta) Limited had its licence extended to carry on Activity 4 as listed in the Schedule to the Act, namely guarantees and commitments. *FIMBank plc* was granted an extension of licence to carry on Activity 1 as listed in the Schedule to the Act, specifically financial leasing.

Table 10: Authorised credit and financial institutions (2012 - 2014).

	Total licences at end 2012	Total licences at end 2013	Total licences at end 2014
Credit institutions	27	26	27
Financial institutions	23	29	32
Of which:			
Payment Institutions	15	19	22
Electronic Money Institutions	4	6	7

Source: Malta Financial Services Authority

In 2014, five institutions were granted a financial institution licence in terms of the Financial Institutions Act (Cap. 376). *Heinz-Glas Financial Services Malta Limited* was licensed to carry on lending activities and financial leasing. *Mistral Pay Limited* and *AWS Malta Limited* were both licensed to provide payment services. *Paymix Limited* was licensed to provide payment services as well as issuing electronic money while *OTP Financing Malta Co Limited* was authorised to carry on lending activities. *Insignia Cards Limited* had its licence extended to carry on lending facilities, while *Britannia Financial Services Limited* and *Northway Brokers Limited* voluntarily surrendered their financial institution licence. Thus, as shown in Table 10, the total number of financial institutions operating as at end of 2014 rose to 32.

INSURANCE BUSINESS

At the end of 2014, there were 60 insurance undertakings authorised by the MFSA to carry on insurance and reinsurance activities in terms of the Insurance Business Act (Cap. 403) - Table 11 refers.

In 2014, three new insurance undertakings were authorised by the Authority to carry on business in terms of the Insurance Business Act. A Protected Cell Company, namely *White Rock Insurance (Netherlands) PCC Limited*, was authorised to carry on business of affiliated insurance and reinsurance in 17 classes of the general business. *Liberty Global Insurance Company Limited* was authorised to carry on business of insurance and reinsurance in relation to nine classes of the general business while *QIC Europe Limited* was authorised to carry on business of insurance in nine classes of the general business.

Table 11: Authorised insurance undertakings (2012 – 2014)

	Total licences at end 2012	Total licences at end 2013	Total licences at end 2014
Non-Life	42	44	45
Life	7	7	6
Composite	2	2	2
Reinsurance	7	7	7
Total	58	60	60
of which:			
Affiliated	11	11	10
Protected Cell Companies (and cells)	*8 (18 cells)*	10 (*22 cells*)	11 (*27 cells*)
Insurers of domestic origin	8	9	9
Insurers of foreign origin ^	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).

GasanMamo Insurance Limited and *SN SecureCorp Insurance Malta Limited* had their licences extended to carry on business of insurance in additional classes of the general business. *AarhusKarlshamn Insurance Malta Limited* had the licence extended to carry on business of reinsurance in an additional class of the general business. *White Rock Insurance (Europe) PCC Limited* had the licence extended to carry on business of insurance and reinsurance in additional classes of the general business classes while *RCI Life Limited* and *HSBC Life Assurance (Malta) Limited* had their licences extended to conduct business of reinsurance in additional classes of the long-term business.

Three insurance undertakings, namely *Arnold Clark Life Insurance (Malta) Limited*, *Shield Insurance Company Limited*, and *Setanta Insurance Company Limited* ceased to be authorised by the Authority.

Additionally, the Authority approved six new cells in 2014 to write business in terms of the Companies Act (Cell Companies Carrying on Business of Insurance) Regulations, 2004, namely *Finance One Cell* of *Abbey International Insurance PCC Limited*, *Cell 1* of *White Rock Insurance (Netherlands) PCC Limited*, *ABTA Cell* of *Lime Street Insurance PCC Limited*, *Cell Europe* of *HighDome PCC Limited*, *Crystal Cell* of *Lime Street Insurance PCC Limited* and *Amplifon Cell* of *Atlas Insurance PCC Limited*. There were 27 approved cells within 11 protected cell companies at the end of 2014.

Totemic Cell 1 of *Atlas Insurance PCC Limited* ceased operations in 2014.

Insurance Intermediaries - Companies

The number of licensed insurance managers, insurance agents and insurance brokers remained unchanged in 2014 when compared with the previous year at 15, 20 and 30 licences respectively as shown in Table 12.

Table 12: Authorised insurance intermediaries – Companies (2012 – 2014)

	Total licences at end 2012	Total licences at end 2013	Total licences at end 2014
Enrolled Insurance Managers	13	13	15
Of which PCCs (and cells)	-	3 (2 cells)	3 (2 cells)
Enrolled Insurance Agents of:			
Local Insurers	9	9	9
Foreign Insurers	11	11	11
Enrolled Insurance Brokers	29	30	30
Of which PCCs (and cells)	-	2 (1 cell)	2 (2 cells)

Source: Malta Financial Services Authority

In 2014, the Authority extended the licence granted to *Thomas Smith Insurance Agency Limited* to act as insurance agent of *GasanMamo Insurance Limited* in respect of one additional class of the general business while *MIB Insurance Agency Limited* had its licence extended to act as insurance agent of *Lloyd's Syndicate SJC 2003 – Catlin* in respect of home building insurance business. *Argus Insurance Agencies Limited* had the licence extended to act as insurance agent of *Markel International Insurance Company Limited* in respect of one class of the general business and of *Lloyds Syndicate CNP 444 (Canopious)* in respect of seven classes of the general business.

The Authority also granted approval for the creation of O*xford International Financial Management* cell as a protected cell of a cell company, *Jatco Insurance Brokers PCC Limited*, enrolled in the Brokers List to carry on insurance intermediaries' activities.

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 the year, two new individuals were added to the Managers Register, four to the Agents Register and nine to the Brokers Register. At the end of 2014, as shown in Table 13 below, there were 23 individuals registered in the Managers Register, 28 individuals registered in the Agents Register and 86 individuals in the Brokers Register. There were also 479 registered tied insurance intermediaries at the end of the year.

Table 13: Authorised insurance intermediaries – Individuals (2012 – 2014).

	Total licences at end 2012	Total licences at end 2013	Total licences at end 2014
Registered Insurance Managers	26	27	23
Registered Insurance Agents	28	29	28
Registered Insurance Brokers	78	83	86
Tied Insurance Intermediaries[14]	506	427	479

Source: Malta Financial Services Authority

[14] *Includes both individuals and companies.*

PENSIONS

Table 14 shows the development of regulations under the Special Funds Act for the period 2012-2014.

There were 35 retirement schemes registered in terms of the Special Funds (Regulation) Act (Cap. 450) at the end of 2014, three net more than the previous year. New certificates of registration were issued to *Plegt-Vos Retirement Scheme*, *Optimus Retirement Benefit Scheme No. 1*, and *Optimus Retirement Benefit Scheme No. 2*.

Fourteen retirement scheme administrators were registered at the end of 2014, two more than the previous year. New certificates were issued to *Integrated–Capabilities (Malta) Limited* and *Bourse Trust Company (Malta) Limited* in 2014.

Table 14: Registrations in terms of the Special Funds Act (2012 – 2014)

	Total licences at end 2012	Total licences at end 2013	Total licences at end 2014
Retirement Schemes	17	32	35
Retirement Funds	-	2	2
Retirement Scheme Administrators	9	12	14
Retirement Fund Administrators	-	1	1
Asset Managers	3	6	11

Source: Malta Financial Services Authority

The Authority approved also the registration of five new asset managers in 2014, namely to *Brooks Macdonald Asset Management (International) Limited, Schroders (CI) Limited, Calamatta Cuschieri Investment Management Limited, Ravenscroft Investment Management Limited,* and *Rizzo, Farrugia & Co (Stockbrokers) Limited*. There were 11 registered asset managers at the end of 2014, five more than the previous year.

SECURITIES BUSINESS

Investment Services

The number of investment services licences continued to grow in 2014 particularly within the Category 2 licences. In 2014, the Authority licensed 23 new investment services companies in terms of the Investment Service Act (Cap.370), two more than the previous year - Table 15 below refers.

The Authority authorised 17 new Category 2 investment services providers, namely to *Temporis Investment Management Limited, Seia Capital Management Limited, AMAGIS Capital Management Limited, Greenwich Dynamic Limited, Novofina Management Limited, W1 Capital Management Limited, Gamma Capital Trader Limited, Timberland Fund Management Limited, Allanzia Asset Management Limited, Mirabella Malta Limited, PSG Fund Management (Malta) Limited, Van Sterling Capital Limited, EuroMena FMC Limited, Capital Asset Management Limited, DS Platforms Limited, Melidon Asset Management Limited,* and *Frere Hall Capital Management (Malta) Limited*. The Authority also issued four new Category 1A licences, namely to *Neox Capital Limited, Timberland Invest Limited, Conseils en Finances Limited*, and *Lutetia Capital Investment Advisors Limited*. *Langlade Capital Advisors Limited* was licensed as a Category 1B investment service company while *Heritage International Fund Services (Malta) Limited* was granted a Category 4b investment services licence.

Table 15: Investment services licences (2013 – 2014)[15]

<table>
<tr><th colspan="2"></th><th colspan="3">2013</th><th colspan="3">2014</th></tr>
<tr><th colspan="2"></th><th>New licences</th><th>Surrendered licences</th><th>Total licences at end 2013</th><th>New licences</th><th>Surrendered licences</th><th>Total licences at end 2014</th></tr>
<tr><td colspan="2">Category 1a</td><td>1</td><td>4</td><td>9</td><td>4</td><td>1</td><td>12</td></tr>
<tr><td colspan="2">Category 1b</td><td>-</td><td>-</td><td>4</td><td>1</td><td>1</td><td>4</td></tr>
<tr><td colspan="2">Category 2</td><td>18</td><td>5</td><td>95</td><td>17</td><td>11</td><td>101</td></tr>
<tr><td colspan="2">Category 2 & 4a</td><td>1</td><td>-</td><td>4</td><td>-</td><td>-</td><td>4</td></tr>
<tr><td colspan="2">Category 3</td><td>1</td><td>-</td><td>10</td><td>-</td><td>-</td><td>9[16]</td></tr>
<tr><td colspan="2">Category 3 & 4a</td><td>-</td><td>-</td><td>2</td><td>-</td><td>-</td><td>2</td></tr>
<tr><td rowspan="2">Category 4</td><td>Category 4a</td><td rowspan="2">-</td><td rowspan="2">-</td><td rowspan="2">1</td><td>-</td><td>-</td><td>2[17]</td></tr>
<tr><td>Category 4b</td><td>1</td><td>-</td><td>1</td></tr>
<tr><td colspan="2">Total</td><td>21</td><td>9</td><td>125</td><td>23</td><td>13</td><td>135</td></tr>
</table>

Source: Malta Financial Services Authority

There were three other companies which had their licences extended to provide additional investment services activities while another company, namely *Swissquote Europe Limited*, had the licence revised from Category 3 to Category 4a. Additionally, 14 investment companies had their licence revised to act as a full AIFM, 27 investment companies to act as De Minimis AIFM and two investment companies to act as Maltese Management Company.

In 2014, the Authority accepted the voluntary surrender of 11 Category 2 licences, namely to *Clive Capital (Malta) Limited, HSBC Securities Services (Malta) Limited, Afex (Europe) Limited, Erste Bank (Malta) Limited, COMAC Capital (Europe) Limited, Alpstar Capital (Malta) Limited, Fortelus Capital Management Limited, Elgin (Europe) Limited, Vertigo Management Services Limited, Z Investment Partners Malta Limited* and *ML Capital Asset Management Limited*. The Authority also accepted the surrender of one Category 1A licence, namely to *Phenom Directors Limited*, and one Category 1B licence to *Upperview Financial Advisors Limited*.

Recognised Fund Administrators

In 2014, the Authority granted a recognition certificate to *FCS Asset Management Limited* to act as a recognised fund administrator in terms of the Investment Services Act. During the Year the Authority also accepted the voluntarily surrender of recognition certificates granted to *HSBC Securities Services (Malta) Limited* and *Helvetic Fund Administration (Malta) Limited*. At the end of 2014, as shown in Table 16 below, there were 27 recognised fund administrators, one less when compared with the previous year.

Table 16: Investment services licences – Recognised Fund Administrators (2013 – 2014)

	2013			2014		
	New licences	Surrendered licences	Total licences at end 2013	New licences	Surrendered licences	Total licences at end 2014
Recognised Fund Administrators	2	-	28	1	2	27

Source: Malta Financial Services Authority

[15] *Following the revision of the Investment Services Rules for Investment Service Providers concerning the introduction of the Depositary Lite Regime, a new investment services licence classification was introduced in 2014, namely Category 4a and Category 4b.*
[16] *One licence was revised from Category 3 to Category 4a.*
[17] *One licence was revised from Category 3 to Category 4a.*

Collective Investment Schemes

In 2014, the Authority started issuing collective investment scheme licences to carry on the activities of Alternative Investment Fund in terms of Article 6 of the Investment Services Act. Over the course of the year, the Authority licensed six Alternative Investment Funds, 100 Professional Investor Funds, 11 UCITS funds and one Recognised Private Fund. Of these, there were nine new licences authorised as Incorporated Cells - Table 17 below refers.

Table 17: New and surrendered Collective Investment Schemes (including sub-funds) (2012 – 2014).

	2012		2013		2014	
	New licences	Surrendered licences	New licences	Surrendered licences	New licences	Surrendered licences
AIFs	-	-	-	-	6	-
PIFs	117	79	115	83	100	97
Of which ICs	2	-	9	-	8	5
Retail Non-UCITS	2	1	-	8	-	9
Recognised Private Schemes	-	-	2	-	1	-
UCITS	9	14	18	5	11	17
Of which ICs	-	-	-	-	1	-
Total	128	94	135	96	118	123

Source: Malta Financial Services Authority

During 2014, the Authority accepted the voluntary surrender of 97 Professional Investor Funds (of which five were Incorporated Cells), nine Retail Non-UCITS funds and 17 UCITS Funds.

Recognised Incorporated Cells Companies

The Authority licensed nine Collective Investment Schemes as Incorporated Cells in terms of Article 6 of the Investment Services Act during 2014, of which eight licences to carry on the activities of Professional Investor Fund targeting Qualifying Investors and one licence to carry on the activities of a Maltese UCITS fund - Table 18.

Table 18: Recognised incorporated cell companies (2013 - 2014).

	2013			2014		
	New licences	Surrendered licences	Total licences at end 2013	New licences	Surrendered licences	Total licences at end 2014
Recognised Incorporated Cell Companies	3	-	4	-	-	4
Incorporated Cells	9	-	11	9	5	15

Source: Malta Financial Services Authority

In 2014, five Incorporated Cells ceased to be licensed by the Authority.

Trust Services

At the end of 2014, there were 142 authorisations in terms of the Trusts and Trustees Act (Cap. 331), two more than the previous year.

In 2014, four new authorisations were issued in terms of the Trusts and Trustees Act (Cap.331). *Alter Domus Trustee Services (Malta) Limited* was authorised to act as a trustee and to provide other fiduciary services including acting as an administrator of private foundations. *Equity Wealth Solutions Limited* was authorised to act as trustee or co-trustee, provide other fiduciary services and to act as an administrator of private foundations. *Affinity Management Services Limited* was authorised to provide fiduciary services which do not include acting as trustee. An individual was also authorised to act as an administrator of private foundation.

The Authority extended the authorisations granted to *WDM Fiduciary Services Limited* and *Plethora Trusts & Fiduciaries Limited* to include acting as a trustee and as an administrator of private foundations. *Aver Trustees Malta Limited* had its licence extended to include acting as an administrator of private foundations.

Table 19: Authorised trustees, nominees and trusts (2012 – 2014)

	Total authorisations at end 2012	Total authorisations at end 2013	Total authorisations at end 2014
Authorisations in terms of the Trusts and Trustees Act (Trustees/ Fiduciary Service Providers/ Administrators of Private Foundations)	131	140	142
Nominees	20	19	16
Trusts registered in terms of the Trust Act, 1988	115	115	89

Source: Malta Financial Services Authority

The authorisation of licences for trusts and nominees came to an end with the coming into force of the Trusts and Trustees Act in 2005. These licences continued to be phased out and as at end 2014, 16 nominees and 89 trusts remained registered in terms of the Trust Act (1988) - Table 19 refers.

Company Service Providers

In 2014, the Authority started issuing the first certificates of registration to companies and individuals to act as company service providers in terms of the Company Service Providers Act, 2013.

During 2014, as indicated in Table 20 below, the Authority issued registration certificates to *Dominion Corporate Services (Malta) Limited, Apex Corporate & Advisory Services Limited, HIMM Corporate Services Limited, International Company Services (Malta) Limited, IURIS Management Limited, Teos Management* and *Advisory Services (Malta) Limited* and three individuals.

Table 20: Company service providers (2014)

	Total registrations at end 2014
Registrations in terms of the Company Services Providers Act	9

Source: Malta Financial Services Authority

Listing Authority

Following the appropriate evaluations undertaken by the Listing Committee, the Listing Authority approved the admissibility to listing on the Malta Stock Exchange three equity issues, eleven corporate bond issues, six Malta Government Securities and one note issue.

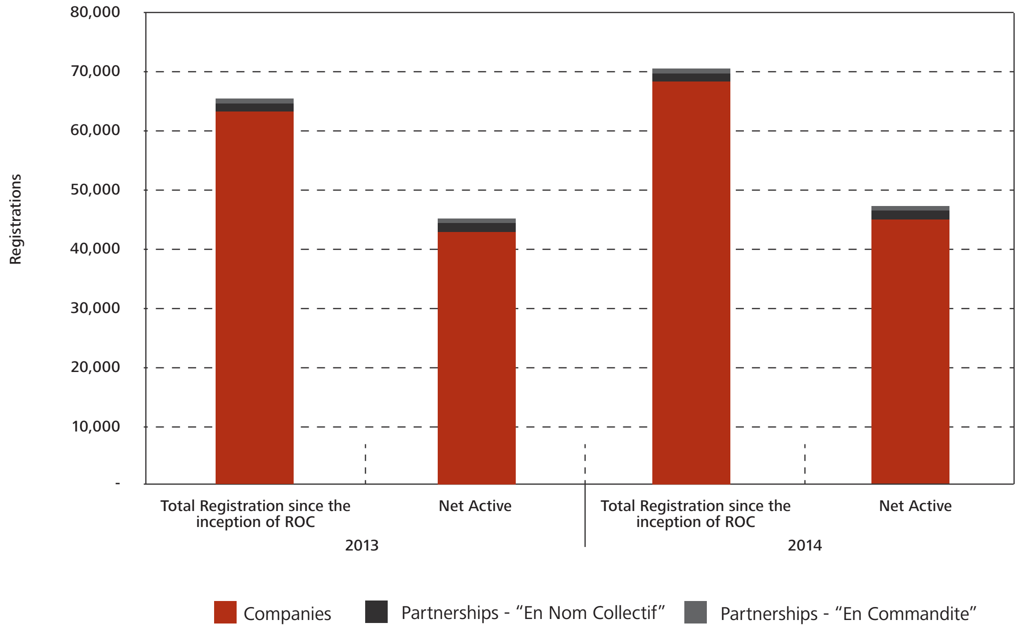
The Listing Authority also approved the admittance to listing on the European Wholesale Securities Market three asset backed securities, one bond and one supplementary issue.

THE REGISTRY OF COMPANIES

Total Registrations and Active Registrations

As at end of 2014, 68,676 companies, 1,514 partnerships - "*En Nom Collectif*" and 126 partnerships - "*En Commandite*" were registered in the Registry of Companies. The number of active companies and commercial partnerships was as follows: 46,039 companies, 979 partnerships - "*En Nom Collectif*" and 95 partnerships - "*En Commandite*". This represents an increase of eight per cent, 3.7 per cent and 30.1 per cent respectively when compared with the previous end year - Chart 18 refers.

Chart 18: Total registrations against net active registrations (2013 – 2014)

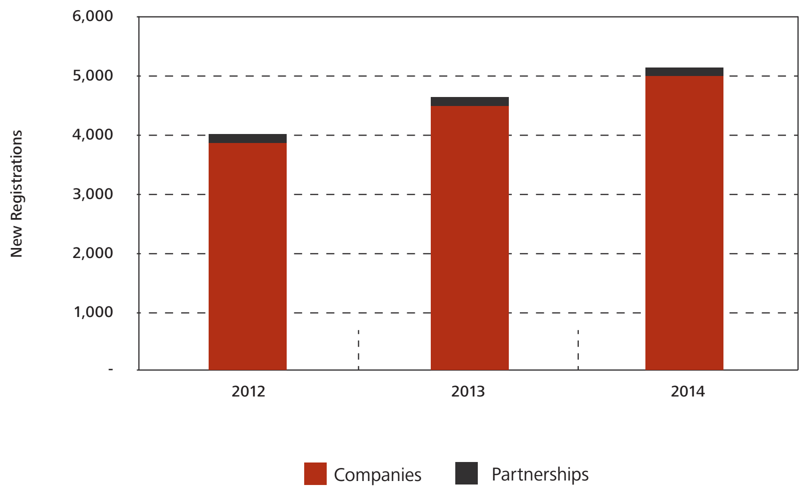


Source: Malta Financial Services Authority

New Registrations

In 2014, 5,019 new companies and 82 new partnerships were registered in the Registry of Companies, representing an increase of 10.8 per cent and 28.1 per cent respectively when compared with the previous year - Chart 19 refers.

Chart 19: New registrations (2012 – 2014)



Source: Malta Financial Services Authority

Mergers and Liquidations

In 2014, as shown in Table 21 below, 1,171 companies were placed into liquidation while there were 191 companies which merged during the year.

Table 21: Mergers and liquidation of companies (2012 – 2014).

	Mergers	Total companies placed into liquidation
2012	135	1,049
2013	210	1,189
2014	191	1,171

Source: Malta Financial Services Authority

Redomiciliation of companies

During 2014, 85 companies transferred their domicile to Malta in terms of the Continuation of Companies Regulations under the Companies Act - Table 22 below. 75 per cent of the companies transferred their domiciles to Malta from Non-EU countries while the remaining 25 per cent from EU countries. There were 16 outward re-domiciliations during the same year.

Table 22: Total inward redomiciled companies (2012 – 2014).

	Total redomiciled companies
2012	68
2013	111
2014	85

Source: Malta Financial Services Authority

The following Table 23 represents a breakdown of the redomiciled companies registered in 2014 by type of operation.

Table 23: Breakdown of redomiciled companies in 2014 by type of operation

Category	Number of redomiciled companies
General Trading	5
Holding	12
IT Activities	3
Manufacture	1
Marketing/Promotion/Consultancy	3
Other	4
Private Investment	16
Property Activities	28
Real Estate	3
Securities	1
Shipping	7
Transportation	2
Total	85

Source: Malta Financial Services Authority

Notifications for Inward Cross-Border Services

The Authority received the following (Table 24) notifications from new entities intending to passport out of Malta via the freedom of services in 2014:

Table 24: New notifications of passporting into Malta via the freedom of services (2014)

Category	Number of new notifications
European Credit Institutions	17
European Financial Institutions	45
European Insurance Undertakings	23
European Insurance Intermediaries	220
UCITS Schemes (including sub-funds)	10
Investment Services	168
Regulated Markets	1
EU AIFMs marketing into Malta	
AIFM s	15
AIFs	26
Compartments/ Sub-AIFs	29
EU AIFMs managing AIFs or providing ancillary activities in Malta	
AIFM s	36
AIFs	29
EuVECAs marketing in Malta	2

Source: Malta Financial Services Authority

Notifications for Outward Cross-Border Services

The Authority received the following (Table 25) notifications from new entities intending to passport out of Malta via the freedom of services in 2014:

Table 25: New notifications of passporting outside Malta via the freedom of services (2014)

Category	Number of new notifications
Credit Institutions	8
Financial Institutions	2
Insurance Undertakings	5
Insurance Intermediaries	3
Investment Services	15
UCITS	5
Maltese AIFMs marketing into EU	
AIFM s	1
AIFs	1
Compartments/ Sub-AIFs	2
Maltese AIFMs managing AIFs or providing ancillary activities out Malta	
AIFM s	2
AIFs	1

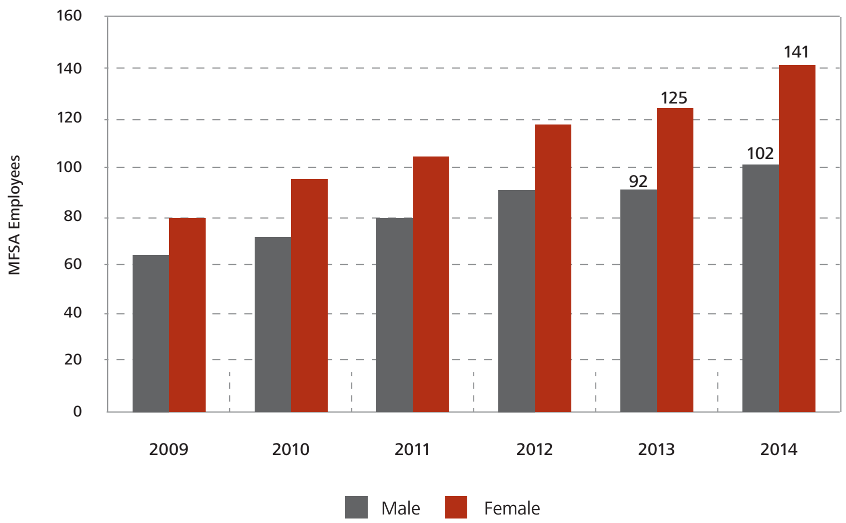
Source: Malta Financial Services Authority

DEVELOPMENT OVERVIEW

HUMAN RESOURCES DEVELOPMENT

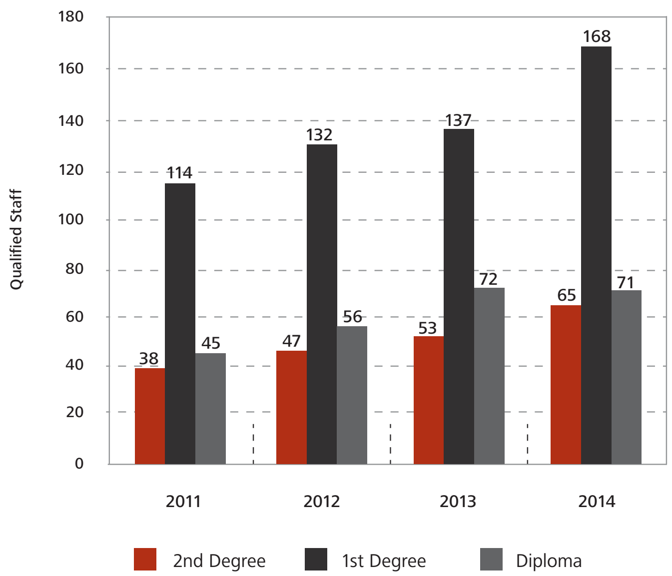
Throughout the year in review, the MFSA continued to strengthen its operational base through the recruitment and training of qualified personnel. During 2014, 43 new members were recruited while 15 terminated their employment. During the same period there were 2 retirees. The total headcount of the MFSA as at end of December 2014 was 243 - Chart 20.

Chart 20: MFSA Employees (2009-2014)



As at 31st December 2014, a total of 168 staff members held a first degree whereas 65 were in possession of a post graduate degree or equivalent. Furthermore, 71 persons held a diploma in one of the current vocational disciplines - Chart 21.

Chart 21 – MFSA Qualified Staff 2011-2014



During 2014, the MFSA continued to strengthen further its commitment towards the training and development of its staff members and individuals employed within the financial services sector. This entailed involving itself in the organisation and implementation of staff training and development programmes, designing training activities and collaborating with other training providers in relation to the provision of training paths for persons searching for a career within the sector. In fulfilling its mission, the Human Resourses & Development (HRD) Unit continued to support the Education Consultative Council, which acts as the MFSA's arm in promoting careers and providing educational activities to cater both for existing employees within the finance industry and its potential future employees.

Employee Training and Development

The HRD Unit is the hub of all training activities and events taking place within the MFSA. Its training function includes the administration of the Self Development Scheme; a functional tool that aims to promote the system whereby staff members can be supported financially throughout a self-development programme leading to a Diploma or First Degree or a Post Graduate degree. In addition, the Unit offers advice and information to employees who seek to better their academic qualifications.

As at end of 2014, 56 staff members were undertaking studies through the Self Development Scheme in subjects relating to the financial services. These include: accounting, ICT related studies, actuarial techniques, insurance related disciplines, trusts and estate management and law.

To further broaden the knowledge and experience of work, the Authority continued to offer opportunities of attachment programmes and study visits to its staff members throughout 2014, including at the Jersey Financial Services Commission and the Irish Ombudsman. 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 continued to oversee the ongoing trends in training requirements within the financial services sector. In view of this important function, the HRD Unit sought to build further the Authority's employees skills and competencies through the provision of managerial, technical and soft-skills training.

Regulatory Development & Supervisory Skills training course - May 2014

The MFSA worked closely with various training institutes to ensure that the programmes being offered on the market are structured in a manner that they meet the ever growing development needs of the financial sector.

Meanwhile, the HRD Unit continued to act as the main training provider for MFSA staff members. This included the setting up of a series of in-house courses throughout 2014.

Furthermore, the MFSA made arrangements for staff members to attend local training courses / seminars / conferences which had been offered to the public. In all, 164 employees across all Units within the Authority attended training generally held by leading institutes and professional organisations. Such training activities amounted to 6,395 hours in 2014.

Careers in the Financial Services Sector

The HRD Unit acts as the major administrator of the Education Consultative Council (ECC). Its role involves logistics arrangements, technical and secretarial support as well as steering of the Council's activities.

In 2014, the ECC sought to fulfil its obligations in relation to the promotion of in-service and pre-service professional training and education within the financial services field. The Council manages to reach its objectives by working closely with its members on initiatives and activities, of which some are considered to be annual events.

As the ECC continued to support its Members in their initiatives relating to educational programmes throughout 2014, it also maintained its drive to disseminate industry-related information among secondary and post-secondary students who are regularly invited to visit the MFSA throughout their scholastic year. The main objective behind the programme of visits is to promote careers among young, potential job seekers within the financial services sector.

During 2014, the HRD Unit's 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 conclusion of a set of video clips featuring the functions of some of the ECC members;

- The organisation of school visits that spread throughout the scholastic year 2013-2014. School visits comprise a presentation delivered by a member of the HRD Unit outlining financial services, required qualifications for employment within the sector, and the growing need of applying appropriate 'soft skills' when in employment. The MFSA hosted 24 visits, which were attended by 25 schools/colleges. The number of students who attended amounted to 653;

- The Industry Exposure Programme 2014 included Guidance Teachers and ETC Advisers. This event, which is now being organised on a yearly basis, involved the allocation of teachers and advisers in difference licence holders for half-a-day. In the afternoon the programme resumed with a number of presentations and a meeting with the MFSA Chairman;

- The organisation of the ETC Sheltered Workshops for firms within the financial sector. The activity consisted of a detailed presentation delivered by the ETC Chief Executive Officer aimed at promoting jobs for persons with disability;

- The drafting and finalisation of the ECC's Business Plan for 2015-2017. The Members of the ECC were consulted as the document was being prepared prior to submission for the approval of the MFSA Board of Governors;

- The setting up of meetings with the University of Malta leading to the design of an internship programme for students reading for a first degree in a finance-related subject. The internship programme is expected to commence in summer of 2015;

- The necessary preparations for the selection of the Skills Needs Survey for 2015. Following a public call for expression of interest, a research consultant has been selected to carry out the survey amongst a sample of 151 licence holders. The objective of the survey is to identify current training needs within the financial services sector. The survey and the action plan are expected to be completed and finalised by mid-March 2015.

In 2014, the Students' Job Exposure Programme took place over the entire scholastic year. Students were given the chance to experience a week long placement with any of the financial services participating firms. A total of 26 participating firms hosted 96 students.

During 2014, the ECC has undergone some major restructuring, which included the introduction of Prof Joseph V. Bannister as Chairman of the Council and an addition of three new Members, namely: Castille Institute, PricewaterHouse Coopers and the Malta Institute of Management.

INFORMATION AND COMMUNICATION TECHNOLOGIES

The Information and Communication Technologies (ICT) Unit provides operational support to all units within the organisation and is responsible for managing the Authority's resources efficiently. More recently, the Unit has also started to provide assistance to the Regulatory Units in their supervisory focus on IT security at authorised entities.

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 (ROC) Online System.

Registry of Companies Online System

The Registry's primary objective is to maintain an efficient and effective service to its users. During 2014, self-imposed targets continued to be met. By the end of 2014, the system was hosting around 47.5K active companies. In terms of the online system, a base of around 9,000 users was reached with 8,000 utilising s electronic filing. Similarly, there were around 300 companies that were registered online and around 2,000 other submissions other forms.

During 2014, new enhancements continued to be introduced to the system and a new functionality dealing with the automatic issuing of penalties through email notifications for late filing of Accounts and/or Annual Returns including online payment of penalties will be launched [was it launched during 2014 or not]. At EU level, preparatory work to integrate the ROC Online System with the Business Registers Interconnection System (BRIS) was initiated. More technical work is scheduled during 2015.

Systems for Regulatory and Supervision Units

To meet the specifications and new regulatory reporting obligations, a Licence Holders Web Portal was launched in June 2014 to act as a platform assisting in all phases of the information supply chain starting from the data acquisition stage onto the integration; an analysis and delivery of required data to different European Supervisory Authorities. In view of this, the web portal is mainly used for the exchange of data between licence holders, the MFSA Supervision Units and respective European Supervisory Authorities (ESAs). Primarily the portal is catering for the exchange of the new Implementing Technical Standards (ITS) reporting templates on Financial Reporting (FINREP) and Common Reporting (COREP) as mandated by the Single Supervisory Mechanism (SSM) and the European Banking Authority (EBA). However more recently during the end of 2014 and will continue throughout 2015, the web portal was extended to capture and accept other regulatory reporting.

Another important project during 2014 was the deployment of a commercial off-the-shelf (COTS) reporting toolkit to assist the supervision to generate compliant XBRL (eXtensible Business Reporting Language) reports, namely to satisfy the new harmonised European reporting frameworks such as CRDIV and Solvency II.

At EU level, during 2014, staff from the Information Systems Section, kept monitoring any progress on various projects and initiatives from the various ICT committees of National Supervisory Authorities (NSAs).

Corporate-wide Systems

Existing corporate-wide used systems including the authority's websites, micro-sites and other internal applications such as the MFSA Intranet were updated to keep abreast with emerging technologies while at the same time ensuring that the key information contained on all public interfacing systems properly reflects most recent updates.

Systems Infrastructure Section

This section within the ICT Unit is responsible for diverse technological scenarios that work harmoniously together and provide the organisation with sophisticated ICT-related tools and resources. This underlying infrastructure hosts, and makes possible, the various software solutions addressing the needs of the core and support units of the Authoriy. Apart from the everyday systems administration, technological up-keep, system provisioning and technical support, the Systems Infrastructure Section completed a number of projects.

Systems Infrastructure Projects

A significant exercise involved the research and technical design in relation to upcoming projects and procurement due to infrastructure hardware ageing and growth. This exercise covers the area of server hardware, computer hardware, firewall security, enterprise storage, data backup and deduplication systems.

Technology advancement and compatibility matters called for the need to upgrade the existing backup software. Although compulsory, the new version brought a number of benefits, namely; improved integration with server applications, adaptation and compatibility to new hardware, secured manufacturer's support, enhanced stability and faster operation. In the future, the backup software is projected to be replaced or expanded considerably in order to accommodate substantial infrastructure changes related to servers architecture and backup devices.

ICT recovery provisions were further expanded to handle telecommunication services in case of a calamity. A scaled-down VoIP telephony system was setup at our offsite premises allowing independent operation and phone lines redirection. This accomplishment was also possible due to the underlying wide-area-network architecture which was formerly implemented through redundant communication links between sites, IP transit and symmetrical bandwidth and network routing. Consequently, this contributed to further enhance the general preparedness in the eventuality of emergency situations. Other further recovery provisions and improvements are scheduled for the coming year.

Infrastructural Projects as a result of the SSM requirements

Due to the European Central Bank's Single Supervisory Mechanism (SSM) provisioning requirement, the MFSA was required to develop the appropriate infrastructure systems to support both effective supervision and the consistent implementation of supervisory objectives.

A secure private link had to be implemented to the ECB through the CBM. This entailed a substantial infrastructure development involving architectural changes and investment in bandwidth, network equipment and security appliances. Through this link, the ECB's SSM services are now fully available at the MFSA. The secure link has been designed in a transparent way by integrating it with the existing MFSA's infrastructure thus providing a high availability service. The link has also been designed to cater for industry standard security, to ensure service confidentiality.

Another development was carried out on the email architecture. Due to the increase of communication streams between the European National Competent Authorities (NCAs) and the European National Central Banks (NCBs), the MFSA has implemented Email Transport Layer Security (TLS) between all individual entities to ensure that email exchanges with these entities is secure at all times. In addition, TLS was set up in a manner to guarantee that email message exchange only occurs when the secure channel is successfully negotiated prior to sending or receiving the email. This therefore ensures that confidentiality is never compromised.

Information Security Analysis
A number of services were provided to the Authorisation Unit, mainly focused on the analysis of prospective licensees' applications. ICT Unit has 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

The Communications Unit handles the Authority's internal and external communication, most notably through the dissemination through various sources of relevant information, developments and updates related to the Authority itself, to legislative and regulatory changes as well through 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, that while maintaining Malta's reputation as a top notch jurisdiction, supports the industry in its requirements towards growth and success. It also keeps the industry abreast with recent regulatory developments, enhancing the hands-on approach and a direct line of communication with the industry.

The Unit continued to enhance the content available on the MFSA Website, which remains a critical resource serving 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 2014, 143,000 unique visitors made 428,000 visits to www.mfsa.com.mt, a 25 per cent increase over the previous year. Users from over 200 different countries visited the website and made more than 1.36 million page views. A quarter of these visits came from international jurisdictions, mainly the United Kingdom, the United States of America, Norway, 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 820 queries received through the website, a 7 per cent increase over the previous year.

Following the commencement, in 2013, of the MFSA's presence on social media, throughout the year in review, the Authority's Twitter and LinkedIn accounts have been consolidated as an important communication tool with the industry, attracting a relevant 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 organised or supported by the MFSA, as well as promotion of vacancies at the Authority.

Conferences, Seminars, Events
The MFSA continued to support a number of Conferences, Seminars and other events that were held during the year under review.

The major event held in 2014 was the Second Edition of the Seminar on Effective Oversight of Capital Markets, organised jointly by the Malta Financial Services Authority and United States

Securities & Exchange Commission (SFC). This year's programme provided a dynamic forum where speakers and delegates from over 20 different international jurisdictions explored objectives and philosophies that promote investor protection and integrity of the capital markets. The topics covered during this year's programme focused on balanced, proven, and pragmatic techniques for the oversight and inspection of market participants, conducting investigations and bringing effective enforcement actions, with particular emphasis on broker dealers, investment advisers, investment companies, mutual funds, hedge funds, and private equity funds.

Four top experts from the SEC's Division of Investment Management, Office of Compliance Inspections and Examinations, and Office of International Affairs delivered in-depth presentations, consistent with international best practices, which could be adapted for effective use internationally.

Besides the technical sessions, this Conference served as a very important networking event between high officials of regulators from worldwide jurisdictions, and a valuable learning experience for a number of MFSA officials who participated in the event.

Participants at the second edition of the seminar on 'Effective Oversight of Capital Markets'

Other major events, organised with the support of the Authority, included the Malta International Risk & Insurance Congress 2014, organised by Commercial Risk Europe, the 4th Annual Malta Fund Conference 2014, organised by ESAFON, the STEP Malta Conference 2014, and the Insurance Europe Conference 2014, which focused on AIFMD One Year After - Implications for Funds, Managers & Service Providers.

Moreover, in November, the MFSA hosted a workshop for company service providers organised in conjunction with the Institute of Directors. Over 130 delegates attended the workshop which sought to enhance Malta's solid reputation as a trusted international financial and business centre. Delegates discussed standards for corporate governance as well as regulatory authorities and enforcement agencies needing better tools to effectively address emerging risks. The participants were addressed by keynote speaker Dr. Roger Barker the Director of Corporate Governance and Professional Standards at the Institute of Directors in the UK.

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 2014, practical industry updates were organised by the MFSA on a number of themes, including new legislation in the field of Company Service Providers as well as developments related to the European Markets Infrastructure Regulation (EMIR) and CRD IV.

Print media

During 2014, the MFSA featured in a variety of international media sources, both in terms of generic financial publications as well as specialised publications. These included Captive Review's 2014 Edition of ILS Review, the March 2014 edition of Captive Review, Captive Review Malta Insurance Report 2015, Solvency II – 2014, The Economic Observer, The Report Company, Lufthansa Inflight Magazine, FTSE Global Markets, Worldfolio, MondoAlternative, The Brokers'

Handbook, Insurance ERM, Hedgeweek Special Report – The AIFMD one year on, and Clear Path Analysis's Fund Formation, Domiciling and Distribution publication.

Additionally, Swiss Financial Television station Dukascopy TV featured Malta prominently, highlighting Malta's growth as a leading financial services jurisdiction that is cementing its name amongst the most reputable world financial jurisdictions.

Frequent contact was maintained with the media through nine 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. Throughout the year, a series of informative leaflets covering key financial services sectors were also published and distributed electronically and in print format at major events.

In 2014, the Authority issued through the Unit 94 Notices, 86 Circulars, over 300 local and foreign Warnings as well as 13 Consultation Papers and 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 2014 the digital 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 340 publications were added to the Library in the year under review.

Moreover the Unit also supports the administration of the Authority's Corporate Social Responsibility (CSR) and provides secretarial services to the Board of the Malta International Training Centre (MITC).

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 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

Table 26 – Formal Complaints/Enquiries

	Formal Complaints and Enquiries Table									
	Cases Received		Cases Closed*		Cases Pending*		Enquiries Received		Queries Received	
Complaints related to:	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Banking	38	19	23	14	18	6	65	32	448	469
Insurance	36	52	36	39	13	16	57	43	663	597
Investments	53	125	47	65	169	160	126	124	1319	891
Others	0	0	0	0	0	0	3	2	86	51
Totals	127	196	106	118	200	182	251	201	2516	2008

**Includes cases carried forward from previous years*

During the year, the Unit received 127 formal complaints and 251 formal enquiries. A number of cases, totalling 200, were also reviewed but not yet concluded.

A total of 106 cases were reviewed and concluded, which include a number of cases carried forward from previous years. Of the cases that have been concluded, 13 per cent were upheld while 47 per cent were not. The remaining cases were either referred back to the complainant but feedback was not provided following several attempts by the Unit, or the outcome served to provide clarification or further information to the complainant.

There has been a significant increase of over 25 per cent in the number of calls received by the Unit. Excluding phone-calls related to complaints which were under review by the Unit, over 2,500 phone calls from consumers enquiring on various subjects have been received. Around 40 per cent of these calls took a few minutes to conclude. Other calls involved more complicated enquiries and required more time. Slightly more than half of these calls related to investment queries.

In the year under review, the amount of new formal complaints received has been the lowest for the past seven years. Although the number of new investment complaints was substantially lower compared to previous years, it still constituted 40 per cent of the overall number of new complaints lodged within the year.

Investment-services complaints remain the largest component of the total number of pending cases. In their majority, these are cases which have been brought over from previous years (mostly cases lodged in 2013) and which remained pending for a number of reasons.

Review of a number of cases in relation to one particular investment was suspended following a decision taken by the Authority to appoint external auditors to review all investor files held with an investment firm relating to a contentious complex investment. This affected review of a number of other case files, relating to the same investment, but which had been sold by other investment firms.

Concurrently, this same investment was the subject of a review in the UK as to the manner it had been promoted to investors and which subsequently led to investors being given the opportunity to apply for compensation from the UK's compensation scheme. Some cases which had been lodged with the Unit in regard to this investment were subsequently withdrawn following receipt of compensation by the complainants.

However, a number of cases remain pending against the respective firms as, other than this particular investment, complaints were made following default of additional investments. The complaints relate to the manner these products had been represented and subsequently recommended to investors.

The Unit has been unable to finalise review of a number of complaints as a result of severe delays in the submission of comments and documentation, as well as lack of cooperation from some investment firms against which the complaint had been lodged. In regard to some cases, the Unit had to write directly to the investment firm's board of directors to secure a higher level of cooperation from the firm.

Unfortunately, the number of pending cases tends to distort the complexity of the issues that are posed for the Unit's review. In many cases relating to allegations of mis-selling or unsuitable advice, the Unit can sometimes identify serious issues relating to the manner the product had been sold to the investor.

In many cases, the Unit has flagged the attention of the supervisory units concerned as to poor compliance procedures within a number of firms against which complaints had been made. For instance, the Unit has identified several cases of poor record-keeping in line with MiFID rules. In such cases, the Unit has taken the stance that the complainant might have a prima facie case that the product had been unsuitable for the investor unless there are compelling reasons which could attest otherwise.

Whenever the documentation departs substantially from statements and allegations made by complainants, the process of review may tend to be prolonged as the Unit could request statements to be given by (former) sales staff as well as other officials within the firm. Each case is treated impartially, on its own merits and both the complainant and the licence holder are given the opportunity to state their case before a final decision is reached by the Unit.

There is evidence to suggest that many investors have been chasing high interest investments which, in an environment of persistent low interest rates, might disguise the inherent risks of the issuer possibly because of the geographic and economic environment in which such issuers operate. Risk and return tend to move in tandem – the higher the risk, the higher is the return expected from the investment. Many investors can misjudge risk and the potential of default if the investment process is framed in a manner which could lead to a false sense of security in regard to the issuer's standing. Some investors might not be in a position to accept a loss of their capital following failure of an issuer, a situation which can worsen if such capital cannot be recouped and constitutes a substantial part of one's portfolio.

Anecdotal evidence seems to suggest that the use of terms such as "guaranteed" and "protected" have been loosely used by some financial intermediaries to describe the resilience of savings products and the issuers.

Also, in pursuit of upfront commissions, anecdotal evidence seems to suggest that some financial intermediaries continue to abuse of the trust that is placed with them by bona fide savers and behave in a manner which tarnishes the reputation of the sector and erodes the confidence which consumers ought to have in the system.

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 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 the Unit has 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 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.

During the year, some officials of the Unit were given the opportunity to attend for a five-day study visit at the Irish Financial Services Ombudsman (FSO). This study visit enabled the Unit to be in a better position to understand the approach taken by the FSO at the different stages of a complaint. Technically speaking the approach taken by the Unit and the Irish ombudsman to handle complaints is very similar except that the MFSA's Consumer Complaints Manager can only seek to reach an amicable solution whilst an Ombudsman's decision is binding on the licence holder if it is accepted by the complainant.

Other Projects

Processing of claims on behalf of the Investor Compensation Scheme

The staff within the Unit was tasked by the Authority to process and pay claims filed by investors with the Investor Compensation Scheme following the collapse of Maltese Cross Financial Services Limited, an investment firm.

Payments Account Directive

The Consumer Complaints Unit will be responsible for the transposition of the Payments Account Directive (PAD). The Directive, which was published in September 2014, aims to provide consumers with the right to access payment accounts, to facilitate switching of bank accounts, and improve the transparency and comparability of payment accounts' fees. The Directive leaves flexibility in certain areas in order to adapt to the existing diversified legal and economical landscapes in the Union. Transposition measures should be consistent with existing measures which transposed directives applying to this area, in particular Directive 2007/64/EC and Directive 2005/60/EC (Directive on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing). Member States will have two years to adopt national legislation transposing the PAD. This means that the national measures should be adopted, published and notified to the Commission by September 2016. The Directive foresees the issuance of guidelines by the European Banking Authority and the adoption of successively one regulatory technical standard and two implementing technical standards.

Review of bank interest and charges applied to small firms

Following the announcement by the Minister of Finance in the 2014 Budget Speech for a review of bank interest and fees as applied by banks for small and medium-sized enterprises, the Unit requested the five major retail banking institutions in Malta to provide data regarding revenue streams from interest and non-interest charges, as well as detailed information as to the manner non-interest charges are set by the respective institutions. This information was handed over to the Consumer and Competition Division (CCD) for analysis in terms of competition rules. As part of this review, officials from the Unit held several discussions with the CCD regarding practices employed and tariffs charged by local banks. Work on this analysis is ongoing.

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

APPENDICES

APPENDIX I – ACTS, LEGAL NOTICES AND GOVERNMENT NOTICES ISSUED IN 2014

ACTS

- An Act to amend the Trusts and Trustees Act (Cap. 331) [Act No. XI of 2014]
- An Act to amend the Investment Services Act (Cap. 370) [Act No. XXII of 2014]

LEGAL NOTICES

BANKING ACT

- Credit Institutions (Fees) (Amendment) Regulations, 2014 [L.N. 11 of 2014]
- Supervisory Consolidation Regulations, 2014 [L.N. 31 of 2014]
- Banking Act (Access to Emissions Allowance Auction) Regulations, 2014 [L.N. 145 of 2014]
- Revocation of Subsidiary Legislation (Banking Act) Regulations, 2014 [L.N. 426 of 2014]
- Declaration of Bank Holidays Order, 2014 [L.N. 477 of 2014]

COMPANIES ACT

- Companies Act (Forms) (Amendment) Regulations, 2014 [L.N. 358 of 2014]
- Securitisation Cell Companies Regulations, 2014 [L.N. 411 of 2014]
- Companies Act (Substitution of the Tenth Schedule) Regulations, 2014 [L.N. 478 of 2014]

FINANCIAL INSTITUTIONS ACT

- Financial Institutions (Fees) (Amendment) Regulations, 2014 [L.N. 10 of 2014]
- Revocation of Subsidiary Legislation (Financial Institutions Act) Regulations, 2014 [L.N. 428 of 2014]

FINANCIAL MARKETS ACT

- Revocation of Subsidiary Legislation (Financial Markets Act) Regulations, 2014 [L.N. 429 of 2014]
- Financial Markets Act (Credit Rating Agencies) Regulations, 2014 [L.N. 479 of 2014]

INSURANCE BUSINESS ACT

- Insurance Business (Fees) Regulations, 2014 [L.N. 53 of 2014]
- Insurance Business (Assets and Liabilities) (Amendment) Regulations, 2014 [L.N. 104 of 2014]
- Securitisation Cell Companies Regulations, 2014 [L.N. 411 of 2014]
- Revocation of Subsidiary Legislation (Insurance Business Act) Regulations, 2014 [L.N. 432 of 2014]

INSURANCE INTERMEDIARIES ACT

- Insurance Intermediaries (Fees) Regulations, 2014 [L.N. 54 of 2014]

INVESTMENT SERVICES ACT

- Investment Services Act (Fees) Regulations, 2014 [L.N. 9 of 2014]
- Investment Services Act (Supervisory Review) Regulations, 2013 [L.N. 30 of 2014]
- Supervisory Consolidation Regulations, 2014 [L.N. 31 of 2014]
- CRD (Administrative Penalties, Measures and Investigatory Powers), Regulations, 2014 [L.N. 32 of 2014]
- Investment Services Act (European Venture Capital Funds) Regulations, 2014 [L.N. 105 of 2014]
- Investment Services Act (European Social Entrepreneurship Funds) Regulations, 2014 [L.N. 106 of 2014]
- Investment Services Act (Access to Emissions Allowance Auction) Regulations, 2014 [L.N. 146 of 2014]
- Investment Services Act (Amendment of the First Schedule) Regulations, 2014 [L.N. 147 of 2014]

- Investment Services Act (UCITS Mergers) (Amendment) Regulations, 2014 [L.N. 333 of 2014]
- Investment Services Act (Amendment) Act, 2014 – Act XXII – Commencement Notice [L.N. 356 of 2014]
- Revocation of Subsidiary Legislation (Investment Services Act) Regulations, 2014 [L.N. 433 of 2014]

MALTA FINANCIAL SERVICES AUTHORITY ACT

- Financial Conglomerates (Amendment) Regulations, 2014 [L.N. 103 of 2014]

SECURITISATION ACT

- Securitisation Cell Companies Regulations, 2014 [L.N. 411 of 2014]
- Revocation of Subsidiary Legislation (Securitisation Act) Regulations, 2014 [L.N. 435 of 2014]

SPECIAL FUNDS (REGULATION) ACT

- Special Funds (Fees) Regulations, 2014 [L.N. 64 of 2014]

APPENDIX II – RULES: ISSUED AND REVISED DURING 2014

BANKING RULES

- Repeal of Banking Rule BR/02/2011 on Large Exposures of Credit Institutions authorised under the Banking Act (Replaced by the relevant provisions of the Regulation (EU) No. 575/2013
- Repeal of Banking Rule BR/03/2012 on Own Funds of Credit Institutions authorised under the Banking Act (Replaced by the relevant provisions of the Regulation (EU) No. 575/2013
- Repeal of Banking Rule BR/04/2013 on Capital Requirements of Credit Institutions authorised under the Banking Act (Replaced by the relevant provisions of the Regulation (EU) No. 575/2013
- Banking Rule BR/07/2014 on Large Exposures of Credit Institutions authorised under the Banking Act (Partly repealed and replaced by the relevant provisions of the Regulation (EU) No. 575/2013
- Repeal of Banking Rule BR/08/2012 on Capital Adequacy of Credit Institutions authorised under the Banking Act (Replaced by the relevant provisions of the Regulation (EU) No. 575/2013
- Repeal of Banking Rule BR/10/2013 on Supervision on a Consolidated Basis of Credit Institutions authorised under the Banking Act (Replaced by the relevant provisions of the Regulation (EU) No. 575/2013
- Banking Rule BR/12/2014 on Capital Requirements of Credit Institutions authorised under the Banking Act (Partly repealed and replaced by the relevant provisions of the Regulation (EU) No. 575/2013

COMPANY SERVICE PROVIDERS

- Rules for Company Service Providers

INSURANCE BUSINESS RULES

- Insurance Rule 30 of 2012 on Complaints-Handling by Authorised Companies
- Insurance Rule 32 of 2014 on Reinsurance Special Purpose Vehicles

INSURANCE INTERMEDIARIES RULES

- Insurance Intermediaries Rule 25 of 2014 on Complaints-Handling by Insurance Intermediaries

INVESTMENT SERVICES RULES AND OTHER GUIDANCE

- 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
- Investment Services Rules for Recognised Persons
- Corporate Governance Manual for Directors of Investment Companies and Collective Investment Schemes
- Guidance to the Financial Services Industry on the Application of the Proportionality Principle in relation to the ESMA Guidelines on Sound Remuneration Policies under the Alternative Investment Fund Managers Directive [Directive 2011/61/EU]
- Notification Forms and Guidance Notes in relation to the Private Placement Regime in Malta pursuant to Articles 36 and 42 of the Alternative investment Fund Managers Directive [Directive 2011/61/EU].

LISTING RULES

- Listing Rules revised as at 29 April 2014
- Listing Rules for the European Wholesale Securities Market revised as at 7 July 2014

MALTA FINANCIAL SERVICES AUTHORITY

- Revised MFSA Rule 1 of 2012 on Foreign Currency Lending

APPENDIX III - CIRCULARS ISSUED IN 2014

ANTI-MONEY LAUNDERING

- Circular dated 21 February 2014 addressed to financial services licence holders on the identification by the FATF of jurisdiction with strategic deficiencies
- Circular dated 14 April 2014 addressed to financial services licence holders concerning the publication of the Annual Report for 2013 by the FIAU
- Circular dated 2 June 2014 addressed to financial services licence holders concerning the public statement by MONEYVAL concerning Bosnia and Herzegovina
- Circular dated 3 July 2014 addressed to financial services licence holders concerning the identification by the FATF of jurisdiction with strategic deficiencies
- Circular dated 4 November 2014 addressed to financial services licence holders concerning the public statement by MONEYVAL concerning Bosnia and Herzegovina
- Circular dated 23 December 2014 addressed to financial services licence holders concerning amendments to the Prevention of Money Laundering and Funding of Terrorism Regulations

BANKING SUPERVISION

- Circular dated 12 March 2014 addressed to the Financial Services Industry on the publication of the revised MFSA Rule 1 of 2012 on Foreign Currency Lending
- Circular dated 28 March 2014 addressed to credit institutions on the Draft Implementing Technical Standards with regards to supervisory reporting, excluding reporting on asset encumbrance and Financial Information (FINREP)
- Circular dated 23 April 2014 addressed to credit institutions concerning an amendment to a previous circular on the Draft Implementing Technical Standards with regards to supervisory reporting, excluding reporting on asset encumbrance and Financial Information (FINREP) issued on 28 March 2014
- Circular dated 12 May 2014 addressed to credit institutions on Transitional Provisions for Own Funds
- Circular dated 3 June 2014 addressed to the investment services and banking industries on the Common Equity Tier 1 (CET1) capital instruments
- Circular dated 5 September 2014 addressed to credit institutions on developments in relation to the Draft Implementing Technical Standards on Supervisory Reporting including both the Common Reporting (COREP) and Financial Reporting (FINREP) Frameworks.
- Circular dated 19 September 2014 addressed to credit institutions including branches on the Draft Implementing Technical Standards on Supervisory Reporting regarding Financial Reporting (FINREP) templates
- Circular dated 3 October 2014 addressed to credit institutions on the Draft Implementing Technical Standards on Supervisory Reporting regarding Revised COREP Templates
- Circular dated 3 November 2014 addressed to credit institutions concerning Banking Rule BR/07 on the Publication of Annual Report and Audited Financial Statements of Credit Institutions Authorised under the Banking Act, 1994
- Circular dated 7 November 2014 addressed to credit institutions concerning the postponement of the coming into force of the Liquidity Coverage Ratio (LCR)
- Circular dated 26 November 2014 addressed to credit institutions on the Delegated Act on Liquidity
- Circular dated 18 December 2014 addressed to credit institutions including branches on the Draft Implementing Technical Standards on Supervisory Reporting regarding asset encumbrance templates and revisions to COREP/FINREP templates
- Circular dated 31 December 2014 addressed to credit institutions on Banking Rule BR/16 on Funding Plans for Credit Institutions Authorised Under the Banking Act, 1994
- Circular dated 31 December 2014 addressed to credit institutions on Banking Rule BR/12 on The Supervisory Review Process Of Credit Institutions Authorised Under The Banking Act, 1994

INSURANCE AND PENSIONS SUPERVISION

INSURANCE AND PENSIONS

- Circular dated 30 January 2014 addressed to insurance undertakings concerning the amendments to Insurance Rule 30 of 2012 on Complaints Handling by Authorised Companies
- Circular dated 23 April 2014 addressed to licence holders on the amendments to the Insurance Business (Assets and Liabilities) Regulations
- Circular dated 30 April 2014 addressed to licence holders on the amendments to Insurance Intermediaries Rules 25 of 2014 on Complaints handling by Insurance Intermediaries
- Circular dated 10 October 2014 addressed to licence holders concerning the consultation exercise launched by EIOPA on Conflicts of Interest in direct and intermediated sales of insurance-based investment products

SOLVENCY II

- Circular dated 3 July 2014 addressed to licence holders on the consultation exercise launched by EIOPA on the use of Legal Entity Identifiers
- Circular dated 22 August 2014 addressed to licence holders on the Solvency Requirement in relation to Protected Cell Companies
- Circular dated 12 September 2014 addressed to insurance and reinsurance undertakings on Solvency II
- Circular dated 13 October 2014 addressed to insurance and reinsurance undertakings on Solvency II
- Circular dated 7 November 2014 addressed to licence holders on Legal Entity Identifiers

PREVENTION OF MARKET ABUSE

- Circular dated 4 December 2014 addressed to the financial services industry on the new Market Abuse Regulation 'MAR' and Market Abuse Directive 'MAD'
- Circular dated 31 December 2014 addressed to listed companies on the Market Abuse Regulation 'MAR' and Market Abuse Directive 'MAD' II

SECURITIES AND MARKETS SUPERVISION

AIFMD

- Circular dated 14 February 2014 addressed to the financial services industry in relation to the publication of a revised version of the MFSA's Frequently Asked Questions document concerning AIFMD
- Circular dated 18 February 2014 addressed to the financial services industry in relation to the Questions and Answers published by ESMA on the application of the AIFMD
- Circular dated 12 March 2014 addressed to the financial services industry on the cooperation agreements signed by MFSA as at 12 March 2014 in relation to the AIFMD
- Circular dated 24 March 2014 addressed to the financial services industry on changes to the Investment Services Rules
- Circular dated 26 March 2014 addressed to the financial services industry on the reporting requirements applicable to Alternative Investment Fund Managers
- Circular dated 16 July 2014 addressed to the financial services industry on the publication of a new regulation with regards to Regulatory Technical Standards determining the types of Alternative Investment Fund Managers
- Circular dated 11 August 2014 addressed to the financial services industry on the cooperation agreements signed by the MFSA as at 17 July 2014 in relation to the AIFMD
- Circular dated 22 September 2014 addressed to the financial services industry on the AIFMD National Private Placement Regime (NPPR)
- Circular dated 17 December 2014 addressed to the financial services industry on the transparency requirements applicable to Alternative Investment Fund Managers Directive

COLLECTIVE INVESTMENT SCHEMES

- Explanatory note dated 6 February 2014 on the interpretation of limits applicable to cross sub-fund investments
- Circular dated 2 April 2014 addressed to the financial services industry on the publication of Investment Services Rules for Collective Investment Schemes authorised to invest through loans
- Circular dated 12 May 2014 addressed to the financial services industry on the publication of updated Investment Services Rules to implement the provisions on diversification of collateral in ESMA's revised Guidelines on ETFs and other UCITS
- Circular dated 3 October 2014 addressed to the financial services industry on changes to the Investment Services Rules
- Circular dated 4 December 2014 addressed to the financial services industry on the proposed | Regulation on Money Market Funds

COMPANY SERVICE PROVIDERS

- Circular dated 9 January 2014 addressed to company service providers to register with the MFSA in terms of the Company Service Providers Act
- Circular dated 2 April 2014 addressed to company service providers informing that the Authority would be acknowledging receipt and reviewing documentation received gradually within the time period stipulated in the Company Service Providers Act

CRDIV

- Circular dated 16 January 2014 addressed to Category 2 and 3 Investment Services Licence Holders subject to fill in the Automated COREP Return
- Circular dated 4 February 2014 addressed to Investment Services Licence Holders on the publication of new Investment Services Rules for Investment Services Providers which transpose the Fourth Capital Requirements Directive (CRD IV) and implement the Capital Requirements Regulation (CRR)
- Circular dated 24 March 2014 addressed to Category 2 and 3 Investment Services Licence Holders subject to fill in the Automated COREP Return
- Circular dated 25 March 2014 addressed to the financial services industry announcing a seminar on the Fourth Capital Requirements Directive (CRD IV)
- Circular dated 11 November 2014 addressed to the investment services industry on the definition of 'significant' for the purposes of the CRD IV Package
- Circular dated 10 December 2014 addressed to the investment services industry on Own Funds Disclosures

EMIR

- Circular dated 16 January 2014 addressed to the financial services industry in relation to the European Markets Infrastructure Regulation, MFSA On-Site Inspections and the ESMA Q&A
- Circular dated 11 September 2014 addressed to the financial services industry on the European Markets Infrastructure Regulation in relation to Authorisation and Supervision of Central Counterparties

FINANCIAL MARKETS

- Circular dated 2 June 2014 addressed to the financial services industry concerning the Report on Activities of IFRS Enforcers in Europe 2013
- Circular dated 18 June 2014 addressed to the financial services industry concerning improvements in disclosures related to IFRS 3 – Business Combinations
- Circular dated 25 November 2014 addressed to the financial services industry concerning the publication by ESMA of the 16th extract of EECS' enforcement decisions

INVESTMENT SERVICES

- Circular dated 27 February 2014 addressed to Investment Services Licence Holders concerning the Investment Services Rules for Investment Services Providers in the marketing and distribution of applications to subscribe for financial instruments to be listed on the Malta Stock Exchange
- Circular dated 12 March 2014 addressed to the financial services industry on the publication of the revised MFSA Rule 1 of 2012 on Foreign Currency Lending
- Circular dated 24 March 2014 addressed to the financial services industry on changes to the Investment Services Rules
- Circular dated 12 May 2014 addressed to the financial services industry concerning the publication of Legal Notices pursuant to the EU Auctioning Regulations
- Circular dated 29 September 2014 addressed to Investment Services Licence Holders on a thematic review on compliance with the requirements on Governance, Compliance and Risk Management
- Circular dated 3 October 2014 addressed to the financial services industry on changes to all Investment Services Rulebooks
- Circular dated 3 October 2014 addressed to the financial services industry on changes to the Standard Licence Conditions applicable to Category 4b Investment Services Licence Holders
- Circular dated 10 November 2014 addressed to the financial services industry on changes to the Investment Services Rules for Investment Services Providers
- Circular dated 16 December 2014 addressed to the financial services industry on the thematic review on compliance by Recognised Fund Administrators with the requirements of Governance and Compliance

MiFID

- Circular dated 4 February 2014 addressed to the financial services industry on the ESMA Guidelines on Remuneration Policies and Practices under MiFID.
- Circular dated 4 March 2014 addressed to the investment services industry regarding ESMA's opinion on MiFID practices for firms selling complex products

MiFID II/ MiFIR

- Circular dated 16 January 2014 addressed to Investment Firms and Market Operators regarding MiFID II and MiFIR
- Circular dated 25 April 2014 addressed to Investment Firms and market Operators regarding MiFID II and MiFID by way of industry update
- Circular dated 23 May 2014 addressed to Investment Firms and market Operators regarding MiFID II and MiFID by way of industry update
- Circular dated 2 July 2014 addressed to the financial services industry concerning MiFID II/ MiFIR and MAD/MAR
- Circular dated 23 December 2014 addressed to the financial services industry concerning regarding MiFID II and MiFID

UCITS V

- Circular dated 26 February 2014 addressed to financial services industry concerning the approval of the European Parliament and Council of the European Commission's proposal for strengthened Rules on UCITS
- Circular dated 30 April 2014 addressed to financial services industry on UCITS V way of industry update
- Circular dated 2 July 2014 addressed to financial services industry on UCITS V way of industry update
- Circular dated 5 December 2014 addressed to the financial services industry concerning the publication of ESMA's Advice to the European Commission on Level II Measures

TRUSTS AND TRUSTEES

- Circular dated 2 May 2014 addressed to all persons authorised in terms of the Trusts and Trustees Act in relation to the publication to the Trusts and Trustees (Amendment) Act (Act XI of 2014)

APPENDIX IV – CONSULTATION PAPERS AND FEEDBACK STATEMENTS ISSUED IN 2014

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

INSURANCE BUSINESS ACT – CONSULTATION PAPERS

- Consultation on amendments to the Insurance Business (Assets and Liabilities) Regulations
- Consultation on the proposals for Securitisation Cell Companies Regulations
- Consultation on the proposed amendments to the Insurance Business Act and the Insurance Intermediaries Act

INSURANCE BUSINESS ACT – FEEDBACK STATEMENTS

- Feedback Statement to the MFSA Consultation Document on the proposals for Securitisation Cell Companies Regulations

INSURANCE INTERMEDIARIES ACT – CONSULTATION PAPERS

- Consultation on Insurance Intermediaries Rule 25 of 2014
- Consultation on the proposed amendments to the Insurance Business Act and the Insurance Intermediaries Act

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

CODE OF BUSINESS RULES – CONSULTATION PAPERS

- Consultation on the proposed Conduct of Business Rules for the enhanced protection of customers in investment services

COMPANIES ACT AND PRIVATE EQUITY FUNDS – CONSULTATION PAPERS

- Consultation on the proposed amendments to the Tenth Schedule of the Companies Act
- Consultation on the proposed Rules for private Equity Funds

COMPANY SERVICE PROVIDERS – CONSULTATION PAPERS

- Consultation on the proposed rules for Company Service Providers

COMPANY SERVICE PROVIDERS – FEEDBACK STATEMENTS

- Feedback statement to the MFSA Consultation Document on the proposed Regulatory Regime for Company Service Providers

CRDIV – CONSULTATION PAPERS

- Consultation on CRD IV for Investment Firms
- Consultation on Proposals for the Categorisation of Investment Firms as ‘Significant’

TRUSTS AND TRUSTEES ACT – CONSULTATION PAPERS

- Consultation on the proposed Rules for Trustees of Family Trusts
- Consultation on the proposed Regulation of the use of trusts for persons with disability

APPENDIX V- ISSUED AND SURRENDERED LICENCES IN 2014

LICENSES ISSUED

BANKING

New licenses

CREDIT INSITUTIONS

- Pilatus Bank Limited to transact the business of banking including carrying on payment services as defined in the Financial Institutions Act, providing guarantees and commitments.
- Satabank plc to transact the business of banking including carrying on payment services as defined in the Financial Institutions Act, trading for own account, and issuing of electronic money.
- Yapi Kredi Bank Malta to transact the business of banking including carrying on payment services as defined in the Financial Institutions Act, providing guarantees and commitments, and trading for own account.

FINANCIAL INSTITUTIONS

- Heinz-Glas Financial Services Malta Limited to carry on lending activities and financial leasing.
- Mistral Pay Limited to provide payment services.
- AWS Malta Limited to provide payment services.
- Paymix Limited to provide payment services and issue electronic money.
- OTP Financing Malta Co Limited to carry on lending activities.

Extension of Licenses

CREDIT INSITUTIONS

- Ferratum Bank Limited to provide guarantees and commitments.
- Pilatus Bank Limited to carry on trading for own account.
- FIMBank plc to carry on financial leasing.

FINANCIAL INSTITUTIONS

- Insignia Cards Limited to carry on lending activities.

INSURANCE

New licenses

INSURANCE UNDERTAKINGS

- Liberty Global Insurance Company Limited to carry on business of insurance and reinsurance in nine classes of the general business.
- QIC Europe Limited to carry on business of insurance in nine classes of the general business.

PROTECTED CELL COMPANIES

- White Rock Insurance (Netherlands) PCC Limited to carry on business of affiliated insurance and reinsurance in 17 classes of the general business.

PROTECTED CELLS

- Approval of Cell Europe as a cell of HighDome PCC Limited to carry on business of insurance in three classes of the general business.
- Approval of Finance One Cell as a cell of Abbey International Insurance PCC Limited to carry on business of insurance in one class of the general business.
- Approval of ABTA Cell as a cell of Lime Street Insurance PCC Limited to carry on business of insurance in one class of the general business.
- Approval of Crystal Cell as a cell of Lime Street Insurance PCC Limited to write business of reinsurance in six classes of the general business.
- Approval of Amplifon Cell as a cell of Atlas Insurance PCC Limited to write business of reinsurance in two classes of the general business.
- Approval of Cell 1 as a cell of White Rock Insurance (Netherlands) PCC Limited to carry on business of affiliated reinsurance in one class of the general business.

INSURANCE INTERMEDIARIES

PROTECTED CELLS

- Approval of Oxford International Financial Management cell as a protected cell of Jatco Insurance Brokers PCC Limited to carry on insurance intermediaries activities.

Extension of Licenses, Revisions, Mergers and Conversions

INSURANCE UNDERTAKINGS

- AarhusKarlshamn Insurance Malta Limited to carry on business of reinsurance in one additional class of the general business.
- GasanMamo Insurance to carry on business of insurance in one additional class of the general business.
- SN SecureCorp Insurance Malta Limited to carry on business of insurance in two additional classes of the general business.
- HSBC Life Assurance (Malta) Limited to carry on business of long term reinsurance in one additional class of the long term business.
- RCI Life Limited to carry on business of reinsurance in two additional classes of the long term business.

PROTECTED CELL COMPANIES

- White Rock Insurance (Europe) PCC Limited to carry on business of insurance and reinsurance in all general business classes (except for class 10 – Motor vehicle liability).

INSURANCE AGENTS

- MIB Insurance Agency Limited to act as an insurance agent of Lloyd’s Syndicate SJC 2003 – Catlin in respect of home building insurance business.
- Thomas Smith Insurance Agency Limited to act as insurance agent of GasanMamo Insurance Limited in one additional class of the general business.
- Argus Insurance Agencies Limited to act as an insurance agent of Markel International Insurance Company Limited in respect of one class of the general business and of Lloyds Syndicate CNP 444 (Canopious) in respect of seven classes of the general business.

COMPANY SERVICE PROVIDERS

Certificate issued to
- Dominion Corporate Services (Malta) Limited.
- Apex Corporate & Advisory Services Limited.
- HIMM Corporate Services Limited.
- International Company Services (Malta) Limited.
- IURIS Management Limited.
- Teos Management and Advisory Services (Malta) Limited.

SECURITIES

INVESTMENT SERVICES

New licenses

CATEGORY 1A

- Neox Capital Limited to provide investment advice for Retail Clients, Professional Clients (including collective investment schemes) and Eligible Counterparties.
- Conseils en Finances Limited to provide investment advice for Retail Clients and Professional Clients (excluding collective investment schemes).
- Lutetia Capital Advisors Limited to provide investment advice for Retail Clients, Professional Clients (including collective investment schemes) and Eligible Counterparties.
- Timberland Invest Limited to provide investment advice and reception and transmission of orders for Retail Clients and Professional Clients (excluding collective investment schemes).

CATEGORY 1B

- Langlade Capital Advisors Limited to provide investment advice for Professional Clients (including collective investment schemes) and Eligible Counterparties.

CATEGORY 2

- Novofina Management Limited to provide the services of reception and transmission of orders, investment advice and investment management for Retail Clients and Professional Clients (excluding collective investment schemes).
- W1 Capital Management Limited to provide the service of investment management for collective investment schemes.
- Gamma Capital Trader Limited to provide execution of orders on behalf of other persons and reception and transmission of orders for Retail Clients, Professional Clients (including collective investment schemes) and Eligible Counterparties. It is also licensed to provide nominee services for Retail Clients, Professional Clients (excluding collective investment schemes) and Eligible Counterparties.
- DS Platforms Limited to provide the service of execution of orders on behalf other persons and to provide reception and transmission of orders for Professional Clients (including collective investment schemes) and Eligible Counterparties.
- Greenwich Dynamic Limited to provide the services of investment management and advice for collective investment schemes.

UCITS MANAGEMENT COMPANY

- PSG Fund Management (Malta) Limited to provide the service of investment management for collective investment schemes.
- Allanzia Asset Management Limited to provide the service of investment management for collective investment schemes.

AIFMs

- Capital Asset Management Limited to provide the service of investment management for collective investment schemes.
- Melidon Asset Management Limited to provide the service of investment management for Professional Clients (including collective investment schemes).
- Frere Hall Capital Management (Malta) Limited to provide the service of investment management for Professional Clients (including collective investment schemes).
- AMAGIS Capital Management Limited to provide the services of investment management and advice for Professional Clients (including collective investment schemes) and Eligible Counterparties.
- Mirabella Malta Limited to provide the service of investment management for Professional Clients (including collective investment schemes).
- Seia Capital Management Limited to provide the service of investment management for Professional Clients (including collective investment schemes).
- Timberland Fund Management Limited to provide the services of reception and transmission of orders, investment advice and investment management for Retail Clients, Professional Clients (including collective investment schemes) and Eligible Counterparties.
- Temporis Investment Management Limited to provide the service of investment management for collective investment schemes.

DE MINIMIS AIFM

- Van Sterling Capital Limited to provide the services of execution of orders on behalf of other persons, reception and transmission of orders, and investment management for Retail Clients, Professional Clients (including collective investment schemes) and Eligible Counterparties.
- EuroMena FMC Limited to provide the service of investment management for collective investment schemes.

CATEGORY 4B

- Heritage International Fund Services (Malta) Limited to act as a Custodian for collective investment schemes.

RECOGNISED FUND ADMINISTRATORS

- Certificate issued to FCS Asset Management Limited.

Investment Services – Extension and Revision of Licenses

EXTENSIONS

- NBG Bank Malta Limited to provide nominee services for Retail Clients, Professional Clients (including collective investment schemes) and Eligible Counterparties.
- Citco Custody Limited to provide the services of execution of orders, reception and transmission of orders, nominee, trustee and custody for Retail Clients.
- FCS Asset Management Limited to provide investment advice for Retail Clients.

REVISIONS

- Swissquote Financial Services Malta Limited from Category 3 to Category 4A Licence.

UCITS MANAGEMENT COMPANY

- Aros Capital Management Limited to act as a UCITS Management Company.
- Gamma Capital Markets Limited to act as a UCITS Management Company.

AIFM

Revision of licence to act as an Alternative Investment Fund Manager issued to

- FCS Asset Management Limited.
- Thybo Investment Management (Malta) Limited.
- Innocap Global Investment Management Limited.
- Portcullis Asset Management Limited.
- Temple Asset Management Limited.
- Numen Investments Limited.
- Oceanwood Capital Management (Malta) Limited.
- HSBC Global Asset Management (Malta) Limited.
- Andurand Capital Management Limited.
- Multi Partners Financial Services Limited.
- Pamplona Credit Opportunities Investments Limited.
- Pamplona PE Investments Malta Limited.
- Finisterre Malta Limited.
- Culross Global Investment Management Limited.

DE MINIMIS

Revision of licence to act as De Minimis Licence Holders issued to

- Somerset Management (Malta) Limited.
- Altruid Systems Limited.
- Falcon Money Management Limited.
- Merit Performance Concepts Limited.
- PVE Capital Limited.
- Global Capital Financial Management Limited.
- Praude Asset Management Limited.
- Exante Limited.
- Nemea Bank plc.
- Malta Capital Management Limited.
- APS Bank Limited.
- Altarius Asset Management Limited.
- Amarillo Investment Solutions Limited.
- Amstel Capital (Malta) Limited.
- AUM Asset Management Limited.
- C8 Investments Limited.
- Integradvisory Limited.
- LL Capital & Partners Limited.
- Liongate Capital Management Limited.
- Mansard Capital Management Limited.
- ProAurum Limited.
- Terra Partners Assets Management Limited.
- Theorema Advisors Limited.
- Timeless Asset Management Limited.
- Portmann Capital Management Limited.
- Z Investment Partners Malta Limited.
- Blue Planet Investment Management Limited.

COLLECTIVE INVESTMENT SCHEMES

New licenses

PROFESSIONAL INVESTOR FUNDS TARGETING QUALIFYING INVESTORS

Collective investment schemes licenses issued to

- Accolade Fund SICAV plc in respect of one sub-fund.
- Alpha Value Fund SICAV plc in respect of two sub-funds.
- Altinum Funds SICAV plc in respect of one sub-fund.
- Audentia Capital SICAV plc in respect to ten sub-funds.
- Brickstone Real Estate Funds SICAV plc in respect of one sub-fund.
- CAM Fund Series SICAV plc in respect of six sub-funds.
- Capaneo Investments SICAV plc in respect of two sub-funds.
- Cesky Fond SICAV plc in respect of one sub-fund.
- Core Strategy SICAV plc in respect of three sub-funds.
- Cygnus Master SICAV Limited in respect of one sub-fund.
- Cygnus SICAV plc in respect of one sub-fund.
- Dalma Capital SICAV plc in respect of one sub-fund.
- E2A Capital SICAV plc in respect of three sub-funds.
- Eagle Investment SICAV plc in respect of one sub-fund.
- FK Capital Management SICAV plc in respect of one sub-fund.
- Global Market Neutral Strategies SICAV plc in respect of one sub-fund.
- HFH SICAV plc in respect of one sub-fund.
- Himalaya SICAV plc in respect of three sub-funds.
- Innocap Fund SICAV plc in respect of four sub-funds.
- Jacaranda Special Situations Fund SICAV plc in respect of one sub-fund.
- Knights of Malta Investment Funds SICAV plc in respect of two sub-funds.
- Lagonda Fund SICAV plc in respect of one sub-fund.
- Lansrode Capital Management SICAV Plc in respect of one sub-fund.
- Macro Fund SICAV plc in respect of one sub-fund.
- Magiston Funds SICAV plc in respect of two sub-funds.
- Mansard Capital SICAV plc in respect of one sub-fund.
- Meridon Funds SICAV plc in respect of one sub-fund.
- Metatron Capital SICAV plc in respect of one sub-fund.
- Monte Rosa SICAV plc in respect of one sub-fund.
- NBCG Fund SICAV plc in respect of one sub-fund.
- Niton Fund SICAV plc in respect of one sub-fund.
- Niton Master Fund SICAV Ltd in respect of one sub-fund.
- Paragon SICAV plc in respect of one sub-fund.
- PerSYSTEMCY SICAV plc in respect of one sub-fund.
- Pilatus SICAV plc in respect of three sub-funds.
- Pluri-Invest SICAV plc in respect of three sub-funds.
- Pollard et Filles Capital Management SICAV plc in respect of one sub-fund.
- Prague Development SICAV plc in respect of one sub-fund.
- Productivity Media SICAV plc in respect of one sub-fund.
- Radar Funds SICAV plc in respect of one sub-fund.
- Strategica Funds SICAV plc in respect of three sub-funds.
- TGA Funds SICAV plc in respect of one sub-fund.
- The Nascent Fund SICAV plc in respect of two sub-funds.
- The Timeless US Growth Fund SICAV plc.
- Theorema Fund SICAV plc in respect of one sub-fund.
- Top Selection Fund SICAV plc in respect of one sub-fund.
- W1 Fund SICAV plc in respect of one sub-fund.
- Windrush Capital SICAV plc in respect of one sub-fund.
- Woodman Funds SICAV plc in respect of six sub-funds.

PROFESSIONAL INVESTOR FUNDS TARGETING EXPERIENCED INVESTORS

Collective investment scheme licenses issued to

- Falcon Investment Property SICAV plc in respect of one sub-fund.
- Cerro Torre SICAV plc in respect of one sub-fund.

PROFESSIONAL INVESTOR FUNDS TARGETING EXTRAORDINARY INVESTORS

Collective investment scheme licenses issued to

- LL Global Fund Series SICAV plc in respect of one sub-fund.
- Foinavon SICAV plc in respect of one sub-fund.

PRIVATE SCHEMES

- Solveq Fund SICAV plc.

UCITS

Collective investment scheme licenses issued to

- Vilhena Funds SICAV plc in respect of six sub-funds.
- Libero Interational SICAV plc in respect of one sub-fund.
- Dominion Global Trends SICAV plc in respect of one sub-fund.
- Eiger SICAV plc in respect of two sub-funds.

ALTERNATIVE INVESTOR FUNDS TARGETING QUALIFYING INVESTORS

Collective investment scheme licenses issued to

- CAM Fund Series SICAV plc in respect of one sub-fund.

ALTERNATIVE INVESTOR FUNDS TARGETING EXTRAORDINARY INVESTORS

Collective investment scheme licenses issued to

- PSquared Master SICAV Ltd in respect of one sub-fund.
- PSquared SICAV plc in respect of one sub-fund.
- Sandberg Investment Fund SICAV plc in respect of one sub-fund.

ALTERNATIVE INVESTOR FUNDS TARGETING PROFESSIONAL INVESTORS

Collective investment scheme licenses issued to

- AMAGIS Capital Funds SICAV plc in respect of one sub-fund.
- Primary European Fund SICAV plc in respect of one sub-fund.

Collective Investment Schemes – Conversion of Licenses

- Hedge Invest Alternative Funds SICAV plc - HI Portfolio Feeder Fund was converted from a Professional Investor Fund targeting Qualifying Investors to a Professional Investor Fund targeting Experienced Investors.
- Hedge Invest Global Holdings SICAV plc was converted from a Professional Investor Fund targeting Qualifying Investors to a Professional Investor Fund targeting Experienced Investors.
- Hedge Invest Specialist Selection SICAV plc was converted from a Professional Investor Fund targeting Qualifying Investors to a Professional Investor Fund targeting Experienced Investors.

- PSquared Master SICAV Limited - Event Opportunity Master Fund was converted from a Professional Investor Fund targeting Qualifying Investors to an Alternative Investor Fund targeting Qualifying Investors.
- PSquared SICAV Limited - Event Opportunity Fund was converted from a Professional Investor Fund targeting Qualifying Investors to an Alternative Investor Fund targeting Qualifying Investors.
- CAM Fund Series SICAV plc - Galaad Fund was converted from a Professional Investor Fund targeting Qualifying Investors to an Alternative Investor Fund targeting Qualifying Investors.
- CAM Fund Series SICAV plc - UCAP Opportunities fund was converted from a Professional Investor Fund targeting Qualifying Investors to an Alternative Investor Fund targeting Qualifying Investors.
- CAM Fund Series SICAV plc - Performance Value was converted from a Professional Investor Fund targeting Qualifying Investors to an Alternative Investor Fund targeting Qualifying Investors.

INCORPORATED CELLS

New Licences

Collective investment scheme licenses issued to

- Meliora Absolute Return 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 Cash Alternative SICAV IC plc as an incorporated cell of AROS RICC Limited to carry out the activities of a UCITS Scheme.
- Kalliste 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.
- Nordic 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.
- Oakland Strategy IC SICAV plc as an incorporated cell of MAG Fund Solutions RICC Limited to carry out the activities of Professional Investor Fund targeting Qualifying Investors.
- Andromeda Fixed Income IC SICAV plc as an incorporated cell of AKJ Simplon RICC Limited to carry out the activities of Professional Investor Fund targeting Qualifying Investors.
- Auka Tactical Trading IC SICAV plc as an incorporated cell of AKJ Simplon RICC Limited to carry out the activities of Professional Investor Fund targeting Qualifying Investors.
- Cloud Capital 1 IC SICAV plc as an incorporated cell of AKJ Simplon RICC Limited to carry out the activities of Professional Investor Fund targeting Qualifying Investors.
- Avenue 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.

TRUSTEES AND FIDUCIARIES

New Licences

Authorisation issued to

- Affinity Management Services Limited to provide fiduciary services which do not include acting as a trustee.
- Alter Domus Trustee Services (Malta) Limited to act as a trustee and to provide other fiduciary services (including acting as an administrator of private foundations).
- Equity Wealth Solutions Limited to act as a trustee and to provide other fiduciary services (including acting as an administrator of private foundations).

Trustees and Fiduciaries – Extension of Licences

- WDM Trustees Limited to include acting as a trustee and as an administrator of private foundations.
- Plethora Trusts & Fiduciaries Limited to include acting as a trustee and as an administrator of private foundations.
- Aver Trustees Malta Limited to include acting as an administrator of private foundations.

PENSIONS

New certificates of registration

RETIREMENT SCHEMES

- Plegt-Vos Retirement Scheme.
- Optimus Retirement Benefit Scheme No. 1.
- Optimus Retirement Benefit Scheme No. 2.

RETIREMENT SCHEMES ADMINSTRATORS

- Integrated–Capabilities (Malta) Limited.
- Bourse Trust Company (Malta) Limited.

ASSET MANAGER

- Brooks Macdonald Asset Management (International) Limited.
- Schroders (CI) Limited.
- Calamatta Cuschieri Investment Management Limited.
- Ravenscroft Investment Management Limited.
- Rizzo, Farrugia & Co (Stockbrokers) Limited.

SURRENDERED LICENSES

BANKING

CREDIT INSTITUTIONS

- Erste Bank (Malta) Limited.
- Investkredit International Bank plc.

FINANCIAL INSTITUTIONS

- Britannia Financial Services Limited.

INSURANCE

INSURANCE UNDERTAKINGS

- Arnold Clark Life Insurance (Malta) Limited.
- Setanta Insurance Company Limited.
- Shield Insurance Company Limited.

CELL

- Totemic Cell 1 of Atlas Insurance PCC Limited.

INVESTEMENT SERVICES

CATEGORY 1A

- Phenom Directors Limited.

CATEGORY 1B

- Upperview Financial Advisors Limited.

CATEGORY 2

- Clive Capital (Malta) Limited.
- HSBC Securities Services (Malta) Limited.
- Afex (Europe) Limited.
- Erste Bank (Malta) Limited.
- COMAC Capital (Europe) Limited.
- Alpstar Capital (Malta) Limited.
- Fortelus Capital Management Limited.
- Elgin (Europe) Limited.
- Vertigo Management Services Limited.
- Z Investment Partners Malta Limited.
- ML Capital Asset Management Limited.

COLLECTIVE INVESTEMENT SCHEMES

PROFESSIONAL INVESTOR FUNDS TARGETING QUALIFYING INVESTORS

- Adaptiverse SICAV plc in respect of one sub-fund.
- Aladdin Umbrella Fund SICAV plc in respect of three sub-funds.
- Alphabetos Funds SICAV plc in respect of one sub-fund.
- Blue Umbrella Funds SICAV plc in respect of one sub-fund.
- Brightwell Portfolio Fund SICAV plc in respect of thirteen sub-funds.
- Cerro Torre SICAV plc in respect of one sub-fund.
- Comino Umbrella Fund SICAV plc in respect of one sub-fund.
- CTH SICAV plc in respect of one sub-fund.
- Global Mediscience Fund SICAV plc in respect of one sub-fund.
- Global Mediscience Master SICAV plc in respect of one sub-fund.
- HMP Woodman Funds SICAV plc in respect of one sub-fund.
- Innocap Fund SICAV plc in respect of nine sub-funds.
- Investinvent Fund SICAV plc in respect of one sub-fund.
- Mansard Capital SICAV plc in respect of one sub-fund.
- MCM Fund SICAV plc in respect of one sub-fund.
- Metatron Capital SICAV plc in respect of three sub-funds.
- NBCG Fund SICAV plc in respect of eleven sub-funds.
- Patronus Invest SICAV plc in respect of two sub-funds.
- PMG Focus Funds SICAV plc in respect of one sub-fund.
- Polystone SICAV plc in respect of two sub-funds.
- Resco Funds SICAV plc in respect of one sub-fund.
- Swiss Investment Funds SICAV plc in respect of three sub-funds.
- Swissfund SICAV plc in respect of one sub-fund.
- Taliti Fund SICAV plc in respect of one sub-fund.
- TGA Funds SICAV plc in respect of one sub-fund.
- The Nascent Fund SICAV plc in respect of two sub-funds.
- The NEAS Energy Funds (SICAV) plc in respect of one sub-fund.
- Trevose Global OPPORTUNITY FUND SICAV plc in respect of one sub-fund.

- Valletta Global Multi Strategy SICAV plc in respect of one sub-fund.
- Vector Commodity Fund Malta SICAV plc in respect of one sub-fund.
- Vector Commodity Master Fund SICAV Limited in respect of one sub-fund.
- Venus Multi Strategy Fund plc in respect of ten sub-funds.
- Wood & Company Fund SICAV plc in respect of one sub-fund.

PROFESSIONAL INVESTOR FUNDS TARGETING EXTRAORDINARY INVESTORS
- AD Fontes Asia Fund (SICAV) plc in respect of nine sub-funds.
- Futura Funds SICAV plc in respect of two sub-funds.

INCORPORTATED CELLS
- Absolute AKJ Fund IC SICAV plc.
- Adequation Fund IC SICAV plc.
- Q Behavioural Global Macro Fund IC SICAV plc.
- Red Sandalwood Dynamic Fund IC SICAV plc.
- The Cape Global Trading Fund IC SICAV plc.

UCITS
- Celsius Global Funds SICAV plc in respect of thirteen sub-funds.
- Alpstar Capital Funds SICAV plc in respect of one sub-fund.
- Fraternitas SICAV plc in respect of one sub-fund.
- Celsius Global SICAV plc in respect of one sub-fund.
- Valletta European Event SICAV plc in respect of one sub-fund.

Non-UCITS
- HSBC NO LOAD FUNDS SICAV PLC in respect of one sub-fund
- LaValette Funds SICAV in respect of four sub-funds
- Malta Development Fund Limited.
- Santumas Shareholdings plc.
- Wignacourt Funds SICAV plc in respect of two sub-funds.

RECOGNISED FUND ADMINISTRATORS

- HSBC Securities Services (Malta) Limited.
- Helvetic Fund Administration (Malta) Limited.

TRUSTEES, FIDUCIARIES AND NOMINEES

- MSS Offshore Services (Nominee) Limited.
- La Vallette Fiduciaire Limited.
- Finco Trust (Nominee) Limited.
- G.M. Nominee Limited.
- Bentley Trust (Malta) Limited.
- Fiduciaire Limited.

APPENDIX VI - MEMORANDA OF UNDERSTANDING IN FORCE

Entity	Scope of Agreement
Bilateral MoUs 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 (Semay 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
Ukraine National Securities and Stock Markets Commission	Securities and Markets
Vietnam National Financial Supervisory Commission	Banking, Securities and Insurance

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.111

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

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) 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.

6) MFSP Financial Management Ltd v MFSA (Case Ref: FST04/12)
   An appeal from a fine for failure to apply properly the appropriateness and suitability tests when selling asset-backed securities, specifically the ARM Bond, to retail investors.

7) 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 apply correctly the appropriateness and suitability tests when selling asset-backed securities, specifically the ARM Bond, to retail investors.

8) 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.

9) Hermione Bugeja v MFSA (Case Ref: FST 1/14)
   An appeal requesting the revocation of a freezing order issued by the MFSA in the context of its investigations into the affairs of Maltese Cross Financial Services Limited and related parties.

10) Murcko, Legay, Premier Interchange Gateway Limited v MFSA (Case Ref: 1/15)
    An appeal from a decision of the MFSA not to grant a Category 2 Investment Services Licence.

11) Novium AG v MFSA (Case Ref: 2/15)
    An appeal filed by an Investment Manager against alleged remedial action requested to be taken.

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APPENDIX IX - ABBREVIATIONS USED IN THIS REPORT

AIF	Alternative Investment Fund
AIFMD	Alternative Investment Fund Managers Directive
AML	Anti-Money Laundering
AQR	Asset Quality Review
AUM	Assets under Management
BRRD	Bank Recovery and Resolution Directive
CA	Comprehensive Assessment
CBM	Central Bank of Malta
CCP	Central Counterparties
CET1	Common Equity Tier 1 (capital)
CFT	Combating the Financing of Terrorism
CMTF	Crisis Management Task Force
COB	Conduct of Business
CRD	Capital Requirements Directives
CSP	Company Service Provider
CSR	Corporate Social Responsibility
DSC	Domestic Standing Committee
EBA	European Banking Authority
ECB	European Central Bank
ECC	Education Consultative Council
ECMU	European Capital Markets Union
EEA	European Economic Area
EIOPA	European Insurance and Occupational Pensions Authority
EMIR	European Markets Infrastructure Regulation
ESA	European Supervisory Authorities
ESCB	European System of Central Banks
ESFS	European System of Financial Supervision
ESMA	European Securities and Markets Authority
ESRB	European Systemic Risk Board
ETF	Exchange-Traded Fund
EU	European Union
EWSM	European Wholesale Securities Market
FATF	Financial Action Task Force
FIAU	Financial Intelligence Analysis Unit
FIN-NET	Financial Dispute Resolution Network
IAIS	International Association of Insurance Supervisors
ICAP	Internal Capital Adequacy Processes
IMF	International Monetary Fund
IMPROVE	Impact Probability Risk OVErsight
IORPs	Institutions for Occupational Retirement Provisions
IOSCO	International Organisation of Securities Commissions
JFSB	Joint Financial Stability Board
JTFBR	Joint Task Force on Bank Resolution
LEI	Legal Entity Identifier
MFIN	Ministry for Finance
MFSA	Malta Financial Services Authority
MiFID	Markets in Financial Instruments Directive
MiFIR	Markets in Financial Instruments Regulation
MITC	Malta International Training Centre
MONEYVAL	Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism
MOU	Multilateral Memorandum of Understanding
MSE	Malta Stock Exchange
NAV	Net Asset Value
NCA	National Competent Authority

NPL	Non-Performing Loans
NRA	National Risk Assessment
NSA	National Supervisory Authority
NSC	National Steering Committee
ORSA	Own Risk and Solvency Assessment
PAD	Payments Account Directive
PCCs	Protected Cell Companies
PFMA	Prevention of Financial Markets Abuse
PMLA	Prevention of Money Laundering Act
PMLFTR	Prevention of Money Laundering and Funding of Terrorism Regulations
PMO	Project Management Office
ROC	Registry of Companies
RMICAAP	Risk Management Internal Capital Adequacy Assessment Process
SICAV	Societe d'Investissement A Capital Variable - Investment company with variable share capital
SRM	Single Resolution Mechanism
SSM	Single Supervisory Mechanism
UCITS	Undertakings for Collective Investment in Transferable Securities
UN	United Nations

New MFSA Board of Governors

On 7th January 2015, the Malta Financial Services Authority announced the appointment of its Board of Governors. This appointment was made by the Prime Minister in virtue of article 6 of The Malta Financial Services Authority Act (Cap.330). The new board, effective as from 1st January 2015 will be composed as follows:

Chairman

Prof. Joe V. Bannister B.Sc, M.Sc, D.Phil (Oxon)

Members

Prof. Josef Bonnici B.A. (Hons.) Econ, M.A., Ph.D. (Simon Fraser)
Dr Joseph Brincat B.A.(Lond), B.Sc.(Econ) Lond, LL.D.
Mr Frans Camilleri DSS (Oxon), Graduate Diploma (UEA), MA (UAE)
Dr. John Consiglio Ph.D., M.Phil (Eur Studs)., MBA(Wales)., DipFS., Dip Law & Adm., Dip Bus. Law & Actcy., FCIB.
Ms Lauren Ellul B.Accty (Hons), Executive M.B.A.(Edinburgh & ENPC), F.I.A., C.P.A.
Mr Herbert Zammit Laferla AIFS

Secretary

Dr. David Fabri LL.D

MFSA

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