



ANNUAL REPORT  
**2017**

MFSA  

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MALTA FINANCIAL SERVICES AUTHORITY



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# CHAIRMAN'S STATEMENT



The Malta Financial Services Authority (MFSA) is pleased to present its report on the activities and operations undertaken during the year 2017. The year was a tumultuous one with significant changes in the political landscape in a number of countries. However, most importantly the world economy enjoyed widespread growth which according to the International Monetary Fund was expected to run into 2018. The IMF estimates that the world economy will expand by 3.6% in 2017 and that it is likely to grow by 3.8% in 2018. The most significant expansion was seen in the Eurozone which is now considered to be expanding strongly as confidence has improved. While growth in the Eurozone and in all Member States averaged around 2.0%, growth in Malta will average around 6.0% in 2017. This strong growth is expected to continue in 2018. The Maltese economy continues to perform well with low unemployment and inflation. Indeed all the rating agencies have given the country strong and positive ratings.

I am pleased to report that the MFSA was a net contributor to the Maltese economy. A recent Input-Output study on the contribution of the financial services sector to the economy showed a contribution of over 11% which compares favourably with other finance centres such as London and Dublin. Employment numbers in the financial and related sectors continues to grow. This shows the underlying strength of our financial companies and confirms our status as an attractive and well managed financial services location. Financial services and insurance continue to account for over 90% of Foreign Direct Investment into Malta.

The Supervisory Units report extensively on their work during 2017 in this report. During the year we managed to transpose two major pieces of European Union (EU) legislation – the Markets in Financial Instruments Directive and the Fourth Anti-money Laundering Directive. Work is currently in progress on the implementation of the legislation. On 1st January 2017, Malta assumed the Presidency of the EU Council and the MFSA worked extensively on the financial services dossiers. Of particular importance was the dossier on securitization. Achieving political consensus on this directive was no mean feat.

Our results for 2017 show that we continue to expand. The size of our expansion is currently being conditioned by Brexit and the sooner agreement between the United Kingdom (UK) and the EU is reached, the sooner we can plan our supervisory capacity better. Currently interest from the UK is strong in insurance, however, existing UK companies in securities and payment services are in the process of transferring more of their UK business to Malta. Business expansion essentially requires investment in human capital in the sector. Malta's national investment in higher education has helped the nation become more successful and been the very foundation stone of our success in financial services. The finance industry has also made a critical contribution to continuing education and training and today Malta has one of the most complete finance education and training infrastructures to be found in any small economy finance location. Intellectual

capital has a vital role to play and its further development will hopefully not be affected by Brexit and our students, particularly in law can continue to increase their intellectual capital by spending periods of further training at UK universities as they currently do.

Towards the end of 2017, the Prime Minister announced my retirement as Chairman of the MFSA early in 2018. After almost 20 years at the helm of the Authority, I had early in 2017 expressed my wish to the Prime Minister to retire early in 2018. This will therefore be my last statement and I would like to conclude by thanking all current staff and staff who moved on, for their hard work to make financial services a success. Unfortunately a number of staff passed away at a relatively young age. I hope that staff will continue to remember them as I do.

Thank you all.

A handwritten signature in black ink, appearing to read 'Joe V Bannister', written in a cursive style.

**Joe V Bannister**

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# OVERVIEW BY THE DIRECTOR GENERAL

This Annual Report, coming a little more than three years after my appointment as Director General, affords a useful vantage point from which to look, not just at 2017, but at the unprecedented degree of change over the past, and next, few years.

We have seen and continue to expect substantial change in multiple dimensions: Scale, Scope and Expectation:

- **Scale** - Three years ago the MFSA was responsible for the regulation of 1818 licences. Currently it is 2180 licensed entities, varying in nature and complexity.
- **Scope** - These past years have seen a complete overhaul of the regulatory framework in the European Union. This overhaul includes not simply more regulation, such as the introduction of the Single Supervisory Mechanism (SSM) in the banking area, Solvency II in the insurance sector and from this year the Markets in Financial Instruments Directive (MiFID) in the investment services sector. This involves new methodologies and requires a high degree of learning within the MFSA, and significant co-ordination with our European partners. The changes have stretched the resources and capabilities of our regulatory peers in the major economies. Proportionately, they have also presented a challenge to the MFSA. The ambitions of Malta to continue to grow as an international financial centre must be matched by our ability to manage the safety of such growth, and our ability to confidently oversee ever-greater complexity.
- **Expectation** – With the development across the global financial regulatory sector of new financial markets and technologies, new complexities in cross border structures, and new legislation and regulatory norms, the expectation from the public and from peers has grown as well.

Therefore we have had to grow in scale, but we have had also to make dramatic qualitative changes at the same time in view of the regulatory and quality demands developing simultaneously, and rapidly. This had to be carried out in parallel with our day-to-day regulatory work which is detailed further in this Annual Report. We have instituted fundamental development of the operational and key tools that impact our regulatory outputs: Our Human Resources, our Technology, and our Business processes.

The Authority is very conscious that to meet its ever increasing obligations it needs the relevant human skills, as well as the necessary supervisory capacity in terms of manpower. So another aspect that the Authority has been looking at are its human resources. As the MFSA we have had a consistent strategy to increase our supervisory complement in tandem with the increase in licensed operating institutions within the Authority's supervisory remit, but like any organisation, we have not been immune to recruitment challenges. In this regard, a Human Resource Audit has been carried out with the aim of developing a Human Resource strategy to match our ever increasing supervisory obligations. To complement this exercise at an individual level, we have reviewed the structures of our supervisory and regulatory units to identify any gaps in resources and the organisation. This is not simply an internal exercise. We have absorbed and commissioned advice from international consultants, learning from best practice overseas.

<sup>1</sup> 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 (recast), OJL 173, 12.06.2014, p 349

The MFSA has also run a radical set of reviews of its current processes. The aim is to streamline and become more efficient, increase harmonisation across its Units and make the most of synergies of competencies and expertise of common use amongst the different aspects of our work. One objective is also the automation of our processes and the increased use of technology in our supervisory work. This process was commenced in 2015 and is well underway with an implementation plan ending in 2018-2019. We will be reporting further on this in the near future.

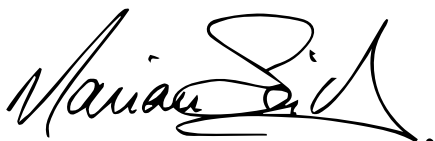
The Authority has also been moving towards a more centralised and harmonised approach to supervision while keeping sector specific focus and expertise. Notably, we continue to invest a lot of effort in further developing our 'risk-based' supervisory practices. This is an approach adopted widely by different regulators across the world. This will give us more penetration, better intelligence and more efficient use of our resources throughout our remit.

Various other structural changes, intended to provide better support to the regulatory output, are particularly worth noting. We have actively continued to develop the Regulatory Development Unit into a micro-financial stability team and integrate it more within the day-to-day supervision work. The Board of Governors of the Authority has agreed to establish a Quality Assurance function, a Risk Management function as well as a Strategy and Policy function. These centralised functions which are planned to be established in the coming year, will structure and strengthen the co-ordination of this work across the organisation by instilling a project management culture in our work, and giving clarity and focus to our most important duties.

This change is very much a 'work in progress': the full benefit of what has been started will continue to emerge in the coming years.

We hope to continue with the changes to bring them into effect. Going forward, the MFSA will continue to review opportunities for such development in other dimensions of our operations. For example, there is also substantial work to be done on the aspect of Communications. As a first step we have already carried out an internal Mission, Vision, Value exercise which is being finalised but we plan increased communication with all stakeholders, and using that communication to make our work more effective and efficient. Similarly, we see a clear benefit in increasing our engagement with other regulatory bodies, and we need to do this systematically.

All this strategic change has had to be carried out in parallel to our growing obligations. The start of this journey is a testament to the resilience and support of all staff and I would like to pay tribute to every member of the Authority for their continued commitment and hard work.



**Marianne Scicluna**  
**Director General**



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# THE AUTHORITY

## BOARD OF GOVERNORS



*Front row left to right: Dr. John Consiglio, Mr. Herbert Zammit Laferla, Prof. Joe V. Bannister, Dr Lauren Ellul*  
*Back row left to right: Dr. Joseph Brincat, Mr. Frans Camilleri, Dr. Mario Vella*

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

**Members**     **Dr. Joseph Brincat** B.A.(Lond.), B.Sc.(Econ.) Lond., LL.D.

**Mr. Frans Camilleri** DSS (Oxon.), Graduate Diploma (UEA), MA (UEA)

**Dr. John Consiglio** Dip.FS., Dip. Law & Adm., Dip. Bus. Law & Accty., FCIB., MBA(Wales), M.Phil (Eur. Studs), Ph.D.

**Dr. Lauren Ellul** B.Accty (Hons), Executive M.B.A.(Edinburgh & ENPC), F.I.A., C.P.A.,Ph.D (Birm.)

**Dr. Mario Vella** B.A., M.Sc. (LSE), Dr. Sc. Oec (Berlin Humboldt)

**Mr. Herbert Zammit Laferla** AIFS

**Secretary**     **Dr. Vanessa Said** B.A., M.A. LL.D

The Board of Governors is also the Listing Authority for the purpose of the Financial Markets Act (Cap 345) and the Resolution Authority for the purpose of Directive 2014/59/EU.

## SUPERVISORY COUNCIL

**Chairperson** **Ms. Marianne Scicluna** B.A (Hons.) Bnkg. & Finance, M.Sc (Fin. Reg. & Compliance Mngt.)  
Director General

**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

**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  
Director - Authorisation Unit

**Dr. Michelle Mizzi Buontempo** LL.D, M.A (Fin. Serv.)  
Director – Conduct Supervisory Unit

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

**Secretary** **Dr. Petra Attard-Montalto** (LL.B) (Dip. Not.) (LL.D) (LLM Commercial Law) (LL.D)  
(January – June 2017)

**Dr. Yvette Borg Cardona** B. Pharm (Hons), LL.B, Dip. Not, LL.D., M.A. Fin. Serv.  
(July – December 2017)

## BOARD OF MANAGEMENT AND RESOURCES

**Chairperson** **Mr. Joseph Demanuele** FCCA, FIA, CPA  
Chief Operations Officer

**Members** **Mr. Robert Aquilina** Dip. Public Administration, 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

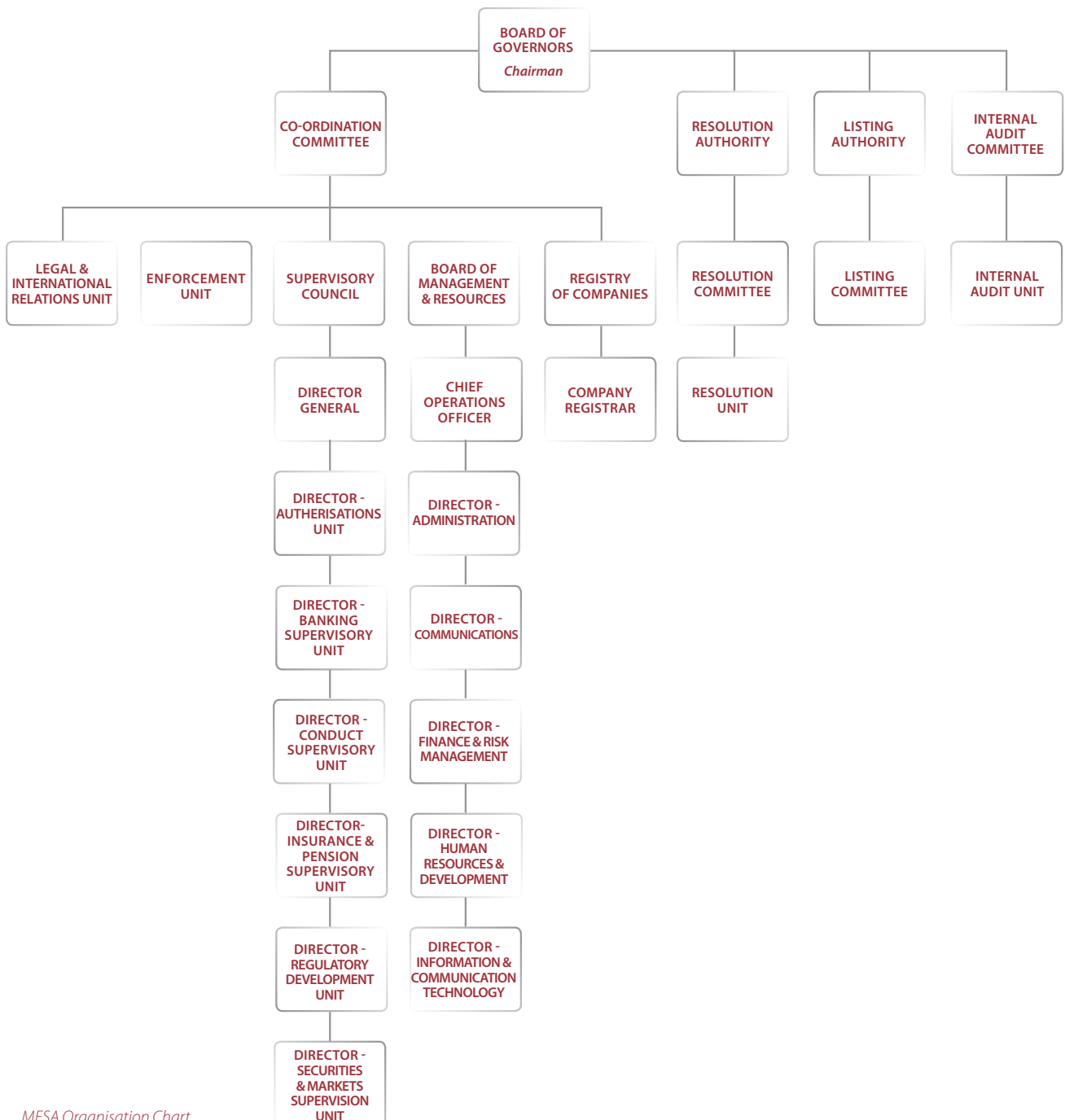
**Mr. Reuben Vella** BSc. (Hons.), MSc.  
Head Information and Communication Technologies Unit

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

## ORGANISATION

The Malta Financial Services Authority (MFSA) was established in 2002 by the Malta Financial Services Authority Act (Cap 330). 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 corporate service providers and trustees. The MFSA also incorporates the Registry of Companies and is responsible for the admissibility to listing on recognised investment exchanges and for the resolution of banks in terms of the MFSA Act.

The MFSA is an autonomous body and reports annually to Parliament. The main organs are the Board of Governors appointed by the Prime Minister, the Supervisory Council and the Board of Management and Resources. The functions and responsibilities of these three organs are co-ordinated through a Co-ordination Committee.



MFSA Organisation Chart

The Legal and International Relations Unit is one of the statutory organs of the Authority and some of its primary functions are set out in the MFSA Act (Cap330). These include the provision of legal advice and assistance to the Board of Governors and all the other 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

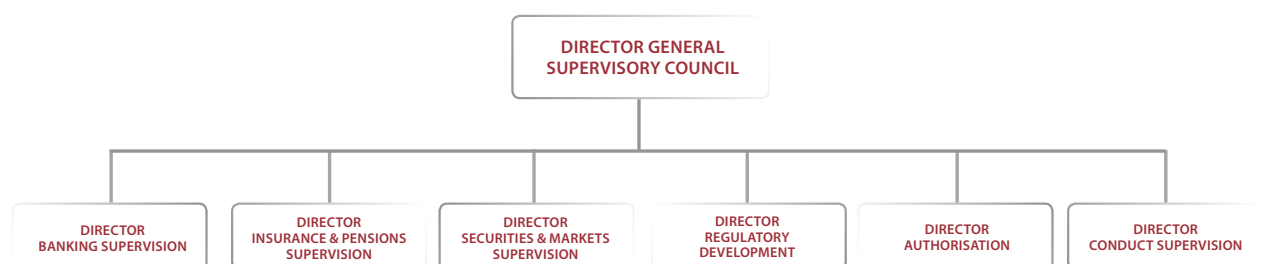
The Co-ordination Committee is responsible for co-ordinating the implementation of the policies of the Authority. The Co-ordination Committee is the point of contact and the principal channel of communication and co-ordination between the Board of Governors, the Supervisory Council and the Board of Management and Resources. The Director Enforcement Unit attends as an observer.



### Composition of the Supervisory Council

The Supervisory Council, as defined in Article 10 (1) of the MFSA Act, is responsible for the approval of and for the issuing of licences and other authorisations, for the processing of applications for such licence and authorisations, and for the monitoring and supervision of persons and other entities licensed or authorised by the Authority in the financial services sector.

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



## Supervision Units

### Banking Supervision Unit

Responsible for the supervision of credit and financial institutions.

### Conduct Supervision Unit

Responsible for securing appropriate consumer protection in financial services through a supervisory regime seeking to address potential or emerging risks for financial services consumers. Also responsible for the supervision of trustees, fiduciaries and company service providers.

### Insurance and Pensions Supervision Unit

Responsible for the supervision of insurance companies, insurance intermediaries, retirement schemes, retirement funds and retirement 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 research and development and the implementation of cross-sectoral policies, as well as financial stability and macro-prudential supervisory issues.

### Authorisation Unit

Responsible to manage and coordinate the processing of applications for authorisation under the various sectorial legislation.

### Composition of the Board of Management & Resources

The Board of Management and Resources, as defined in Article 11(1) is responsible for carrying out the day-to-day management and the finances of the Authority including human resources, business development and ancillary services and for the general coordination of the Authority's administrative affairs, and is composed of the persons responsible for such activities within the Authority as may be designated by the Board of Governors.



## Management Units

### Administration Unit

The Unit is responsible for 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 of 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. The Unit is also responsible for consumer education.

### **Finance & Risk Management Unit**

The Unit oversees and manages the finances of the Authority and is the 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, statutory and accounting requirements 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 on 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 mainly responsible for staff recruitment, training and development and employee relations. 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. The Unit implements other staff related provisions included in the MFSA's Staff Handbook which include the MFSA Ethics Framework, the MFSA Anti-Fraud Policy and Occupational Health & Safety.

### **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 information and communication technologies (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 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 (Cap 386) 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 (Cap 345). 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 Mrs Lauren Ellul, 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, Mr David Pullicino, Mrs Isabelle Agius and Mr Frans Camilleri and mainly processes applications for the admissibility to the European Wholesale Securities Market (EWSM).

### **Resolution Unit**

Following the upgrading to international standards of the Recovery and Resolution landscape through the introduction of the Recovery and Resolution Regulations (RRR) in September of 2015, the Resolution Unit was set up with the responsibility of implementing the requirements of these regulations.

The Resolution Committee is composed of three independent persons who are Mr Emanuele Ellul as Chairman, and Mr Paul Spiteri and Mr Alfred Sladden as members.

The Resolution Committee formally started functioning in terms of the legislation to set out the necessary direction for the Resolution Unit.

### **Internal Audit Unit**

The Internal Audit function within the MFSA is established through the provisions of Article 12D of the MFSA (Cap 330) which further establishes the structure, objectives and authority of the Internal Audit Unit.

The Internal Audit Charter defines in general terms the purpose, scope of work, accountability, responsibility and authority of the Internal Audit function with the MFSA. It establishes the position of the Internal Audit function within the MFSA, authorises access to records, personnel and physical properties relevant to the performance of an audit engagement and defines the type and scope of the internal audit activities.

### **Supervisory Quality Assurance Function**

The supervisory quality assurance function, established in terms of the Single Supervisory Mechanism of the European Central Bank, within the MFSA is carried out under the direct responsibility of the Director General thus being independent of the Supervisory Units and the Internal Audit function. The function ensures that equivalent high level supervisory processes are applied throughout all the supervisory remit of the MFSA for the different sectors of the financial system for which the MFSA has a supervisory remit.

### **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 Dr John Consiglio. It includes representatives from the Human Resources Development Unit of the Authority, which also provides secretarial support, the Malta College of Arts Science and Technology (MCAST), the Student Services Education Division 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 (MIA), Castille Institute, PricewaterHouse Coopers (PwC) Academy, Jobsplus, the Faculty of Economics, Management and Accountancy (FEMA) within the University of Malta and the Malta Institute of Management (MIM).





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# REGULATORY & MARKET OVERVIEW

The global economy during 2017 registered a broad cyclical upswing, featuring accelerated growth across the world, particularly across the advanced economies.

The Euro Area registered robust economic growth during 2017, driven by strengthened domestic demand and improved business and consumer sentiment. Consumer spending was fuelled by improved labour market conditions, with unemployment rate recorded at its lowest since the financial crisis. The election cycle across member states during the year had a positive outcome overall, setting aside fears of a continued disintegration of the Union. This notwithstanding, political uncertainty remains within certain countries, possibly leading to a future derailing of the region's economic performance. Brexit negotiations add to the uncertainty of the Euro Area economic outlook. Inflationary pressures, although increased, still remained below target, instigating the European Central Bank to keep interest rates unchanged, accompanied by the continuation of the accommodative monetary policy stance. This diverges from the monetary normalization process adopted by the United States Federal Reserve with three policy interest rate hikes during 2017.

Malta registered a sustained momentum of strong economic growth that exceeded European Union and Euro Area averages. Growth in services exports remained the primary driver for economic expansion, contributing to further widening of the current account surplus. Favourable labour market conditions continued to drive employment growth with unemployment rate reaching historic lows. Price pressures were moderate over the year, with inflation in the Euro Area exceeding domestic inflation. Government finance continued to record a surplus, driven by a pronounced increase in government's revenue which contributed to the decline in general government debt following a more sustainable path.

The Maltese financial services sector remained robust and sound, expanding in size, diversity and attractiveness, making the sector a key pillar to the economy. The regulatory framework remained resilient backed by strong prudential supervision, consumer protection, and money laundering prevention mechanisms. The sector robustness is evidenced by healthy capital and liquidity levels of banks, continued registration of funds and investment vehicles, as well as adequate levels of capital buffers held by domestic insurers. Performance in the sector is also appraised by the increase in employment opportunities both within the direct financial intermediation segment and also other related professionals' services activities.

## BANKING

### General Overview

The Maltese banking sector remained adequately capitalised, retaining healthy liquidity and profitability levels despite the low or negative interest rate environment that characterised the year. The World Economic Forum's Global Competitive Index 2017-2018 accredited Malta with a high ranking with respect to the soundness of banks.

### The Maltese Banking Sector

The Maltese banking sector consists of 25 credit institutions and a branch of an EU credit institution which operates in Malta in terms of the European Passporting Rights for Credit Institutions Regulations (2004). As shown in Table 1, there were 120 branches and 220 Automated Teller Machines (ATMs) spread throughout the country providing various walk-in customer services and self-service banking activities.

**Table 1: Branches and ATMs (2015 – 2017)**

	2015	2016	2017
<b>Bank Offices and branches</b>	135	130	120
<b>ATMs</b>	206	211	220

Sources: MFSA, Malta Financial Services Authority

For financial stability analytical purposes, credit institutions licensed in Malta are classified into three groups, namely 'core domestic banks', 'non-core domestic banks' and 'other banks'<sup>2</sup>. 'Core domestic banks' represents 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<sup>3</sup>. '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<sup>4</sup>. 'Other banks' represents credit institutions which have virtually no connections with the domestic economy<sup>5</sup>. Unless otherwise stated, 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<sup>6</sup>.

Figures relating to the volume and segmentation of business in 2017 of a number of credit institutions were still provisional at the time of presentation of this Report and accordingly may be subject to revision.

### Capital Requirements Ratio and Tier 1 Capital Ratio <sup>7</sup>

The capital requirements ratio, defined as the bank's total own funds to risk-weighted assets, of the aggregate banking sector increased by 0.8 percentage points, from 20.2 percent in 2016 to 21.0 percent in 2017. The core domestic banks also experienced a growth in the capital requirements ratio, from 15.3 percent in 2016 up to 16.4 percent in 2017. Over the same period, the non-core domestic banks reported a marginal increase of 0.1 percentage point while the other banks experienced a decline of 0.8 percentage point. Table 2 refers.

<sup>2</sup> The methodology on the classification of banks can be found in the Financial Stability Report (2014) published by the Central Bank of Malta.

<sup>3</sup> The 'core domestic banks' are made up of the following credit institutions: APS Bank Limited, BNF Bank plc, Bank of Valletta plc, HSBC Bank Malta plc, Lombard Bank Malta plc and MeDirect Bank (Malta) plc.

<sup>4</sup> The 'non-core domestic banks' category consists of the following credit institutions: MFC Merchant Bank Limited, FCM Bank Limited, FIMBank plc, IIG Bank (Malta) Limited, Izola Bank plc and Sparkasse Bank Malta plc.

<sup>5</sup> 'Other banks' comprises of the following credit institutions: AgriBank plc, Akbank T.A.S., Credit Europe Bank N.V. (Branch Malta), Credorax Bank Limited, CommBank Europe Limited, ECCM Bank plc, Ferratum Bank Limited, NBS Bank Malta Limited, Pilatus Bank Limited, Saadgroup Bank Europe Limited, Sata Bank plc, Türkiye Garanti Bankası AS, Novum Bank Limited and Yapi Kredi Bank Malta.

<sup>6</sup> Mediterranean Bank plc and Mediterranean Corporate Bank Limited, now renamed MeDirect Bank (Malta) plc, were reclassified as core domestic banks in 2015. These two banks were previously classified as non-core domestic banks. In the same year, Credit Europe Bank N.V. which was previously classified as a non-core domestic bank, was reclassified as falling under the 'other banks' category.

<sup>7</sup> Foreign branches which operate in Malta are not required to calculate the capital requirements ratio and consequently are excluded in this analysis.

The Tier 1 capital ratio, defined as the bank's Tier 1 capital to risk-weighted assets, increased by one percentage point in the aggregate banking sector while the core domestic banks reported a surge of 1.4 percentage point in 2017 when compared to 2016. The non-core domestic banks and other banks reported a marginal decline of 0.1 percentage point and 0.8 percentage point respectively over the same period.

**Table 2: Capital requirements ratio and Tier 1 Capital Ratio (2015 – 2017)**

		<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>Capital requirements ratio (%)</b>	Core Domestic Banks	14.6	15.3	16.4
	Non-Core Domestic Banks	21.9	17.4	17.5
	Other Banks	56.6	48.0	47.2
	Aggregate Banking Sector	21.3	20.2	21.0
<b>Tier 1 Capital Ratio (%)</b>	Core Domestic Banks	11.9	12.9	14.3
	Non-Core Domestic Banks	18.6	14.6	14.5
	Other Banks	56.2	45.5	44.7
	Aggregate Banking Sector	18.8	17.7	18.7

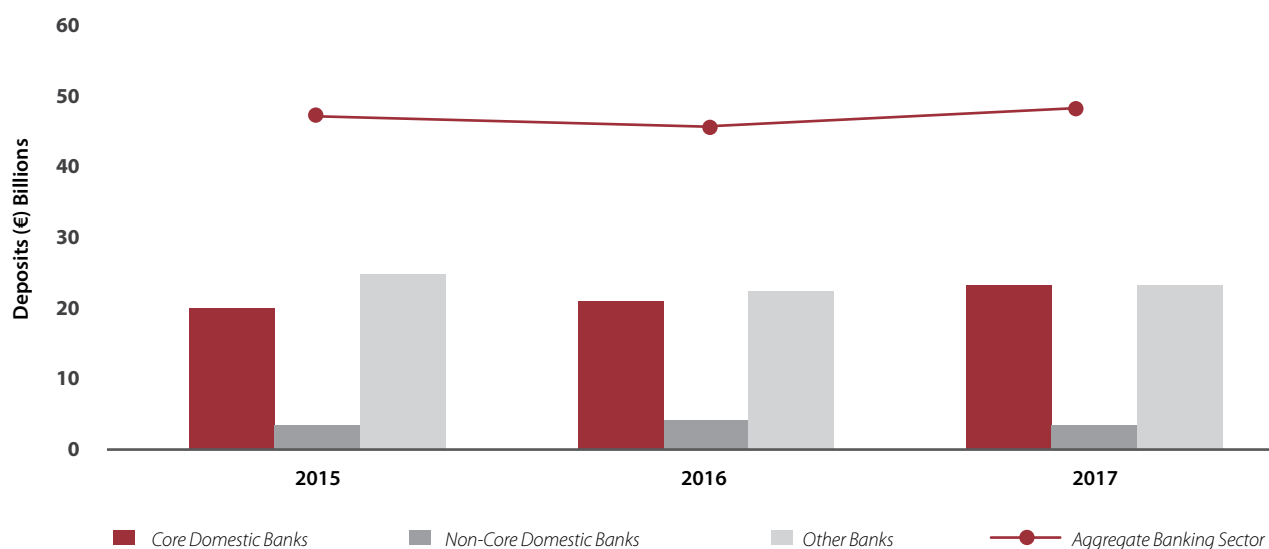
Source: Malta Financial Services Authority

### **Bank Assets**

Assets of the aggregate banking sector expanded by almost 4.4 percent in 2017 when compared to the previous year, reaching €47.7 billion at the end of 2017. The *core domestic banks* reported an increase of 6.5 percent to stand at €22.6 billion at the end of 2017. Over the same period, assets of the *non-core domestic banks* declined by 10.1 percent while the other banks category experienced an increase of 4.1 percent – see Table 2.

Chart 1 presents a trend analysis of the assets of the aggregate banking sector and the three categories of banks for the period 2015 – 2017.

**Chart 1: Assets (2015 – 2017)**



Source: Malta Financial Services Authority

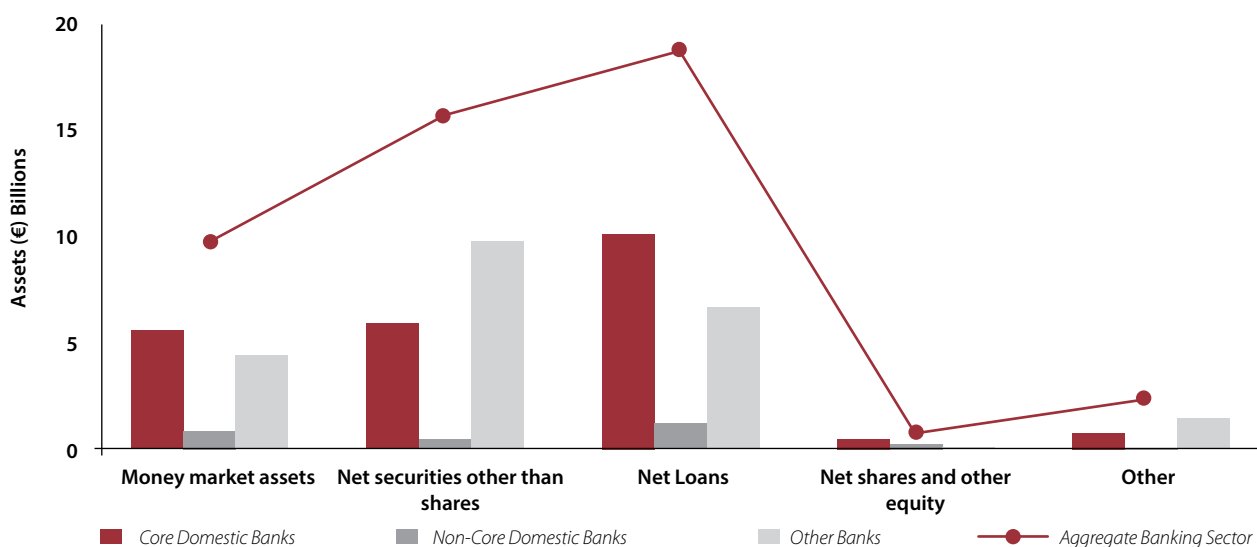
### Allocation of Bank Assets

In the aggregate banking sector, *'Net loans'* made up 38.9 percent of total assets in 2017. This represents an increase of almost four percentage points from 2016. *'Net securities other than shares'* followed closely at 32.6 percent and *'money market assets'* at 21.8 percent, representing a decline of 4.6 percentage points and increase of 0.7 percentage point respectively when compared to the previous year.

Assets in the core domestic banking sector remained dominated by *loans* with a share of 47 percent of assets in 2017, an increase of 1.7 percentage points from the previous year. *'Net securities other than shares'* contributed to 24.2 percent of the *core domestic banks'* assets, a decline of 4.7 percentage points from a year before. In contrast, the share in *'money market assets'* increased by 4 percentage points to 23.8 percent of assets within this category in 2017.

Chart 2 represents the distribution of assets of the aggregate banking sector and the three categories of banks in Malta in 2017.

**Chart 2: Distribution of assets (2017)**



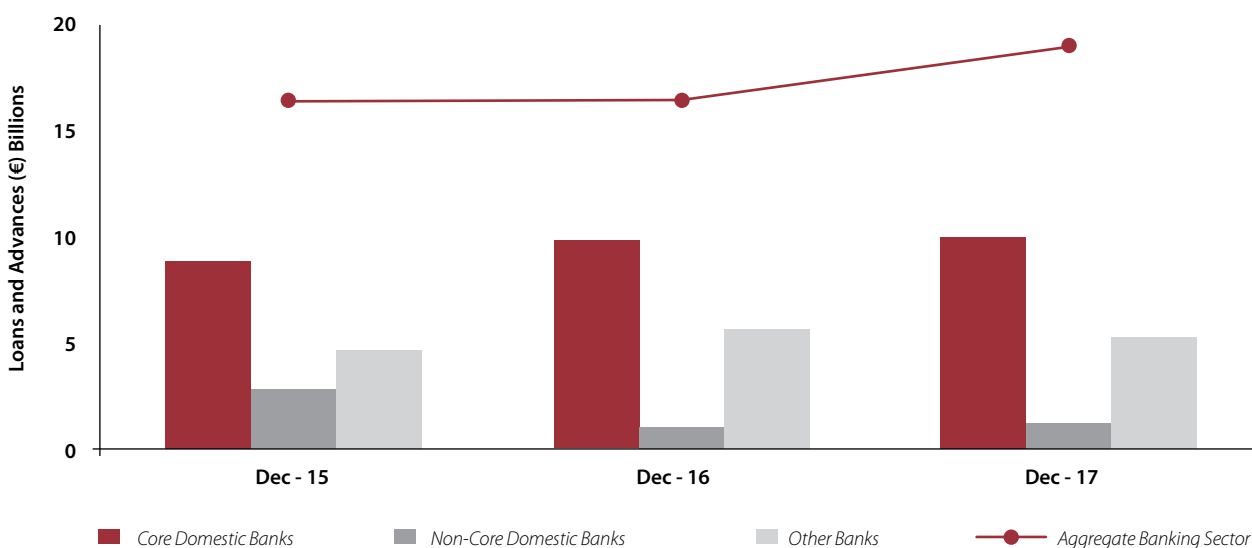
Source: Malta Financial Services Authority

### Loans and advances

Loans granted in the aggregate banking sector reached €18.9 billion in 2017, an increase of €2.4 billion (or 14.7 percent) when compared to the previous year. While the *core domestic banks* and *other banks* reported growths in loans of eight percent and 35.9 percent respectively in 2017 from 2016, the non-core banks experienced a fall of 21.9 percent over the same period.

Chart 3 represents the loans and advances granted by the three categories of banks and the aggregate banking sector for the period 2015 – 2017.

**Chart 3: Loans and advances (2015 – 2017)**



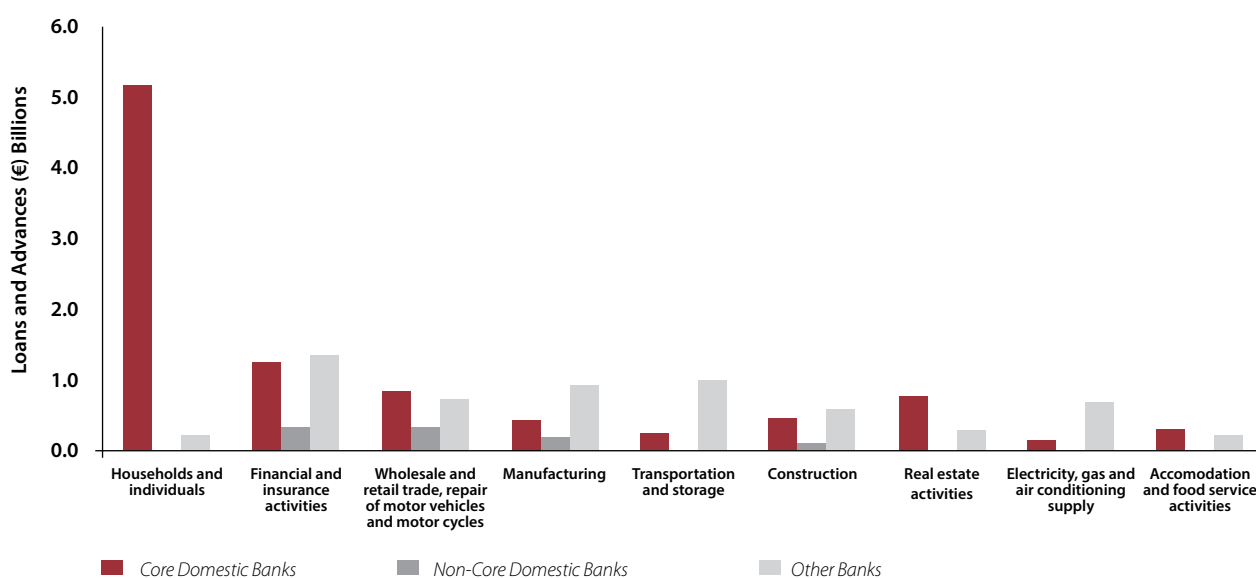
Source: Malta Financial Services Authority

In the aggregate banking sector, lending to 'households and individuals' contributed the largest share at 28.5 percent (or €5.4 billion) in 2017. This represents a surge of over seven percent from the previous year. Loans advanced to 'financial and insurance activities', which made up 16.3 percent (or €3.1 billion) of the total loans, surged by 12.5 percent from the previous year. Almost €1.8 billion (or 9.4 percent) were borrowed by the 'Wholesale and retail trade, repair of motor vehicles and motor cycles'. This represents a decline of 45 percent from the previous year.

In the domestic banking sector, loans advanced to 'households and individuals' reached €5.2 billion (or 48.4 percent of assets), an increase of over six percent from 2016. Lending to 'financial and insurance activities' had a share of 12.8 percent of total loans, a growth of over five percentage points from year end 2016. Loans advanced to the 'wholesale and retail trade, repair of motor vehicles and motor cycles' sector contracted by three percent to stand at €0.8 billion at the end of 2017.

Chart 4 shows a sectoral analysis of loans granted by all the three categories of banks as well as aggregate figures for year 2017.

**Chart 4: Loans and advances - top nine sectors (2017)**



Source: Malta Financial Services Authority

## Bank Deposits

As depicted in Chart 5, the aggregate banking sector experienced a slight decline in deposits of almost 1.3 percent, from €31.9 billion in 2016 down to €31.5 billion in 2017. Deposits in the *core domestic banks* sector touched €18.4 billion in 2017, an increase of 2.5 percent from 2016. In contrast, deposits held by the *non-core domestic banks and other banks* category reported falls of 9.8 percent and 5.3 percent respectively over the same period.

<sup>2</sup> The methodology on the classification of banks can be found in the Financial Stability Report (2014) published by the Central Bank of Malta.

<sup>3</sup> The 'core domestic banks' are made up of the following credit institutions: APS Bank Limited, BNF Bank plc, Bank of Valletta plc, HSBC Bank Malta plc, Lombard Bank Malta plc and MeDirect Bank (Malta) plc.

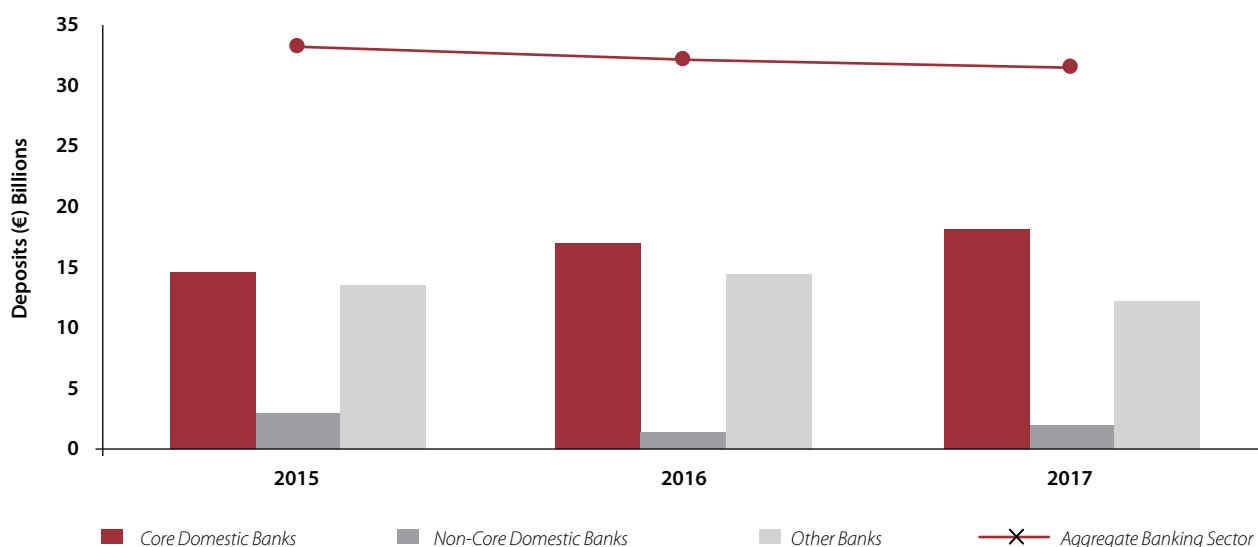
<sup>4</sup> The 'non-core domestic banks' category consists of the following credit institutions: MFC Merchant Bank Limited, FCM Bank Limited, FIMBank plc, IIG Bank (Malta) Limited, Izola Bank plc and Sparkasse Bank Malta plc.

<sup>5</sup> 'Other banks' comprises of the following credit institutions: AgriBank plc, Akbank T.A.S., Credit Europe Bank N.V. (Branch Malta), Credorax Bank Limited, CommBank Europe Limited, ECCM Bank plc, Ferratum Bank Limited, NBG Bank Malta Limited, Pilatus Bank Limited, Saadgroup Bank Europe Limited, Sata Bank plc, Turkiye Garanti Bankasi AS, Novum Bank Limited and Yapi Kredi Bank Malta.

<sup>6</sup> Mediterranean Bank plc and Mediterranean Corporate Bank Limited, now renamed MeDirect Bank (Malta) plc, were reclassified as core domestic banks in 2015. These two banks were previously classified as non-core domestic banks. In the same year, Credit Europe Bank N.V. which was previously classified as a non-core domestic bank, was reclassified as falling under the 'other banks' category.

<sup>7</sup> Foreign branches which operate in Malta are not required to calculate the capital requirements ratio and consequently are excluded in this analysis.

**Chart 5: Deposits (2015 – 2017)**



Source: Malta Financial Services Authority

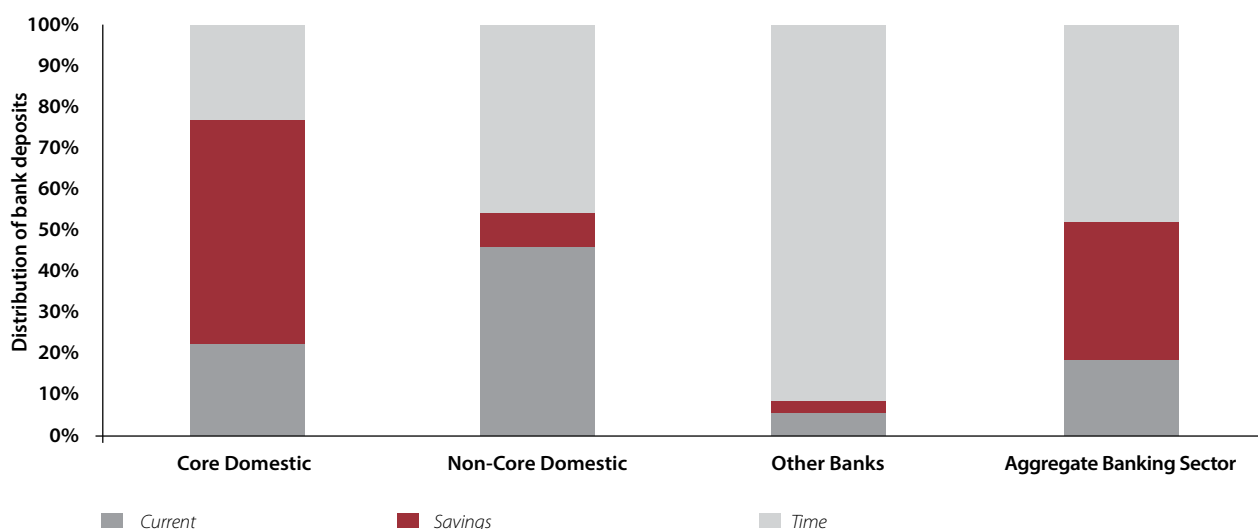
**Distribution of bank deposits**

In the aggregate banking sector, 49 percent of deposits were held in time deposit accounts, followed by savings accounts at 32 percent and current accounts at 19 percent. When compared to the previous year, time deposits and current accounts declined each by one percentage point which were gained by savings accounts.

Almost 52 percent of deposits reported by the *core domestic banks* were held in savings accounts, followed by current accounts at 25 percent and time deposits at 23 percent. When compared to the previous year, current accounts and savings accounts increased the share by two and one percentage points respectively, while time deposits accounts declined by three percentage points.

Chart 6 represents the distributions of bank deposits in the aggregate banking sector and the three categories of banks in Malta in 2017.

**Chart 6: Distribution of deposits (2017)**



Source: Malta Financial Services Authority

### Lending and borrowing

In the aggregate banking sector, Maltese residents (mainly households and non-financial corporations) had a share of 51 percent of total placements and loans advanced in 2017. This indicates a surge of two percentage points from 2016. The remaining 49 percent were granted to non-Malta residents, primarily to monetary financial institutions.

Chart 7 shows the distribution of banks' placements and loans by residency in 2017.

**Chart 7: Placements and loans (2017)**



*Source: Malta Financial Services Authority*

Almost 41 percent of total borrowings and deposits in the aggregate banking sector were held by Maltese residents. This represents an increase of two percentage points from the preceding year with the remaining 59 percent owned by Non-Maltese residents.

Chart 8 shows the distribution of the banks' borrowings and deposits by residency in 2017.

**Chart 8: Borrowings and deposits (2017)**



*Source: Malta Financial Services Authority*



## SECURITIES AND INVESTMENT SERVICES

### General Overview

Investment services in Malta remain a fast growing segment within Malta's financial services sector, driven by the expanded access and opportunities at a European level through the Alternative Investment Fund Managers Directive (AIFMD).<sup>8</sup>

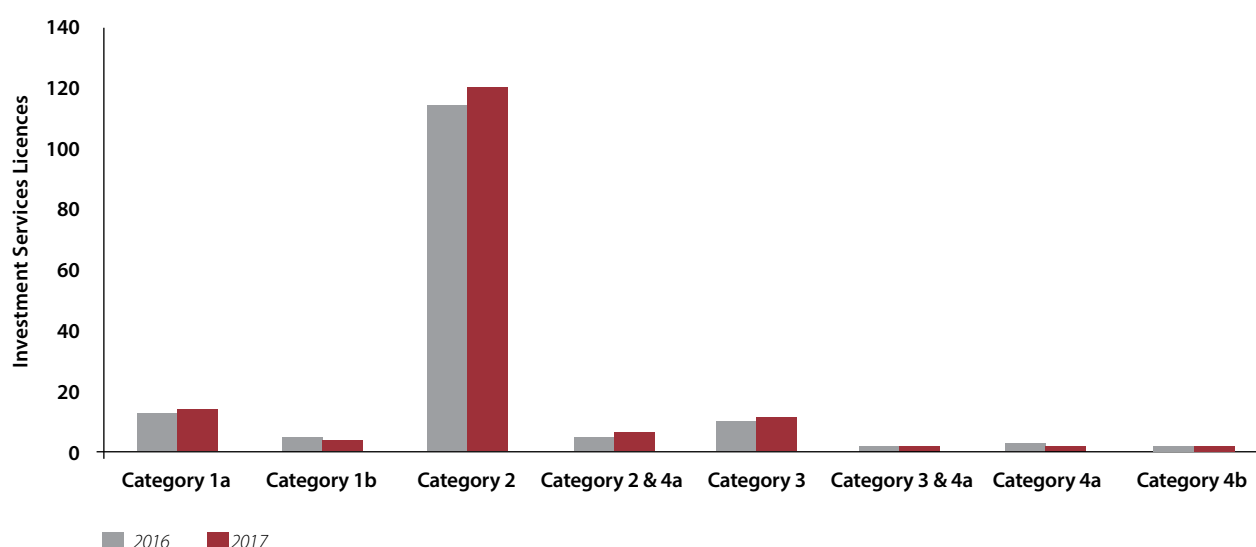
### Investment Services Licences

Investment services in Malta continued to grow with 162 companies licensed in terms of the Investment Services Act (Cap 370). This represents a net increase of six new licences from year 2016.

Over the course of the year, the Authority licensed 14 new firms at Category 2 level, bringing the total number of Category 2 licences to 121. In addition, the Authority licensed three other new firms: one each at Category 1a, Category 1b and Category 3 licences.

Chart 9 illustrates the number of licensed investment services companies by category of licence for the period 2016 – 2017.

**Chart 9: Investment services licences (2016 – 2017)**



Source: Malta Financial Services Authority

### The Maltese Capital Market

The Maltese Capital Market registered an increase in the number of prospectuses approved by the Listing Authority<sup>9</sup> for listing on the Malta Stock Exchange or the European Wholesale Securities Market.

Twelve corporate bond issues, three equities issue and three Malta Government Stock issues, for an aggregate nominal value of almost €0.83 billion, were approved and admitted to listing on the Malta Stock Exchange by the Listing Authority. The aggregate nominal value was 26 percent less than that registered the previous year.

Total market turnover on the Malta Stock Exchange was €0.6 billion. The volume of turnover was 17.3 percent less than that registered in 2016 due mainly to lower trading in government stocks. In the equity market, trading increased by

<sup>8</sup> Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010. OJ L 174, 01.07.2011, p 1

<sup>9</sup> In terms of Article 7A of the MFSA Act (Cap 330) the Board of Governors of the MFSA acts as the Listing Authority established under the Financial Markets Act (Cap 345).

13.1 percent, from €77.8 million in 2016 to €88 million in 2017. Trading in the corporate bond market reached €76.5 million in 2017, up 32.2 percent from the previous year. In contrast, trading of Malta Government Stocks fell by 26.8 percent when compared with the previous year to stand at €403.8 million in 2017.

Moreover, four asset backed securities, three bond issues and six note issues were approved and admitted to listing on the European Wholesale Securities Market.

### Collective Investment Scheme Licences

In 2017, the Authority licensed 97 new funds (including sub-funds), 14.2 percent less than the previous year. Professional Investor Funds remained the most popular with investors with almost 60 percent of the total new licensed funds. Undertakings for Collective Investment in Transferable Securities (UCITS) funds followed at 31 percent and Alternative Investment Funds at nine percent.

Additionally, 17 funds were included in the list of notified AIFs in 2017, 15 more than the previous year.

Seventy-four Licences were surrendered from the market during the year, one more than the previous year. Of these, 49 were Professional Investor Funds, 12 Alternative Investment Funds, two Retail Non-UCITS and 10 UCITS funds.

Furthermore, one fund was delisted from the list of notified AIFs in 2017.

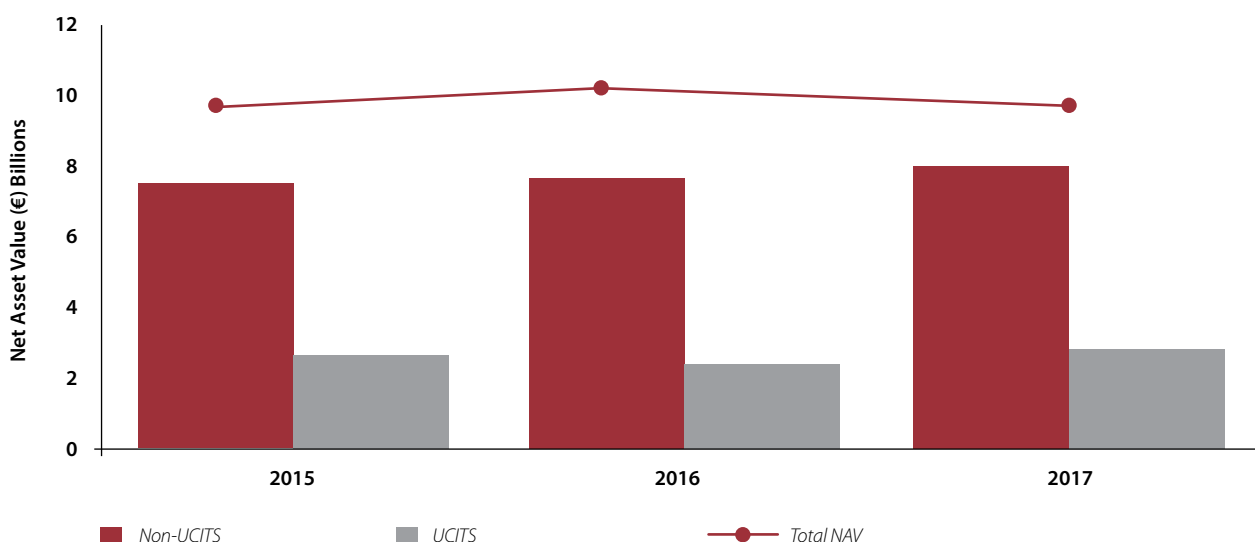
At the end of 2017, there were also 176 non-Malta domiciled funds (including sub-funds) administered by locally based fund administrators and 128 non-Malta domiciled funds (including sub-funds) managed by fund managers established in Malta.

For the following sections, the NAV figures available for a number of funds for the year under review were still provisional at the time of presentation of this report and accordingly may be subject to revision.

### Net Asset Value of Malta Domiciled Funds

Funds domiciled in Malta reported an aggregate net asset value of €10.6 billion in 2017. This represents an increase of 7.8 percent from the previous year. Net assets of UCITS funds increased by 22.7 percent, from €2.2 billion in 2016 to €2.7 billion in 2017. Non-UCITS funds registered growth of 3.8 percent over the same period with net assets totalling €7.9 billion at the end of the year under review. Chart 10 depicts the NAV of Malta domiciled funds for the period 2015 – 2017.

**Chart 10: Net asset value of Malta domiciled funds (2015 – 2017)**



Source: Malta Financial Services Authority

Bond funds reported a growth in net assets of 16.2 percent in 2017 when compared to 2016 reaching almost €1.8 billion at the end of the year. Diversified funds experienced the highest growth in net assets at 17.6 percent when compared to 2016 with net assets reaching €4.3 billion in 2017. It was also a positive year for property funds and hedge funds, reporting surges of 5.6 percent and 7.4 percent respectively over the period 2016 – 2017. In contrast, equity funds experienced a decline of 9.2 percent in net assets to stand at €2.7 billion in 2017.

### Management of Malta Domiciled Funds

Self-managed funds remained the most popular with almost 43 percent of the funds (including sub-funds) licensed at the end of 2017, an increase of almost six percentage points when compared to 2016. Funds managed by locally established fund managers remained unchanged from the previous year at 30.5 percent of the funds licensed in 2017 while funds managed from outside Malta declined by almost six percentage points over the same period. Table 3 refers.

**Table 3: Management of Malta domiciled funds (2016 – 2017)**

	<b>% number of funds (including sub-funds) as at end 2016</b>	<b>% number of funds (including sub-funds) as at end 2017</b>
<b>Self-managed</b>	36.9	42.6
<b>Managed in Malta</b>	30.5	30.5
<b>Managed from outside Malta</b>	32.6	26.9

Source: Malta Financial Services Authority

### Administration of Malta Domiciled Funds

The number of funds administered in Malta continued to increase reaching almost 88 percent of all locally established funds (including sub-funds). This represents an increase of almost four percentage points over the previous year. The remaining 12 percent of the funds were administered from outside Malta. Table 4 refers.

**Table 4: Administration of Malta domiciled funds (2016 – 2017)**

	<b>% number of funds (including sub-funds) as at end 2016</b>	<b>% number of funds (including sub-funds) as at end 2017</b>
<b>Administered in Malta</b>	84.1	87.9
<b>Administered from outside Malta</b>	15.9	12.1

Source: Malta Financial Services Authority

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

Non-Malta domiciled funds which are administered by fund administrators recognised in Malta registered a net asset value of almost €2.6 billion in 2017, a decline of 6.7 percent when compared to 2016.

### Non-Malta domiciled funds managed in Malta

Assets under management of non-Malta domiciled funds (including sub-funds) managed by fund managers licensed in Malta declined by almost 14 percent in 2017, from €23.8 billion in 2016 to €20.4 billion in 2017.

## INSURANCE AND PENSIONS

### General Overview

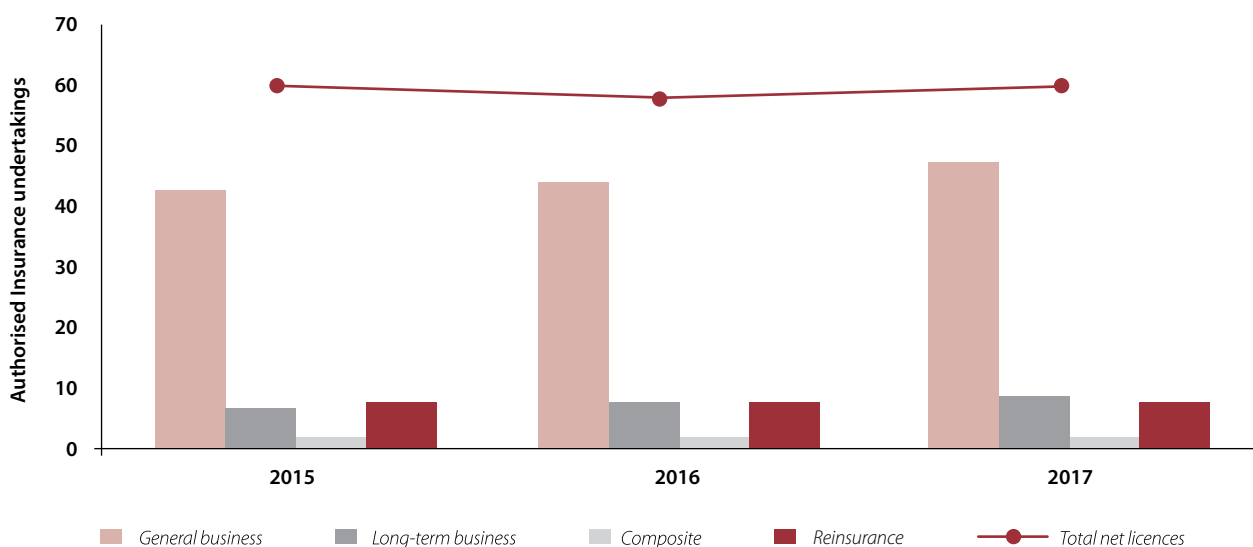
Malta continued to enjoy a reputation as an attractive jurisdiction for operators wishing to set up or redomicile captive and other insurance and reinsurance business. This contributed to the further increase in the number of Protected Cell structures setting up in Malta. The retirement pensions sector also maintained its positive trend with the establishment of more retirement schemes.

### The Insurance Sector

The insurance sector in Malta comprised of 63 insurance undertakings authorised to carry on business activities in terms of the Insurance Business Act (Cap 403). These included 46 undertakings authorised to carry on general business, eight long-term business, two composite and seven pure reinsurance undertakings.

Chart 11 represents the number of licensed insurance undertakings by type of business for the period 2015 – 2017.

Chart 11: Insurance undertakings authorised in Malta (2015 – 2017)



Source: Malta Financial Services Authority

Of the 63 licensed insurance undertakings, eight were authorised to carry on affiliated business and 14 were authorised as Protected Cell Companies (PCCs). There were 34 approved cells within these PCCs, two net more than the previous year. Additionally, there is also one company licensed as a Reinsurance Special Purpose Vehicle in terms of the Reinsurance Special Purpose Vehicles Regulations (2016).

Figures available with respect to the volume and segmentation of insurance and reinsurance business for year 2017 are still provisional at the time of presentation of this Annual Report and therefore may be subject to revision.

### Solvency Ratios

The ratio of eligible own funds to solvency capital requirements in the aggregate insurance sector declined slightly by 2.3 percentage points in 2017 when compared to the previous year, to stand at 335.1 percent in 2017. In the general business, the ratio declined by 137.7 percentage points to stand at 222.9 percent. In contrast, the Pure Reinsurers and Long-term business undertakings registered an increase of 188.4 percentage points and 23.8 percentage points respectively in 2017 from 2016. Table 7 depicts the solvency ratios for the period 2016-2017.

**Table 5: Solvency ratios (2016 - 2017)**

		<b>2016</b>	<b>2017</b>
<b>Ratio of eligible own funds to Solvency Capital Requirements (%)</b>	General Business	360.6	222.9
	Long-term Business	266.9	290.7
	Pure Reinsurers	285.5	473.9
	All Insurance undertakings	337.4	335.1
<b>Ratio of eligible own funds to Minimum Capital Requirements (%)</b>	General Business	835.3	608.4
	Long-term Business	680.7	768.8
	Pure Reinsurers	951.8	1080.4
	All Insurance undertakings	836.0	844.1

Source: Malta Financial Services Authority

The ratio of eligible own funds to minimum capital requirements in the aggregate insurance sector increased from 836 percent in 2016 to 844.1 percent in 2017. In the general business, the ratio declined by 226.9 percentage points, to stand at 608.4 percent in 2017. In the long-term business, the ratio marked 768.8 percent, an increase of 88.1 percentage points while pure reinsurance undertakings reported an increase of 128.6 percentage points over the period 2016 – 2017.

### Total gross written premiums

As depicted in Table 6, insurance undertakings authorised in Malta reported gross written premiums of €4.2 billion in 2017, a surge of 10.5 percent when compared to 2016. In the general business, gross written premiums grew by 5.4 percent in 2017 from 2016, while in the long-term business gross written premiums increased by 17.5 percent over the same period.

**Table 6: Gross written premiums of insurance undertakings licensed in Malta (2015 – 2017)**

	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>Billion €</i>	<i>Billion €</i>	<i>Billion €</i>
<b>Total gross written premiums</b>	3.8	3.8	4.2

Source: Malta Financial Services Authority

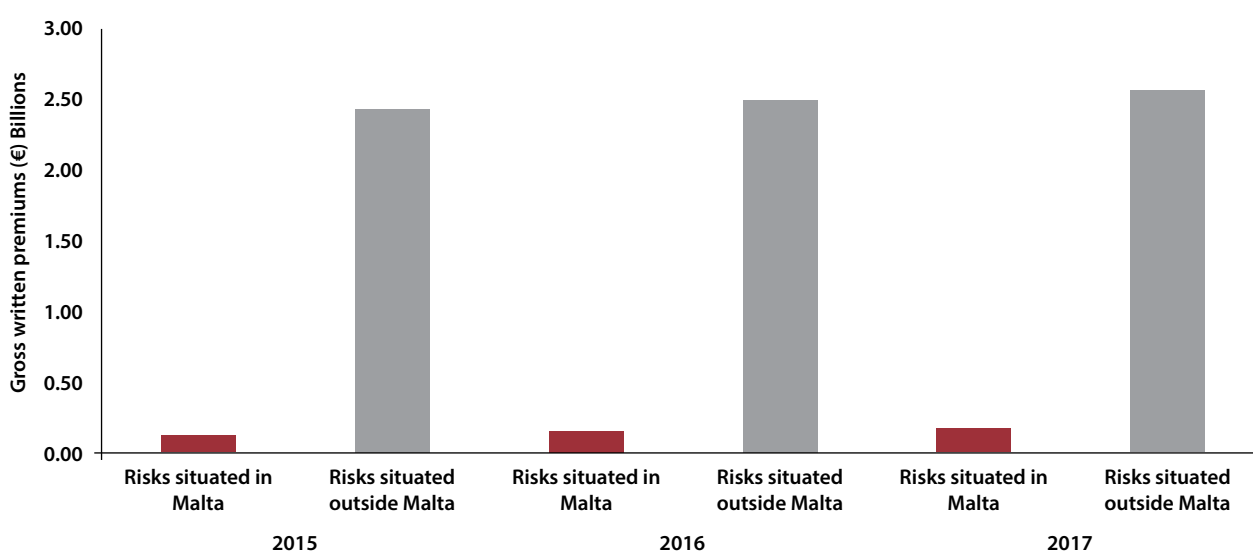
## General Business Sector

### Gross written premiums

The gross written premiums in respect of the general business written in and outside Malta reached almost €2.8 billion in 2017, an increase of 5.4 percent from 2016. Gross written premiums in relation to risks situated in Malta surged by almost 8.6 percent, to stand at €150.1 million in 2017. In relation to risks situated outside Malta, the gross written premiums grew by 5.2 percent, reaching €2.6 billion in 2017.

Chart 12 displays the gross written premiums of companies with Head Office in Malta writing general business in relation to risks situated in and outside Malta for the period 2015 – 2017.

**Chart 12: Gross written premiums by undertakings with Head Office in Malta - General Business (2015 – 2017)**



Source: Malta Financial Services Authority

### Gross Claims Paid

Gross claims paid of insurance undertakings writing general business expanded by 30 percent, from €1.0 billion in 2016 to €1.3 billion in 2017. Gross claims paid in respect to risks situated in Malta surged by 11.2 percent in 2017 when compared to 2016, while there was an increase of 31.8 percent in respect to risks situated outside in the same period.

Table 7 represents the gross claims paid by undertakings with head office in Malta writing general business split by type of risk for the period 2015 – 2017.

**Table 7: Gross claims paid by undertakings with Head Office in Malta – General Business (2015 - 2017)**

	2015		2016		2017	
	<i>Risks situated in Malta</i>	<i>Risks situated outside Malta</i>	<i>Risks situated in Malta</i>	<i>Risks situated outside Malta</i>	<i>Risks situated in Malta</i>	<i>Risks situated outside Malta</i>
	<i>Million €</i>	<i>Million €</i>	<i>Million €</i>	<i>Million €</i>	<i>Million €</i>	<i>Million €</i>
<b>Gross claims paid</b>	55.7	1,190.3	59.5	937.3	66.2	1,235.3

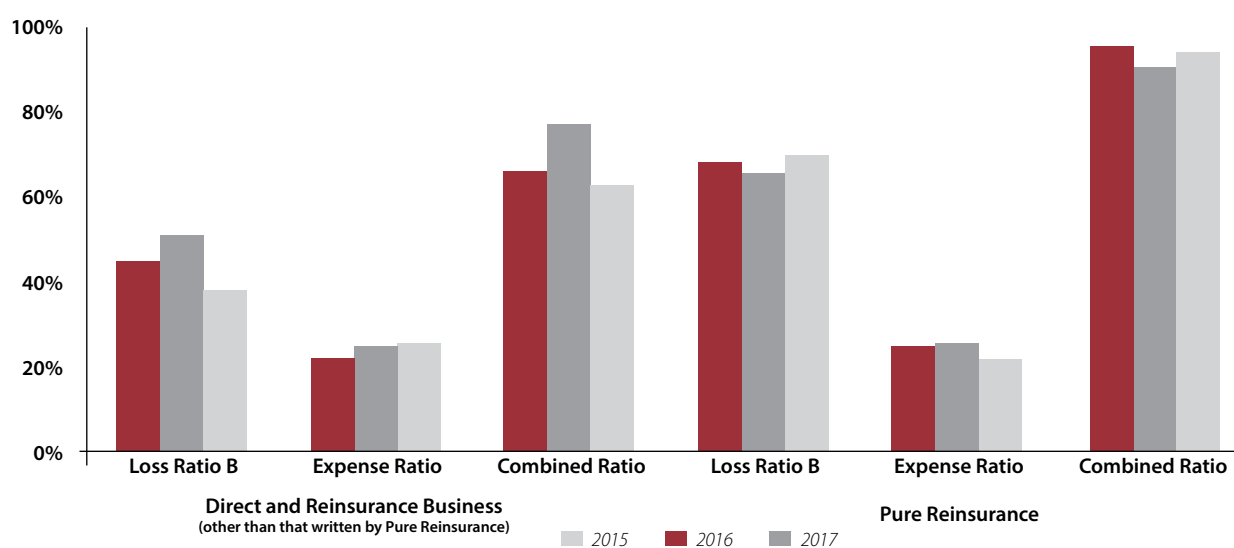
Source: Malta Financial Services Authority

### Key financial indicators

The net loss ratio, defined as the ratio of net claims incurred to net premiums earned, in the general business<sup>10</sup> declined by 13.5 percentage points to stand at 38.2 percent in 2017. The expense ratio, defined as the ratio of net operating expenses to net premiums earned, increased slightly by 0.4 percentage point reaching 25.4 percent in 2017. The combined ratio, defined as the sum of net claims incurred and the net operating expenses to net earned premiums, contracted by 13.1 percentage points to stand at 63.6 percent in 2017.

For the pure reinsurance business, the net loss ratio increased by 4.8 percentage points to 71.5 percent in 2017. The expense ratio decreased from 24.0 percent in 2016 to 21.5 percent in 2017 while the combined ratio surged by 2.4 percentage points to 93 percent in 2017. Chart 13 represents the net loss ratio, expense ratio and combined ratio for general business and pure reinsurance undertakings covering the period 2015 – 2017.

**Chart 13: Loss ratios for general business undertakings writing direct and reinsurance business (other than that written by pure reinsurance) and pure reinsurance undertakings (2015 – 2017)**



Source: Malta Financial Services Authority

<sup>10</sup> Direct and reinsurance business other than that written by pure reinsurance undertakings.

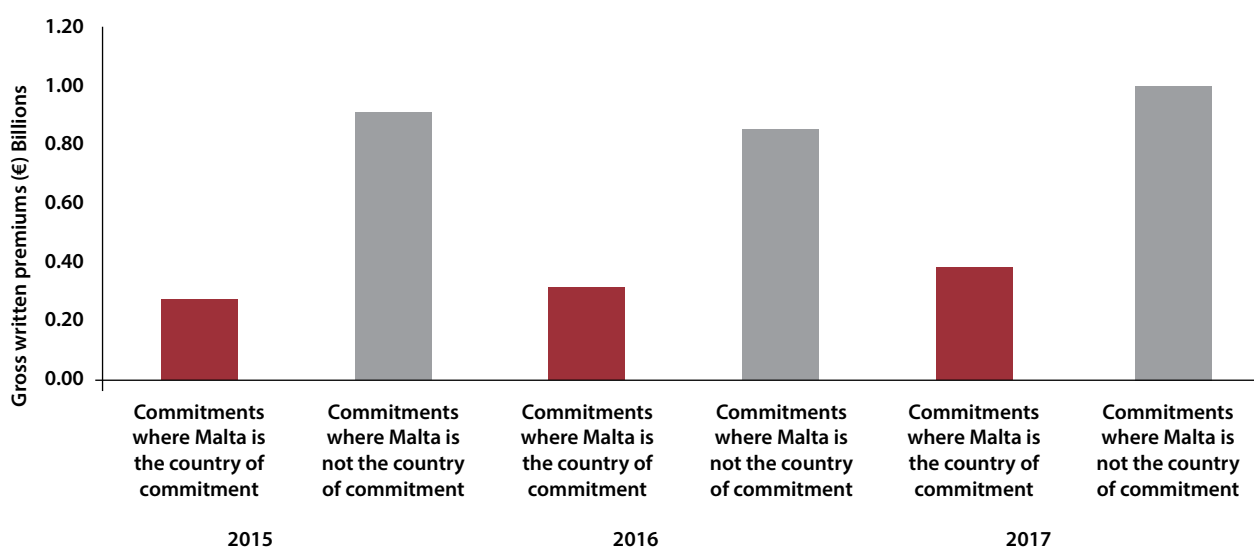
## Long-term Insurance Sector

### Gross written premiums

In the long-term business, the gross written premiums of undertakings with Head Office in Malta touched €1.4 billion in 2017, an increase of 17.5 percent from 2016. Gross written premiums where Malta is the country of commitment went up by 10.2 percent while there was a surge of 20.4 percent in gross written premiums with respect to commitments outside Malta in the same period.

Chart 14 shows the gross written premiums of undertakings writing long-term business in relation to risks situated in and outside Malta for the period 2015 – 2017.

**Chart 14: Gross written premiums by undertakings with Head Office in Malta – Long-term business (2015 – 2017)**



Source: Malta Financial Services Authority

### Gross Claims Paid

Gross claims paid in the long-term business reached €0.68 billion in 2017, an increase of over 20 percent from the previous year. Gross claims paid with respect to risks situated in Malta grew by 5.5 percent while gross claims paid in respect to risks outside Malta grew by 27.9 percent over the period 2016 - 2017. Table 8 refers.



**Table 8: Gross claims paid by undertakings with Head Office in Malta – Long-term business (2015 - 2017)**

2015		2016		2017	
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 €
162.8	889.9	198.1	371.2	209.1	474.8

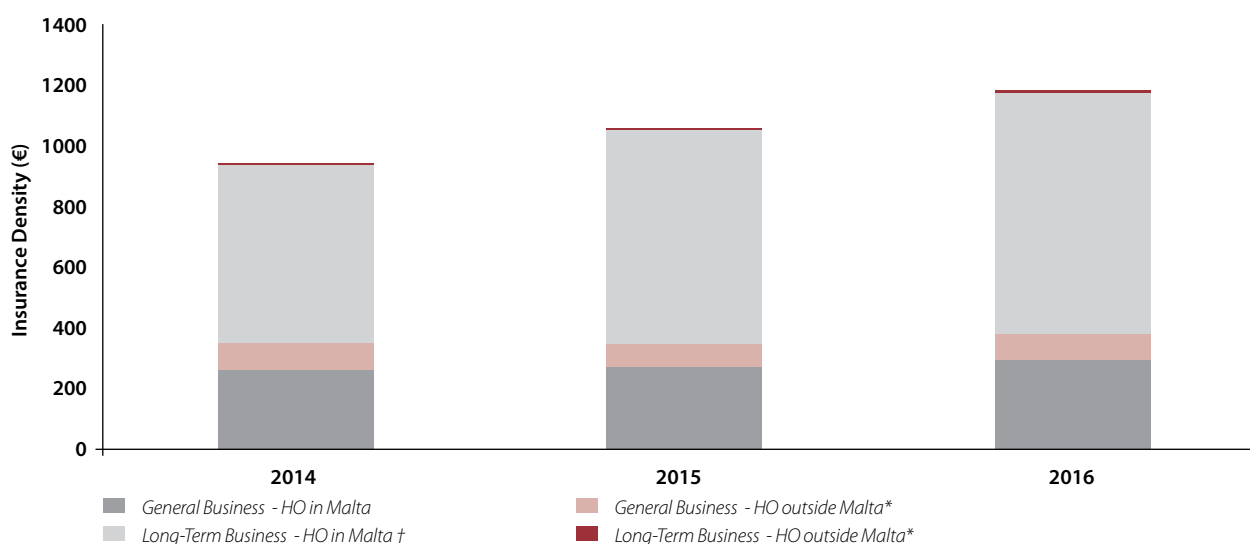
Source: Malta Financial Services Authority

### Insurance Density

Figures for undertakings with Head-Office outside Malta writing general and long-term business in relation to risks in Malta during 2017 were still unavailable at the time of presentation of this report. Consequently, the analysis of the insurance density and insurance penetration covers the period 2014 – 2016.

As shown in Chart 15, the insurance density, which is expressed as the gross written premiums in respect of risks and commitments based in Malta to population size, increased by almost nine percent, from €1,061 in 2015 to €1,156 in 2016. In the general business category, the insurance density surged by seven percent, from €346 in 2015 to €370 in 2016. There was also an increase of 10 percent in the long-term business category, from €715 in 2015 to €786 in 2016.

**Chart 15: Insurance density with respect to risks and commitments situated in Malta (2014 - 2016)**



Source: Malta Financial Services Authority

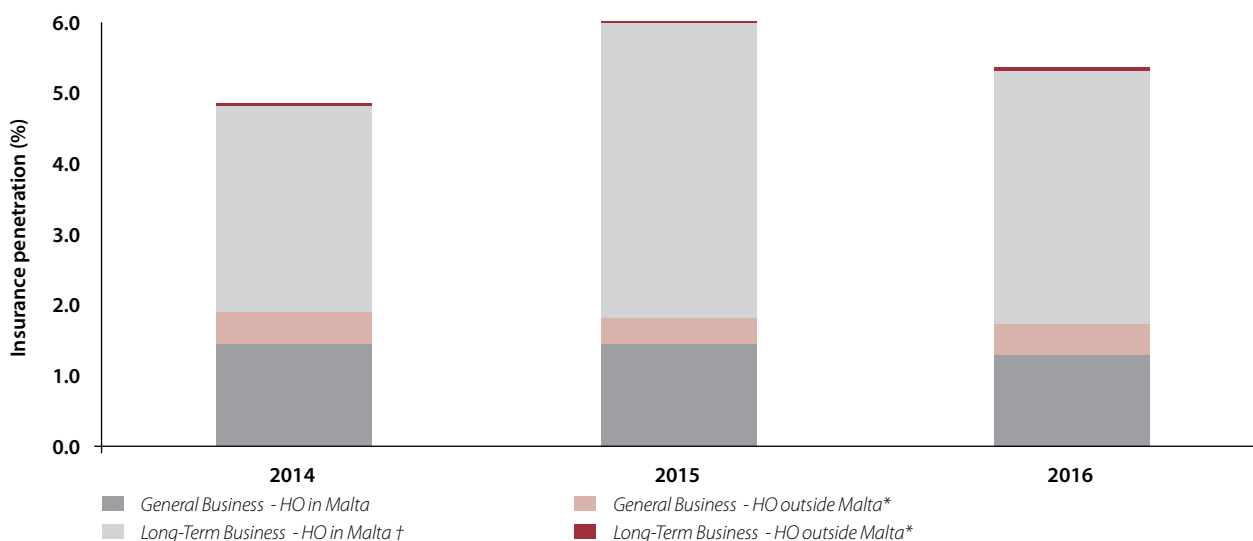
\* refers to non-EU/EEA insurers authorised under the Act and EU/EEA insurers carrying out business in Malta under the right of establishment or through agents (in the long-term business). † Long-term business includes investment contracts without discretionary participation features.

<sup>11</sup> GDP is computed at market price (Sourced from National Statistics Office).

## Insurance Penetration

The insurance penetration rate, which is expressed as the gross written premiums in respect of risks and commitments in Malta to gross domestic product, expanded slightly by 0.12 percentage point, from 5.24 percent in 2015 to 5.36 percent in 2016. The penetration rate increased slightly in the general business, from 1.71 percent in 2016 to 1.72 percent in 2016. For the long-term business, the penetration rate reached 3.64 percent in 2016, up by 0.11 percentage point from the previous year. Chart 16 refers.

**Chart 16: Insurance penetration rate with respect to risks and commitments situated in Malta (2014 – 2016)**



Source: Malta Financial Services Authority

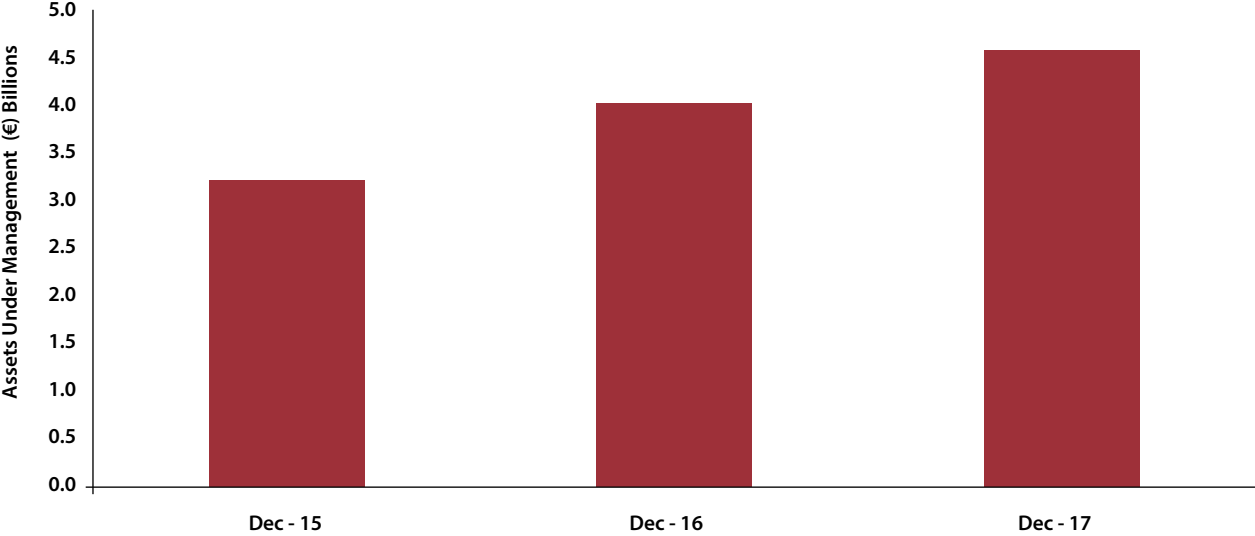
\* refers to non-EU/EEA insurers authorised under the Act and EU/EEA insurers carrying out business in Malta under the right of establishment or through agents (in the long-term business). † Long-term business includes investment contracts without discretionary participation features.

## PENSIONS SECTOR

### Retirement Pension Schemes

As shown in Chart 17, there were 52 retirement pension schemes registered in Malta at the end of 2017, an increase of six schemes from the previous year. The total assets under management of these schemes increased by 14 percent, to stand at €4.6 billion in 2017.

Chart 17: AUM of retirement pension schemes (2015 - 2017)



Source: Malta Financial Services Authority

**Strategy**

**Policy**

**ules**

**Compliance**

**Cont**

**Practices**

**Audit**

**Regulations**

**Risks**



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# SUPERVISION AND COMPLIANCE

The Supervisory Council is responsible for the processing, approval and issuing of licences and other authorisations, and for the monitoring and supervision of entities and individuals licensed or authorised by the Authority. During 2017 the Council met 55 times to approve new licences, 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 comply with the ongoing obligations under the relevant licence issued. The general criteria that are taken into consideration in the granting or refusal of a licence 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 on 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 MFSA participates in the SSM Supervisory Board decision-making. The Supervisory Board plans and carries out the SSM's supervisory tasks and proposes draft decisions for adoption by the ECB's Governing Council. Officials from the MFSA regularly attend meetings of various working groups within the SSM.

The MFSA also forms part of the European System of Financial Supervisors (ESFS) and participates in meetings of the Boards of Supervisors of the European Banking Authority (EBA), the European Securities and Markets Authority (ESMA), the European Insurance and Occupational Pensions Authority (EIOPA) and the General Board of the European Systemic Risk Board (ESRB). It also attends committee and various technical level meetings of these European supervisory bodies.

## *Supervisory Action*

The Authority had more than 209 employees directly engaged in the licensing, regulation and supervision of licensed entities during 2017. Supervision is carried out through both off-site and on-site compliance activities.

## CREDIT AND FINANCIAL INSTITUTIONS

The remit of the Banking Supervision Unit (BSU) had been re-defined in the last couple of years mainly as a result of the implementation of the Single Supervisory Mechanism (SSM) in November 2014. The Unit is currently composed of three sections dealing with: Joint Supervision Team (JST) work flows pertaining to the three Significant Institutions (SIs) and general On-Site responsibilities; on-going supervision and supervisory reporting relating to Less Significant Institutions (LSIs) and Non-SSM tasks (mainly oversight of financial institutions), and Policy matters. As a result of the increased workload, mostly emanating from SSM related work, but also as a result of the increase in licensed institutions, the BSU continued to recruit new staff in order to strengthen its human resources complement.

### **Supervision of Significant Institutions (SIs)**

The day-to-day supervision of SIs is conducted by JSTs which comprise staff from both the European Central Bank (ECB) and the National Competent Authorities (NCAs) of the countries in which credit institutions of a given banking group are established. A JST is established for each SI as defined in the relevant legislation. Bank of Valletta plc, HSBC Bank Malta plc and the MeDirect Group are the three local SIs.

During the year the JSTs carried out on-going supervision work at the three SIs, with monthly meetings held in relation to each bank. Besides bilateral discussions between the MFSA and the ECB members of the JSTs focusing particularly on supervisory strategy to be adopted with respect to SIs, meetings were held with senior management members of the respective banks, where matters of mutual interest or concern were on the agenda. Meetings were mostly held in Malta, but some meetings were also held in Frankfurt.

With regards to Bank of Valletta, the JST carried out an extensive deep dive in the bank's largest exposures, with the aim of assessing the credit risk level and risk control, provisioning, capital requirement and compliance with the Large Exposures regime<sup>12</sup>. Moreover, the JST performed an enhanced follow up on the bank's Internal Governance (RIGA) framework, taking into account the extensive changes made to the Board set-up during the year. The JST also carried out thematic reviews on profitability and IFRS 9, besides other tasks taken up in conjunction with normal day to day duties as defined in the Supervisory Examination Programme (SEP) and those which related to the 2017 Supervisory Review and Evaluation Process (SREP) assessment. With regards to HSBC Bank Malta plc, the JST carried out two thematic reviews, on profitability and on IFRS 9, which findings have been communicated to the bank and an action plan was set. Also, various meetings on different risk areas were held between the JST and the bank which led to the 2017 SREP assessment. In the case of MeDirect Group, part of the JST work for the year consisted in a deep-dive primarily focused on the review of the credit risk controls applied to the Group's portfolio of leveraged loans as well as compliance of the Group with the relevant ECB guidance. Furthermore, in line with SSM-wide horizontal thematic reviews, the JST carried out an analysis of the Group's Profitability and the IFRS 9 implementation. As a result of both thematic reviews, JST conclusions were presented to the Group senior management, necessitating the latter to take remedial actions as required. On an annual basis, the JST work also entails a detailed and comprehensive SREP assessment of the Group's main risks.

During the year, in line with the supervisory examination programme agreed with the ECB, the BSU's on-site section carried out an on-site inspection at Bank of Valletta plc on behalf of the ECB. The mission comprised credit file review of the bank's exposures and risk weighted assets.

### **Supervision of Less Significant Institutions (LSIs)**

LSIs are directly supervised by the Authority, with additional reporting requirements to DG Micro-Prudential Supervision III (DG MS III) of the ECB under the SSM.

During 2017, the MFSA, besides conducting a full-blown Supervisory Review and Evaluation Process (SREP) at one of the high priority LSIs, also carried out on-site visits at LSIs. In fact, MFSA Inspectors carried out a focussed assessment on internal audit at another high priority LSI. A thematic review on internal governance was undertaken during 2017 which covered another four LSIs. The Authority also carried out an ad-hoc review of the internal governance and business model at another LSI.

The MFSA continues to regularly report to the SSM on its risk analysis of LSIs. It also notifies any regulatory concerns it may have through the ex-ante notifications process.

Members of the BSU regularly attend fora, various working groups, networks and similar groups pertaining to the SSM. Amongst these one finds the SSM Supervisory Board, the Risk Analysis Network, the Centralised On-site Inspections Network, the Senior Management Network, the Methodology and Standards Division as well as participating in training on the Information Management System (IMAS).

### **Supervision of Financial Institutions**

The ongoing supervisory oversight of Financial Institutions continued to be conducted through the analysis of the relative reporting submissions received on a quarterly basis. Nevertheless, given the increase in the number of licensed institutions in this area, BSU management was involved in numerous meetings, both with officials from newly licensed institutions as well as with long-established entities in order to discuss various issues, mostly related to governance and internal controls.

<sup>12</sup> Banking Rule BR/02/2011 'Large Exposures of credit institutions authorised under the Banking Act 1994'

## Administrative Measures and Penalties

Details of administrative measures and penalties taken during 2017, are available on the MFSA website - <http://mfsa.com.mt/pages/AdministrativeMeasuresPenalties.aspx>

## Supervisory Quality Assurance Function

During 2017, the Board of Governors of the MFSA formally established a Quality Assurance Function (QAF) to provide assurance on the quality of prudential supervision and to contribute to the excellence and homogeneity of the Authority's supervisory activities. At its initial stages, the function will continue to focus on banking supervision, including Authorisation (related to banking). Its activities involve planning of reviews, enforcing a culture of quality within the Authority as well as participate within ECB networks and assist the ECB in carrying out its reviews on significant banks. The QAF achieves its objectives through the evaluation of supervisory deliverables, processes, procedures, methodologies, standards, organisational structures and systems. The QAF is governed by its Quality Assurance Remit as approved by the Board of Governors of the MFSA.

## SECURITIES AND MARKETS

Investment services remains one of the fastest growing segments within Malta's financial services sector, with the EU Alternative Investment Fund Managers Directive (AIFMD) expanding market access at a European Level.

### The Maltese Capital Markets

The total market turnover on the Malta Stock Exchange in 2017 was €0.6 billion. The volume of turnover was 13 percent less than that registered in 2016 due mainly to lower trading in government stocks. In the equity market, trading increased by 13.1 percent, from €77.8 million in 2016 to €88 million in 2017. Trading in the corporate bond market reached €76.5 million in 2017, up 32.2 percent from the previous year. In contrast, trading of Malta Government Stocks fell by 26.8 percent when compared with the previous year to stand at €403.8 million in 2017.

### Supervision of Investment Services

Emanating from the MFSA Act, the Securities and Markets Supervision Unit's (SMSU) core functions include; monitoring and supervising the applicable licence holders and entities, safeguarding investors' legitimate interests, publishing guidance notes to the financial services industry, and communicating and liaising with foreign regulators and international organisations involved in financial services regulation and supervision.

The SMSU is responsible for the supervision of a diverse range of licence holders, and in certain cases non-licensed entities, with the objective of ensuring compliance with the relevant legal and regulatory requirements so that investors' interests are duly protected. SMSU also carries out work in relation to the approval process for applicants intending to list on any applicable regulated market and supervises those entities that are listed on such regulated markets. SMSU carries out onsite and offsite compliance monitoring. Onsite compliance monitoring entails the conduct of compliance visits at the offices of the relevant entities while offsite compliance monitoring encompasses all aspects spanning from reporting requirements to ongoing obligations and communication with licence holders and the relevant stakeholders.

### Off-site supervision

Off-site supervision entails the review of ongoing developments in the business of licensed entities, resignations of approved persons, terminations of appointed parties, suspensions and surrenders of licences, shareholding changes, subordinated loan agreements, material valuation errors, changes to the appointed auditors, requests for extensions to the applicable reporting deadlines and exchange of information requests from foreign regulators and other third parties, among other workflows. The Authority's approval is required in some areas while notification requirements apply to licence holders in other areas.

<sup>13</sup> Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010, OJ L 174, 01.07.2011, p 1

Off-site compliance staff also monitor adherence to prudential requirements through the review of periodical returns and statutory reports, audited financial statements and other documentation. The implementation of certain regulations and technical standards may also involve off-site staff in the analysis of specific components in the operations of licence holders so that appropriate supervision is assured.

Investment firms and investment funds are required to submit to the MFSA (on a quarterly or interim basis as applicable) financial returns. The submitted returns focus primarily on prudential data. These are analysed by MFSA officials to verify whether any shortfall within the capital resources requirements was reported and to monitor closely financial developments and risks of licence holders, thereby identifying and tracking any potential deficiencies which would need to be addressed from a supervisory perspective.

The MFSA is also responsible for supervising and processing other regulatory requirements applicable to investment services licence holders.

The MFSA noted that at times regulatory documentation/notifications were not submitted in a timely manner. Moreover, it was also noted that in some instances, financial returns were not compiled accurately and/or completely. In this regard, clarifications and/or action was requested accordingly.

### **Supervisory Meetings**

As part of the supervisory process, 11 meetings were scheduled with different UCITS schemes during 2017. These supervisory meetings reviewed the Governance, Risk and Compliance areas of the schemes in question. Such meetings are intended to carry out thematic reviews of any licence holders further boosting the coverage of the funds industry that can be undertaken during any given year. Work is underway to conclude the meetings scheduled for this purpose and assess the information gathered with a view to improving the level of compliance observed.

### **On-site Supervision of Investment Funds**

During 2017, the Funds On-site Team carried out a number of scheduled focused visits. The compliance reviews carried out included fund managers, fund administrators and third party managed and self-managed investment companies.

### **Fund Administrators**

The nature of the visits carried out at Fund Administrators was focused on the review of the administrators' business continuity plan ("BCP") and disaster recovery plan ("DRP") as well as their process in determining the NAV of the portfolios of the funds that they service.

Eleven on-site visits were carried out on Fund Administrators. The focus of these visits was on NAV calculation process and on business continuity. Two off-site supplementary meetings were also held with Fund Administrators.

The Authority identified a number of shortcomings during these inspections. The lack of use of comprehensive NAV checklists and no identified separate preparers and reviewers in the NAV determination process was a common identified deficiency. Also, as part of the NAV calculation process, a number of fund administrators did not have in place any predetermined price tolerance limits based on the expected returns of the fund's underlying securities, for detecting possible NAV determination errors. Another common deficiency related to the maintenance of the relevant registers for pricing errors, breaches and complaints. In addition, it was noted that the BCP/DRP of certain administrators mostly covered the systems infrastructure, and was lacking in terms of details on the administrators' operations, premises and staff.

### **Fund Managers and Self-Managed Investment Companies**

Some of the inspections undertaken at fund managers and self-managed investment companies focused on three important pillars being; Governance, Risk and Compliance. MFSA officials carried out sample checks of the license



holders' Compliance Procedures Manuals, board packs, compliance, risk management and internal audit related documentation. Furthermore, reviews also covered Investment Committee meeting packs and compliance registers. For Alternative Investment Fund Managers ("AIFMs"), the scope of visits was extended to cover the valuation function.

Nine on-site visits concerning Fund Managers and Custodians were carried out in 2017. These visits included follow up visits to previous ones and focused mainly on the investment restriction process. Five off-site supplementary meetings were also held with Fund Managers and Custodians.

The 17 on-site visits to Collective Investment Schemes (CIS) included two surprise visits and 15 visits focusing on governance, risk management and compliance. Seven off-site supplementary meetings were held with CISs. One on-site visit was carried out at an issuer of ETIs which was related to a particular CIS surprise visit.

A common shortcoming that was identified in the area of governance related to the lack of external directors on the board, or where appointed, lack of attendance and involvement in board meetings in a number of cases. The Authority expects licence holders to have a robust board structure composed of directors who are truly independent from the licence holder in order to question any issues of concern and challenge the rest of the board as may be necessary. A number of licence holders were found to have directors on the board having evident business affiliations with the licence holder which could prejudice their role as independent directors due to potential conflicts of interests, even though these were claimed to be non-executive and independent. Minutes and board packs were found not to be properly structured in certain instances, leaving out important strategic discussions undertaken at board level.

With regards to the area of compliance, MFSA Officials noted a number of shortcomings. In particular, where the compliance function is being outsourced, licence holders do not always have an official within the company to actively monitor and properly oversee the function. Another related shortcoming was that in case of outsourced compliance functions, the compliance officer is not always granted access to all required information from the firm in order to be able to conduct the role effectively and efficiently. Furthermore, a number of Compliance Procedures Manuals were found not to be up-to-date and to be incomplete vis-à-vis the business of the licence holder.

The MFSA expects regular ongoing monitoring and updating of the compliance infrastructure and the simultaneous updating of the relevant procedures manuals. Another major deficiency identified related to the robustness of the Compliance Monitoring Programmes. A number of licence holders are still not giving sufficient importance to this critical task and the checklists adopted were found not to always reflect all areas of the business, with the risk of failure to adequately identify the complete set of risks that the licence holder is exposed to. As part of compliance monitoring, MFSA Officials looked into the due diligence and ongoing monitoring of counterparties and in certain cases, ongoing monitoring was either not being adequately documented and reported to the board or else, was not being carried out at all.

Another area that was covered during the on-site inspections was Internal Audit. Notwithstanding any derogations granted by the Authority on the basis of proportionality at application stage, licence holders are nonetheless expected to establish and have in place an audit plan and adopt alternative mitigating arrangements. If outsourced, the function needs to be properly monitored. In addition, the Authority expects licence holders to adequately document and minute internal audit related checks, which should be presented and discussed by the board.

Further to the above, the Authority also continued conducting thematic reviews of fund managers on compliance with investment restrictions during 2017. MFSA Officials reviewed the asset eligibility checking procedure, pre-trade investment restrictions checklist and post-trade procedure of fund managers as well as the investment management process. During the course of these visits, MFSA Officials have carried out interviews with senior company officials and following these inspections, various communications were issued to respective licence holders outlining the findings, recommendations and required corrective action to be taken.

### **On-site Supervision of Investment Firms**

The main focus of the compliance visits was to assess the Licence Holders' business procedures and operations and to ensure compliance with the requirements set out in Part BI of the Investment Services Rules for Investment Services Providers in relation to [a] Governance; [b] Compliance; [c] Risk Management, including Risk Management Internal Capital Adequacy Assessment Process (RMICAAP); and [d] Reconciliations. For the purpose of the visits, MFSA officials conducted interviews with company directors, compliance officers and also reviewed the written procedures and documentation where relevant.

On-site focused visits were carried out on 23 Investment Firms. The main focus of the visits of Investment Firms was to review the extent the licence holders had in proper governance, risk management and compliance. The visits also reviewed the reconciliation process of client assets and monies.

MFSA officials inter alia identified deficiencies in the procedures manual including procedures which were not tailor made for the companies under review, and, in other cases the procedures manuals were not sufficiently documented, detailed and/or comprehensive. From a governance point of view, MFSA officials reviewed the organisational structure of the licence holders and sought clarification, where applicable.

With regards to compliance, MFSA officials noted that, at times, the checks performed by the Compliance Officer were not formally documented, considered or outlined in the compliance monitoring programme. Furthermore, Compliance Officers were not always involved in material business decisions.

Firms' risk management function was also reviewed. MFSA officials noted that certain Licence Holders' risk assessment was superficial and did not address the actual and specific circumstances of the particular firm. The same issues were evident when assessing firms' RMICAAP.

A review of client monies and client asset accounts was also undertaken for firms which hold or control clients' assets. MFSA officials emphasised that the four eyes principle should be properly applied when carrying out a reconciliation exercise and that this test should be included in the compliance monitoring programme.

Further to the above, where applicable, MFSA officials reviewed compliance with the MFSA's Policy Document applicable to Online Business Models Distributing or Intending to Distribute Contracts for Difference (CFDs) and/or Rolling Spot Forex Contracts under the MiFID Regime ('the forex policy'), for licence holders falling under the scope thereof.

### **Trading Venues/CSDs**

In 2017 eight on-site visits were carried out to Trading Venues/CSDs to review the adherence of the trading venue to the respective requirements contained in MiFID II/MiFIR, and to review the CSD's adherence to the requirements contained in the Central Securities Depository Regulation (CSDR).

### **European Market Infrastructure Regulation (EMIR) <sup>14</sup>**

SMSU has carried out 18 visits relating to EMIR in 2017. Regularly identified issues during EMIR on-site visits are as follows:

- Undertakings being unable to provide a set of written procedures which establish the processes carried out by the respective undertaking in order to be compliant with EMIR;
- Not having complete and finalised documentation relating to delegation of obligations (such as the delegation of reporting requirement);
- Not having documentation which covers all risk mitigation requirements under EMIR;
- Certain undertakings, specifically collective investment schemes, have encountered difficulties in establishing their classification in terms of EMIR.

<sup>14</sup> Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories. OJ L 201, 25.07.2012, p 1

## Investigations

The Funds Investigations Team oversaw a total of 41 relationships with licence holders which were deemed to be problematic during 2017. Work involved collecting the appropriate information to enable the carrying out of the commensurate investigations, managing telephone calls and meetings and liaising with the funds onsite and offsite teams as necessary. Investigations entail work which would not strictly fall within the supervisory remit in view of any investor complaints that may be filed with the licence holder, any disputes that might arise between certain parties and the licence holder, as well as possible breaches that are not immediately observable. Work culminates in Memoranda drafted for the decision of the Supervisory Council. Regulatory action was taken against six different licence holders on seven instances during 2017.

## Administrative Measures and Penalties

A number of administrative measures, including penalties and directives were imposed on licence holders during the year. These concerned various breaches of licence conditions as well as infringements under the Investment Services Act.

On 12th January 2017, the Authority issued a notice on Falcon Funds SICAV which holds a collective investment scheme licence pursuant to Section 6 of the Investment Services Act and qualifies as a Maltese UCITS pursuant to the Investment Services Act (Marketing of UCITS) Regulations in respect of its three sub-funds: Falcon Aggressive Fund, Falcon Cautious Fund and Falcon Balanced Fund ('the Sub-Funds').

Following careful consideration of the facts available to the Authority, on 9 and 22 September 2016 the MFSA issued two directives to Falcon Funds SICAV p.l.c. the powers granted to the Authority in Article 15 of the Investment Services Act (Cap 370).

In order to ensure the proper protection of the unit-holders and other creditors of the Scheme, the MFSA appointed KPMG Malta ('KPMG') as a competent person in terms of Article 15A of the Investment Services Act with effect from 11 January 2017. This measure has been taken with specific reference to the Falcon Funds SICAV p.l.c. ('the Scheme') following an on-going investigation on the Scheme and the termination of the Investment Management Agreement between the Scheme and Temple Asset Management Ltd, the former Investment Manager of the Scheme. These measures will remain in place until such time as the MFSA directs otherwise.

On 2nd March 2017, the MFSA imposed an administrative penalty of €4,650 to Mr Andreas Wolf in his capacity as director of Delta1 Securities plc and a separate administrative penalty for the same amount of €4,650 to Mr. Andreas Wolf in his capacity of director of ETI Securities plc following the failure of both Delta 1 Securities plc and ETI Securities plc to publish notices or distribute circulars concerning, inter alia, the rights of holders to exercise their rights in relation to EWSM Listing Rule 4.6 (1) to (3); and for failure to file Regulated Information with the EWSM Listing Authority at the same time at which such information was disclosed in terms of EWSM Listing Rule 4.10(1).

On 9th March 2017, the MFSA suspended the Collective Investment Scheme Licence of LandOverseas Fund SICAV plc ('LandOverseas') in respect of its sub-funds, namely LandOverseas Distributor Fund and LandOverseas Property Fund. The suspension was issued with immediate effect and shall remain in force until LandOverseas's licence is surrendered to the MFSA or as otherwise may be directed by the MFSA.

On 29th March 2017 the MFSA, in terms of Article 16A of the Investment Services Act (Cap. 370) imposed on Calamatta Cuschieri Investment Services Limited, a Category 3 Licence Holder authorised to provide any Investment Service, to hold and control Clients' Money or Customers' Assets, and to deal for their own account or underwrite, an administrative penalty of €3,000 for breaches of the marketing rules applicable to it in terms of the Standard Licence Conditions of Part BI of the Investment Services Rules for Investment Services Providers.

On 13 April 2017, the MFSA has taken the following regulatory action against Temple Asset Management Limited:

- Cancellation of the investment services licence granted to Temple Asset Management Limited, in terms of Article 7(2) of the Investment Services Act (Cap 370), and
- An administrative penalty of €612,473.85 in terms of the powers granted to the Authority both under Article 16A of the Investment Services Act and under regulation 4 of Subsidiary Legislation 370.33, Investment Services Act (UCITS Administrative Penalties, Measures and Investigatory Powers) Regulations.

The Authority investigated the manner in which Temple Asset Management Limited executed its role/function as Investment Manager of Falcon Funds SICAV plc and inter alia it conducted three onsite visits (on 1 July 2016; 13 September 2016 and 14 October 2016) at Temple's offices focusing on the manner in which Temple was managing Falcon's portfolio.

Temple Asset Management Limited was found to be in breach of 23 different Standard Licence Conditions of Part BII of the Investment Services Rules for Investment Services Providers ("the Rules") and Part BII of the Investment Services Rules for Retail Collective Investment Schemes ("the UCITS Rules") including, lack of approvals/notifications sought from/notified to the MFSA, failure to seek written consent from the Authority to appoint Portfolio Manager, failure to establish and maintain a risk management function which is hierarchically and functionally independent from the operating units, failure to ensure fair, correct and transparent pricing models and valuation systems, amongst others.

The quantum of the administrative penalty for each breach was determined in accordance with Regulation 7 of the Investment Services Act (UCITS Administrative Penalties, Measures and Investigatory Powers) Regulations and Appendix 5 to Part B of the Investment Services Rules for Investment Services Providers.

On 24th May 2017, the MFSA suspended the Collective Investment Scheme Licence granted to MCM Global Opportunities Fund SICAV plc ("MCM") in respect of its Sub-Fund, namely Global Equity Opportunities Fund. The application of suspension came into force with immediate effect and shall remain in force until such time as may be otherwise directed or decided by the Authority. MCM was found to be in breach of a number of SLCs under Part BII of the Investment Services Rules for Professional Investors Funds.

On the 25 May 2017, the MFSA decided to impose an administrative penalty of €15,000 on Brokersclub Limited in terms of the powers granted to the Authority under Article 16A of the Investment Services Act (Cap 370). Brokersclub Limited was found to be in breach of SLC 7.45, SLC 7.46 and SLC 7.48 under Part BI of the Investment Services Rules for Investment Services Providers.

On the 18 July 2017, an administrative penalty of €20,000 was imposed by the MFSA on Global Capital Financial Management Ltd ('GCFM') as Manager of The Property Fund ('the Fund') a sub-fund of Global Capital Funds SICAV plc in terms of article 16A of the Investment Services Act. In deciding on the amount of the administrative penalty to be imposed on GCFM, the MFSA took into consideration inter alia the fact that GCFM effected such payment contribution.

On the 18 July 2017, an administrative penalty of €10,000 was imposed by the MFSA on HSBC Bank Malta Plc ('HSBC') as Custodian of The Property Fund ('the Fund'), a sub-fund of Global Capital Funds SICAV plc, in terms of article 16A of the Investment Services Act (Cap 370).

On the 3 October 2017, the MFSA took the following regulatory action against the Directors of Falcon Funds SICAV plc ('Falcon Funds'):

- i. issued a reprimand to each and all of the members of the current Board of Directors in terms of Article 16(7) of the MFSA Act (Cap 330);

- ii. in terms of Article 16(2)(b) of the Malta Financial Services Authority Act and Article 15(2)(c) of the Investment Services Act prohibited the current Directors from accepting any new appointments which require MFSA approval in entities or in relation to activities licensed and/or otherwise supervised by the MFSA for a period of two years from the date of communication of the Authority's final decision;
- iii. directed the current Directors of Falcon Funds to inform all entities licensed and/or otherwise supervised by the MFSA in which they are currently approved by the Authority as qualifying shareholders and/or approved by the Authority to perform any role, function or service whatsoever of the regulatory action taken by the MFSA.

The Falcon Funds was found to be in breach of Article 15 of the Investment Services Act (Cap 370) and of Standard Licence Conditions under Part BII of the Investment Services Rules for Retail Collective Investment Schemes.

On the 28 of November 2017, the Authority issued a directive to Novium Opportunity Umbrella SICAV plc ('NOUS') a company licensed as a collective investment scheme targeting professional investors, whereby the Directors of NOUS were directed to:

- a. refrain from making any further use of any of the services offered to NOUS, either directly or through sub-delegation, by its Investment Manager, Novium AG Investment Solutions;
- b. at all times, have two Directors, acting jointly and on behalf of NOUS, as signatories in relation to NOUS' bank accounts;
- c. take all the necessary steps for the dissolution and consequential winding up of NOUS in accordance with all applicable provisions at law, including the appointment of a liquidator; and
- d. Until such time as a liquidator is appointed, they have to take charge of the safekeeping and management of NOUS' assets.

The MFSA took this decision in terms of the powers granted to it under Article 15 of the Investment Services Act (Cap 370).

On the 12th December 2017, the MFSA suspended the Category 2 Investment Services Licence granted to Malta Capital Management Limited ("the Company"), the Investment Manager of MCM Global Opportunities Fund SICAV plc following the breach of a number of SLCs under Section 1 of Part BIII of the Investment Services Rules for Investment Services Providers. The suspension shall remain in force until such time as may be otherwise directed or decided by the Authority.

This regulatory action was enforced in terms of Article 7(2)(b) of the Investment Services Act (Cap 370) whilst a notice was published in terms of the powers vested in the Authority under Article 16(8) of the MFSA Act (Cap 330).

Full detail of administrative measures, including penalties and directives imposed on licence holders during 2017 for breaches of licence conditions as well as infringements under the Investment Services Act are available on the MFSA website <http://mfsa.com.mt/pages/AdministrativeMeasuresPenalties.aspx>

### **Prevention of Financial Markets Abuse**

The MFSA is responsible for safeguarding the integrity and reputation of the financial markets and enforcing the Prevention of Financial Markets Abuse Act (PFMA) regime. The Authority monitors on and off-exchange trading in financial instruments admitted to the MSE for possible suspicious trading.

During 2017, the MFSA completed 15 preliminary reviews and 4 full reviews. At the end of the year, the Authority had 22 pending PFMA preliminary reviews and 4 pending PFMA reviews. There were three appeals pending before the Financial Services Tribunal in relation to insider dealing cases as at the end of the year. 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

## LISTING AUTHORITY

### **Suspension of Listing and Trading**

With effect from 2nd May 2017, the Listing Authority suspended the listing and trading of Pefaco International plc and 6pm Holdings plc. Both companies were suspended following the failure to publish the Annual Financial Report including the annual audited financial statements within the time-frames stipulated in the Listing Rules. The suspension notice shall remain in force until such time that both companies regularise their position and publish the required financial information.

## INSURANCE AND PENSIONS

The Insurance and Pensions Supervision Unit (IPSU) is responsible for the supervision of 63 insurance and reinsurance undertakings.

Since 1 January 2016, insurance and reinsurance undertakings in Malta have operated under a new EU regulatory regime – Solvency II. Over the year a major ongoing priority for the IPSU was to ensure that the requirements of Solvency II and reporting requirements were embedded effectively within the insurance and reinsurance undertakings. In this respect a number of intrusive, undertaking specific supervisory engagements were undertaken, which included on-site inspection activities and off-site supervisory meetings. A number of these engagements focused on governance, risk management and internal control frameworks.

### **Quantitative and Qualitative reporting and review**

Solvency II is fully embedded for insurance undertakings, online reporting was deployed and during the year under review the IPSU continued receiving the solo and group quarterly quantitative reporting templates from insurance and reinsurance undertakings. Together with the quarterly quantitative reporting templates, the Unit also receives national specific templates and management accounts. These templates and management accounts are being used by the Unit to carry out its review of the financial obligations to which undertakings are subject.

During 2017 all insurance and reinsurance undertakings submitted their Own Risk and Solvency Assessment to the Authority. Undertakings also submitted their first Solvency and Financial Condition Report which contains information that should be publicly disclosed annually by insurance and reinsurance undertakings and insurance groups pursuant to Solvency II requirements. The reports were reviewed by the IPSU and feedback was provided by the Authority to a limited number of undertakings.

### **On-site visits**

The IPSU conducted eight on-site inspection activities to insurance and insurance undertakings seven of which were focused visits covering the areas of governance, risk management, internal control frameworks and prudent person principle. These on-site visits covered 1025 man hours excluding preparatory and post-visit work.

### **Own funds approvals**

During 2017, the Authority received three applications for the approval for the use of ancillary own funds by insurance undertakings. The Authority approved two of these applications. The third application was still outstanding as at the end of the year.

Twenty one applications relating to the assessment and classification of own-fund items, which are not covered by the lists laid down in Articles 69, of Delegated Regulation (EU) 2015/35<sup>15</sup> were approved by the MFSA during 2017.

<sup>15</sup> Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing 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). OJ L 12, 17.1.2015, p1

### **Approvals of Internal model applications (full and partial)**

During the year under review, the MFSA approved a partial internal model to allow a solo undertaking to calculate the Solvency Capital Requirement under Solvency II in terms of paragraphs 5.5.54 to 5.5.61 of Chapter 5 of the Insurance Rules issued under the Insurance Business Act (Cap. 403). This approval became effective on 26 October 2017.

### **Insurance Groups**

All insurance and reinsurance groups subject to group supervision are in terms of the Solvency II Directive required to have a group supervisor appointed from among the supervisory authorities involved. At the end of 2017, the MFSA:

- was a member of the college of supervisors of four international insurance groups;
- became group supervisor of another international insurance group and as a consequence is now the group supervisor for two international insurance groups.

During the year under review the MFSA as the Group supervisor organised the first College meeting for one of the insurance groups referred to above. The College meeting was attended by representatives from two European National Competent Authorities as well as a representative of the European Insurance and Occupational Pensions Authority (EIOPA).

### *Business Models*

During the year under review the IPSU continued with its engagement with a number of insurance undertakings in relation to the passporting activities carried out in EU jurisdictions by these undertakings to identify any material risks emanating from these activities. Where appropriate, bilateral exchanges of information with host supervisors took place on a bilateral basis or through the colleges of supervisors or other specific EIOPA cooperation platforms.

In the light of the decision taken by the UK Government to invoke Article 50 of the Treaty on the European Union, the IPSU wrote to relevant insurance and reinsurance undertakings carrying on insurance activities in the UK by way of provision of services and/or freedom of establishment highlighting the MFSA's expectations that all undertakings carrying on cross-border activities in the UK to prepare contingency plans addressing all possible scenarios so as to ensure that policyholders and insureds' interests continue to be safeguarded. Undertakings concerned were asked to share the contingency plan with the MFSA. The IPSU plans to engage further in early 2018 with the undertakings in relation to the contingency plans submitted.

### *Statutory Auditors*

On 2nd February 2017, EIOPA published Guidelines on facilitating an effective dialogue between competent authorities supervising insurance undertakings and statutory auditor(s) and the audit firm(s) carrying out the statutory audit of those undertakings. The purpose of these Guidelines is to facilitate a relevant and efficient dialogue by means of a set of principle-based Guidelines to support supervisors of insurance undertakings and reinsurance undertakings in developing a consistent, appropriate and proportionate supervisory approach. These Guidelines were included in Chapter 13 (General Principles of Supervision Rules) of Part B of the Insurance Rules issued under the Insurance Business Act (Cap 403). Following the issue of this Circular in 2017, the IPSU started engaging in meetings with the statutory auditors of insurance and reinsurance undertakings to discuss amongst other matters the audit methodology and other areas which may cover corporate governance, internal controls, communication with the board, management and audit committee.

### *Supervision of Insurance Intermediaries*

The IPSU is responsible for the supervision of various categories of insurance intermediaries, mainly, enrolled insurance brokers, insurance agents and managers and to a lesser degree for tied insurance intermediaries. During 2017, the IPSU processed the continuance of registration of persons registered in the Brokers, Manager and Agents Register as well as the continuance of enrolment of persons in the Tied Insurance Intermediaries.

The IPSU conducted 14 on-site inspection activities of insurance intermediaries. These on-site visits covered 138 man hours, excluding preparatory and post-visit work.

From a regulatory perspective this sector of the market will be impacted by the Insurance Distribution Directive (IDD)<sup>16</sup> which is a new EU legal framework for insurance distribution which replaces the Insurance Mediation Directive<sup>17</sup>. The IDD regulates the activities of distributors of insurance products. It states what information distributors should give their customers, imposes conduct of business and transparency rules and clarifies the rules for cross-border business. It also includes new requirements for selling insurance products that have investment elements, to ensure a similar level of protection with other investment products that are regulated under MiFID II. The IDD was adopted in December 2015, and must be transposed by Member States in their national legislation by the 1 July 2018. To this effect the MFSA issued a Consultation document in July 2017 to explain how it is intended to transpose the IDD in the national legislation. The Consultation document was accompanied by draft legislation. The next step will be for the MFSA to ensure that the requirements of the IDD are being effectively implemented by insurance intermediaries.

### **Supervision of Pensions**

In the Pensions sector the IPSU is responsible for the supervision of 50 registered schemes, 2 Retirement Funds and various service providers amongst which 16 Retirement Scheme administrators (RSAs).

During the year under review the IPSU's supervisory off-site and on-site supervisory work in the area of pensions focused on the adherence by retirement scheme administrators, retirement schemes and funds with the Retirement Pensions Act. The MFSA conducted one comprehensive on-site visit in this area as well as 15 supervisory meetings with RSAs. These on-site visits covered 122 man hours excluding preparatory and post-visit work.

During 2017, the MFSA continued to receive queries from the pensions market as well as representations from the market association regarding various provisions of the Pension Rules for Personal Retirement Schemes issued under the Retirement Pensions Act (Cap 514).

During its on-site and off-site supervisory work, the IPSU observed some practices which may be of concern, when considering that members, who are mostly retail members, contribute their life-time savings into a Personal Retirement Scheme with a view to obtaining a stream of income upon retirement. The Unit observed from its supervisory work that there was the need for further clarity as to the actual respective role and responsibilities of all the parties involved in the context of member-directed Schemes, as well as to enhance the practical implementation of the current requirements found in the Pension Rules with respect to personal retirement schemes, in particular member-directed schemes. In this respect, the MFSA on the 6 December 2017, issued a consultation paper proposing various amendments to the Pension Rules for Personal Retirement Schemes, which relate in particular, to clarifications as to the applicability of the Pension Rules for Personal Retirement Schemes to member-directed Schemes, as well as to material changes proposed to the regime of member-directed schemes.

### **Administrative Measures and Penalties**

Details of administrative measures, including penalties and directives imposed on licence holders during 2017 for breaches of licence conditions as well as infringements under the Insurance Business Act and the Insurance Intermediaries Act, are available on the MFSA website - <http://mfsa.com.mt/pages/AdministrativeMeasuresPenalties.aspx>

### **EIOPA**

During 2017 the IPSU actively participated in the work of EIOPA on a range of issues. For example EIOPA periodically organises and conducts peer reviews on some of the activities of national supervisory authorities in order to further strengthen consistency in supervisory outcomes. The IPSU during the year under review participated in three peer reviews. The Unit also participated in one of the EIOPA cooperation platforms arranged for various supervisory authorities which are supervising related undertakings carrying on business in various EU jurisdictions.

<sup>16</sup> Directive (EU) 2016/97 of the European Parliament and of the Council of 20 January 2016 on insurance distribution (recast). OJ L 26, 2.2.2016, p19

<sup>17</sup> Directive 2002/92/EC of the European Parliament and of the Council of 9 December 2002 on insurance mediation. OJ L 9, 15.1.2003, p3



## CONDUCT SUPERVISION

### **Finpro Team – Visits conducted on insurance principals, insurance brokers, insurers – PCC, insurance agents**

Although the remit for conduct of business supervision for insurance undertakings and insurance intermediaries has not yet been formally transferred to the Conduct of Business Supervisory Unit (CSU) from the Insurance and Pensions Supervisory Unit, the CSU has proactively sought to assist insurance undertakings and insurance intermediaries in preparing for the requirements of the Insurance Distribution Directive relating to Product Oversight and Governance by holding a series of meetings with a number of authorised undertakings and enrolled intermediaries with a view to assess the extent to which the affected entities are prepared for the implementation of product oversight and governance requirements and to encourage preparation thereof.

To assess the preparedness with respect to Product Oversight & Governance Arrangements as required by the Insurance Distribution Directive, in 2017, the CSU conducted focused on-site visits to: five Insurance Principals, four Insurance Brokers, one Insurance PCC and to one Insurance Agent.

### **Investment Firms Supervision Team**

During the last quarter of 2016 and the year ending 2017, the newly formed Investment Firms team within the CSU carried out focused onsite inspections at a number of Investment Firms. A broad range of Licence Holders varying in size, type and business models were selected in order to obtain a representative picture of the sector as a whole. The objective of the onsite inspections was to review the relevant documentation (including the Client Fact Find) utilised by Firms in order to assess whether the client related information being collected enables the proper assessment of the appropriateness and suitability of financial instruments and investment services being offered to retail clients.

In 2017, 20 on-site visits were carried out at Investment Firms. During the on-site inspections, the MFSA officials also obtained an insight into an array of business models and obtained a better understanding of the type of financial instruments being offered to clients. At this stage, the scope of the Authority's inspections was not to assess whether Licence Holders have provided financial instruments and/or investment services that were appropriate and/or suitable for the individual clients' needs. This stage of the exercise was closed off by the issue of a circular to inform the industry about the common key findings of this Thematic Review in order to encourage Licence Holders to take corrective action in order to comply with regulatory and compliance standards. All firms that offer financial instruments and investment services to retail clients are encouraged to consider carefully the key findings set out below and undertake an assessment of their current position vis-a-vis these findings, and to ensure that any remedial action is taken in a timely manner.

The CSU also conducted other focussed visits at a number of other licence holders to establish the level of compliance with the Policy Document issued on 3rd April 2017 covering the Requirements for Category 2 or Category 3 Investment Services Firms distributing or intending to distribute contracts for differences (CFDs) and/or rolling spot forex contracts under the MiFID regime. These visits are expected to continue to be part of the focus of the CSU Investment Firms team going forward in 2018. The team also conducted other focussed on-site inspections covering governance and compliance structures and processes at selected licence holders' premises.

### **Off-site Compliance Work**

In 2017, the CSU, specifically the Fiduciaries Team, sought to create a Licence Holder's Portal (LH Portal) whereby details about the licence holders (Trustees and Fiduciaries) were to be inserted. It was later agreed for this LH portal to also be extended to Company Service Providers. The Team collected all the data with respect to Trustees and CSPs, with the said data being then exported to the LH portal with the help of the IT Unit.

On the 17th of October 2017, the LH Portal for Trustees/Fiduciaries and Company Service Providers was released and is now linked with the MFSA website and the Registry of Companies website. This means that any changes in the licence holders/registered persons effected on any of the websites mentioned will be reflected on the LH Portal. The LH Portal will eventually be used by the licence holders/registered person to submit their yearly reporting obligations and an alert

will be sent to the officials of the team in charge of the LH Portal. In this regard usernames will be created for each and every licence holder/registered person once the annual compliance return for both Trustees/Fiduciaries and Company Service Providers are published.

Furthermore, during 2017, the CSU carried out a new thematic review within the Trusts and Fiduciary services industry. Eleven focused and four comprehensive on-site visits were carried out on authorised trustees, fiduciaries and administrators of private foundations.

The thematic review was based on the principle of segregation of funds and involved a structured and extensive desk-based review of the information which was obtained during the focused onsite inspections carried out on a number of authorised trustees. This thematic review is expected to continue in the first quarter of 2018. It is envisaged that following an examination of the data, findings and identification of patterns, a circular will be issued to the industry detailing the main findings of this exercise.

Following the analysis of the information available, depending on the case, further supervisory action might be taken which may include follow-up correspondence and/or, where deemed necessary, further on-site compliance inspections.

All the 13 on-site comprehensive inspections and one focused visit carried out in 2017 at registered Company Service Providers in 2017, were of a broad nature.

Similar thematic reviews are planned in relation to both Trustees and Company Service Providers for 2018.

## **Financial Promotion and Risk Assessment**

### *i. Monitoring of the promotional efforts of Regulated Entities*

During 2017, the CSU actively monitored the promotional efforts of regulated entities (insurance undertakings, insurance intermediaries (agents and brokers) and investment services licence holders ('ISLH's')) to ensure that they are compliant with the applicable requirements. In this respect, a social media monitoring tool has been purchased by the MFSA to assist the CSU in its daily monitoring duties and duly made functional during 2017. Weekly checks on newspapers, websites of regulated entities and other local media have also been carried out by the CSU. Particular attention was also given to the sighting of billboards, adverts in shop displays, magazines, brochures, online banners or television adverts as well as radio adverts which CSU members have come across or were alerted to. Subsequently, the CSU engaged in several correspondence and held meetings with various regulated persons for the purpose of ascertaining that their promotional efforts are in line with regulatory requirements. In one instance regulatory action was also taken by the MFSA through the imposition of an administrative penalty (refer to section 'Infringements and Penalties' for further details) whilst in other cases regulated entities were either requested to suspend or amend the respective promotional material in line with the applicable requirements. Such monitoring also involved the conduct of two separate desk based reviews, one involving a review of the marketing communication issued by all foreign exchange (forex) companies on their websites and another a review of the websites of insurance intermediaries to check whether said websites are compliant with the requirements of Article 4(3) of Insurance Intermediaries Rule 23 of 2008. In both cases, any identified shortcomings were duly communicated to the respective regulated entities.

Below is a general overview of the common shortcomings identified by the CSU in relation to the promotional efforts of ISLH's, Insurance Undertakings and Enrolled Persons:

- Adverts issued by ISLH's on their social media pages, mainly but not limited to adverts relating to bond or MGS issues, omitted the relevant risk warnings. Some of these adverts contained a hyperlink to the respective ISLH website where all relevant material, such as the prospectus, could be accessed;

- Use of the hashtag functionality, in the context of social media, for the inclusion of risk warnings or hashtags which give the impression that users will always gain (e.g. #profit);
- The term “Start Saving Today” has been actively used by ISLH’s in relation to investment funds targeted to retail investors;
  - the performance rate of the financial Instrument being advertised was, in the majority of instances, the most prominent feature in adverts published in local media by ISLH’s;
  - In certain instances, the performance information displayed was not based on complete 12 month periods as required in terms of the relevant rules. Moreover the same performance information at times reflected a period ending much prior to the issue of the advert;
  - several ISLH’s authorised especially in the area of forex trading activities displayed inter alia the logo of the MFSA and that of MiFID alongside the company’s logo on their website page;
  - a number of adverts, published across various media by insurance undertakings, contained text relating to licencing statement and risk warnings (where applicable) which was in small print and consequently not clearly visible to the viewer;
  - omission of the authorisation statement from published adverts, in particular for those promotions carried out on social media; and
  - a single social media page was being used to market activities of multiple regulated entities belonging to the same group.

Some enrolled persons have taken up the practice of using shorter names on their social media pages which is not reflective of the company’s actual full name. More specifically the omission of the terms “broker” or “agent”. This practice might give the impression that the enrolled person carries on the activities of an insurance undertaking.

*ii. Identifying potential risks / trends which may be posed by certain activities of Regulated Persons through the collection of conduct related data and analysis of the same data*

During 2017, the CSU collected on a quarterly basis conduct related data from ISLH’s and credit institutions which are licenced to provide investment services. Such data includes data on: complaints received by MiFID firms which includes data in relation to complaints being referred to the Office of the Arbiter for Financial Services, passporting, financial innovation, retail investor trends and top 10 complex products in the regulated entities’ product suite. During 2017, the CSU also introduced a new reporting requirement to be made to the MFSA by ISLH’s on a bi-annual basis. In this respect, ISLH’s were requested to submit a list of all financial instruments in respect of which they provided an investment service to their clients during a specified reporting period. Such data assists the CSU in identifying trends together with consumer protection issues that may arise due to, for example, the sale of unsuitable products or the provision of inappropriate advice. The collection of this date enables CSU to:

- a. Report to ESMA (through its Financial Innovation Standing Committee (FISC) the information relating to complaints, retail investor trends and market monitoring;
- b. Analyse local investment trends and consider whether any preventive action is warranted by the MFSA to avoid customer detriment; and
- c. Analyse products being mainly sold to retail clients with a view to assess whether intervention by the MFSA may be necessary in terms of the powers given to it under MIFID II to protect consumers from detriment.

Subsequently, during the course of the year the CSU engaged in correspondence with several ISLH’s to better understand the submissions being made. Moreover the practice of drafting internal quarterly (complaints) and half-yearly reports (financial innovation and retail investor trends) has been adopted with the ultimate purpose of highlighting any trends emanating from the industry.

### iii. Securitisation

During 2017, the CSU was responsible for processing Notices received by the MFSA as submitted by securitisation vehicles in terms of Article 18 of the Securitisation Act (CAP 484) and Regulation 22 of the Securitisation Cell Companies Regulations (Legal Notice 411 of 2014). Figures below:

Processed Notices as submitted by securitisation vehicles in terms of Article 18 of the Securitisation Act: 6, of which notified Securitisation Cell Companies	5
Processed Notices as submitted by securitisation cell companies in terms of Regulation 22 of the Securitisation Cell Companies Regulations	13
Meetings held at the MFSA with the vehicle's promoters and representatives	14
Conference calls held with the vehicle's promoters and representatives	2

### Infringements and Penalties

On 6 March 2017, the Authority suspended with immediate effect, the authorisation granted to FPC Wealth Management Limited in terms of article 43 of the Trusts and Trustees Act (Cap 331).

After consideration of all the circumstances, FPC Wealth Management Limited was found in breach of the following article of the Trusts and Trustees Act:

- Article 43(4)(1)(c) which requires the directors of the company or, in case of a body corporate other than a company, any other persons entrusted with the management and administration thereof, are not less than three in number and are individuals who are approved persons.

FPC Wealth Management Limited was also directed to transfer its remaining fiduciary business to another person authorised to provide fiduciary services in terms of article 43(4) of the Trusts and Trustees Act (Cap 331).

On 6 March 2017, the Authority suspended with immediate effect, the authorisation granted to Venture Services Limited in terms of article 43 of the Trusts and Trustees Act.

After consideration of all the circumstances, Venture Services Limited was found in breach of the following articles of the Trusts and Trustees Act:

- Article 43(4)(1)(c) which requires the directors of the company or, in case of a body corporate other than a company, any other persons entrusted with the management and administration thereof, are not less than three in number and are individuals who are approved persons; and
- Article 43(4)(1)(d) which requires the body corporate to have a minimum share capital of fifteen thousand euro (€15,000), which it shall maintain throughout its duration. Venture Services Limited was also directed to transfer its remaining fiduciary business to another person authorised to provide fiduciary services in terms of article 43(4) of the Trusts and Trustees Act.

On 5 April 2017 the Authority imposed on Baltimore Fiduciary Services Limited ('Baltimore'), a company authorised to provide fiduciary services in terms of article 43(12) of the Trusts and Trustees Act, an administrative penalty of sixteen thousand Euro (€16,000) for breaches of article 43(13)(i)(c) and article 43(13)(i)(d) of the same Act.

In the meantime, Baltimore submitted a request to surrender its authorisation under the Trusts and Trustees Act, and in view of the fact that it had divested itself of all remaining clients, such request was accepted by the MFSA.

<sup>18</sup> Directive (EU) 2016/97 of the European Parliament and of the Council of 20 January 2016 on insurance distribution (recast). OJ L 26, 2.2.2016, p19

On the 17th August 2017, the Authority directed that Confiance Malta Limited, a company authorised to act as trustee or co-trustee and provide other fiduciary services including acting as an administrator of private foundations in terms of article 43 of the Trusts and Trustees Act, commences, with immediate effect, the transfer of its business to another person authorised to provide trust and fiduciary services in terms of the Trusts and Trustees Act. Confiance Malta Limited was also directed to report regularly to the MFSA on the progress being made on the transfer of its trusts and fiduciary business. Furthermore Confiance Malta Limited was directed to ensure that the safety and the integrity of its client files is preserved.

In the exercise of its supervisory work, the MFSA found Confiance Malta Limited to have fallen short of the standards expected of a trustee under the Trusts and Trustees Act and, in the interest of its clients, decided to issue these Directives.

### **Financial Promotion and Risk Assessment (“FINPRO”)**

In March 2017 the MFSA, in terms of Article 16A of the Investment Services Act (Cap. 370) imposed on Calamatta Cuschieri Investment Services Limited, a Category 3 Licence Holder authorised to provide any investment service, to hold and control clients’ money or customers’ assets, and to deal for their own account or underwrite, an administrative penalty of three thousand Euro (€3,000) for breaches of the marketing rules applicable to it in terms of Standard Licence Conditions (‘SLCs’) 3.01(ii), 3.02(b), 3.04(a) and 3.04(c) of Part BI of the Investment Services Rules for Investment Services Providers. This action was taken with respect to certain adverts issued by Calamatta Cuschieri in relation to the Euro Equity Fund and the High Income Bond Fund (EUR & USD).

### **Participation in European Supervisory Authorities (ESAs) Committees**

CSU FinPro team members represent the MFSA on ESMA’s Financial Innovation Standing Committee (‘FISC’) and EIOPA’s Committee on Consumer Protection and Financial Innovation (‘CCPFI’).

### **ESMA’s Financial Innovation Standing Committee (FISC)**

The objective of FISC’s work in financial innovation is to achieve a coordinated approach to the regulatory and supervisory treatment of new or innovative financial activities, and provide advice to the European Parliament, the Council and the Commission. In this regard, during 2017, FISC conducted *inter alia* extensive work on crowdfunding, distributed ledger technology, Initial Coin Offerings (ICO’s), virtual currencies, structured retail products, MiFIR product intervention powers and market monitoring. Four physical meetings were held during the year (three in Paris and one in Brussels) which were all attended by the CSU. The CSU was also responsible for completing the below mentioned questionnaires/surveys for onward submission to ESMA’s FISC:

- Innovation Facilitators Survey (January 2017);
- Product intervention and market monitoring survey covering the period 2016/Q4 and 2017/Q1 (March 2017);
- Complaints Questionnaire covering the period 2016/Q4 (March 2017);
- Retail Investor Trends survey covering the period 2016/H2 (March 2017);
- Complaints Questionnaire covering the period 2017/Q1 (June 2017);
- Market Monitoring / Product Intervention survey covering the period 2017/Q2 and 2017/Q3 (September 2017);
- Complaints Questionnaire covering the period 2017/Q2 (September 2017);
- Retail Investor Trends survey covering the period 2017/H1 (September 2017);
- Financial Innovation survey covering the period 2017/H1 (September 2017);
- Initial Coin Offerings survey (September 2017);
- Complaints Questionnaire covering the period 2017/Q3 (December 2017).

### *EIOPA's Committee on Consumer Protection and Financial Innovation (CCPFI)*

With respect to the CCPFI, six meetings were held during 2017 in Frankfurt, out of which four meetings were attended by a member of CSU's Finpro Team and 1 other meeting was attended by a staff member of the Authorisations Unit.

CSU actively participated in the discussions held during these meetings and, together with input from IPSU has completed the following questionnaires:

- Consumer Trends Report
- Market Monitoring Survey
- Survey on Structure of Intermediaries Markets
- EIOPA Questionnaire on Self-Placements
- During 2017, the CSU was also responsible for completion and onward submission of the below mentioned:
- Survey on Regulatory Work on Innovation and Digitalisation upon the request of the Central Bank of Ireland (March 2017);
- ESMA NCA questionnaire in relation to mapping of national initiatives taken to implement MiFID II (jointly completed with SMSU) (March 2017).

### **Investment Firms Team**

#### *ESMA Supervisory Convergence Standing Committee*

The CSU represents the Authority on ESMA's Supervisory Convergence Standing Committee (SCSC) which meets on a regular basis at the Headquarters of the European Securities and Markets Authority (ESMA). ESMA's mission is to enhance investor protection and the promotion of stable and orderly financial markets. The SCSC was established by ESMA's Board of Supervisors in order to fulfil ESMA's mission by seeking to build a common supervisory culture and fostering convergence and consistency in the application of EU legislation as well as by promoting consistent procedures and approaches throughout the Union with the aim of reaching similar outcomes.

#### *ESMA Investor Protection and Intermediaries Standing Committee (IPISC)*

The CSU represents the Authority on the ESMA's Investor Protection and Intermediaries Standing Committee (IPISC). The objective of IPISC is to contribute to ESMA's mission by working on all topics relating to the provision of investment services and activities by investment firms and credit institutions under MiFID and its recast version MiFID II and MiFIR (collectively 'the MiFID framework'). IPISC aims to promote supervisory convergence as well as to complete a single rulebook for EU financial markets, with a view to ensuring a harmonised implementation of the EU legislation.

## **ENFORCEMENT UNIT**

The Enforcement Unit is responsible for reviewing the actions and where necessary conducting investigations of financial services licence holders. It investigates also the actions of persons carrying on financial services activities without having the necessary authorisation. The Unit is furthermore responsible for conducting jointly with the Financial Intelligence Analysis Unit (FIAU) anti-money laundering and combating the financing of terrorism (AML/CFT) supervision of licence holders. The Enforcement Unit monitors also the area of international (financial) sanctions issued from time to time by the United Nations Security Council, the European Union and through national legislation.

The Enforcement Unit works closely with the supervisory units within the MFSA.

With the introduction of the SSM, the Enforcement Unit now forms part of the SSM Enforcement and Sanctions Network of the ECB.

During 2017, the Enforcement Unit continued to review 21 cases carried forward from previous years and opened 35 new cases. Of the cases dealt with during 2017, 14 concerned licence holders while 21 concerned non-licence holders. The main issues investigated included cases of mis-selling; misappropriation to the detriment of investors; the provision of investment or payment services without authorisation; lending without authorisation; the provision of insurance intermediary services without authorisation; issues of fitness and properness especially in relation to directors of licence holders; deficiencies relative to poor corporate governance, compliance and risk management, and suspicious, dubious and/or fraudulent schemes.

Following investigations carried out in 2017, the MFSA issued five warnings to the public concerning unauthorised or doubtful financial services or suspected fraudulent schemes. These warnings were issued in order to alert and protect consumers of financial services. They are published on the MFSA website and distributed to the press.

### **Prevention of money laundering**

The Financial Intelligence Analysis Unit (FIAU), established under the Prevention of Money Laundering Act (Cap 373), has the function to supervise compliance of financial services operators with the anti-money laundering and combating financing of terrorism legislative provisions.

The MFSA, as supervisory authority, acts on behalf of and jointly with the FIAU in conducting AML/CFT supervision of financial services licence holders. This supervision is conducted by means of a dedicated team of AML/CFT supervisors within the Enforcement Unit. All phases of AML/CFT supervision, from the sectorial risk assessments to decisions on breaches and the imposition of sanctions, are coordinated and integrated in a joint supervisory regime. The main purpose of AML/CFT supervision conducted jointly by the MFSA and FIAU is to monitor compliance by financial services licence holders with the applicable AML/CFT laws, regulations and the Implementing Procedures issued by the FIAU, and where necessary to take appropriate action, including remedial, enforcement and sanctioning measures. The Enforcement Unit also houses the MFSA Money Laundering Reporting Officer.

During 2017, the MFSA and the FIAU carried out 48 joint on-site AML/CFT supervisory visits to MFSA licence holders from different sectors. On-site supervision is carried out on a risk based approach which involves the identification of money laundering/terrorist financing risks which take into consideration a number of factors including information provided by the subject persons and other external factors. AML/CFT resources are subsequently allocated to address the risks identified.

The Enforcement Unit continued to be a point of reference for AML/CFT matters within the MFSA. Advice and assistance was provided to MFSA Units and staff on various AML/CFT matters. During the year under review the Unit was also regularly involved in a number of AML/CFT training events, including to supervisors, the police, prosecutors from the Office of the Attorney General and members of the judiciary.

The Enforcement Unit worked closely with the FIAU on a number of AML/CFT related matters. During the first six months of 2017, the Director of the Unit was heavily engaged in the Maltese EU Presidency work in relation to the negotiations on the proposed EU Commission and EU Parliament amendments to the Fourth Anti-Money Laundering Directive<sup>19</sup> of the EU. Work was also carried out to assist with the drafting of AML/CFT-related legislation, including the transposition of the Fourth Anti-Money Laundering Directive. The Director of the Enforcement Unit acts as the Deputy Chairman of the FIAU and during the year under review he provided extensive support and assistance to the FIAU. Preparations for the 5<sup>th</sup> Round AML/CFT Mutual Evaluation of Malta by the Council of Europe MONEYVAL Committee scheduled for 2018 commenced during 2017 and were formally launched through the MONEYVAL country training visit conducted by the MONEYVAL secretariat in November 2017.

<sup>19</sup> Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC, OJ L 141, 05.06.2015, p 73

During the year under review, the MFSA was notified with and processed a large number of court investigations, attachments and freezing orders and provided responses to the police, Attorney General's Office and Court Registrar. This work was conducted primarily within the Enforcement Unit.

### **International sanctions**

During 2017, the MFSA continued to follow and keep up to date with international (financial) sanctions issued from time to time by the EU, the United Nations Security Council and through national legislation, and provided advice and assistance both to MFSA staff and licence holders on sanctions-related matters. The MFSA is represented on the Sanctions Monitoring Board established within the Ministry of Foreign Affairs and during the year worked closely with the Board on various sanctions-related matters. Sanctions are also published on a dedicated page of the MFSA website: <https://www.mfsa.com.mt/pages/viewcontent.aspx?id=105>

The MFSA has also published a number of notices to financial services licence holders to inform them about sanctions in force and to remind them of their compliance obligations. In line with the Member States' reporting obligations under EU legislation and other international commitments, the MFSA from time to time compiles information on the amounts of frozen funds held by local financial institutions and transmits the information to the Sanctions Monitoring Board.

### **Whistleblowing**

In 2017, the MFSA did not receive any external or internal reports which qualify as whistleblowing reports in terms of the Protection of the Whistleblower Act.

## **RESOLUTION UNIT**

The Resolution Unit (RU) has expanded the number of functions carried out during 2017, in line with more demands and challenges from a new regulatory area which was still developing. The staff complement increased, with a wider range of skills within the RU, commensurate with new requirements and functions.

During 2017 the RU undertook a more active role in the drafting of resolution plans for systemic banks, in cooperation with the Single Resolution Board (SRB) which has the ultimate responsibility for this group of banks. Data from banks was collected, verified and analysed by the RU and used, with other information obtained from credit institutions and the Banking Supervision Unit of the MFSA, to draft parts of the plans in conjunction with the SRB. Communication with the SRB and banks concerned was constant, and included meetings and workshops. The process to start preparing resolution plans for a number of non-systemic banks operating in Malta was commenced, and included the collection of data and other information. The responsibility for non-systemic banks resides with the Maltese Resolution Authority.

The annual process to collect ex-ante contributions from banks operating in Malta for the Single Resolution Fund (SRF) was completed. The calculation of each individual bank's contribution was calculated by the SRB, based on data collected by the RU which was also responsible for checking the data and liaising with banks to make adjustments when necessary. The RU was also responsible for collecting the contributions which were then passed to the SRF. A number of institutions are out of scope of the SRF but within scope of the Bank Recovery and Resolution Directive (BRRD)<sup>20</sup>, and therefore the RU collected an annual contribution from these institutions for the National Resolution Fund, which fund is administered locally.

In the first six months of 2017 the Unit contributed to the Maltese Presidency as part of the team responsible for discussions on the Risk Reduction Measures under the Working Party on Financial Services. Staff members supported the Chair during European Council meetings related to the European Commission proposed changes to the BRRD and the

<sup>20</sup> Directive 2014/59/EU of the Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council. OJ L 173, 12.6.2014, p 196



Single Resolution Mechanism Regulation (SRMR)<sup>21</sup> by providing technical and legal analysis, attending meetings, taking notes, collecting information sent by delegations participating in the meetings and vetting or preparing documents for the meetings. Discussions on changes to the BRRD and SRMR continued during second half of 2017 in the Estonian Presidency. The Unit continued to actively participate in these discussions by representing Malta during meetings and giving advice to the Ministry for Finance on positions to adopt on the proposed changes to the BRRD and SRMR.

A staff member from the RU was also part of the team who participated in the Working Party Financial Services on Central Counterparties on CCP recovery and resolution during the Maltese Presidency, to examine the European Commission's proposal for a regulation on the recovery and resolution of CCPs. Discussions continued during the Estonian Presidency in the second half of the 2017.

During the year the RU gave a number of legal opinions and advice on different pieces of legislation, including the transposition of certain articles of the BRRD and the re-drafting of the bank creditor hierarchy to reflect Article 108 of the BRRD. Furthermore, this also comprised the answering of various queries sent by other local and foreign authorities, institutions and law firms. Moreover, following the publication of the BRRD, the EBA was given the mandate to issue guidelines with respect to certain articles of the BRRD. The RU also analysed how to comply with these guidelines in collaboration with other institutions and units within the MFSA.

A delegation from the SRB visited Malta during October 2017 and held a number of meetings with the Authorities and credit institutions. High level meetings were held with the Minister for Finance, MFSA Chairman, the Central Bank of Malta Governor and the Resolution Committee. In addition, meetings were held with a number of banks, and officials from the MFSA, the Central Bank of Malta and Ministry for Finance.

The Resolution Committee, which is the decision making body on resolution matters, met regularly during 2017. The Committee was briefed by the RU on important issues which were subsequently discussed during the meetings; and when necessary the Committee members gave opinions, took decisions or adopted reports. The Unit also interacted frequently with various other units within the MFSA and domestic and international authorities and institutions. Discussions with other authorities included Memoranda of Understanding, information sharing agreements, and crisis management issues. The RU also assisted the Depositor Compensation Scheme and Investor Compensation Scheme in a number of areas given the synergies that exist between the two areas.

The MFSA, in its role as National Resolution Authority, is a member of a number of European institutions including the EBA and the SRB. The RU participated in a number of committees, working groups and task forces formed under these two institutions. Participation included physically attending meetings, participating in conference calls, review of documents and providing comments and analysis on various policy documents which impacted or were directly related to the functions of the Resolution Authority. The RU also participated in task forces set-up locally and provided input on resolution issues when required. Moreover, the RU assisted other Authorities by providing advice on matters within its remit when comments were requested or a Malta position had to be adopted.

## FINANCIAL SYSTEM OVERSIGHT

### Regulatory trends and developments

Shifts in regulatory focus from the financial sector to the financial system and from institution-specific risk to systemic risk are becoming increasingly evident as the major elements in the post-crisis supervisory landscape fall into place. The adjustment in regulatory approach is driven by international efforts to upgrade the analytical underpinnings, transparency and even-handedness in the assessment of risks and vulnerabilities across sectors and in the financial system as a whole.

<sup>21</sup> 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. OJ L 225, 30.7.2014, p 1

In the EU and Euro area these developments have brought about a significant re-calibration in the prudential supervisory landscape as reflected in the setting up of different co-ordination frameworks involving both national authorities and European institutions. The risk assessment and stress testing framework underpinning the financial system is now firmly grounded in the European System of Financial Supervision comprising the European Systemic Risk Board (ESRB)<sup>22</sup> and the ESAs. Micro-prudential and supervisory oversight also requires close co-ordination between the respective ESAs, national supervisory authorities and the ECB<sup>23</sup>.

The above developments have called for substantial re-alignment in the relevant internal structures of the Authority, which since their inception have seen the Regulatory Development Unit (RDU) undergo a number of adjustments in its internal structure and in the manner in which it interacts with other supervisory Units on a daily basis. As a result the RDU's remit has been able to evolve to cater for these emerging realities which had been placed under the Unit's watch following the establishment of the ESRB in 2011.

### **Institutional Framework**

As part of the European System of Financial Supervision (ESFS), the MFSA is required to co-operate closely with the ESRB, and with the Central Bank of Malta through the Joint Financial Stability Board (JFSB)<sup>24</sup>. This cooperation is focused on the point of intersection between micro-prudential and macro-prudential supervision, in so far as each has an impact on the other.

The ESRB General Board meets regularly to discuss risks to financial stability, review work carried out in the various technical Committees, discuss and make recommendations on macro-prudential measures and assess the impact of these measures. Four regular meetings of the General Board were held during the year.

The main risk to financial stability highlighted by the ESRB during the year was the re-pricing of risk premia in the global financial market. The ESRB also assessed vulnerabilities in the EU commercial real estate, recovery and resolution frameworks for insurance and for central counterparties, and the effectiveness of the macro prudential measures already undertaken with respect to the residential real estate sector and systemically important institutions. The General Board approved the adverse scenario for the 2017 EU-wide stress test of Institutions for Occupational Retirement Provision (IORPs) by EIOPA and discussed the adverse scenario for the 2018 EBA EU-wide stress test. Apart from its quarterly Risk Dashboard based on its quantitative and qualitative indicators of systemic risk in the EU financial system, the ESRB also published the second EU Shadow Banking Monitor and reports on resolving non-performing loans (NPLs) in the EU, the financial stability implications of International Financial Reporting Standard 9 (IFRS 9), and the macro prudential aspects of insurance. The General Board adopted a Recommendation which addresses systemic risks related to liquidity mismatches and the use of leverage in investment funds. This Recommendation implements some of the tasks set out in the ESRB's macroprudential policy strategy beyond banking and enhances the macroprudential framework in the EU as it applies to the investment fund sector. The Recommendation will be published in early 2018.

The JFSB met five times during the year. Board meetings discussed a number of issues potentially impacting the banking and wider financial services sector and provided policy guidance to the relevant authorities on matters falling within its financial stability remit. The JFSB also approved the periodic decisions related to the macro-prudential buffers emanating from the CRR/CRD package, such as the calibration of the Counter-Cyclical Buffer Rate for Malta and the Other Systemically Important Institutions (O-SII) buffer.

<sup>22</sup>The ESRB is responsible for the macro-prudential oversight of the EU financial system and the prevention and mitigation of systemic risk. The ESRB's remit covers banks, insurers, asset managers, shadow banks, financial market infrastructures and other financial institutions and markets. It is composed of representatives from the ECB, the EC, the ESAs, the EFC and the national macro-prudential authorities including the CBM and MFSA.

<sup>23</sup>With respect to financial stability and the Single Supervisory Mechanism (SSM)

<sup>24</sup>The JFSB is constituted in terms of ESRB Recommendation (ESRB/2011/13) on the macro-prudential mandate of national authorities as transposed in the Central Bank of Malta Act. The primary objective of the JFSB is to ensure effective cooperation between the relevant authorities on matters impacting financial stability and provide direction and advice on any appropriate policy action or measures that may be taken at a macro-prudential or micro-prudential level. The Board is composed of representatives from the Central Bank of Malta and the MFSA. A representative of the Minister of Finance also participates as a non-voting observer at meetings of the JFSB.

## Macro-prudential tools – Development streams

Within the context of the said institutional framework, the MFSA continued to develop its capacity to identify and assess potential financial stability and associated risk across sectors. The RDU carried out regular monitoring of trends, risks and vulnerabilities in the sector as well as potential impact from exogenous risks.

The following work streams comprise projects of a developmental nature required to enhance the RDU's capacity in reaching its strategic objectives going forward. Many a times these projects represent the first step before their output is operationalised in the day-to-day work of the unit.

### *Enhancement of Financial Stability related data and indicators*

The RDU continued to consolidate and enhance its risk indicators underpinning its internal systemic risk analysis and surveillance framework. Apart from enhancing bank-related indicators, in line with its cross-sectoral remit, during 2017, the Unit also focused on the non-banking sectors, particularly domestic insurance and investment funds. Work in this field also reflected demand from the ESRB and ECB's risk surveillance programme.

### *Enhancing the RDU's capacity in data processing - deployment of a business intelligence tool*

Data mining and efficient analytical tools are crucial for the Authority in view of the ever increasing amount of information received. The RDU is spearheading an Authority wide deployment of a state-of-art business intelligence tool. Given its expected efficiency gains, this project has been earmarked as a major strategic milestone in the Authority's ongoing business process reengineering programme. Following the finalisation of the procurement process, the deployment of the tool is expected to start early in 2018 according to a phased sectoral approach.

### *Studying interconnectedness in the Maltese financial system*

Understanding the interdependence and linkages amongst the different players in the Maltese financial sector is one of the primary objectives in this area going forward. This would permit ongoing assessment of network externalities for each player in the domestic sector and the tailoring of potential prudential measures at the entity level. In other words, a given entity would not be supervised in a vacuum, but also in the context of the network externalities it imposes on or experiences in the sector as a whole, hence enriching the Authority's risk based approach in the process.

During the year under review, the RDU developed the first iteration of its network model and is currently studying the results and their relevance for both micro and macro-prudential supervision. The model would be useful in simulating the iterative effects of a failure of any of the players modelled but more importantly, to quantify certain key systemic concepts at an entity level. These comprise systemic relevance and fragility, and the classification of an entity as a hub or periphery node, amongst others.

### *Study of non-bank lending in Malta*

Another important area of study undertaken during the year relates to shadow banking. Although traditionally this phenomenon was meant to describe entities performing bank-like activities, including intra-group lending, but which were not being regulated as such, in time the term has started to be applied more loosely, at times encompassing also the whole non-bank/non-insurance sector as a residual. For this reason, the Authority has embarked on a more detailed study of this sector with the aim of narrowing down this space to those entities that are effectively prone to bank-like risks. This work stream is following international best practice particularly the guidance given by the Financial Stability Board (FSB) in this regard.

### *Development of a stress testing framework for households' resilience to the real estate sector*

The RDU continued to enhance its analytical capability with regard to the real estate sector, in view of its links with the financial sector. During this year, in its on-going study of the risks emanating from the real estate sector, the focus was on stress testing tools to gauge the resilience of households to various hypothetical scenarios, such as interest rates, house price and income shocks and its relevance to the lending sector.

## **On-going oversight**

The following work streams reflect some of the major on-going tasks and functions that the RDU undertakes during the course of each year.

### *Internal Financial Stability Risk Monitoring Framework*

The RDU carries out a comprehensive financial stability risk surveillance exercise spanning the three major sectors of the industry, namely the domestic banks, insurance undertakings and funds. The surveillance framework includes an internal questionnaire and discussions with the respective supervisory units within the MFSA as well as presentations of the findings and recommendations to the Authority's Supervisory Council. This exercise is performed at a six monthly interval ending with a detailed internal report spanning the year under review.

### *Periodic Aggregative Statistical report and data sheets*

Meanwhile the RDU continued with its compilation and circulation of internal aggregative sectoral reports and data sheets aimed at providing supervisory units with regular information on sectoral trends, benchmarked analysis and outlier identification.

### *Review of bank Non-Performing Loan (NPL) reduction plans*

Following amendments to Banking Rule 09 targeting excessive NPLs, the Authority continued with its ongoing review of the NPL reduction plans submitted by a number of credit institutions falling within scope of the said Rule.

### *ESRB related works streams including the implementation of relevant Recommendations*

The RDU continued to contribute to the ESRB work programme through participation in its working groups, namely the Instrument and Analysis working groups ('IWG' and 'AWG'), the Advisory Technical Committee ('ATC') and the General Board.

The RDU is also responsible for the implementation and maintenance of the ESRB recommendations within the MFSA. In February and March 2017, the ESRB carried out two compliance reviews in which Malta was scored as fully compliant. These reviews were related to the recommendations on intermediate objectives and instruments of macro prudential policy (ESRB/2013/1) and the funding of credit institutions, respectively.

In line with its responsibilities, the RDU kept following the Recommendations on US Dollar funding (ESRB 2011/02) and on lending in foreign currency (ESRB 2011/01), as well as the aforementioned recommendation on the funding of credit institutions, in terms of both data collection and analysis from a systemic perspective.

### *Financial Stability Committee (FSC) work streams*

The RDU also participates in the ECB's FSC under its SSM composition. This committee supports the decision-making bodies of the ECB to fulfil their tasks in the field of prudential supervision of credit institutions and the stability of the financial system.

In addition, the RDU also participates in the Committee's technical working groups, namely the Macro-prudential Policy Group (MPPG) and the Macro-prudential Analysis Group (MPAG).

## **Support in meetings with Credit Rating Agencies, the International Monetary Fund and European Commission**

During 2017, teams from various regulatory Units of the MFSA continued to support periodic institutional reviews of the national supervisory framework and financial system carried out by various credit rating agencies, as well as the IMF's Article IV Mission and various work streams related to the 2017 European Semester on economic policy co-ordination. The RDU was also responsible for providing extensive input into the annual cycle of discussion with IMF and EU assessment teams as well as rating agencies focusing on ongoing financial stability issues and effectiveness of risk mitigation measures. Areas supported included the compilation of data and analytical reports and assistance to senior management in the ensuing discussions.

Areas discussed in these fora centred on the main risks and challenges to the banking sector including progress on resolving legacy non-performing loans, structure of the sector and potential contagion risks and supervisory concerns with respect to real estate and mortgage loans, as well as key risks and challenges to the wider financial sector, including credit intermediation, the holding of debt in the non-banking financial sector and inter-company lending in the non-regulated sector as well as risks arising from Brexit.

### **Support to the policy formulation process**

The MFSA also contributed towards the government's policy stance within the areas of macro prudential policy and financial stability at national government, European Council and parliamentary levels.



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# LEGISLATIVE & REGULATORY DEVELOPMENTS

## PRESIDENCY OF THE COUNCIL OF THE EUROPEAN UNION

As the Member State holding the Presidency of the Council of the European Union during the first half of 2017, Malta was tasked with leading discussions between EU governments on a number of policy work streams as well as negotiating draft laws with the European Parliament. The Presidency came at an important juncture for financial services sector, particularly in view of technical discussions on the completion of the Banking Union and upcoming negotiations on key legislative proposals related to the Capital Markets Union. The Maltese Presidency took on a number of challenging dossiers in these areas, among them those related to securitisation, venture capital funds and central counterparties as well as amendments in capital requirements legislation, the bank recovery and resolution regime and the anti-money laundering directive.

The MFSA was closely involved in all the relevant Working Parties assisting the Presidency, providing the technical support and assisting in the co-ordination effort.

### Presidency outcomes

During the first half of 2017, members of staff from the Banking Supervision Unit (BSU) provided support to the Malta Presidency of the European Union in relation to the proposals discussed by the Financial Services Working Party (WPFS). The WPFS discussed and provided feedback on the package of proposals for Risk Reduction Measures which includes amendments to Regulation (EU) No 575/2013 (hereinafter referred to as the "CRR"<sup>25</sup>) and Directive 2013/36/EU (hereinafter referred to as the "CRD"<sup>26</sup>). In this regard, the Maltese Presidency managed to obtain a general approach on the transitionals on IFRS9 and large exposures. In fact, the MT Presidency prepared a draft Regulation with the aim of adopting it before the end of 2017. The draft Presidency compromise Regulation provided a phase-in of the regulatory capital impact resulting from the application of IFRS 9. Moreover, delegations agreed on a set of transitional arrangements to phase-out the exemption from the large exposure limit for those exposures to public sector debt of Member States denominated in a non-domestic EU currency.

Additionally, significant progress was made on a number of issues including market risk, scope of the CRD, Pillar 2 requirements and guidance, leverage ratio, regulatory reporting and disclosure, interest rate risk in the banking book, counterparty credit risk, small and medium-sized enterprises (SME) supporting factor. Staff members also provided their support on other topics upon which, however, no significant progress was made during the Maltese Presidency. These topics include remuneration, the Net Stable Funding Ratio, the EU intermediate parent undertaking and financial holding companies as well as treatment of infrastructure exposures.

During 2017, the Policy Analysts in the BSU worked on the transposition of the PSD II and on the amendments to the PARs<sup>27</sup>, which shall be issued in 2018.

<sup>25</sup> 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. OJ L 176, 27.6.2013, p 1

<sup>26</sup> 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. OJ L 176, 27.6.2013, p 338

<sup>27</sup> Financial Institutions (Payments Accounts) Regulations (S.L.371.18) (the "PAR")

## Securitisation Regulations

One of the key objectives in the Presidency programme was to finalise discussions with the European Parliament on the adoption of common rules on securitisation and creating a European framework for simple, transparent and standardised Securitisation. The first part of the Proposed Regulation<sup>28</sup> covered the harmonisation of rules that apply to securitisations with regard to due diligence, risk retention, and transparency, while the second part sets out the criteria for long- and short-term STS securitisations, as well as rules regarding supervision and sanctions.

The negotiation process involved a series of technical meetings and exchanges in between successive trilogue meetings aimed at reaching a compromise between Council and Parliament on the outstanding issues. Key issues that needed to be resolved along the way centred around risk retention percentages, eligible investors, the proposed ban on re-securitisation, transparency and data reporting, homogeneity of underlying assets and third country regimes. The process also included parallel negotiations on a proposed Regulation on prudential requirements for credit institutions and investment firms in the area of securitisation<sup>29</sup>. The final documents were approved at the last Coreper meeting under the Maltese Presidency. Both Regulations were adopted on 12 December 2017 and published in the Official Journal on 28 December 2017.

The framework for securitisation is one of the main elements of the EU's 2015 plan to develop a fully functioning capital markets union by the end of 2019.

## Venture Capital Regulation<sup>30</sup>

Political agreement on the Commission Proposal for the revision of the European Venture Capital (EuVECA) European social entrepreneurship funds (EuSEF) Regulations was also reached during the term of the Maltese Presidency. The aim of the Proposal was to improve the existing Regulation by addressing issues related to investment policy, limits on investment and entities that can set up and manage these funds. MFSA representatives participated in all technical meetings and assisted in the relevant trilogue meetings leading up to the agreement on the Proposed Regulation amending the EuVECA Regulation. Agreement on the revised texts was reached on 30 May 2017 and the amendment regulations were adopted on 25 October 2017 and published in the Official Journal.

## Central Counterparty (CCP) Recovery and Resolution

To address the challenges posed by the growing importance of CCPs, and the potential risks for financial stability if a CCP were to fail, the Commission adopted a legislative proposal on CCP recovery and resolution. The aim of the proposal is to ensure that both CCPs and national authorities in the EU have the means to act decisively in a crisis scenario. The new rules intend to ensure that CCPs' critical functions are preserved while maintaining financial stability and helping to avoid the costs associated with the restructuring and the resolution of failing CCPs from falling on taxpayers.

The proposed Regulation applies to all CCPs established within the EU. The Working Party on Financial Services met four times under the Maltese Presidency, 8 February 2017, 3 March 2017, 5 May 2017 and 13 June 2017 following the written comments which were first circulated on the 20 January by Member States. The Presidency was in a position to provide a first compromise text on the entire proposed Regulation which was issued on 28 April 2017. There was a broad agreement on the importance of having such a framework for the recovery and resolution of CCPs as well as to some of the provisions within the proposed Regulation. The file was then passed onto the Estonian Presidency for further discussions.

## European Markets Infrastructure Regulation (EMIR) Regulatory Fitness and Performance Programme (REFIT)

The proposed Regulation formed part of the 2016 Commission's Regulatory Fitness and Performance programme. The Commission assessed the extent to which specific policy requirements in EMIR have met their objectives in an efficient and effective way, while at the same time being coherent, relevant and providing EU added-value. The evaluation indicates

<sup>28</sup> Regulation (EU) 2017/2402 of the European Parliament and of the Council laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation, and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulations (EC) No 1060/2009 and (EU) No 648/2012;

<sup>29</sup> Regulation (EU) 2017/2401 of the European Parliament and of the Council of 12 December 2017 amending Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms.

<sup>30</sup> Regulation (EU) 2017/1991 of the European Parliament and of the Council of 25 October 2017 amending Regulation (EU) No 345/2013 on European venture capital funds and Regulation (EU) No 346/2013 on European social entrepreneurship funds



that in some targeted areas EMIR imposes disproportionate costs and burdens and excessively complex requirements, and it would be possible to achieve the objective of EMIR to increase financial stability more efficiently. These areas include: (1) compliance for derivatives counterparties that are part of the periphery of the derivatives trading network (e.g. small financials, NFCs, pension funds); (2) Transparency; and (3) Access to clearing. The Maltese Presidency opened discussions for this file on the 12 June 2017. All written comments were then passed onto the Estonian Presidency for further discussions.

### Shareholders Rights Directive

On 14th March 2017 the European Parliament adopted the revised Shareholders' Rights Directive<sup>31</sup>. The revision of the Shareholders' rights Directive was launched to address the shortcomings in the corporate governance of listed companies identified after the financial crisis. It will contribute to the long-term sustainability of the EU companies; enhance the efficiency of the chain of intermediaries and encourage long-term shareholder engagement. Shareholders will have stronger rights and the new rules will facilitate cross-border voting. Shareholders will now have a "say on pay" to guarantee a stronger link between pay and performance. The revised directive will also require institutional investors and asset managers to be transparent about how they invest and how they engage with the investee companies. The Shareholders' Rights Directive entered into force on 9th June 2017 and Member States are required to, within 24 months after the adoption of the implementing acts referred to in Articles 3a (8), 3b(6) and 3c(3) of Directive 2007/36/EC<sup>32</sup>, bring into force the laws, regulations and administrative provisions necessary to comply with Articles 3a, 3b and 3c of the same Directive.

### New Prospectus Regulation

During the first half of 2017 SMSU officials were involved in the working party following up the drafting and conclusion of the new EU Prospectus Regulation as part of the MFSA involvement in the Malta EU Presidency. As part of the Capital Markets Union action plan in June 2017 the EU adopted the new Prospectus Regulation<sup>33</sup> to improve the prospectus regime. The new Prospectus Regulation aims to:

- i. make it easier and cheaper for smaller companies to access capital;
- ii. introduce simplification and flexibility for all types of issuers, in particular for secondary issuances and frequent issuers which are already known to capital markets; and
- iii. improve prospectuses for investors by introducing a retail investor-friendly summary of key information, catering for the specific information and protection needs of investors.

The new prospectus regime seeks to ensure that appropriate rules cover the full life-cycle of companies from start-up until maturity as frequent issuers on regulated markets. The Regulation establishes an entirely new EU growth prospectus, a higher threshold where local listing rules can apply in place of EU rules, a new registration document for frequent issuers and a greatly simplified process for secondary issuances. The new EU Prospectus Regulation will become effective on 20th July 2017 and become operative on 21st July 2019.

### Proposal for a Regulation of the European Parliament and of the Council on a pan-European Personal Pension Product (PEPP)

The PEPP proposal is an EU initiative on personal pensions that complements the current divergent rules at EU and national level by adding a pan-European framework for pensions, for individuals who wish to use this additional saving option. This proposal for a PEPP framework comprises a complementary voluntary scheme alongside national regimes, enabling providers to create personal pension products on a pan-European scale. This framework will not replace or harmonise existing national personal pension schemes.

There have been a number of Working Parties on this proposal, some of which were attended by IPSU officials. IPSU provided feedback on the proposed amendments on various occasions. In its last meeting, held in December 2017, the Presidency presented its first compromise text.

<sup>31</sup> Directive (EU) 2017/828 of the European Parliament and of the Council amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement. OJ L 132, 20.5.2017, p 1

<sup>32</sup> Directive 2007/36/EC of the European Parliament and of the Council of 11 July 2007 on the exercise of certain rights of shareholders in listed companies. OJ L 184, 14.7.2007, p 17

<sup>33</sup> Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC. OJ L 168, 30.6.2017, p 12

### **The Anti-Money Laundering Directive Dossier (“AML Dossier”)**

Throughout 2017, the MFSA supported and assisted the Malta team dealing with the Anti-Money Laundering Directive (AML Dossier), which was the file relating to the amendments to Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing (Fourth Anti-Money Laundering Directive), in so far as the requirements related to the register of beneficial owners of trusts. The AML Dossier was one of the most important and sensitive matters to be handled by the Malta Presidency, as it was very much under the public and media scrutiny and there was a lot of expectation for the AML/CFT measures to be finalised and brought into force as soon as possible. The general agreement reached in Council was not unanimous and there was a degree of disagreement between Member States. A number of Member States were pushing for a number of issues (including full public transparency of beneficial ownership of trusts and companies, provisions on Politically Exposed Persons (PEPs) and transposition deadlines) to be re-opened and discussed further during the Trilogue negotiations with the European Parliament. The CSU official in fact also participated in a political trilogue and a technical trilogue held in Brussels, and assisted the Malta Presidency team assigned to this file, in relation to the technical expertise required on matters relating to trusts.

### **Consumer Support Programme**

The MFSA was also involved in a Presidency-related workstream leading to the issuance of Regulation (EU) 2017/826 of 17 May 2017 on establishing a Union programme to support specific activities enhancing the involvement of consumers and other financial services end-users in Union policy-making in the area of financial services for the period of 2017-2020.

The 2007/2008 financial crises has reinforced the need to increase the active participation and involvement of consumers and other financial services end-users, in the Union, multilateral and other relevant decision-making processes in the financial sector. The involvement of consumers in the formulation and implementation of the regulatory regime allows regulators to access different sources of information and opinions, resulting in better outcomes. To achieve those objectives, and following a cross-party initiative of the European Parliament, the European Commission initiated at the end of 2011 a pilot project and a subsequent preparatory action aimed at providing grants to support the development of a financial expertise centre to the benefit of consumers, other end-users and stakeholders representing their interests to enhance their capacity to participate in Union policy making in the area of financial services. In 2015, an evaluation of the pilot project and the subsequent preparatory action was conducted in order to decide on potential further steps in this area. The evaluation concluded that the policy objectives have been generally achieved.

Hence, the Commission has proposed a framework for a Regulation to support the activities of Finance Watch and Better Finance (non-profit organisations based in Brussels) in enhancing the involvement of consumers and other financial services end-users in Union policy making in the field of financial services.

The CSU also participated in three meetings, one was a political trilogue held in Strasbourg and another one was a technical trilogue held in Brussels. The same members collaborated and assisted Maltese representatives who were responsible for this file in finalising the required legal act.

## **TRANSPOSITION OF EU LEGISLATION**

### **The MiFID II Framework**

The MiFID II framework has been fully transposed into the Maltese legal framework by means of [i] an Act amending various financial services legislation; [ii] a number of Legal Notices enacting or amending subsidiary legislation; and [iii] the publication of Investment Services Rules and Financial Market Rules. Apart from transposing MiFID II, the new rules seek to [i] amend certain pre-existing SLCs (now Rules) to provide the necessary clarifications which the Authority has deemed necessary; [ii] minimise the need for cross-referencing as the appendices to Part BI have also been included within the revised Rules so as to provide the industry with a comprehensive document; [iii] introduce a referencing and numbering style which provides a unique identifier to each and every rule as well as facilitates any potential future

amendments; and [iv] restructure the layout of the existing Rules to provide a holistic rulebook which is more flowing and better structured. Furthermore, Part BII, part BIII and part BIV of the Investment Services Rules have also been revised to amend the cross-references to the old Part BI with new references inter alia being made to the Conduct of Business Rulebook, MiFIR and the new Part BI. The effective date is 3<sup>rd</sup> January 2018.

### **The Benchmark Regulation**

The Benchmark Regulation was implemented - SL 330.10 MFSA Act (Cap 330) (Indices used as Benchmarks in Financial Instruments and Financial Contracts or to Measure the Performance of Investment Funds) Regulations 7 March 2017. The effective date of this regulation is 1<sup>st</sup> January 2018.

### **Securities Financing Transactions Regulation (SFTR)**

A legal notice enacting regulations to lay down rules on the transparency of securities financing transactions and of reuse, and to implement the relevant provisions of the SFTR has been published. The effective date was 12<sup>th</sup> January 2016, however requirements were and are being phased in gradually, example:

The reporting obligation starts applying:

- 12 months after the date of entry into force of Level 2 measures – for investment firms authorised under MiFID2, credit institutions authorised under CRD IV legislation, and third country entities equivalents
- 18 months after the date of entry into force of Level 2 measures – for UCITS, AIFs managed by AIFMs, and third countries entities equivalents
- 21 months after the date of entry into force of Level 2 measures – for non-financial counterparties, and third country entities equivalents
- the disclosure obligation starts applying
- 13 January 2017 – for periodical reports
- 12 January 2016 – for pre-contractual documents in case of funds constituted on or after the SFT Regulation enters into force
- 13 July 2017 – for pre-contractual documents in case of funds constituted before the SFT Regulation enters into force
- Collateral reuse – 13 July 2016.

### **Central Securities Depository Regulation**

The Central Securities Depository Regulation was implemented through Act XXXI of 2017 (An Act to Amend Various Financial Services Laws) published on 22 December 2017.

### **European Market Infrastructure Regulation (EMIR)<sup>34</sup>**

Certain updates and changes which have been effected and have entered into force with respect to EMIR relate to reporting and exchange of collateral. Specifically, on 21 January 2017 the revised Regulatory Technical Standards (RTS) and the Implementing Technical Standards (ITS) were published in the Official Journal. They entered into force on 10 February 2017 and apply from 1 November 2017. Commission Delegated Regulation (EU) 2017/104[1]<sup>35</sup> introduces the following amendments to the EMIR RTS:

- New rules on the reporting of a contract composed of a combination of several other derivative contracts.
- New rules on the reporting of a previously reported contract which is subsequently cleared by a CCP.
- New rules for the reporting of collateral exchanged by the counterparties, including specifying what exactly should be reported, by whom, and how it should be valued.

<sup>34</sup> Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories. OJ L 201, 27.7.2012, p 1

<sup>35</sup> Commission Delegated Regulation (EU) 2017/104 of 19 October 2016 amending Delegated Regulation (EU) No 148/2013 supplementing Regulation (EU) No 648/2012 of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories with regard to regulatory technical standards on the minimum details of the data to be reported to trade repositories. OJ L 17, 21.1.2017, p 1

- Rules for the reporting of the notional amount for different classes of derivatives.
- A new section of asset class specific fields for credit default swaps.
- More fields are included to correctly reflect the different types of collaterals.
- More new fields like: "Level" to indicate whether the reporting is done on a trade level or a position level, etc.

### **Exchange of Collateral – OTC Derivatives, Central Counterparties and Trade Repositories**

Commission Delegated Regulation (EU) 2016/2251[2]<sup>36</sup> ('RTS on Collateral') establishes a requirement to exchange variation and/or initial margins on OTC derivatives not cleared by a CCP.

### **Chapter 8 of the Listing Rules - Introduction to Exchange Traded Funds**

In order to begin the process of introducing Exchange Traded Funds ("ETFs") on the Maltese market, the Listing Authority approved the introduction of draft rules for the listing of ETFs, contained in Section 6 of Chapter 8 of the Listing Rules. A consultation document on proposed amendments to chapter 8 of the Listing Rules regulating exchange traded funds in Malta was issued on 7th December 2017. The closing date for this consultation process is 12th January 2018.

### **Chapter 11 of the Listing Rules - Takeover Bids**

On the 1st February 2017 a Consultation Document was issued requesting interested parties to contribute to the revision process of Chapter 11 by suggesting necessary or beneficial amendments thereto. The original consultation period was extended by a month following which six contributions were received by the Authority, three of which were from legal firms involved in one or more recent bids, and three received from financial intermediaries also involved in such bids. The Authority initially held a number of informal discussions with interested parties in order to obtain first-hand feedback on the amendments required to Chapter 11 and such discussions were then followed up by written contributions to the Authority. Informal discussions were also held with those who had commented on the provisions in Chapter 11 but had not responded to the published Consultation Paper. A feedback statement was published by the Authority on 31st July 2017 outlining the main comments received by the Authority by stakeholders and on the 20th October 2017 the Authority held a meeting with the stakeholders which were involved in the abovementioned process to informally discuss the proposed amendments to Chapter 11 prepared on the basis of their respective contributions in the consultation process. On the basis of the consultation process set out above the Authority prepared the clarifications and draft amendments to Chapter 11 set out in the Consultation Paper dated 22nd December 2017. The Consultation period closes on 22nd January 2018.

There were no Directives for the Insurance and Pension Supervision Unit sector which required transposition in 2017.

## **OTHER LEGISLATION OR LEGAL INSTRUMENTS PUBLISHED**

### **The ESMA Remuneration Guidelines**

In January 2017, the MFSA issued the MFSA Guidance Notes on the application of the proportionality principle in relation to the ESMA Guidelines on sound remuneration policies under the UCITS Directive and the AIFMD. Internal work was carried out to establish a framework for the consideration and granting of the applicable derogations requested by fund managers from the requirements on the pay-out process and from the requirement to establish a remuneration committee. The conclusion of this internal work was then reflected in the updated MFSA Guidance Notes issued on 9 May 2017, guiding fund managers in their assessments.

In 2017, the MFSA processed 16 requests for a derogation from the ESMA Guidelines submitted by fund managers. The MFSA assessed the responses provided regarding the structure of the fund management companies and how in their opinion, this entitles them to be provided the requested derogation. All the submitted requests were granted the

<sup>36</sup> Commission Delegated Regulation (EU) 2016/2251 of 4 October 2016 supplementing Regulation (EU) No 648/2012 of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories with regard to regulatory technical standards for risk-mitigation techniques for OTC derivative contracts not cleared by a central counterparty, OJ L 340, 15.12.2016, p 9

requested derogation as per the MFSA Guidance Notes. In addition, work is ongoing to ensure that all UCITS Managers and AIFMs carry out the necessary assessments and provide the request for a derogation, should it be required.

Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing ("4th AMLD") was transposed. Article 31 of the Directive, in so far as it is applicable to trusts and trustees, mainly the requirement on trustees to submit beneficial ownership information of trusts which generate tax consequences.

Trusts and Trustees Act (Register of Beneficial Owners) Regulations, 2017 – Legal Notice 373 of 2017 (newly enacted) will come into force on 1st January 2018

One of the leading projects for CSU's Financial and Promotion Risk Assessment Team (FinPro) was the compilation of the Conduct of Business Rulebook. This involved the transposition of a number of EU Directives and the relevant Level 2 measures as follows:

- 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 ("MIFID II")<sup>37</sup>
- Commission Delegated Directive (EU) 2017/593 of 7 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to safeguarding of financial instruments and funds belonging to clients, product governance obligations and the rules applicable to the provision or reception of fees, commissions or any monetary or non-monetary benefits.
- Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organizational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive (Text with EEA relevance.)
- Directive (EU) 2016/97 of the European Parliament and of the Council of 20 January 2016 on insurance distribution (recast) ("IDD")
- Commission Delegated Regulation (EU) 2017/2358 of 21 September 2017 supplementing Directive (EU) 2016/97 of the European Parliament and of the Council with regard to product oversight and governance requirements for insurance undertakings and insurance distributors
- Commission Delegated Regulation (EU) 2017/2359 of 21 September 2017 supplementing Directive (EU) 2016/97 of the European Parliament and of the Council with regard to information requirements and conduct of business rules applicable to the distribution of insurance-based investment products

### **The ESMA Guidelines on UCITS ETFs and other Issues**

The European Securities and Markets Authority (ESMA) is planning to carry out a peer review on compliance with the ESMA Guidelines on Extended Traded Funds (ETFs) and other UCITS issues to ensure supervisory convergence. The peer review will include a review of national regulators' capacity to achieve high quality supervisory outcomes, including the adequacy of resources and governance and the effective application of the ESMA Guidelines, the capacity of the national regulator to respond to market developments, the degree of convergence in the application of law and supervisory practices and the extent to which the practices achieve the objectives.

A group of national regulators was identified and were required to complete the full questionnaire sent by ESMA. ESMA will carry out an onsite visit to the identified national regulators. Although the MFSA was not selected, it was required to complete certain sections of the questionnaire concerning the incorporation of the ESMA Guidelines in the regulatory framework. During 2017, the MFSA also issued questionnaires to the UCITS schemes licensed by the MFSA in order to gather the required information.

<sup>37</sup> Transposition in the Conduct of Business Rulebook is only with respect to the parts of the Directive which address the conduct of business of investment firms and credit institutions when these are providing investment services in relation to financial instruments as defined in the Directive itself.

## Improving Data Quality

Work has been ongoing in liaison with ESMA during the course of 2017 to improve data quality through efforts to prepare for and to enforce compliance with various reporting requirements under the AIFMD. Enhanced data quality will help national regulators make better use of the data collected when conducting market supervision and will contribute to a common understanding of the use that national regulators can make of the collected data.

ESMA is committed to help national regulators to solve the IT issues they may face in submitting AIFMD reports to ESMA. The MFSA was also involved in identifying those items of the AIFMD reports which might not always be correctly reported, whereby ESMA will be working to address this through Q&As or reliance on best practice. ESMA is also undertaking analysis of AIFMD data with a view to construct risk metrics and indicators in the alternative funds industry.

## ESMA Peer Review on the Guidelines of Enforcement of Financial Information

During the first quarter of 2017, the Listing Authority was selected for the purpose of an on-site visit carried out by ESMA as part of the peer review on Guidelines on Enforcement of Financial Information. This peer review was conducted in accordance with Article 30 of Regulation (EU) No. 1095/2010 of the European Parliament and of the Council of 24 November 2010 (ESMA Regulation) and the revised ESMA Peer Review Methodology (ESMA/2013/1709) (Methodology).

The objectives of this peer review were to assess the following three Guidelines:

- **Guideline 2:** to assess the sufficiency of human and financial resources of NCAs taking into account the number and characteristics of issuers subject to enforcement of financial information; and to assess the adequacy of the professional experience and background of enforcers considering the nature of the issues that need to be dealt with under the applicable rules.
- **Guideline 5:** to assess amongst others whether the selection methods in place within a National Competent Authority ('NCA') are based on a mixed approach whereby a risk based approach is combined with a sampling and/or rotation approach. The objective also included assessing whether the risk based approach considers the combination of the probability of infringements by an issuer and their potential impact on the financial markets.
- **Guideline 6:** to assess whether the examination procedures in place within an NCA ensure that the enforcement of financial information performed either by unlimited scope examinations, or a combination of unlimited scope and focused examinations, is effective; including whether the examinations carried out by enforcers ensure that material errors are likely identified; and to assess whether the examination techniques used and the related conclusions of the review of the financial information of issuers selected as part of the enforcement process are appropriately documented.

The findings of the review have necessitated the Listing Authority to adopt changes to its processes when it comes to enforcement of financial information including the way the Listing Authority communicates with issuers and auditors, the focus of the examinations and the type of enforcement action to be taken. Specifically on 12 September 2017, the Listing Authority sent a letter to all the listed entities on the Malta Stock Exchange ('MSE') to prepare issuers to this change in approach. This letter also provides detail of the Peer Review process and the changes that are expected to be adopted by the Listing Authority going forward.

ESMA published the findings of the peer reviews on 18 July 2017 through a report titled 'Peer Review on Guidelines on Enforcement of Financial Information – Peer Review Report (ESMA 42-111-4138) a copy of which can be accessed through the ESMA website.

## ESMA Guidelines on Enforcement of Financial Information

During 2017, the Authority continued to issue circulars to issuers in order to further provide clarification to issuers as well as the auditors of listed entities of the work expected by the Listing Authority when carrying out enforcement of financial information. The main circulars issued on the subject matters are briefly outlined below:

<b><i>Date of Issue</i></b>	<b><i>Circulars Issued</i></b>
9 <sup>th</sup> February 2017	The Authority published details of the main findings following unlimited scope examinations carried out on 2015 Annual Financial Reports including annual audited financial statements.
10 <sup>th</sup> April 2017	Details of enforcement and regulatory activities carried out by EU National Competent Authorities in 2016, were brought to the attention of entities listed on the Malta Stock Exchange through the said circular sent to the attention of all company secretaries.
24 <sup>th</sup> July 2017	Alternative Performance Measures ('APMs') are a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. In this regard, ESMA has published Guidelines on the Alternative Performance Measures with the intention of promoting common supervisory approaches and practices in their application and disclosure. In addition, on a regular basis, ESMA is publishing Questions and Answers ('Q&A') documents in order to address common difficulties which are being encountered by NCA in the application and disclosure of APMs.
30 <sup>th</sup> October 2017	ESMA has on 27 <sup>th</sup> October 2017 published the annual priorities to be considered by listed companies, and their auditors, when preparing and auditing the 2017 financial statements. Such priorities are set out in the annual Public Statement on European Common Enforcement Priorities, through which ESMA promotes the consistent application of the International Financial Reporting Standards.

### **Prevention of Market Abuse**

During the period under review, the Authority issued a number of circulars primarily related to the implementation of Market Abuse Regulation to the local financial markets. These circulars are briefly outlined below:

<b><i>Date of Issue</i></b>	<b><i>Circulars Issued</i></b>
5 <sup>th</sup> January 2017	Update on the submission of Persons Discharging Managerial Responsibilities (PDMR) forms to carry out such notifications within three working days by filling in a form in line with the ESMA Technical Standards. The Issuers and emission allowance market participants shall publish this form on their website in a non-discriminatory basis within three working days from the date of the transaction.
23 <sup>rd</sup> January 2017	Guidance Note on the Prevention of Financial Markets Abuse. The Note was circulated to highlight the Level 3 Market Abuse Regulation measures issued by the European Securities and Markets Authority ['ESMA'] on the 20 of October 2016 relating to (i) the delay in the disclosure of inside information, (ii) persons receiving market soundings, and (iii) commodity derivatives markets or related spot markets.
18 <sup>th</sup> December 2017	Circular on the updated Questions & Answers (Q&A) document regarding the implementation of the Market Abuse Regulation (MAR) to promote common supervisory approaches and practices in the application of the MAR and its implementing measures. The Circular was circulated as a follow up to the previous Circulars issued on the 1 <sup>st</sup> February 2017, 4 <sup>th</sup> September 2017 and 29 <sup>th</sup> September 2017.

## The European Single Electronic Format

In December 2017, ESMA published the Final Report on the Regulatory Technical Standard (RTS) specifying the electronic reporting format in which issuers should prepare their annual financial reports from 1 January 2020.

Article 4 (7) of the Transparency Directive<sup>38</sup> as last amended on 6 November 2013 assigned ESMA with the responsibility to draft an RTS specifying a European Single Electronic Format (ESEF) in which all annual financial reports of issuers with securities listed on regulated markets shall be prepared. The RTSs shall apply to annual financial reports containing financial statements for financial years beginning on or after 1 January 2020.

To facilitate implementation of ESEF and to inform the market several other materials were published. In this regard, the MFSA has on 18th December 2017 issued a circular to all the local issuers in order to bring to their attention the publication of such implementation material including the publication of the RTS by ESMA.

## MiFID II

During 2017, the Authority issued a number of circulars providing market participants with updates and clarifications in relation to the requirements emanating from MiFID II/ MiFIR.

<b>Date of Issue</b>	<b>Circular</b>
9th January 2017	The circular relates to own funds requirements for Investment Firms and Fund Managers based on Fixed Overheads under Article 97(4) of Regulation (EU) No 575/2013
17th January 2017	The circular provides a briefing on Markets in Financial Instruments Directive ('MiFID II') technical data reporting requirements
15th February 2017	Section B of Annex I of Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on Markets in Financial Instruments ('MiFID II') lists the following as "ancillary activities" to the main business of investment services licence holders. The Authority issued a circular to inform the industry on the approach being adopted in relation to these activities.
3rd March 2017	The circular provided updates on the Questions and Answers ('Q&A') on [i] transparency, [ii] market structure topics and [iii] data reporting.
18th April 2017	The circular provided a list of regulatory technical standards and their application dates.
25th May 2017	The circular provided updates on the following: [i] Q&A on transparency, [ii] Q&A on market structure topics, [iii] Q&A on commodity derivatives topics, and [iv] Guidelines and Final Report on the Guidelines on the calibration of circuit breakers and the publication and reporting of trading halts under MiFID II.
19th June 2017	Market participants, particularly Trading Venues and counterparties trading over-the-counter ('OTC') derivatives that may become subject to the trading obligation, or any other entities subject to MiFIR were given an update on a Consultation Paper on the trading obligation for derivatives under MiFIR.
13th October 2017	The circular provided a clarification in relation to transaction reporting from a Collective Investment Schemes view point.
3rd November 2017	The Authority issued a circular relating to the requirement to report transactions and informed market participants that it would be applying a three-phased approach to adopt its Transaction Reporting Exchange Mechanism.

<sup>38</sup> Directive 2013/50/EU of the European Parliament and of the Council of 22 October 2013 amending Directive 2004/109/EC of the European Parliament and of the Council on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market, Directive 2003/71/EC of the European Parliament and of the Council on the prospectus to be published when securities are offered to the public or admitted to trading and Commission Directive 2007/14/EC laying down detailed rules for the implementation of certain provisions of Directive 2004/109/EC. OJ L 294, 6.11.2013, p 13



17th November 2017	The Authority issued a circular relating to the requirement for legal entities to obtain a legal entity identifier.
29th November 2017	This was an update to the circular issued on 3rd November 2017 relating to transaction reporting.
18th December 2017	The Authority informed market participants that it had issued the revised Part BI of the Investment Services Rules for Investment Services Providers.
19th December 2017	The Authority informed market participants that it had issued the revised Financial Market Rules for Trading Venues, DRSPs and Central Securities Depositories.
21st December 2017	This was an update to the circulars issued on 3rd November and 29th November relating to transaction reporting.
21st December 2017	The Authority informed the industry that ESMA had issued a statement allowing a transitional period of six months to ensure the smooth introduction of the LEI requirements.
22nd December 2017	This was an update to the circulars issued on 3rd November, 29th November and 21st December 2017 relating to transaction reporting.
22nd December 2017	Issuers were informed that as of 3 January 2018 trading venues are expected to use the LEI codes pertaining to a given issuer when submitting reference data on financial instruments issued by EU issuers. Failure to submit an LEI of the EU issuer will be considered a breach of reporting requirements under MAR and MiFIR.
29th December 2017	The Authority informed the industry that it had issued revised Part BII, BIII and BIV of the Investment Services Rules for Investment Services Providers.

The Conduct of Business Rulebook contains requirements relating to, *inter alia*:

- disclosures which Regulated Persons (including persons holding an investment services license within the meaning of the Investment Services Act, persons registered under the Investment Services Act (Tied Agents) regulations, 2007, persons authorised to carry on the business of insurance under the Insurance Business Act, persons enrolled under the Insurance Intermediaries Act to act as insurance brokers, insurance agents, insurance managers or tied insurance intermediaries, persons licensed as credit institutions under the Banking Act who sell or advise clients in relation to structured deposits) need to make to their clients before, during and after the provision of a service (whether investment or insurance)
- product oversight and governance requirements
- the treatment of conflicts of interest
- best execution obligations
- the process leading to the sale of financial products to clients.

Transposition of the Conduct of Business Rulebook insofar as investment firms are concerned: 3 January 2018 while for insurance undertakings and insurance intermediaries: a date to be yet announced by the MFSA in view of the fact that the implementation date for the IDD is envisaged to be progress.

### Reinsurance Special Purpose Vehicles (Application Forms)

On 28 June the MFSA published a Note for Information on the publication of a revised version of Chapter 14 of the Insurance Rules on "Application Forms for RSPVs and RSPV SCCs". *Inter alia* the amendments introduced new application templates aimed at facilitating the application process for authorisation to operate as reinsurance special purpose vehicles [RSPVs] and securitisation cell companies carrying on business as reinsurance a special purpose vehicles from their cells, [RSPV SCCs]. The changes to the Rules were made pursuant to the Reinsurance Special Purpose Vehicles Regulations, 2016, ("the RSPV Regulations") and the Securitisation Cell Companies Regulations 2014 ("the SCC Regulations").

The changes also further aligned the said Rules with Chapter XV of the Commission Delegated Regulation (EU) 2015/35 supplementing 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); and Commission Implementing Regulation (EU) 2015/462 which lays down implementing technical standards with regard to the procedures for supervisory approval to establish special purpose vehicles in accordance with Directive 2009/138/EC.

Other legislation or legal instruments published were:

- The Templates set out in the Annex 'Complaints reported by Insurance Undertakings' to Chapter 12 on Conduct of Business Rules in Part B of the Insurance Rules issued under the Insurance Business Act were amended to reflect the new requirements published by EIOPA. The amendments of the Annex to Chapter 12 came into force on the 12th January 2017.
- Chapter 13 (General Principles of Supervision Rules) of Part B of the Insurance Rules issued under the IBA was amended to include the EIOPA Guidelines on Facilitating an Effective Dialogue between Insurance Supervisors and Statutory Auditors. These EIOPA Guidelines are addressed to the competent authorities supervising insurance and reinsurance undertakings. In accordance with these EIOPA Guidelines, the MFSA is to adopt and ensure compliance with such Guidelines and further engage with the approved auditors of insurance undertakings and reinsurance undertakings, so as to establish an effective dialogue. These Guidelines applied from 31st May 2017.
- Chapter 14 of the Insurance Rules and its Schedules were amended in order to:
  1. Introduce new application templates facilitating the application process for authorisation to operate as a RSPV or as a RSPV SCC. The Rules now include three schedules corresponding to three application forms.
  2. Further align the Rules with Chapter XV of the Commission Delegated Regulation (EU) 2015/35 supplementing 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); and Commission Implementing Regulation (EU) 2015/462 which lays down implementing technical standards with regard to the procedures for supervisory approval to establish special purpose vehicles, for the cooperation and exchange of information between supervisory authorities regarding special purpose vehicles as well as to set out formats and templates for information to be reported by special purpose vehicles in accordance with Directive 2009/138/EC. The amendments applied as from 28 June 2017.
- Amendments were carried out to various Insurance Rules issued under the IBA and Insurance Intermediaries Rules issued under the IIA, relating to the complaints handling procedures, in particular to align such procedures with certain requirements of the Office of the Arbiter for Financial Services Act established under the Arbiter for Financial Services Act, (Cap.555). Amendments were carried out to Chapter 12 on Conduct of Business of the Insurance Rules issued under the IBA, and Insurance Intermediaries Rule 3 of 2007 -Disclosure of Information for Clients; and Insurance Intermediaries Rule 4 of 2007 -Code of Conduct for Insurance Intermediaries; and Insurance Intermediaries Rule 23 of 2008 -Carrying out Insurance Intermediaries Activities through the Internet; and Insurance Intermediaries Rule 25 of 2013 -Complaints-Handling by Insurance Intermediaries. These amendments came into force on the 19 July 2017.
- Appendix II – Complaints Procedure of Part E of the Pension Rules for Service Providers issued under the RPA, relating to the complaints handling procedures was amended in particular to align such procedures with certain requirements of the Office of the Arbiter for Financial Services Act established under the Arbiter for Financial Services Act, (Cap.555). These amendments came into force on the 19 July 2017.
- In early 2017 EIOPA published a Decision on the collaboration of the insurance supervisory authorities, in line with the requirements of the Solvency II Directive. Chapters 1, 9 and 10 of the Insurance Rules issued under the IBA were amended, primarily to align them with the new Decision and the Annex to that Decision. These amendments were published on the 2 August 2017.

### Consultation - Investment-based Crowdfunding

A Feedback Statement on comments received in the course of the consultation on the Discussion Paper on Investment Based Crowdfunding was published on 6 October 2017. The Feedback Statement outlined the manner in which the MFSA proposed to apply the frameworks provided by the Investment Services Rules to crowdfunding models applying for an investment services licence. A set of guidelines modelled on the said proposals will be published after taking into consideration any additional feedback received.

### Various Financial Services Laws (Amendment) Act, 2017 (Act XXXI of 2017)

The CSU Trustee/fiduciary team was involved in the drafting of certain amendments to the Trusts and Trustees Act (Part II of Act XXXI of 2017). The major amendments the CSU team was involved in included:

- the provision of company services as defined in the Company Service Providers Act (Cap. 529, Laws of Malta), by persons authorised under the Trusts and Trustees Act;
- amendment clarifying that the objects of persons authorised under the Act should be limited to the services for which they are authorised;
- removal of requirement of authorisation for persons merely resident in Malta;
- amendment relating to the enforcement powers of the Authority.
- amendment to include the possibility under the Act to appeal from any directive issued by the Authority

During 2017, CSU formed part of an internal Task Force which objective was to draft a policy to cater for the *“Requirements for Category 2 or Category 3 Investment Services Firms distributing or intending to distribute Contracts for Difference (CFDs) and/or rolling spot forex contracts under the MiFID regime.”* The referred policy was issued on 3<sup>rd</sup> April 2017 and this policy tackled the following areas: [1] Shareholding structure; [2] Capital requirements; [3] Competence requirements; [4] Local presence/Corporate Governance Set-up; [5] Expert Advisors; [6] Record-keeping; [7] Systems; [8] Liquidity providers/Counterparties; [9] Consumer Protection Measures; [10] Leverage Limits and [11] Slippage Settings. In relation to leverage limits, MFSA set the following leverage limits:

- a. For retail clients – 1:50;
- b. For retail clients electing to be treated as professional clients in terms of MIFID – 1:100; and
- c. For all other clients – no leverage limits.

The above referred policy came into effect in October 2017.

...in duplicate copies, each copy of which has been retained as the original.  
...of the provisions and the copies so deposited for safekeeping with  
...of these wills is to be considered as  
...shall be considered as the original  
...shall be considered for all purposes.  
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I, \_\_\_\_\_, the testator/testatrix, sign  
pages this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, as  
the undersigned authority that I sign and execute this \_\_\_\_\_  
(or willingly direct another to sign for me); that I  
poses expressed in it, and that I am 18 years of age or  
due influence.



# LICENSING

The financial services sector in Malta continued to register growth in 2017 with the issuance of various licences and authorisations predominantly in the areas of insurance business, investment services, investment funds and trusts.

## Credit and Financial Institutions

The number of credit institutions authorised in Malta in terms of the Banking Act (Cap 371) totalled 25 at the end of 2017, two less than the previous year. Table 9 refers. *Mediterranean Corporate Bank Limited*, a company authorised to carry on the business of banking in terms of the Banking Act, has voluntarily merged into *Mediterranean Bank plc* (which was renamed as *MeDirect Bank (Malta) plc* in 2017), a company which is also authorised to carry on the business of banking in terms of the Act. Consequently, *Mediterranean Corporate Bank Limited's* authorisation ceased to be operative upon the effective date of the merger. *Nemea Bank Limited* had its banking licence withdrawn in March 2017.

**Table 9: Authorised credit and financial institutions (2015 - 2017)**

	<i>Total licences at end 2015</i>	<i>Total licences at end 2016</i>	<i>Total licences at end 2017</i>
<b>Credit Institutions</b>	28	27	25
<b>Financial Institutions</b>	40	42	48
<i>Of which:</i>			
<i>Authorised to provide payment services</i>	26	28	35
<i>Authorised to issue electronic money</i>	10	12	14

*Source: Malta Financial Services Authority*

Six new companies were granted a financial institution licence in terms of the Financial Institutions Act (Cap 376). This brings the total number of licenced financial institutions to 48 at the end of 2017. Table 9 refers. Of these, 35 were licenced as payment institutions while 14 were electronic money institutions. Additionally, 13 institutions held a dual licence to provide both payment and electronic money services.

*MoneyMatrix Limited, Payscale Limited, Phoenix Payments, AYN Limited, Integra Private Wealth Limited* were licenced to provide payment services while *UnionGoldenPay Limited* was licenced to provide payment services and to issue electronic money. Furthermore, *Money + Card Payment Institution Limited* had its licence extended to issue electronic money while *Papaya Limited* to provide payment services.

## Insurance Business

The number of insurance undertakings authorised to conduct insurance activities under the Insurance Business Act reached 63 at the end of 2017, representing an increase of three net licences when compared with the previous year. Table 10 refers.

Four new insurance undertakings were authorised by the Authority during the year, including two Protected Cell Companies. *Tulip Assist Insurance Limited* was authorised to carry on business of insurance in three classes of the general business while *Traveljigsaw Insurance Limited* was authorised to carry on business of insurance and reinsurance in two classes of the general business. *Munich Re PCC Limited* was authorised to carry on business of insurance in two classes of long term business while *London & Leith Insurance PCC SE* was authorised to carry on business of insurance and reinsurance in respect of all classes of general business.

*Savings and Investments Cell* of *Munich Re PCC Limited* and *Coopex Cell* of *Highdome PCC Limited* were approved by the Authority to write business in terms of the Companies Act (Cell Companies Carrying on Business of Insurance) Regulations, 2004. This brings the total number of approved cells to 34 within 14 protected cell companies.

**Table 10: Authorised insurance undertakings (2015 - 2017)**

	<b>Total licences at end 2015</b>	<b>Total licences at end 2016</b>	<b>Total licences at end 2017</b>
<b>Non-Life</b>	42	45	46
<b>Life</b>	7	7	8
<b>Composite</b>	2	2	2
<b>Reinsurance</b>	7	7	7
<b>TOTAL</b>	<b>58</b>	<b>60</b>	<b>63</b>
<i>of which:</i>			
<i>Affiliated</i>	7	8	8
<i>Protected Cell Companies (and cells)</i>	12 (29 cells)	12 (32 cells)	14 (34 cells)
<i>Insurers of Domestic origin</i>	8	8	8

Source: Malta Financial Services Authority

**Table 11: Reinsurance Special Purpose Vehicles (2016 - 2017)**

	<b>Total licences at end 2016</b>	<b>Total licences at end 2017</b>
<b>Reinsurance Special Purpose Vehicles</b>	1	1

Source: Malta Financial Services Authority.

Additionally, *Rhenas Insurance Limited*, *Hillwood Limited* and *L'Aime Cell* of *Atlas Insurance PCC Limited* had their licences extended to carry on business of insurance in additional classes of the general business.

*St Julians Insurance Company Limited* ceased to be authorised by the Authority in 2017.

### **Insurance Intermediaries – Companies**

*PSA Insurance Solutions Limited* was granted the enrolment in the Agents List in terms of the Insurance Intermediaries Act with 16 insurance agents being enrolled in the list at the end of 2017.

Keystone Insurance Brokers Limited and CLS Risk Solutions Limited were enrolled in the Brokers List in terms of the Insurance Intermediaries Act while Smart Insurance Brokers Limited ceased to carry on business of insurance broking activities. As shown in Table 12, there were 31 enrolled insurance brokers at the end of 2017, of which two are established as Protected Cell Companies.

**Table 12: Authorised insurance intermediaries – Companies (2015 - 2017)**

	<i><b>Total licences at end 2015</b></i>	<i><b>Total licences at end 2016</b></i>	<i><b>Total licences at end 2017</b></i>
<b>Enrolled Insurance Managers</b>	15	11	11
<b>Of which PCCs (and cells)</b>	3 (2 cells)	3 (2 cells)	3 (2 cells)
<b>Enrolled Insurance Agents</b>	17	15	16
<b>Enrolled Insurance Brokers</b>	30	30	31
<b>Of which PCCs (and cells)</b>	2 (3 cells)	2 (3 cells)	2 (3 cells)

Source: Malta Financial Services Authority

### **Registered Individuals**

Article 11 of the Insurance Intermediaries Act (Cap 487), 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.

One new individual was included in the Managers Register, three in the Agents Register and 11 in the Brokers Register over the year under review. There were 20 individuals registered on the Managers Register, 32 individuals registered on the Agents Register and 100 on the Brokers Register. Additionally, 474 individuals and companies were enrolled in the Tied Insurance Intermediaries List.

**Table 13: Authorised insurance intermediaries – Individuals (2015 - 2017)**

	<i><b>Total licences at end 2015</b></i>	<i><b>Total licences at end 2016</b></i>	<i><b>Total licences at end 2017</b></i>
<b>Registered Insurance Managers</b>	25	24	20
<b>Registered Insurance Agents</b>	31	31	32
<b>Registered Insurance Brokers</b>	92	94	100
<b>Tied Insurance Intermediaries<sup>39</sup></b>	481	473	474

Source: Malta Financial Services Authority

<sup>39</sup> Includes both individuals and companies.

## Pensions

In 2017, the Authority granted registration certificates to five new retirement schemes, namely to *Prosperity QROPS Malta*, *Infinity International Pension Plan*, *Boal & Co Malta Pension*, *Pecunia Retirement Benefit Scheme*, and *The Dominion Personal Retirement Contract*. There were 50 retirement schemes registered in terms of the Retirement Pensions Act (Cap 514) at the end of 2017, a net increase of four certificates when compared with the previous year. Table 14 refers.

In 2017 the Authority accepted the surrender of licence issued to *Custom House Global Fund Services Limited* to act as a Retirement Scheme Administrator. Accordingly, as of end 2017, there were 16 Retirement Scheme Administrators.

**Table 14: Registrations in terms of the Special Funds Act/ Retirement Pensions Act (2015 - 2017)**

	<b>Total registrations at end 2015</b>	<b>Total registrations at end 2016</b>	<b>Total registrations at end 2017</b>
<b>Retirement Schemes</b>	36	46	50
<b>Retirement Funds</b>	2	2	2
<b>Retirement Scheme Administrators</b>	15	17	16
<b>Investment Managers (Registered)</b>	11	5	5
<b>Investment Managers (Exempted)</b>		5	6
<b>Back-Office Administrators (Recognised)</b>	-	2	4
<b>Back-Office Administrators (Exempted)</b>		2	4

Source: Malta Financial Services Authority

*LGT Vestra (Jersey) Limited* was granted exemption to act as an Investment Manager and custodian through *Vestra Wealth (Jersey) Nominees Limited* in terms of the Retirement Pensions Act (Exemption) Regulations, 2015.

*Trireme Pension Services (Malta) Limited* and *OFL Administrators (Malta) Limited* were granted recognition to carry out the activities of a Back Office Administrator in terms of the Retirement Pensions Act while *Boal & Co (Pensions) Limited* and *MC Trustees (Administration) Limited* were granted exemption from this requirement under the provisions of article 7 of the Retirement Pensions Act (Cap 514).

## SECURITIES BUSINESS

### Investment Services

Investment services continued to register growth in the year under review with 162 investment services companies licensed with the Authority at the end of 2017. Table 15 refers. This represents a net increase of six licences when compared with year 2016.



**Table 15: Investment services licences (2016 – 2017)**

	2016			2017		
	<i>New licences</i>	<i>Surrendered licences</i>	<i>Total licences at end 2016</i>	<i>New licences</i>	<i>Surrendered licences</i>	<i>Total licences at end 2017</i>
<b>Category 1a</b>	-	-	13	1	-	14
<b>Category 1b</b>	2	-	6 <sup>40</sup>	1	1	4 <sup>41</sup>
<b>Category 2</b>	8	3	115 <sup>42</sup>	14	9	121 <sup>43,44</sup>
<b>Category 2 &amp; 4a</b>	-	-	5	-	-	6 <sup>45</sup>
<b>Category 3</b>	1	-	11	1	-	12
<b>Category 3 &amp; 4a</b>	-	-	2	-	-	2
<b>Category 4a</b>	-	1	2	-	-	1 <sup>46</sup>
<b>Category 4b</b>	-	-	2	-	-	2
<b>Total</b>	<b>11</b>	<b>4</b>	<b>156</b>	<b>17</b>	<b>10</b>	<b>162</b>

Source: Malta Financial Services Authority

The Authority licensed 14 new Category 2 companies in terms of the Investment Service Act (Cap 370), namely *Oneka Asset Management Limited*, *Swissquote Financial Services (Malta) Limited*, *ReAPS Asset Management Limited*, *Audentia Capital Management Limited*, *Constat Asset Management Limited*, *Gala Investments Limited*, *NordHedge Asset Management Limited*, *APartners Capital Investment Management Limited*, *SDP Capital Management (Malta) Limited*, *Alanda Capital Management (Malta) Limited*, *fair-finance Asset Management Limited*, *FABAR Wealth Management Limited*, *Beside Asset Management Limited*, and *Vitesse Capital Limited*.

*ELP Finance Limited* and *Wood Finance Limited* were licensed as Category 1a and category 1b investment services companies respectively while *ALB Forex Trading Limited* obtained a Category 3 investment services licence.

The Authority extended the licences granted to nine companies to be able to provide additional investment services activities in terms of the Investment Services Act (Cap 370). Two investment services companies had their licences revised from a Category 1b to Category 2 licence. Five other investment services companies had their licences revised to act as full AIFMs or De Minimis AIFMs.

The Authority accepted the voluntary surrender of eight Category 2 licences and one Category 1b licence. Additionally, the Authority cancelled the Category 2 licence granted to *Temple Asset Management Limited*.

### Recognised Fund Administrators

As shown in Table 16, there were 26 fund administrators recognised by the Authority at the end of 2017, one less than the previous year. The Authority accepted the voluntarily surrender of recognition certificate granted to *BOV Asset Management Limited*.

<sup>40</sup> One licence was upgraded from Category 1b to Category 2.

<sup>41</sup> Two licences were upgraded from Category 1b to Category 2.

<sup>42</sup> One licence was upgraded from Category 1b to Category 2.

<sup>43</sup> Two licences were upgraded from Category 1b to Category 2.

<sup>44</sup> One Category 4a licence was issued with a Category 2 licence.

<sup>45</sup> Ibid.

<sup>46</sup> Ibid.

**Table 16: Recognised fund administrators (2016 – 2017)**

	2016			2017		
	<i>New recognitions</i>	<i>Surrendered recognitions</i>	<i>Total recognitions at end 2016</i>	<i>New recognitions</i>	<i>Surrendered recognitions</i>	<i>Total recognitions at end 2017</i>
<b>Recognised Fund Administrators</b>	2	2	<b>27</b>	-	1	<b>26</b>

Source: Malta Financial Services Authority

### Collective Investment Schemes

The Authority licensed 97 investment funds (including sub-funds) in 2017, of which nine were licenced as Alternative Investment Funds, 58 Professional Investor Funds (PIFs) and 30 UCITS funds. These include three Incorporated Cells, all licensed as PIFs, of Recognised Incorporated Cell Companies. During the year, 18 PIFs had their licences converted to AIFs while one Professional Investor fund and two non-UCITS funds converted to UCITS funds. Table 17 refers.

**Table 17: New and surrendered collective investment schemes (including sub-funds) (2015 – 2017)**

	2015		2016		2017	
	<i>New licences</i>	<i>Surrendered licences</i>	<i>New licences</i>	<i>Surrendered licences</i>	<i>New licences</i>	<i>Surrendered licences</i>
<b>AIFs</b>	11	3	19	8	9	12
<i>Of which ICs</i>	-	-	-	1	-	-
<b>PIFs</b>	78	92	71	51	58	49
<i>Of which ICs</i>	10	3	4	7	3	1
<b>Retail Non-UCITS</b>	-	-	-	-	-	2
<b>Recognised Private Schemes</b>	3	-	-	-	-	1
<b>UCITS</b>	20	2	23	14	30	10
<i>Of which ICs</i>	-	-	-	1	-	-
<b>Total</b>	<b>112</b>	<b>97</b>	<b>113</b>	<b>73</b>	<b>97</b>	<b>74</b>

Source: Malta Financial Services Authority

The Authority accepted the voluntary surrender of 12 AIFs, 49 PIFs (of which one was licensed as Incorporated Cell), 10 UCITS funds, two Retail Non-UCITS funds and one Recognised Private Scheme.

Additionally, as shown in Table 18, 17 funds were included in the list of Notified AIFs while one fund was removed from the list.

**Table 18: Notified Alternative Investment Funds (2016 - 2017)**

	<b>2016</b>		<b>2017</b>	
	<i>New notifications</i>	<i>Surrendered notifications</i>	<i>New notifications</i>	<i>Surrendered notifications</i>
<b>NAIFs</b>	2	-	17	1

Source: Malta Financial Services Authority

### **Recognised Incorporated Cells Companies**

A recognition certificate was issued by the Authority to *Scotstone RICC Limited* to provide administrative services to incorporated cells. Additionally, three new PIFs were licensed as Incorporated Cells of different RICCs, while one Incorporated Cell, licensed as PIF, ceased to be licensed by the Authority. Table 19 refers.

**Table 19: Recognised incorporated cell companies (2016 - 2017)**

	<b>2016</b>			<b>2017</b>		
	<i>New licences</i>	<i>Surrendered licences</i>	<i>Total licences at end 2016</i>	<i>New licences</i>	<i>Surrendered licences</i>	<i>Total licences at end 2017</i>
<b>Recognised Incorporated Cell Companies</b>	1	1	<b>5</b>	1	-	<b>6</b>
<b>Incorporated Cells</b>	4	9	<b>17</b>	3	1	<b>21</b>

Source: Malta Financial Services Authority

### **Trust Services**

Over the course of 2017, the Authority authorised 11 new companies under the Trusts and Trustees Act (Cap 331) while another two companies voluntary surrendered their authorisation. As shown in Table 20 there were 167 authorisations under the Trusts and Trustees Act (Cap 331), nine more when compared with the previous year.

**Table 20: Authorised trustees, nominees and trusts (2015 – 2017)**

	<b>Total authorisations at end 2015</b>	<b>Total authorisations at end 2016</b>	<b>Total authorisations at end 2017</b>
<b>Authorisations in terms of the Trusts and Trustees Act (Trustees/ Fiduciary Service Providers/ Administrators of Private Foundations)</b>	148	158	167
<b>Nominees<sup>47</sup></b>	13	12	11
<b>Trusts registered in terms of the Trust Act, 1988<sup>48</sup></b>	71	71	62

Source: Malta Financial Services Authority

### Company Service Providers

As shown in Table 21, there were 172 registrations in terms of the Company Service Providers Act (Cap 529) at the end of 2017. The Authority issued 36 new registration certificates to companies or individuals providing services in terms of the Company Service Providers Act and accepted the voluntary cancellation of four registration certificates.

**Table 21: Company service providers (2015 - 2017)**

	<b>Total registrations at end 2015</b>	<b>Total registrations at end 2016</b>	<b>Total registrations at end 2017</b>
<b>Registrations in terms of the Company Service Providers Act</b>	67	140	172

Source: Malta Financial Services Authority

### Securitisation Vehicles

In 2017, the Authority issued six new acknowledgments in terms of Article 18 of the Securitisation Act (Cap 484) of which five were Securitisation Cell Companies. As shown in Table 22, this brings the total number of notified securitisation vehicles to 40, including 15 Securitisation Cell Companies. Furthermore, the Authority issued an acknowledgement in terms of Regulation 22 of the Securitisation Cell Company Regulations to 13 cells.

<sup>47,48</sup> Trusts & Trustees Act in 2005 brought the issuing of licences for trusts and nominee services to an end. Accordingly, these licences continued to be phased out.

**Table 22: Notifications in terms of the Securitisation Act (2015 – 2017)**

	<b>Total notifications at end 2015</b>	<b>Total notifications at end 2016</b>	<b>Total notifications at end 2017</b>
<b>Notified Securitisation Vehicles</b>	18	34	40
<i>Of which notified Securitisation Cell Companies (and cells)</i>	2 (1)	10 (13)	15 (26)

Source: Malta Financial Services Authority

### Listing Authority

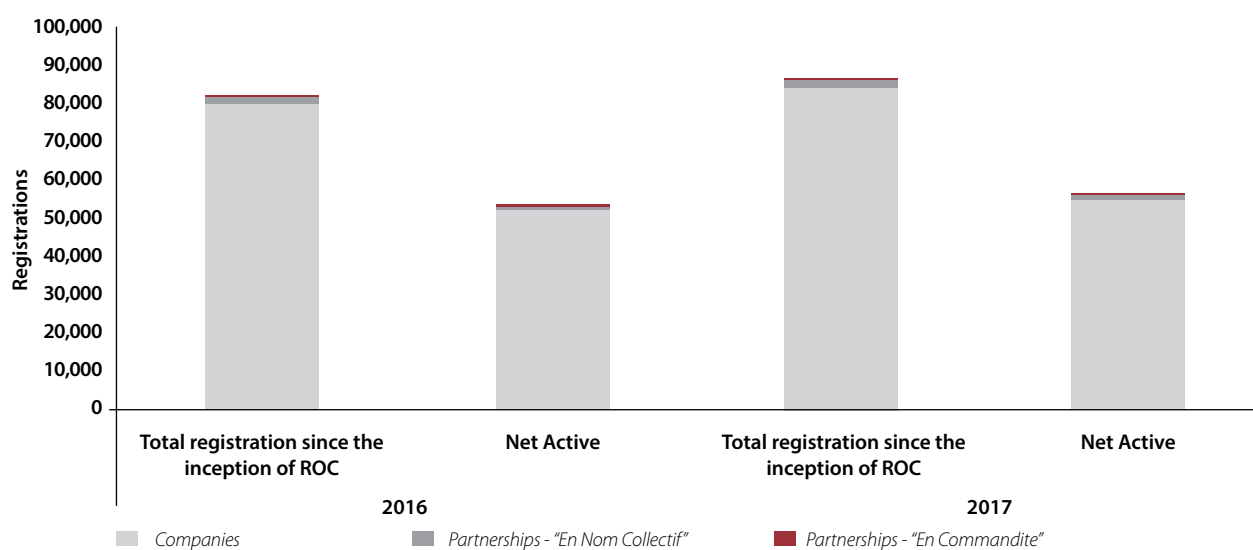
The Listing Authority approved the admissibility to listing on the Malta Stock Exchange to 12 corporate bond issues, three equity issues, two Malta Government Securities, and four investment funds (including sub-funds). Moreover, the Listing Authority also admitted four asset backed security, three bonds and six note issues to listing on the European Wholesale Securities Market (EWSM).

## THE REGISTRY OF COMPANIES

### Total Registrations and Active Registrations

The total number of companies registered in the Registry of Companies was 84,503 at the end of 2017 with over 66 percent of these companies considered to be active. Additionally, there were 1,722 partnerships - "En Nom Collectif" and 218 partnerships - "En Commandite" registered in the Registry of Companies, of which 64 percent and 73 percent were respectively considered to be active. Chart 18 refers.

**Chart 18: Total registrations against net active registrations (2016 – 2017)**

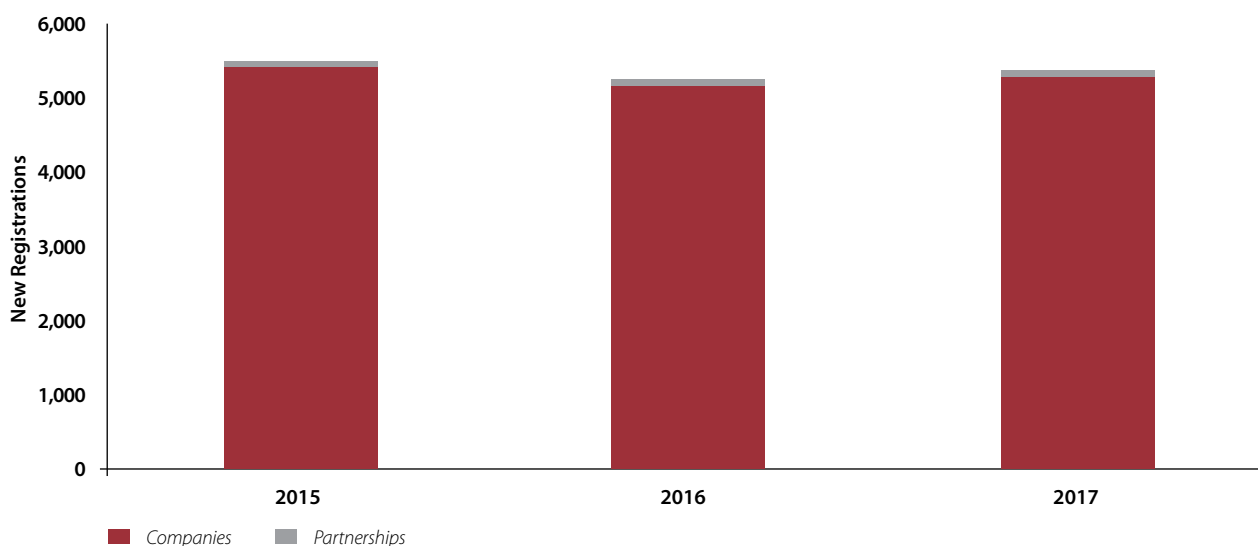


Source: Malta Financial Services Authority

## New Registrations

As shown in Chart 19, over the course of 2017, 5,297 new companies and 109 new partnerships were registered in the Registry of Companies. This represents an increase of 2.5 percent and 5.8 percent respectively when compared with the previous year.

Chart 19: New registrations (2015 – 2017)



Source: Malta Financial Services Authority

## Mergers and Liquidations

There were 218 mergers of companies in 2017, while 1,687 companies were placed into liquidation during the year. Table 23 refers.

Table 23: Mergers and liquidation of companies (2015 – 2017)

	<i>Mergers</i>	<i>Total companies placed into liquidation</i>
<b>2015</b>	299	1,391
<b>2016</b>	214	1,567
<b>2017</b>	218	1,687

Source: Malta Financial Services Authority

### Redomiciliation of companies

During 2017, as shown in Table 24, 106 companies transferred their domicile to Malta in terms of the Continuation of Companies Regulations under the Companies Act (Cap386), of which 25 percent transferred their domiciles to Malta from EU countries.

**Table 24: Total inward redomiciled companies (2015 - 2017)**

	<i><b>Total redomiciled companies</b></i>
<b>2015</b>	92
<b>2016</b>	99
<b>2017</b>	106

Source: Malta Financial Services Authority

Table 25 provides an analysis of objects clauses of the various types of companies that redomiciled to Malta in 2017.

**Table 25: Breakdown of redomiciled companies in 2017 by type of business**

<i><b>Category</b></i>	<i><b>2017</b></i>
<b>Holding</b>	69
<b>Other</b>	21
<b>Real Estate</b>	4
<b>Construction</b>	2
<b>IT Activities</b>	2
<b>Marketing/Promotion/Consultancy</b>	2
<b>Betting/Gambling/Gaming</b>	1
<b>Financial Institutions</b>	1
<b>Securities</b>	1
<b>Shipping</b>	1
<b>Transportation</b>	1
<b>Wholesale trade</b>	1
<b>Total</b>	<b>106</b>

Source: Malta Financial Services Authority

There were 34 companies which continued their operations outside Malta, 2 more than the previous year.

### New Notifications for Inward Cross-Border Services

The Authority received new notifications as shown in Table 26 from new entities, through the respective Home Member State regulators, intending to passport their services into Malta either via the freedom of services or establishment:

**Table 26: New notifications of passporting into Malta via the freedom of services (2017)**

	<i>New notifications</i>
<b>European Credit Institutions</b>	22
<b>Payment Service</b>	29
<b>Electronic Money</b>	45
<b>European Insurance Undertakings</b>	20
<b>European Insurance Intermediaries</b>	226
<b>Investment Services</b>	150
<b>Regulated Markets</b>	1
<b>UCITS Schemes</b>	18
<b>UCITS Managers</b>	8
<b>EU AIFMs marketing in Malta</b>	25
<b>EU AIFMs managing AIFs or providing ancillary activities in Malta</b>	19
<b>EuVECAs marketing in Malta</b>	10

*Source: Malta Financial Services Authority*

Additionally, one credit institution and one electronic money institution notified the Authority that they will be passporting into Malta via the freedom of establishment.

### New Notifications for Outward Cross-Border Services

The Authority received the notifications as shown in Table 27, from new entities intending to passport out of Malta via the freedom of services or establishment. The regulators of the respective Host Member State were informed with these notifications:



**Table 27: New notifications of passporting outside Malta via the freedom of services (2017)**

	<i><b>Number of new notifications</b></i>
<b>Credit Institutions</b>	2
<b>Electronic Money</b>	1
<b>Investment Services</b>	12
<b>UCITS Schemes</b>	9
<b>Insurance Undertakings</b>	11
<b>Insurance Intermediaries</b>	7
<b>Maltese AIFMs managing AIFs or providing ancillary activities out Malta</b>	5
<b>Maltese AIFMs marketing into EU</b>	9

Source: Malta Financial Services Authority

In 2017, a payment institution, insurance undertaking, insurance intermediary, UCITS manager and investment services company notified the Authority that they will be passporting out of Malta via the freedom of establishment.



# DEVELOPMENT OVERVIEW

## HUMAN RESOURCES DEVELOPMENT

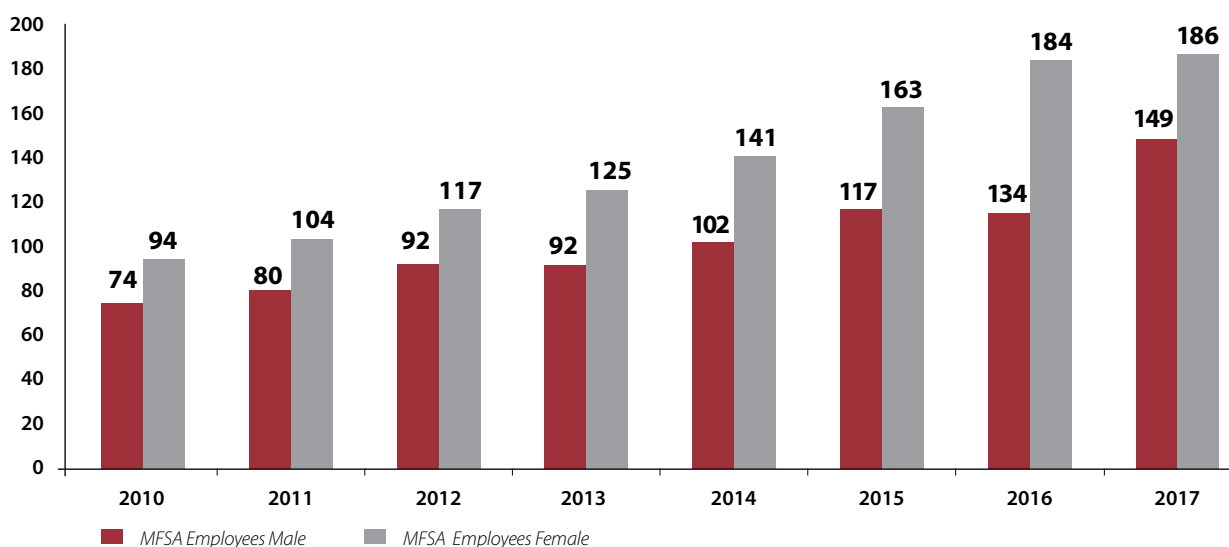
### General Overview

The Human Resources and Development Unit (HRDU) aims at offering administrative and strategic support to the different Units within the MFSA through the alignment of the human resources activities with the Authority's goals, strategy and business results.

### Demographics

Chart 20 provides a graphical outline of MFSA's progression regarding headcount, by gender, since 2010. At end 31<sup>st</sup> December 2017, the figure stood at 335 employees, which constituted a 5.7% increase over the staff complement at the end of 2016.

Chart 20 - MFSA Employees 2010-2017 – By gender

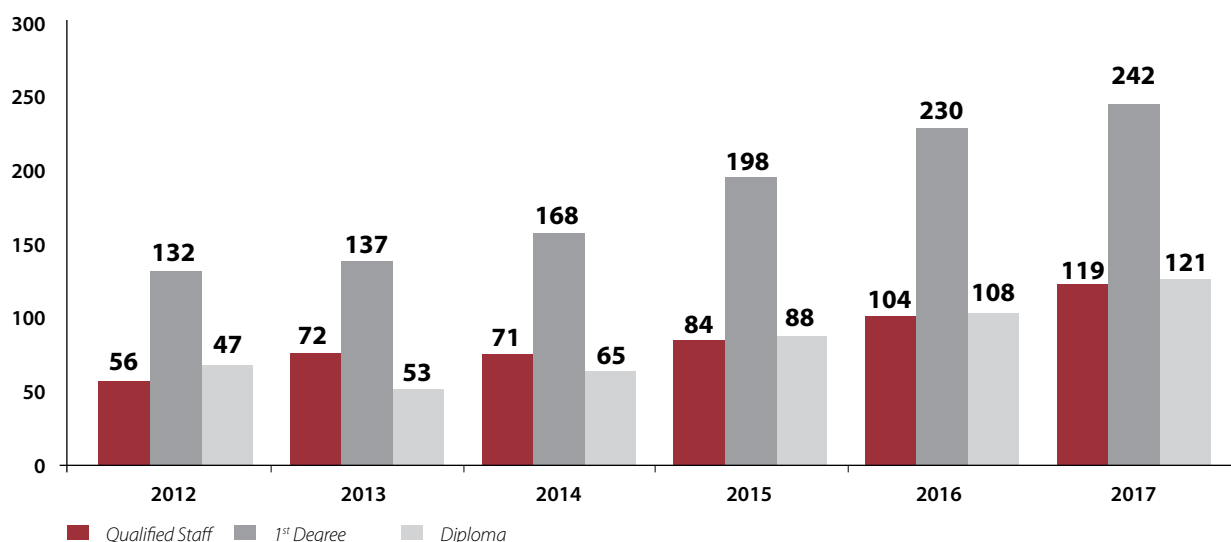


Source: Malta Financial Services Authority

Overall, 53 persons were engaged with the MFSA, 35 persons resigned from employment, 2 retired and 1 person passed away during 2017. The annual turnover rate due to resignations therefore stood at 10.5%.

Moreover, during 2017, 25 staff members were appointed to another grade, following an internal/external filling of a vacancy procedure whereas 4 others were granted a horizontal move to another Unit. Another 28 staff members were appointed to a higher grade as a result of the performance appraisal process for 2016.

**Chart 21 – Qualified staff 2012-2017**



Source: Malta Financial Services Authority

As shown in Chart 21, at end 2017, 119 staff members held a diploma qualification in various vocational disciplines, 242 staff members were in possession of a first degree whereas 121 held a post graduate degree or equivalent.

### Key Projects – Human Resources Audit

In 2017 the MFSA engaged on a number of initiatives aimed at bolstering the strategic contribution and overall effectiveness of the human resources function within the Authority. In the first quarter of 2017, the MFSA commissioned external consultants to review the human resources activities, and the ensuing HR Audit featured the involvement of employees at all grades, through interviews, surveys and focus groups.

Core findings of the HR Audit were divided in three key areas namely Recruitment, Retention and Remuneration. Between the second and third quarters of 2017 the HRDU engaged on a number of initiatives in order to implement recommendations ensuing from the HR Audit.

### Recruitment

Recruitment currently represents a key function within the Authority in view of the increasing staffing requirements that have come about through increased regulatory requirements from the European Supervisory Authorities (ESAs), as well as the challenging market scenario brought about by a thriving local financial services industry which features high demand for specialised skills, particularly in areas relating to compliance.

In the past months, the MFSA engaged on a number of initiatives aimed at developing its employer brand, and communicating this to internal and external parties. Work was carried out on branding material through a re-design of the advertising material, banners, and other media. In addition, a dedicated Facebook page was set up, *My Career at MFSA*, which is aimed at providing information to prospective job applicants on benefits and opportunities linked with a career at the MFSA. The page has allowed the Authority good reach to students, prospective employees, and other persons interested in the MFSA. The exercise has also been extended to other web and social media channels such as LinkedIn and job boards, and this has boosted the Authority's sourcing process.

In 2017, the MFSA also applied for and successfully achieved the Equality Mark through the National Commission for the Protection of Equality (NCPE), which recognised fair practices and non-discriminatory practices in the Authority's

operations. The Equality Mark acts as an independent recognition of the standards maintained at the MFSA, and will help support the employer branding exercise being undertaken.

Parallel to this, the HRDU has also participated in a number of job fairs, including a Career's Fair coordinated by the Qormi Local Council in collaboration with the Education Department and Fresher's Week at the University of Malta. The MFSA stand attracted a good number of students, through the setting up of a competition and scheme for students for participation in a student placement programme, set for 2018. The HRDU has also worked to consolidate links with faculties at University and has participated during student lectures to highlight career opportunities within the regulatory environment.

### **Retention**

As reported above, the annual turnover rate at the MFSA stood at 10.5% which is generally comparable to the market situation within financial services. Having said this, in lieu of the extensive training required in order to develop employees to the required level of competence within a regulatory environment, work was also undertaken in order to manage this. Initiatives also proved important in view of the socio-political situation that developed over the course of 2017.

So as to improve aspects relating to internal communication (both within Units and between Units), the HR Unit has embarked on a series of Team Building sessions. The sessions included all staff members at different grades and across all Units. The overriding objective of the training activity is to foster a culture that embraces the concept of synergy between employees within different Units, thus developing performing teams.

Preliminary work has also been undertaken on the re-development of employee job descriptions which are seen as key HR and management tools and will serve as enablers in order to allow further action to be undertaken in 2018 including in the areas of performance management, training needs analyses, the reward system and others.

Training also remains a key tool for enabling staff engagement and retention and further details on additional initiatives undertaken are described below.

### **Remuneration**

One of the findings emanating from the HR Audit related to the need to review compensation packages particularly at more senior levels in order to remain competitive in the financial services challenging labour market scenario. In addition, the review also highlighted the need to address aspects relating to the performance management structure. In view of the findings, senior management embarked on the negotiation and re-design of the compensation structures which are earmarked to reach fruition in 2018.

### **Key Projects – Mission, Vision and Values**

A second project steered by the Director General and the Chief Operations Officer was also launched by the HRDU in 2017 to further build on all strategic HR initiatives. The initiative involved the definition of the Authority's Mission, Vision and Values. The project, which was entrusted to external consultants, featured an online questionnaire and a series of focus groups intended to lead to statements that highlight the Authority's Mission, Vision and Values. The project is currently in its final phases, with the resulting propositions being reviewed by the senior management within the Authority.

The Authority sought to involve employees at all grades throughout the different stages of the initiative.

### **Employee Training and Development**

MFSA's commitment towards training and development maintained its momentum throughout 2017, in that it continued to support both staff members wanting to further their studies leading to certificates, diplomas, first degrees and post-graduate degrees and the general public who sought to acquire qualifications on areas related to the financial services sector. Once again, the MFSA achieved this objective through its efforts in coordinating training activities and programmes for its staff and collaborating with main stake holders or training service providers within the sector. Concurrently, the HRDU carried out its function as secretary of the MFSA Education Consultative Council. The Council is one of MFSA's main 'vehicle'

which offers a platform for discussion between its members on existing training needs within the Financial Services Sector, which will eventually lead to the provision of training courses in order to fill emanating skills gaps in the sector.

The HRDU seeks to explore training needs, analyses their eventual benefits to the individuals and the Authority, and implements courses accordingly to all categories of staff. Of significant importance in its strategic role on training is the Self-development Scheme. Such scheme aims to encourage and support staff members' studies which can lead to a qualification at the levels of either a Certificate or Diploma or First Degree or Post-graduate Degree. During the course of their studies, the HR Unit provides beneficiaries with an administrative and advisory service.

At end 2017, 46 persons were registered as beneficiaries undertaking studies related to subjects relevant to the financial services sector, which include: accounting, ICT related studies, actuarial techniques, insurance related disciplines, trusts and estate management, anti-fraud and law. In addition, a further 55 employees completed their studies in 2017 through the self-development scheme.

Moreover, a significant percentage of the employees have engaged in overseas events which included participation in working groups hosted by the EBA, the ESMA, the EIOPA and the ECB, among others.

### **Local Seminars and In-house Training**

Other than supporting staff members in taking part in locally organised training short courses, the HRDU seeks to address the Authority's training needs. The aim of identifying existing training requirements for the Unit is to analyse such findings and design, or propose, in-house programmes that address such gaps. The rationale behind the exercise is to maintain a high level of expertise in the Authority's operations and its endeavours to act proactively towards the provision of a technically skilled workforce.

As in previous years, during 2017 the MFSA worked closely with renowned local and overseas training institutions on initiatives to ensure that programmes being offered to the general public are directly related to the current training needs, structured and of the desired standard as required by the industry.

Other than the above, the HRDU continued to fulfil its training function through a determined drive towards the provision of in-house training programmes. In 2017, it focused its attention on the following topics: the re-structuring of the Authority's Induction Programme for its newly recruited employees, The Outlook for European Financial Centres, Information Management System for Supervision (IMAS) Planner and/or On-site Inspection (OSI), AML & CFT Training, Team Building for JST Members, The Credit File Review (path of analysis), Reflections on Competent 'measures' in EU Banking Law, Mental Health First Aid, Insurance Distribution Directive (IDD), Visual Basic for Applications (VBA) for Analysts, Reinsurance Training, Common Rules & Minimum Standards (CRMS) Awareness Training, Financial Services Files Concluded and Developed during the Malta EU Council Presidency 2017, Lecture on General Accounting Principles for Small & Medium Sized Entities (GAPSME), Team Building for Clerks/Administrative Assistants, Team Building for Managers/Analysts/Desk Officers (still ongoing), Team Building (treasure hunts) for Units (still ongoing), Less Significant Institution Supervisory Review & Evaluation Process (LSI SREP) Training, Awareness Session for Staff Attending Court Sessions, Appraising Performance and Development Workshop for Appraisers, MiFID II/MiFIR, What it Takes to Lead Workshop, and Core Skills in Digital Marketing.



In addition, the MFSA supported staff members through their nomination on locally organised training courses. Such training, which was held in the form of short courses, seminars, conferences, and workshops, were generally offered to the general public by a number of different organisations.

Overall, in-house and local training activities listed above amounted to 8543 hours in 2017, which amounts to more than 25 hours per employee per annum.

During 2017, three foreign students spent a six-week duration Internship Programme with the MFSA as part of their degree course with the Deutsche Bundesbank. During their term they could benefit from a work-related experience in authorisation and supervision carried out by various internal Units. Moreover, the MFSA is currently participating in the ECB's Traineeship Programme 2017-2018; one candidate is expected to spend a four-month term within the BSU, commencing from 1 April 2018.

### **Participation in the ECB's Human Resources Conference (HRC) and the Ethics and Compliance Officers Task Force (ECTF)**

In 2017, staff within the HRDU continued to attend and participate actively in the HRC, its substructure Task Force on Training and Development (TFTD) and the Ethics and Compliance Officers Task Force (ECTF) meetings in Frankfurt.

HRC has continued to act as the reference point between ECB and NCAs, with the MFSA being one of the latter. While fulfilling its function to coordinate and consolidate SSM policies, it concentrated its efforts towards the enhancement of quality training aimed at supporting the SSM. For 2017, it has facilitated a broader spectrum of training courses than in previous years.

In 2016 the MFSA endorsed its participation in the Schuman Programme for 2017-2018. The programme entails submission of in-house projects entrusted to staff members from other central banks within the European System of Central Banks (ESCB) or NCAs who will spend a six or nine-month temporary external assignment with MFSA. During 2017, the MFSA hosted three external assignment participants on two projects led by the Internal Audit Unit and the Conduct Supervisory Unit. For the year to come, the HRDU has submitted to the HRC Secretariat three other projects on behalf of the Securities Markets Supervision Unit, the Authorisation Unit and the Administration Unit. At the time of writing this report, the HRC Secretariat was still to open the programme for those interested in applying for such projects across the entire ESCBs and NCAs network.

During 2017, the ECB's Ethics Framework Task Force (EFTF) was transformed into an Ethics and Compliance Officers Task Force (ECTF) to increase expertise and compliance across the SSM. Compliance with the MFSA Ethics Framework safeguards the credibility, reputation and public confidence in the integrity and impartiality of the MFSA in fulfilling its regulatory, supervisory and other functions. In this regard, the HRDU takes the necessary measures so that staff members and decision-making bodies comply with the established code of conduct, focusing mainly on the prevention of misuse of inside information, conflicts of interest and the acceptance of gifts and hospitality. The HRDU also provides awareness sessions with staff members on these matters.

### **Common Rules & Minimum Standards (CRMS)**

The European Supervisory Authorities (ESA) stipulated that a number of standards, referred to as CRMS, are applicable to all NCAs; all of which have to be incorporated in the operating procedures of the Authority. In the light of such developments, the MFSA launched a series of CRMS Awareness Sessions for staff members to ensure that every employee becomes aware and fully understands the obligations involved and adheres to the standards set.

## EDUCATION CONSULTATIVE COUNCIL

### Careers in the Financial Services Sector

The HRDU acts as the Secretary to the Education Consultative Council (EEC); thus, supporting it in the coordination of its initiatives and secretarial duties.

During the year under review, the ECC has continued to affirm its commitment towards education and training for existing employees within the financial services sector. It coordinated its efforts in relation to staging of programmes, identification of training needs gaps, promotion of careers and coordination of events as well as updating of its *careersinfinance* website with various stake holders with whom it enjoys a healthy business and work relationship.

Moreover, the ECC has been at the forefront in relaying information to secondary and post-secondary students who visit the MFSA throughout their scholastic years. The objective of the visits is for students to become aware of existing careers and the skills required within the sector.

The following is an overview of those areas in which the HRDU provided assistance in during the course of 2017:

- Coordinating quarterly meetings for Council members;
- Regular updating of the 'careersinfinance' website; the major highlights being on the members' forthcoming courses, updates and presentations.
- Setting up of a school visits programme for scholastic year 2016-2017. Visits, which consisted of two presentations delivered by HR and Communications Unit respectively, treated the following topics: an overview of the financial services composition, qualifications relevant to the industry, skills required and consumer education. In addition, students were exposed to the ECC's website ([www.careersinfinance.com](http://www.careersinfinance.com)) and encouraged to explore the information about the afore-mentioned in greater details. The MFSA carried out 28 visits, which were attended by 30 different schools/colleges/University/MCAST. The number of attending students totalled to 990.
- The Council has continued to honour its agreement which it had entered into with the Ministry of Education. Such agreement provided for financial support to the Ministry's scholarship schemes. The initiative, which had been approved at Board of Governor's level, comprises grants of €50,000, which terminates at end December 2018.
- The following persons were invited to deliver a presentation to ECC members during meeting held in 2017:
  - Mr Joe Portelli, Chairman of the Malta Stock Exchange, outlined the MSE Institute's involvement in the area of education on financial literacy. He referred to the range of different classes, which also include programmes delivered in Maltese and programmes leading to a Diploma qualification. Moreover, he informed members about the Institute's plans to launch two Diplomas, which are designed for people with no skills in the area of finance.
  - Ms Ylenia Vella, representing Jobs Plus and as member of the ECC, referred to statistical data compiled for 2016 which indicated labour mobility between the financial services sector and other sectors. The reported data also related to persons who formerly changed working hours from full-time to reduced-hours basis.
- Participating in the Ministry of Education's Careers Fair – the 'I Choose 2017' which was held in July 2017. The objective of the exposition was to promote careers within the Financial Services Sector, explain to visitors the qualities, skills and qualifications required as well as the major academic pathways leading to a career within the sector. The Malta Institute of Accountants partnered with the ECC for this event.
- The Students' Job Exposure Programme (2016-2017) was held between November 2016 and July 2017. Through the initiative, the Council, with the collaboration of State, Church and Independent Schools, enabled students to gain knowledge of work-related processes and information about the Financial Services Sector throughout their one-week long placement with a hosting firm. During their learning experience, students were given exposure



to required skills, qualifications, job opportunities and careers related to the sector and a better understanding of the current careers within the finance industry. A total of 22 participating firms hosted 65 students.

## INFORMATION AND COMMUNICATION TECHNOLOGIES UNIT

The Information and Communication Technologies Unit (ICTU) is an essential operational function that supports all other Units within the MFSA and is responsible for managing the ICT resources of the Authority, efficiently and in line with the business strategy. This is achieved with the provision of reliable services, systems and technologies, enabling the Authority to maximise the value of its knowledge and information. A mixture of in-house resources and outsourced technology suppliers is employed. The Unit is also affiliated in a number of related committees and expert groups within the European fora.

The ICTU comprises of the following specialised areas: Information Systems, Systems Infrastructure, Support and Services. A restructuring exercise continued to strengthen the ICTU organigram and also its management functions. The ever increasing workload on the ICTU meant that such management functions needed to operate in harmony and provide services to meet business targets, whilst also adhere to the European bodies' stipulations and deadlines.

### Information Systems Team

The core focus of the Information Systems team within the ICTU over the past year has been threefold; (i) identifying and in certain cases implementing information systems (ii) improving and enhancing existing software systems to satisfy relevant E.U. Directives, and (iii) planning and implementing for high availability, resiliency, recoverability and security of core ICT software and/or web applications and services.

This necessitated the capitalisation on rapid advances in digital technologies which are accelerating progress and promising to create tremendous value for the MFSA. The ongoing and medium-term objective is to implement the confluence and widespread availability of information systems, which if implemented in line with realistic business needs, is likely to fundamentally alter the way people work and interact at the Authority.

### Registry of Companies Online System

During 2017 the Registry of Companies Online System went through a major revolution whereby the core platform was re-implemented from scratch and now boasts a modern user interface which is cross browser compatible, a tried-and-tested 3D-Secure Payment Gateway, together with exclusive cutting-edge digital signing capabilities. This was achieved by exploiting the chip feature of Maltese Identity cards.

In addition, a number of supplementary projects have been implemented, such as phase one of the Business Registers Interconnection System (BRIS) having real-time interaction to the European Commission's Information Technology system to encourage cross-border information sharing for enhanced single market transparency and general functional improvements to address changing business needs. A more secure document storage system has been implemented to increase security and maximise accessibility. A publicly available Company Insolvency Register website has also been developed, with the intention of sharing company insolvency proceedings.

Furthermore, two major projects pertaining to the Registry of Companies Online System that began late in the year shall be completed by end of the first quarter 2018; (i) Ultimate Beneficial Owners (UBO) searches will be available online through the website, and (ii) high availability will ensure planned downtime thus minimising inconveniences to business users and the general public who make use of the website.

## **Regulatory and Supervisory Systems**

Over the past year anti-money laundering (AML) and greater transparency in international financial markets were constantly in the limelight, especially with the introduction of MiFID II/MiFIR. This further strengthened the proposal for the ICTU Strategy 2016-2020 which abetted continuous systems development to the License Holder Centralised Management System (LHCMS).

A general business requirement necessity to facilitate data exchange across the board prompted the implementation of centralised user authentication which is now available to License Holders required to submit financial reports for multiple license categories, including real-time data storage and validation. In addition, a Managed File Transfer Solution (MTFS) was introduced to ameliorate the data exchange process for an application-to-application environment. Data analysis will be further strengthened through the use of a Business Intelligence tool. Moreover, online applications for Tied Insurance Intermediaries (TII's) was developed enabling electronic administration of the entire process, and is expected to be released to the general public in the coming months.

Going forward, systems will be enhanced to contribute additional value to promote the regulation and supervision of Malta's financial markets.

## **Operational and Ancillary Software Systems**

A number of initiatives took place throughout the year to modernise the Authority's websites and software systems using innovative technology; (i) the Leave Management System was redeveloped from scratch to address changes to the Authority's Leave Policy, (ii) a Common rules and minimum standards for the treatment of sensitive information (CRMS) forum for employee contribution was developed, (iii) a new Document Archiving system was introduced to facilitate the administration and tracking of physical documents, (iv) a new modern Depositor and Investor Compensation Schemes website was revamped to provide clear investor information online, (v) consumer information can now be accessed through an all-new stylish MyMoneyBox website and corresponding mobile applications for both iOS and Android, (vi) substantial investment in a modern database system together with monitoring tools has been made supporting instant high availability to expunge database downtime while retaining instantaneous replicated data, (vii) finally an initiative that began late in 2017 to deploy all external websites and services to a high availability setup is expected to be completed by mid-2018 thus benefiting stakeholders through minimal downtime and increased security.

## **Systems Infrastructure Team**

The Systems Infrastructure team is continuously vigilant on all core infrastructure and security solutions and implements technological hardware and software advancements associated with data-centre platforms. These are also maintained and reviewed rigorously to ensure high operational standards. The underlying infrastructure is based on adaptive best practices and provides an architecture ensuring high availability for the critical services offered by the Authority. Through these facilities, business needs and future demands can be better attained.

## **Infrastructure Solutions**

In 2017, a prominent technological upgrade consisting of a high availability data-centre setup spread over two locations via the use of the latest state-of-the-art technologies was carried out. This was a comprehensive project which encompassed the migration of all services from the old to the new infrastructure with a highly available solution. This technological advancement enabled the Authority to better serve the emerging business needs and also to satisfy long awaited additional resources, together with new technologies which enable the rapid provision of highly available and efficient systems. This infrastructure project also included the upgrade of its backup systems in three diverse locations.

In tandem with the above and also following a thorough review of the current and future requirements of the Authority and its stakeholders, all bandwidth services and private connections have been upgraded. This further enhanced the user and stakeholder services experience, together with better provisions to keep up with the above mentioned major technological infrastructure upgrade.

As all systems operating on such an infrastructure need to work harmoniously together, the underlying virtualised base operating platform was also upgraded. This included a centralised management system for all hardware and the base operating environment to enhance manageability and operational procedures. This further enabled the use of such technologies which are the baseline of today's technological service provisions.

Further technical improvements were employed within the areas of server operating systems, patch management, malware protection, unsolicited email filtering and threat detection, infrastructure security hardening, policy and software provisioning, structured cabling, and network infrastructure. Additional networking, communications, shared and desktop technologies were deployed in the new building extension which housed the shifting of a number of Units in line with the Authority's rapid expansion. Notwithstanding the above, an architecture redesign of the current servers systems is being discussed and planned for the near future in order to be able to provide new and advanced services for the business user and stakeholders.

An exercise to implement data loss prevention has also been initiated. The implementation of a zero-day threats solution was completed to further impede and prevent cyber and malware attacks, and protect the Authority's data and stakeholders services, together with preparations for a relative penetration testing exercise.

Moreover, all systems were maintained on a daily basis by the teams, avoiding and reducing any possible downtime through enhanced stability. Providing a second line of support was also vital for seamless operations, such as provisioning of telephony and network services, file and email resources, and further technical administrative tasks. Improved technical abilities and problem solving skills were effectively employed through specific and focused training.

The procurement process for an upgrade of the disaster recover infrastructure, energy efficient printing and multi-functional metered services, an enterprise mobility management, including remote access provisioning with enhanced authentication mechanisms was also initiated. Additionally, discussions are ongoing to host the depositor compensations schemes systems on the MFSA's ICT infrastructure.

Furthermore, through membership and participation in the infrastructure portfolio operations and service management related working groups within ESCB entities, a number of further enhancements were employed or are in the pipeline, such as a common interface for video conferencing for SSM members, collaboration solution, and further secure email communication and document signing enhancements.

### **Support and Services Team**

The Support and Services team provides helpdesk support and service management including security adherence, procurement, resource provisioning, and recovery services. This is sustained through methodical processes and a well devised plan, thus resulting in uninterrupted support and a desired service level.

### **Helpdesk Support**

Continuous helpdesk support for internal staff, procurement, resource provisioning, project planning, and recovery services are some of the major elements of focus within this area. Service levels, distribution of user facilities and successful project coordination were at the top of the agenda. The deployment of modern ICT equipment throughout the organisation continued improving user experience and user deliverables. In addition, the use of remote support tools have enabled a more effective and efficient first line of support, response time and problem resolution. Conversely, stability is further enhanced through a proactive maintenance approach.

Service level agreements have been reviewed and adequately aligned to the organisation's strategy and requirements. Then again, providing staff with better resources through good research and development, and deploying a number of proof of concepts was an effective method to provide the business workforce with the right working tools.

Staff inductions and training, service provisioning for new recruits, work allocation and distribution were further improved with inter-team collaboration. Assisting the regulatory investigative teams and involvement on the current business process re-engineering exercise was also part of the exerted tasks. A new and modern guest registration system has also been implemented.

### **Information Security Adherence**

Information Security has been enforced with the increase in staff complement. Information security policies and procedures are in full review and employed technologies are being scrutinised in line with European supervisory requirements. Through the adaptation of information security standards and participation in security related working groups, a number of further enhancements are in the pipeline together with policy strengthening.

## **COMMUNICATIONS UNIT**

The Communications Unit (CU) operates as the centre point between the MFSA and all its stakeholders, ranging from the industry to the general public. The CU communicates the latest developments, legislative and regulatory developments and provides other updates through various channels on a continuous basis, while organising and supporting a number of events on a regular basis that seek to keep the industry abreast and in close contact with key officials from the Authority. Following the addition of consumer education to the CU's remit in 2016, its activities related to this matter have been ramped up during 2017.

The CU also handles relations with the local and international media, produces and distributes a number of regular and special publications and works with external bodies relevant to the Authority's statutory duties.

During 2017, the CU continued to provide immediate and real-time updates to the Authority's website which remains the central depository for information required by license holders (existing and prospective), researchers, journalists and other service providers. It includes updated legislation, regulation, supervisory procedures, guidance notes, alerts and warnings and is updated on a minute-by-minute basis.

The website's audience and usage has continued to experience a surge in numbers. In 2017, 178,344 unique visitors made 593,935 visits to the [www.mfsa.com.mt](http://www.mfsa.com.mt) portal, a 7.9 percent increase over the previous year. Users from over 205 different countries visited the website and made more than 1.9 million page views. The majority of these visits came from major international jurisdictions, mainly the United Kingdom, France, United States of America, Germany, Italy and Switzerland. 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 CU also replied to over 1,350 queries, with the web portal contact form exceeding 1,000 enquiries for the first time.

The Authority's social media activities has continued to expand, particularly on Twitter and LinkedIn. The MFSA's following and the users' engagement on these tools has reflected the increased activity. These tools serve as an important asset of communication 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 MFSA also hosted a number of high level visits and delegations from the European supervisory authorities, particularly during the six month stint during which Malta held the rotating EU Council Presidency. As Malta's financial services regulator, the MFSA played an important contribution in the handling of a substantial number of financial services sector dossiers. Hence, the presence of two of the major EU regulators on the island represented an important milestone for the activities carried out during this Presidency.

The first event was the annual Strategy Day for Board members of EIOPA, held over the 11 and 12 May. The MFSA is a member of the Board of Supervisors of EIOPA. Board Members from the 28 EU Member States participated in two days of discussions on the most topical subjects in the field.

The second event held between 22 and 24 May involved the Board members of ESMA. MFSA is a member of the Board of Supervisors of ESMA, and hosted the other 27 members at an Away Day in Valletta, followed by a regular Board meeting with over 70 attendees.

The MFSA also hosted the Chair of the Supervisory Board of the ECB, Ms Danièle Nouy. She held number of meetings at the MFSA on a two-day visit, as she met a number of officials from the Authority. Ms Nouy was in Malta as part of a regular follow-up on the implementation of the SSM. Ms Nouy also met with a number of officials from the Maltese banking sector.

The MFSA also hosted the 14th RIA (ECB's Risk Analysis Division) Network Meeting. RIA is a cross-sectional function within the Directorate General Micro-prudential Supervision IV (DGMSIV) within the SSM of the ECB. RIA is tasked with monitoring changes in the overall risk environment of the SSM euro area, conducting further in-depth risk analysis activities that cover a broad range of risk categories and topics, raising issues as necessary and supporting the pan-euro area supervisory activities. The RIA Network is convened on a quarterly basis through a framework consisting of network meetings involving delegates representing all euro area countries.

The MFSA also hosted the 58<sup>th</sup> meeting of the Task Force on Quality Management of the ECB Internal Auditors Committee.

Another high-profile event during the year, was the Opalesque 2017 Malta Roundtable, which discussed changes to Malta's Notified AIF regime, the risks associated with cryptocurrencies, on-site inspections and the impact of Brexit on Malta. The Roundtable was followed up by a detailed publication covering major interventions during this event.

## **Training**

Although the CU regularly keeps the industry updated through Circulars and Newsletter articles, specific sessions are organised with particular emphasis on developments in legislation and regulation.

In view of the entry into force of MiFID II/MiFIR, the MFSA held a workshop session tackling the latest developments and key themes arising from their implementation. This event was designed to raise awareness on the new regulatory obligations linked to MiFID II / MiFIR and covered relevant issues, such as the business impact of MiFID II. The main sessions were delivered by Carlo Comporti and Anne Hyvernaud, from Promontory, both leading experts in this field.

The MFSA in conjunction with the Financial Intelligence Analysis Unit (FIAU) also organised a series of AML/CFT training seminars. This various training events targeted MFSA and FIAU AML/CFT supervisory staff, police, officials from the Office of the Attorney General, members of the judiciary and Money Laundering Reporting Officers and compliance officers from licence holders in the different financial services sectors licenced by the Authority.

Over and above, the CU provided financial, administrative and/or logistical support to various events organised by financial services stakeholders such as the Institute of Financial Services, the Institute of Financial Services Practitioners and the Malta Institute of Management.

## **Print media**

In 2017, the MFSA maintained its presence in the international media. These included a regular presence in the leading financial journal *Captive Review*. This publication has during the year recognised Malta as best EU domicile for captive insurance in the European & UK Captive Awards 2017.

Malta was also featured in a *Globus Vision Report* published by *The World Folio*.

Direct contact was maintained with the media through the publication of Media Releases and other Notices 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 CU also oversees the publication of the MFSA Annual Report, the monthly Newsletter which has over 5,000 subscribers as well as the publication of notices and adverts as required in the media.

In 2017, the Authority issued through the Unit 104 Notices, 83 Circulars, five local Warnings and over 350 foreign Warnings. In its effort to include industry at every stage of the regulatory process, the MFSA issued 12 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 CU also manages the Intranet system through which members of the staff are continuously updated with developments both of a regulatory, administrative but also day-to-day issues at the Authority as required. The intranet supports the professional development of MFSA staff with the inclusion of a number of journals and relevant publications which assist the staff in various areas of their work, including policy development, regulatory aspects as well as emerging issues in the industry.

The CU continued to build on its formal library, which was established in 2015. The library is regularly enhanced with new publications related to legislative and regulatory developments in the financial services industry. The MFSA invests in such publications to support the continuous professional development of its staff.

Moreover the CU also represents the Authority at a number of meetings organised by the ECB and EIOPA and 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 education**

During the year under review, the CU continued to handle different enquiries by the public both in person, by telephone and e-mail.

In 2017 the Authority launched the revamped "mymoneybox" consumer web portal which provides comprehensive and impartial information to consumers on financial products and services. In addition, the portal provides comparative tables on bank and brokerage charges, comparative database of motor insurance policy features, and also a dedicated section addressing frequently asked questions on the subject matter.

In addition, the Unit also handles the Authority's social media initiatives that include Facebook and Twitter pages targeting the consumer at large by providing advice on financial services and products, while also alerting on fraudulent financial activities.

The CU also undertakes to issue the MFSA monthly online consumer newsletter "mymoneybox" which features educational topics on financial services and products, current financial warnings and an overview of the educational activities carried out by the Unit.

The MFSA also hosts and provides educational presentations and talks to students from local schools visiting the Authority.

As part of its consumer education remit, the CU has also embarked to issue a series of booklets relating to financial education and other informative material.





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# APPENDICES

## APPENDIX I – ACTS, LEGAL NOTICES AND GOVERNMENT NOTICES ISSUED IN 2017

### Acts

- Banking (Amendment) Act 2017  
Published on 17.3.2017 as Act X of 2017
- Companies (Amendment) Act 2017  
Published on 21.03.2017 as Act XI of 2017
- Various Financial Services Laws (Amendment) Act 2017  
Published on 22.12.2017 as Act XXXI of 2017

### Legal Notices

- Transfer of Registered Office of a European Company (SE) Regulations, 2017  
Published on 11.01.2017 as LN 19 of 2017
- Companies Act (Investment Companies with Variable Share Capital) (Amendment) Regulations, 2017  
Published 11.01.2017 as LN 18 of 2017
- Companies Act (Fees) (Amendment) Regulations  
Published on 19.07.2017 as LN 194 of 2017
- Insurance Business (Exemptions)(Amendment) Regulations, 2017  
Published on 25.01.2017 as LN 34 of 2017
- Insurance Business (General Provisions of Supervision)(Amendment) Regulations, 2017  
Published on 25.01.2017 as LN 35 of 2017
- Insurance Business (Supervision of Insurance and Reinsurance Undertakings in a Group) (Amendment) Regulations, 2017  
Published on 21.02.2017 as LN 63 of 2017
- Malta Financial Services Authority Act (Transparency of securities financing transactions and of reuse) Regulations  
Published on 10.03.2017 as LN 78 of 2017
- Malta Financial Services Authority Act (Indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds) Regulations  
Published on 10.03.2017 as LN 77 of 2017
- Recovery and Resolution (Amendment) Regulations  
Published on 17.03.2017 as LN 89 of 2017
- Depositor Compensation Scheme (Amendment) Regulations, 2017  
Published on 02.05.2017 as LN 132 of 2017

- Companies Act (System of Interconnection of Registers) Regulations, 2017  
Published on 08.08.2017 as LN 202 of 2017
- Financial Markets Act - Fair Presentation of Investment Recommendations and Disclosure of Conflicts of Interest (Revocation) Regulations, 2017;  
Published on 15.09.2017 as LN 232 of 2017
- Financial Markets Act - Market Practices and Manipulative Behaviour (Revocation) Regulations, 2017;  
Published on 15.09.2017 as LN 231 of 2017
- Financial Markets Act - Disclosure and Notification (Revocation) Regulations, 2017  
Published on 15.09.2017 as LN 229 of 2017
- Investment Services Act - Investor Compensation Scheme (Amendment) Regulation  
Published on 15.09.2017 as LN 230 of 2017
- Declaration of Bank Holidays Order 2017  
Published on 12.12.2017 as LN 363 of 2017
- Regulated Markets (Authorisation Requirements) (Amendment) Regulations, issued under the Financial Markets Act  
Published on 22.12.2017 as LN 385 of 2017
- Financial Markets Act (Membership and Access) (Amendment) Regulations, issued under the Financial Markets Act  
  
Published on 22.12.2017 as LN 386 of 2017
- Central Counterparties Access Regulations, issued under the Financial Markets Act and the Investment Services Act  
Published on 22.12.2017 as LN 387 of 2017
- European Rights for Regulated Markets (Amendment) Regulations, issued under the Financial Markets Act  
Published on 22.12.2017 as LN 388 of 2017
- Position Limits and Position Management Controls in Commodity Derivatives and Reporting Regulations, issued under the Financial Markets Act and the Investment Services Act  
Published on 22.12.2017 as LN 389 of 2017
- Financial Markets Act (SME Growth Markets) Regulations, issued under the Financial Markets Act;  
Published on 22.12.2017 as LN 390 of 2017
- Data Reporting Services Regulations, issued under the Financial Markets Act and the Investment Services Act;  
Published on 22.12.2017 as LN 391 of 2017
- Financial Markets Act (MiFID and MiFIR Administrative Penalties, Measures and Investigatory Powers) Regulations, issued under the Financial Markets Act and the MFSA Act;  
Published on 22.12.2017 as LN 392 of 2017
- Financial Markets Act (Transparency) (Revocation) Regulations, issued under the Financial Markets Act;  
Published on 22.12.2017 as LN 393 of 2017
- Financial Markets Act (Off-Market Deals) (Revocation) Regulations, issued under the Financial Markets Act.  
Published on 22.12.2017 as LN 394 of 2017

- Algorithmic Trading Regulations, issued under the Investment Services Act and the Financial Markets Act  
Published on 22.12.2017 as LN 395 of 2017
- Investment Services Act (Exemption) (Amendment) Regulations, issued under the Investment Services Act  
Published on 22.12.2017 as LN 396 of 2017
- European Passport Rights for Investment Firms (Amendment) Regulations, issued under the Investment Services Act  
Published on 22.12.2017 as LN 397 of 2017
- Investment Services Act (Control of Assets) (Amendment) Regulations, issued under the Investment Services Act  
Published on 22.12.2017 as LN 398 of 2017
- European Passport Rights for Persons Operating Multilateral Trading Facilities (Amendment) Regulations,  
issued under the Investment Services Act.  
Published on 22.12.2017 as LN 399 of 2017
- Multilateral Trading Facilities and Organised Trading Facilities Regulations, issued under the Investment  
Services Act and the Financial Markets Act;  
Published on 22.12.2017 as LN 400 of 2017
- Investment Services Act (Provision of Investment Services and Activities by Third Country Firms) Regulations,  
issued under the Investment Services Act;  
Published on 22.12.2017 as LN 405 of 2017
- MiFID and MiFIR Administrative Penalties, Measures and Investigatory Powers Regulations, issued under the  
Investment Services Act and the Banking Act  
Published on 22.12.2017 as LN 401 of 2017
- Investment Services Act - Alternative Investment Fund Manager (Passport) (Amendment) Regulations, issued  
under the Investment Services Act  
Published on 22.12.2017 as LN 404 of 2017
- Markets in Financial Instruments Regulations, issued under the Malta Financial Services Authority Act, the  
Financial Markets Act, the Investment Services Act and the Banking Act;  
Published on 22.12.2017 as LN 402 of 2017
- Investment Services Act – Tied Agents Regulations, issued under the Investment Services Act.  
Published on 22.12.2017 as LN 403 of 2017
- Commencement Notice (Various Financial Services Laws (Amendment) Act) (Mifid Bill)  
Published on 22.12.2017 as LN 384 of 2017
- Financial Markets Act (CSDR Administrative Penalties, Measures and Investigatory Powers) Regulations, 2016  
Published on 22.12.2017; as LN 407 of 2017
- Financial Markets Act - Central Securities Depository (Authorisation Requirements)(Revocation) Regulations  
Published on 22.12.2017; as LN 406 of 2017
- Financial Markets Act - Designated Financial Instruments (Revocation) Regulation  
Published on 22.12.2017; as LN 408 of 2017

## APPENDIX II: RULES: ISSUED AND REVISED IN 2017

### Insurance Rules

- Chapter 1 (The Application Process) of the Insurance Rules issued under the Insurance Business Act (Cap. 403)
- Chapter 8 (Financial Statements and Supervisory Reporting Requirements) of the Insurance Rules issued under the Insurance Business Act and Annex IV, and the introduction of a new Annex V to the said Chapter.
- Chapter 9 (Freedom of Establishment and Freedom to provide Services by a European Insurance Undertaking and a European Reinsurance Undertaking) of the Insurance Rules issued under the Insurance Business Act
- Chapter 10 (Freedom of Establishment and Freedom to provide Services by a Maltese Insurance Undertaking and a Maltese Reinsurance Undertaking) of the Insurance Rules issued under the Insurance Business Act
- Chapter 12 (Conduct of Business Rules) of the Insurance Rules issued under the Insurance Business Act.
- Chapter 13 (General Principles of Supervision Rules) of Part B of the Insurance Rules issued under the Insurance Business Act.
- Chapter 14 (Reinsurance Special Purpose Vehicles) of the Insurance Rules issued under the Insurance Business Act and to the First Schedule (Application for authorisation of a RSPV), as well as the introduction of a new Second Schedule (Application for authorisation of a RSPV SCC) and a new Third Schedule (Application for approval of a cell of a RSPV SCC)

### Insurance Intermediaries Rules

- Insurance Intermediaries Rule 3 of 2007 (Disclosure of Information for Clients);
- Insurance Intermediaries Rule 4 of 2007 (Code of Conduct for Insurance Intermediaries);
- Insurance Intermediaries Rule 23 of 2008 (Carrying out Insurance Intermediaries Activities through the Internet); and
- Insurance Intermediaries Rule 25 of 2013 (Complaints-Handling by Insurance Intermediaries).

### Pensions

- Appendix II (Complaints Procedure) of Part E of the Pension Rules for Service Providers issued under the Retirement Pensions Act (Cap. 514).

### Investment Services Rules

- Issuance of the Financial Market Rules for Trading Venues, DRSPs and Central Securities Depositories on 19 December 2017
- Amendments to the Wholesale Securities Markets Listing Rules
- Amendments to the Listing Rules (inclusion of a cross reference to Listing Rule 5.73A in the definition of “Regulated Information” which reflect the Malta’s transposition obligations after the Transparency Directive was amended;

- Amendments to Part BII, III, IV of the Investment Services Rules for Investment Services Licence Holders
- Amendments to the old version of Part BI of the Investment Services Rules for Investment Services Licence Holders with cross-references to new references inter alia being made to the Conduct of Business Rulebook, MiFIR and the new Part BI;
- Amendments to Appendix 12 to Part B of the Investment Services Rules for Investment Services Providers;
- Amendments to Part B and Appendix 7 to Part B of the Investment Services Rules for Alternative Investment Funds
- Amendments to Appendix VIII to Part B of the Investment Services Rules for Retail Collective Investment Schemes;
- Introduction of new Guidance Notes on the Application of the Proportionality Principle in relation to the ESMA Guidelines on Sound Remuneration Policies under the UCITS Directive and the AIFMD;

### **Conduct of Business**

- Issuing of the Conduct of Business Rulebook implementing the provisions of the Markets in Financial Instruments Directive II and the Insurance Distribution Directive together with the relevant delegated legislation issued thereunder.

## APPENDIX III - CIRCULARS ISSUED IN 2017

<b>Date</b>	<b>Circular</b>
<b>Anti-Money Laundering</b>	
17/07/2017	FATF identifies jurisdictions with strategic deficiencies
<b>Banking Supervision</b>	
26/01/2017	Assessment Required Prior To Proposing Individuals for Approved Positions
09/03/2017	Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups
05/05/2017	Draft Implementing Technical Standards (ITS) requirements with regards to IT solutions for the submission of supervisory reporting from credit institutions to the Authority
07/11/2017	Ongoing own funds requirements
<b>Insurance and Pensions Supervision</b>	
12/01/2017	Amendments to Annex – “Complaints Reported by Insurance Undertakings”, to Chapter 12 of the Insurance Rules
26/01/2017	Assessment Required Prior To Proposing Individuals for Approved Positions
15/03/2017	Circular to Enrolled Persons carrying on Insurance Intermediaries Activities who are required to submit the management accounts and the compliance statements in terms of their licensing conditions
29/03/2017	EIOPA Guidelines on Facilitating an Effective Dialogue between Insurance Supervisors and Statutory Auditors
10/04/2017	Transposition of the Insurance Distribution Directive
27/04/2017	Circular addressed to Reinsurance Special Purpose Vehicles who are required to submit the annual information stipulated under Article 14.3 of Chapter 14 of the Insurance Rules issued under the Insurance Business Act (Cap. 403)
22/05/2017	Changes to the Personal Injury Discount Rate in the UK (“Ogden Discount Rate”)
28/06/2017	Changes to Chapter 14 of the Insurance Rules - Application Forms for RSPVs and RSPV SCCs
19/07/2017	Amendments to the Pension Rules for Service Providers relating to Complaints
19/07/2017	Amendments to Insurance Rules and Insurance Intermediaries Rules relating to Complaints
02/08/2017	Amendments to Insurance Rules
04/09/2017	Insurance Distribution Directive (“IDD”) Regulation - Delegated Regulation on the Insurance Product Information Document (“IPID”)
04/09/2017	Packaged Retail and Insurance - Based Investment Products (“PRIIPs”) Regulation - Guidelines issued by the European Commission

29/11/2017	Circular to licensed Service Providers who are required to submit the annual and quarterly financial returns as stipulated under Part B of the Pension Rules for Service Providers issued in terms of the Retirement Pensions Act, 2011
07/12/2017	Legal Entity Identifier under MIFID II and MIFIR as applicable to Retirement Schemes licensed under the Retirement Pensions Act
<b>Solvency II</b>	
25/09/2017	Insurance and Reinsurance Undertakings
<b>Securities and Markets Supervision</b>	
<i>CRD IV</i>	
09/01/2017	Own Funds Requirements for Investment Firms and Fund Managers based on Fixed Overheads under Article 97(4) of Regulation (EU) No 575/2013
<i>EMIR</i>	
10/04/2017	European Markets Infrastructure Regulation No 648/2012 ('EMIR') - Reporting Obligation
<b>Investment Services</b>	
09/01/2017	Own Funds Requirements for Investment Firms and Fund Managers based on Fixed Overheads under Article 97(4) of Regulation (EU) No 575/2013
26/01/2017	Assessment Required Prior To Proposing Individuals for Approved Positions
08/02/2017	Changes to the Standard Licence Conditions applicable to Category 4 Investment Services Licence Holders
14/07/2017	Data Collection to Support the New Prudential Framework for Investment Firms
18/09/2017	Critical Supervision and resulting Administrative Measures
18/12/2017	Circular on the issue of the revised Part BI of the Investment Services Rules for Investment Services Providers
29/12/2017	Circular on the revised Part BII, Part BIII and Part BIV of the Investment Services Rules for Investment Services Providers
<b>Collective Investment Schemes</b>	
06/01/2017	Revised Application Forms for CISs
09/03/2017	Assessment Required Prior To Proposing Individuals for Approved Positions
18/09/2017	Critical Supervision and resulting Administrative Measures

<b>Financial Markets</b>	
06/01/2017	ESMA publishes 20th extract on enforcement decisions on Financial Statements
07/02/2017	ESMA Questions and Answers (Q&A) Document on Alternative Performance Measures
13/03/2017	Regulation (EU) No 909/2014 of the Central Securities Depository Regulation ('CSDR')
19/12/2017	Revised Financial Market Rules for Trading Venues, DRSPs and Central Securities Depositories

<b>MiFID and MiFIR</b>	
09/01/2017	Own Funds Requirements for Investment Firms and Fund Managers based on Fixed Overheads under Article 97(4) of Regulation (EU) No 575/2013
17/01/2017	Briefing on Markets in Financial Instruments Directive ('MiFID II') technical data reporting requirements
15/02/2017	Transposition of MiFID II
03/03/2017	Markets in Financial Instruments Directive ('MiFID II') and Markets in Financial Instruments Regulations ('MiFIR')
18/04/2017	MiFID II Regulatory Technical Standards (RTS) and Delegated Acts
25/05/2017	Markets in Financial Instruments Directive ('MiFID II') and Markets in Financial Instruments Regulations ('MiFIR')
19/06/2017	Markets in Financial Instruments Regulations ('MiFIR') - Consultation Paper on the Trading Obligation for Derivatives under MiFIR
05/10/2017	Revisions to the Investment Services Licence - Directive 2014/65/EU of the European Parliament and of the Council - Markets in Financial Instruments Directive ("MiFID II")
13/10/2017	Circular on Directive 2014/65/EU on Markets in Financial Instruments ('MiFID II') and Regulation 600/2014 on Markets in Financial Instruments ('MiFIR')
03/11/2017	Markets in Financial Instruments Directive ('MiFID II') and Markets in Financial Instruments Regulations ('MiFIR') transaction reporting
17/11/2017	No LEI No Trade - requirement to obtain a Legal Entity Identifier under MiFID II
29/11/2017	Markets in Financial Instruments Directive ('MiFID II') and Markets in Financial Instruments Regulations ('MiFIR') - Transaction Reporting
18/12/2017	Circular on the issue of the revised Part BI of the Investment Services Rules for Investment Services Providers
19/12/2017	Circular on the revised Financial Market Rules for Trading Venues, DRSPs and Central Securities Depositories
21/12/2017	Transition from 'Phase 3: Validation Testing' to 'Go-Live'
21/12/2017	European Securities and Markets Authority ('ESMA') Statement Supporting the Smooth Implementation of Legal Entity Identifiers ('LEI') Requirements under MiFIR
22/12/2017	Transaction Reporting
22/12/2017	Requirement to obtain a Legal Entity Identifier ('LEI')



29/12/2017	Circular on the revised Part BII, Part BIII and Part BIV of the Investment Services Rules for Investment Services Providers
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### UCITS

09/01/2017	Own Funds Requirements for Investment Firms and Fund Managers based on Fixed Overheads under Article 97(4) of Regulation (EU) No 575/2013
31/01/2017	Implementation of the ESMA Guidelines on Sound Remuneration Policies under the UCITS Directive and the AIFMD
09/05/2017	Implementation of the ESMA Guidelines on Sound Remuneration Policies under the UCITS Directive and the AIFMD

### AIFMD

09/01/2017	Own Funds Requirements for Investment Firms and Fund Managers based on Fixed Overheads under Article 97(4) of Regulation (EU) No 575/2013
31/01/2017	Implementation of the ESMA Guidelines on Sound Remuneration Policies under the UCITS Directive and the AIFMD
09/05/2017	Implementation of the ESMA Guidelines on Sound Remuneration Policies under the UCITS Directive and the AIFMD

### Conduct of Business

27/01/2017	Clarification on updates to the COREP return
06/02/2017	EIOPA consults on Guidelines issued under the Insurance Distribution Directive on Complex Insurance-Based Investment Products
20/02/2017	Preparatory Guidelines on Product Oversight and Governance arrangements by insurance undertakings and insurance distributors as required by the Insurance Distribution Directive ("IDD")
15/03/2017	Packaged Retail and Insurance-Based Investment Products ("PRIIPs") Regulation - Delegated Regulation on the Key Information Document ("KID")
04/04/2017	Update - Circular addressed to Investment Firms and/or Applicants for an Investment Services Licence offering or intending to offer Financial Contracts for Difference (CFDs) and other speculative products
06/04/2017	Preparatory Guidelines on Product Oversight and Governance arrangements by insurance undertakings and insurance distributors as required by the Insurance Distribution Directive ("IDD")
25/04/2017	ESMA MiFID II / MiFIR Investor Protection Q&As
06/07/2017	Circular addressed to Category 2 and Category 3 Investment Firms Updates to the COREP Return
04/08/2017	MiFID II Updates
11/10/2017	ESMA MiFID II / MiFIR Investor Protection Q&As
20/11/2017	ESMA MiFID II / MiFIR Investor Protection Q&As
18/12/2017	Update on ESMA Statement on the preparatory work of ESMA in relation to Contracts for Difference [CFDs], including rolling spot forex, Binary options and other speculative products

21/12/2017	ESMA MiFID II / MiFIR Investor Protection Q&As
29/12/2017	Circular addressed to Investment Services Licence Holders in terms of Part B1 of the Investment Services Rules for Investment Services Providers
29/12/2017	Conduct of Business Rulebook

### **Trust and Fiduciaries**

26/01/2017	Assessment Required Prior To Proposing Individuals for Approved Positions
20/11/2017	Requirements relating to a Legal Entity Identifier under MIFID II and MiFIR as applicable to Persons Authorised under the Trusts and Trustees Act
29/12/2017	Notice of coming into force of Regulations and Various Financial Services Laws

### **Company Service Providers**

26/01/2017	Assessment Required Prior To Proposing Individuals for Approved Positions
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### **Prevention of Market Abuse**

05/01/2017	The Person Discharging Managerial Responsibilities ['PDMR'] Form
23/01/2017	Prevention of Financial Markets Abuse - Guidance Notes
01/02/2017	Market Abuse Regulation – Q & A Document
04/09/2017	Market Abuse Regulation – Q & A Document
29/09/2017	Market Abuse Regulation – Q & A Document
18/12/2017	Market Abuse Regulation – Q & A Document

## APPENDIX IV – CONSULTATION PAPERS ISSUED IN 2017

<i><b>Date issued</b></i>	<i><b>Consultation</b></i>
01/02/2017	Consultation Document on the amendments to Chapter 11 of the Listing Rules
16/02/2017	Consultation with the financial services industry with regards to a number of Legal Notices transposing MiFID II
27/02/2017	Consultation Document on the amendments to Chapter 11 of the Listing Rules – Extension of Consultation Period
16/03/2017	Consultation on the proposed Changes to Part A and Part BI of the Investment Services Rules for Investment Services Providers
03/07/2017	Consultation on the Proposed Amendments to the Insurance Intermediaries Act and the Insurance Business Act
07/08/2017	Consultation on Proposed Amendments to the Notified Investment Funds Regime (NAIFS)
23/10/2017	Consultation on the Proposed Regulation of Collective Investment Schemes investing in Virtual Currencies
13/11/2017	Note regarding an Extension of Consultation Period - Proposed Regulation of Collective Investment Schemes investing in Virtual Currencies
22/11/2017	Consultation on Proposed Amendments to the Credit Institutions and Financial Institutions (Payment Accounts) Regulations (S.L. 371.18)
30/11/2017	Discussion Paper on Initial Coin Offerings, Virtual Currencies and related Service Providers
06/12/2017	Consultation on Amendments to the Pension Rules for Personal Retirement Schemes
07/12/2017	Consultation on Proposed Amendments to Chapter 8 of the Listing Rules Regulating Exchange Traded Funds in Malta
22/12/2017	Consultation - Request for Contributions to a Proposed Review of Chapter 11 of the Listing Rules - Takeover Bids

## APPENDIX V: ISSUED AND SURRENDERED LICENCES IN 2017

### NEW LICENCES

#### **CREDIT INSTITUTIONS**

##### *Merger*

- Mediterranean Corporate Bank Limited, a company authorised to carry on the business of banking in terms of the Banking Act 1994 has merged into Mediterranean Bank plc, a company which is also authorised to carry on the business of banking in terms of the Act. Consequently, Mediterranean Corporate Bank Limited's authorisation ceased to be operative upon the effective date of the merger.

#### **FINANCIAL INSTITUTIONS**

##### *Licence issued to:*

- AYN Limited
- Integra Private Wealth Limited
- MoneyMatrix
- Payscout Limited
- Phoenix Payments Limited
- UnionGoldenPay Limited

##### *Extension of licence issued to:*

- Money + Card Payment Institution Limited to carry out the activity of Issuing of Electronic Money as defined in the Third Schedule to the Financial Institutions Act
- Papaya Limited to provide payment services

#### **INSURANCE**

##### **Insurance undertakings**

##### *Licence issued to:*

- London & Leith PCC SE to carry on business of insurance and reinsurance in all classes of the general business
- Munich Re PCC Limited to carry on business of insurance in two classes of the long term business
- Traveljigsaw Insurance Limited to carry on business of insurance and reinsurance in two classes of the general business
- Tulip Assist Insurance Limited to carry on business of insurance in three classes of the general business

##### *Extension of authorisation issued to:*

- Hillwood Limited to carry on business of reinsurance in three classes of the general business
- Rhenas Insurance Limited to carry on business of reinsurance in one more class of the general business

### **Protected cells**

#### *Approval for:*

- Cell Coopex as a cell of Highdome PCC Limited to write business of insurance in one class of the general business
- Cell Savings and Investments as a cell of Munich Re PCC Limited to write business of insurance in two classes of the long term business

### **Insurance brokers**

#### *Enrolment in the Brokers List:*

- CLS Risk Solutions Limited
- Keystone Brokers Limited

### **Underwriting agreement**

- Island Insurance Brokers Limited was granted the registration of an underwriting agreement with Certain Underwriters at Lloyd's in seven classes of the general business in terms of article 32 of the Insurance Intermediaries Act, 2006
- Osprey Insurance Brokers Company Limited was granted the registration of an underwriting agreement with Advent Capital Holdings (Lloyd's Syndicate 780) in two classes of the general business, in terms of article 32 of the Insurance Intermediaries Act, 2006

### **Binding authority agreement**

- CLS Risk Solutions Ltd to accept business of insurance under the underwriting agreement entered into with ERGO Versicherung AG - UK Branch in three classes of the general business

## **SECURITIES**

### **Investment services**

#### *New licenses*

#### **CATEGORY 1**

- Category 1A licence issued to ELP Finance Limited
- Category 1B licence issued to Wood Finance Limited

## CATEGORY 2

### *Licence issued to:*

- Oneka Asset Management Limited
- ReAPS Asset Management Limited
- Audentia Capital Management Limited
- Swissquote Financial Services (Malta) Limited
- Constat Asset Management Limited
- Gala Investments Limited
- NordHedge Asset Management Limited
- APartners Capital Investment Management Limited
- SDP Capital Management (Malta) Limited
- Alanda Capital Management (Malta) Limited
- fair-finance Asset Management Limited
- FABAR Wealth Management Limited
- Beside Asset Management Limited
- Vitesse Capital Limited

### *Extension of license issued to:*

- Aramis Capital (Europe) Ltd to provide investment advice to Professional Clients (including Collective Investment Schemes) and Eligible Counterparties in relation to all the instruments listed in the Second Schedule to the Investment Services Act
- BOV Asset Management Limited to include Management of Investments to Professional Clients and Eligible Counterparties in relation to a number of instruments listed in the Second Schedule of the Investment Services Act, 1994
- FXDD Malta Limited to provide dealing on own account and execution of orders on behalf of other persons to Retail Clients, Professional Clients (including collective investment schemes) and Eligible Counterparties in relation to a number of investment instruments
- Gamma Capital Markets Limited to include the provision of Investment Advice to Retail Clients in relation to all the instruments listed in the Second Schedule and also to reflect that Nominee Services may be provided to Retail Clients and Professional Clients (excluding Collective Investment Schemes)

### *Revision of Investment Services Licence issued to:*

- Altarius Asset Management Limited to provide Investment Management Services in relation to 'Options, futures, swaps, forward rate agreements, and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event)
- AQA Capital Limited to provide Nominee Services for Retail Clients and Professional Clients (excluding Collective Investment Schemes)
- Auriga Asset Management Limited to act as a De-Minimis Licence Holder on the basis that it qualifies for the De Minimis exemption pursuant to Article 3(2) of the AIFMD

- Castille Capital Management Limited to reflect the change in the nature of authorisation. The Company will qualify as an AIFM pursuant to Directive 2011/61/EU
- Falcon Money Management Limited to reflect the conversion of the Company from a De Minimis AIFM to a full Alternative Investment Fund Manager
- Framont & Partners Management Limited to include the provision of reception and transmission of orders for Retail Clients, Professional Clients and Eligible Counterparties and Nominee Services for Retail Clients, Professional Clients (excluding collective investment schemes), and Eligible Counterparties
- Tendall Capital Markets Limited to include the provision of Nominee Services to Retail Clients, Professional Clients (including collective investment schemes) and Eligible Counterparties in relation to the same instruments listed in the Company's current licence
- Oceanwood Capital Management Limited to include the provision of Management of Investments for Professional Clients

#### *Upgrade of licence issued to:*

- Langlade Capital Advisors Limited to provide Investment Management services to Professional Clients (excluding collective investment schemes) in relation to transferable securities and units in collective investment schemes
- Standard Advisory Services Limited to provide Investment Advice and Management of Investments to Professional Clients (excluding Collective Investment Schemes) and Eligible Counterparties in relation to Transferable Securities and Money Market Instruments

### **CATEGORY 3**

- ALB Forex Trading Limited

#### *AIFM*

- Revision of licence issued to AQA Capital Limited to act as an Alternative Investment Fund Manager

### *Collective Investment Schemes*

### **PROFESSIONAL INVESTOR FUNDS TARGETING QUALIFYING INVESTORS**

#### *Collective investment schemes licenses issued to:*

- AlgoEngineering SICAV plc
- Audentia Capital SICAV II plc in respect of twenty sub-funds
- Blue Star Vision IC SICAV plc
- Cannonball SICAV plc in respect of one sub-fund
- Catey Investments (SICAV) plc in respect of one sub-fund
- ETSF Fund SICAV plc in respect of two sub-funds
- E2A Capital SICAV plc in respect of one sub-fund
- Haven Cove SICAV plc in respect of one sub-fund

- HFH SICAV plc in respect of one sub-fund
- Higher Ground SICAV plc in respect of one sub-fund
- Himalaya SICAV plc in respect of one sub-fund
- Jacaranda Special Situations SICAV plc in respect of one sub-fund
- Lemuria Partners SICAV plc in respect of one sub-fund
- Nina Fund SICAV plc in respect of one sub-fund
- Patrimonium SICAV plc in respect of two sub-funds
- PerSystemcy SICAV plc in respect of one sub-fund
- Pilatus SICAV plc in respect of one sub-fund
- PMG Special Funds SICAV plc in respect of one sub-fund
- PMG Partners SICAV plc in respect of one sub-fund
- Primo Forex Fund SICAV plc in respect of one sub-fund
- RESCO Funds SICAV plc in respect of one sub-fund
- Selenium SICAV plc in respect of six sub-funds
- Spectrum Fund SICAV plc in respect of one sub-fund
- Strategica Funds SICAV plc in respect of one sub-fund
- Top Selection Fund SICAV plc in respect of one sub-fund
- VIP Select Funds SICAV plc in respect of one sub-fund

#### **PROFESSIONAL INVESTOR FUNDS TARGETING EXPERIENCED INVESTORS**

*Collective Investment Scheme licence issued to:*

- Heritage SICAV plc in respect of one sub-fund
- PMG Partners SICAV plc in respect of one sub-fund
- Reitway Leveraged Global Property Portfolio (MLT) SICAV plc
- Mistral KBCM Global Macro Hedge Fund IC SICAV plc
- Vitruvian Fund SICAV IC plc in respect of one sub-fund

#### **ALTERNATIVE INVESTMENT FUNDS TARGETING PROFESSIONAL INVESTORS**

*Collective Investment Scheme licence issued to:*

- AUGÉ SICAV plc in respect of one sub-fund
- CTH SICAV plc in respect of one sub-fund



## ALTERNATIVE INVESTMENT FUNDS TARGETING PROFESSIONAL AND QUALIFYING INVESTORS

*Collective Investment Scheme licence issued to:*

- Almagest SICAV plc in respect of one sub-fund
- Centurion Global Fund SICAV plc in respect of three sub-funds

## ALTERNATIVE INVESTMENT FUNDS TARGETING QUALIFYING INVESTORS

*Collective Investment Scheme licence issued to:*

- Greenshark Investment SICAV plc in respect of one sub-fund
- Hold plc in respect of one sub-fund

## NOTIFIED ALTERNATIVE INVESTMENT FUNDS TARGETING QUALIFYING INVESTORS

- Apollo IFINA SICAV plc in respect of one sub-fund included in the List of Notified AIFs in terms of Regulation 6 of the Investment Services Act (List of Notified AIFs) Regulations 2016
- Bergholt SICAV plc in respect of one sub-fund included in the List of Notified AIFs in terms of Regulation 6 of the Investment Services Act (List of Notified AIFs) Regulations 2016
- Global Series SICAV plc in respect of two sub-funds included in the List of Notified AIFs in terms of Regulation 6 of the Investment Services Act (List of Notified AIFs) Regulations 2016
- High Tech Private Equity Fund SICAV plc in respect of one sub-fund included in the List of Notified AIFs in terms of Regulation 6 of the Investment Services Act (List of Notified AIFs) Regulations 2016

## NOTIFIED ALTERNATIVE INVESTMENT FUNDS TARGETING QUALIFYING AND PROFESSIONAL INVESTORS

*In terms of Regulation 6 of the Investment Services Act (List of Notified AIFs) Regulations 2016:*

- Alerce SICAV plc in respect of one sub-fund included in the List of Notified AIFs
- Ariadne Capital ECO2 VC Limited Partnership in respect of four sub-funds included in the List of Notified AIFs
- Cosmos SICAV plc in respect of three sub-funds included in the List of Notified AIFs
- Mistral KBCM Global Macro Hedge Fund IC SICAV plc
- Prescient Asset Fund SICAV plc in respect of one sub-fund included

## UCITS

*Collective Investment Scheme licence issued to:*

- APS Funds SICAV plc in respect of one sub-fund
- ARIA SICAV plc in respect of eight sub-funds
- AQA UCITS Funds SICAV plc in respect of two sub-funds

- Arco SICAV plc in respect of six sub-funds
- Calamatta Cuscheri Funds SICAV plc in respect of three sub-funds
- Eiger SICAV plc in respect of two sub-funds
- Highland SICAV plc in respect of one sub-fund
- Lane Bridge UCITS SICAV plc in respect of two sub-funds
- Merrill SICAV plc in respect of two sub-funds
- MFP SICAV plc in respect of one sub-fund
- Solutions Capital Management SICAV plc in respect of one sub-fund
- Waterfront SICAV plc in respect of one sub-fund

### RECOGNISED INCORPORATED CELL COMPANIES

- Recognition Certificate issued to Scotstone RICC Limited

#### *Collective Investment Schemes – Conversion of Licenses*

- ACL Fund SICAV plc was converted from Professional Investor Fund to Alternative Investment Fund
- APS Funds SICAV plc was converted from Non-UCITS to UCITS
- AUM Asset Management Limited from a De Minimis AIFM to a full Alternative Investment Fund Manager
- AUM Global Platform SICAV plc in respect of the *Streaming Technology Fund* so as to reflect the conversion of the Scheme from a Professional Investor Fund to an Alternative Investment Fund
- AUM Total Return Umbrella Fund SICAV plc in respect of the Asset Allocation Fund and the Knight Shield Fund (“the Sub-Funds”) so as to reflect the conversion of the Scheme from a Professional Investor Fund to an Alternative Investment Fund
- Cosmos Diversified Global Markets Fund SICAV plc was converted from Professional Investor Fund to Alternative Investment Fund
- CTH SICAV plc was converted from Professional Investor Fund to Alternative Investment Fund
- DTMR Management SICAV plc was converted from Professional Investor Fund to Alternative Investment Fund in respect of one sub-fund
- EOS SICAV plc were converted from Professional Investor Fund to Alternative Investment Fund in respect of four sub-funds
- E Square IC SICAV plc so as to reflect the conversion of the Scheme from a Professional Investor Fund to an Alternative Investment Fund
- InvestInvent Fund SICAV plc was converted from Professional Investor Fund to Alternative Investment Fund
- Knights of Malta Investments Funds SICAV plc was converted into an Incorporated Cell
- Lascaris Capital Fund SICAV plc was converted from Professional Investor Fund to Alternative Investment Fund
- Malta IFP SICAV plc was converted from Professional Investor Fund to Alternative Investment Fund

- Prime Pan-Asia Investment Fund SICAV plc was converted from Professional Investor Fund to Alternative Investment Fund
- Shelter Island Fund SICAV plc in respect of *Shelter Island Total Return Fund II* to reflect the conversion of the Scheme from a Professional Investment Fund to a third-party managed UCITS Scheme
- Titan Opportunities IC SICAV plc was converted from Professional Investor Fund to Alternative Investment Fund
- The ARP Funds (SICAV) plc was converted into an Incorporated Cell

## *Trustees and Fiduciaries*

### *Authorisation issued to:*

- Family Office Limited to receive property under trusts and to act as a trustee or co-trustee and to provide other fiduciary services including acting as an administrator of private foundations in terms of Article 43 of the Trusts and Trustees Act
- Fidgen Malta Limited to receive property under trusts and to act as a trustee or co-trustee and to provide other fiduciary services including acting as an administrator of private foundations in terms of Article 43 of the Trusts and Trustees Act
- Gateway Family Trust Limited to act as a family trust
- HLB Fiduciaries Malta Limited to receive property under trusts and to act as a trustee or co-trustee and to provide other fiduciary services including acting as an administrator of private foundations in terms of Article 43 of the Trusts and Trustees Act
- IURIS Trustees Limited to act as a trustee and to provide other fiduciary services including the administration of private foundations in terms of Article 43 of the Trusts and Trustees Act
- Kaszony Limited to act as a trustee of a family trust in terms of Article 43B of the Trusts and Trustees Act
- Nadier Trustees Limited to act as a trustee and to provide other fiduciary services including acting as administrator of private foundations in terms of Article 43 of the Trusts and Trustees Act
- NewCo Fiduciaries Ltd to provide fiduciary services which do not include acting as Trustee in terms of Article 43 of the Trusts and Trustees Act
- Quantum Family Trust Limited to act as a family trust
- Trustmoore Malta Limited to act as a trustee and to provide other fiduciary services including the administration of private foundations in terms of Article 43 of the Trusts and Trustees Act
- WH Management Ltd to receive property under trusts and to act as a trustee or co-trustee and to provide other fiduciary services including acting as administrator of private foundations in terms of Article 43 of the Trusts and Trustees Act
- Extension issued to GVZH Trustees Limited to include acting as an administrator of private foundations in terms of the Trusts and Trustees Act

## **Pensions**

### *New certificates of registration*

### *Retirement schemes*

#### *Recognition certificate issued to:*

- Boal & Co Malta Pension
- Infinity International Pension Plan
- Pecunia Retirement Benefit Scheme
- Prosperity QROPS Malta
- The Dominion Personal Retirement Contract

### **Back office administrators (exempted)**

- Boal & Co (Pensions) Limited
- MC Trustees (Administration) Limited

### **Back office administrators (recognised)**

#### *Recognition certificate issued to:*

- OFL Administrators (Malta) Limited
- Trireme Pension Services (Malta) Limited

### **Investment manager (registered)**

- Exemption granted to LGT Vestra (Jersey) Ltd to act as an Investment Manager and Custodian through Vesta Wealth (Jersey) Nominees Ltd in terms of the Retirement Pensions Act

### **Company service providers**

#### *Certificate issued to:*

- Abalone Services Limited
- Affinity Corporate Directors Limited
- Artio Corporate Services Limited
- Bencini Demajo Corporate Limited
- Business Serving Limited
- Centaur Services (Malta) Limited
- CSU Corporate Services Limited
- Conlegia Limited

- Delimara Management Limited
- Dominion Marine (Malta) Limited
- Döhle Management (Malta) Limited
- Fenlex Corporate Services Limited
- FJV Management Limited
- Francis J Vassallo & Associates Limited
- FundBPO (Malta) Services
- GM International Services Limited
- ITP Advisors Limited
- IURIS Consult Limited
- JW Services Limited
- Lecocqassociate Limited
- Mare Services Limited
- Meo Limited
- MGI Finconsult Limited
- NMCS Limited
- Omega Services Limited
- RMB Management Ltd
- RTS Advisory Limited
- Salina (Malta) Limited
- Scordis, Papapetrou & Co Consultants Limited
- TMF Management and Administrative Services (Malta) Limited
- Tradinvest International Limited
- USA Risk Group (Malta) Limited
- War Chest Corporate Services Ltd
- YPM Corporate Services Limited

*Extension of registration issued to:*

- Business Serving Limited to include forming companies or other bodies corporate and arranging for another person to act as a director / secretary of a company
- Crystal Worldwide Limited to restrict the service of acting as a director or secretary of a company to acting as secretary of a company

- DGA Corporate Limited to include forming companies or other bodies corporate
- FJV Management Limited to include providing a registered office, a business address, correspondence or administrative address or related services for a body corporate or a partnership
- Integritas Consulting Limited to include arranging for another person to act as a director/ secretary of a company
- Revision of Erremme Corporate Services Limited to provide the services of formation of companies or other legal entities and the provision of a registered office, a business correspondence or administrative address and other related services for a company, a partnership or any other legal entity

## *Securitisation vehicles*

### *Notified securitisation vehicles*

*Acknowledgement issued to:*

- Alternative Investments Securities SCC plc
- AC Securities SCC Limited
- Astra Securities SCC Limited
- Astra Finance SCC Limited
- Barendina Limited
- Premier SCC Limited

## *Cells*

- Absolute Securitisation Cell
- AC Securities - Cell 1
- ADT Vision Convertible Bond ETP Cell
- Cell Salford VC 2
- Dolce Vita Cell
- EvCorp Asset Management Inc Cell
- JCC ALTERNATIVE SIV N° 17 ETP CELL 3
- Kiros Cell
- Montecristo Cell
- SIMA Investments Cell
- Zero Coupon AC Securities SCC Limited Cell 2 Euro Note

## SURRENDERED LICENSES

### *INSURANCE*

#### *Insurance agents*

- SMS Insurance Agency Limited ceased to carry on insurance agency activities on behalf of MAPFRE Middlesea plc

#### *Insurance brokers*

- Surrender of licence issued to Smart Insurance Brokers Limited

### *PENSIONS*

- Surrender of licence issued to Custom House Global Fund Services Limited
- Termination of registration issued to Optimus Retirement Benefit Scheme No. 2

### *INVESTMENT SERVICES*

#### *Category 2*

##### *Surrender of Category 2 licence issued to:*

- AS Financial Services Limited
- Capital Asset Management Limited
- DS Platforms Limited
- Innocap Global Investment Management Limited
- Pamplona FOF Investments Malta Limited
- Rascasse Investments Limited
- Seia Capital Management Limited
- Temple Asset Management Limited
- Utility Capital Management Limited
- W1 Capital Management Limited

### **COLLECTIVE INVESTMENT SCHEMES**

#### *PROFESSIONAL INVESTOR FUNDS TARGETING QUALIFYING INVESTORS*

##### *Surrender of licence issued to:*

- Bosphorus Umbrella SICAV plc
- EYRY IV Fund SICAV plc

- Focus Funds SICAV plc in respect of two sub-funds
- General Investment Markets SICAV plc
- J&T Advanced Solutions SICAV plc in respect of one sub-fund
- KC Funds SICAV plc
- Lansrode Capital Management SICAV plc
- Meridon Funds SICAV plc in respect of one sub-fund
- Metatron Capital SICAV plc in respect of one sub-fund
- Novium Opportunity Umbrella SICAV plc in respect of one sub-fund
- Paragon SICAV plc in respect of one sub-fund
- Paragon SICAV plc in respect of one sub-fund
- Pluri-Invest SICAV plc in respect of two sub-funds
- PMG Partners SICAV plc in respect of one sub-fund
- Polaris Finance SICAV plc in respect of one sub-fund
- Productivity Media SICAV plc
- Rascasse Capital SICAV plc
- Royal Fund SICAV plc
- Strategica Funds SICAV plc in respect of one sub-fund
- Swiss Investment Funds SICAV plc in respect of one sub-fund
- Swissfund SICAV plc
- The Absolute Return Multi-Strategy Fund (SICAV) plc
- The Gandon Macro Fund SICAV plc
- Theorema Fund SICAV plc
- TRIPS SICAV plc in respect of one sub-fund
- TRIPS SICAV plc
- Valoris Fund SICAV plc
- Woodman Funds SICAV plc in respect of three sub-funds
- W1 Fund SICAV plc



### *PROFESSIONAL INVESTOR FUNDS TARGETING EXPERIENCED INVESTORS*

*Surrender of licence issued to:*

- Falcon Investment SICAV plc in respect of one sub-fund
- Focus Funds SICAV plc in respect of one sub-fund
- Somerset Capital Fund SICAV plc
- The Timeless US Growth Fund SICAV plc

### *PROFESSIONAL INVESTOR FUNDS TARGETING EXTRAORDINARY INVESTORS*

*Surrender of licence issued to:*

- AUM Global Platform SICAV plc in respect of one sub-fund
- CTH SICAV plc in respect of one sub-fund
- Southern Cross SICAV plc in respect of one sub-fund

### *ALTERNATIVE INVESTMENT FUNDS TARGETING EXTRAORDINARY INVESTORS*

- Surrender of licences issued to EurAsia Alternative Investments Fund SICAV plc in respect of two sub-funds

### *ALTERNATIVE INVESTMENT FUNDS TARGETING EXPERIENCED INVESTORS*

- Surrender of licence issued to Comino II Umbrella Fund SICAV plc

### *ALTERNATIVE INVESTMENT FUNDS TARGETING QUALIFYING INVESTORS*

*Surrender of licence issued to:*

- Burren Global Arbitrage Master Fund SICAV plc
- Burren Global Arbitrage Fund SICAV plc
- Cygnus Master SICAV Limited
- Cygnus SICAV plc in respect of two sub-funds

### *ALTERNATIVE INVESTMENT FUNDS TARGETING PROFESSIONAL INVESTORS*

- Surrender of licence issued to RohFund Global SICAV plc in respect of one sub-fund

### *UCITS*

*Surrender of licence issued to:*

- Aag Evolution SICAV plc
- Eiger SICAV plc in respect of one sub-fund

- FCS Global Funds SICAV plc in respect of one sub-fund
- Finex Navigator UCITS SICAV plc
- Fondeum Fund SICAV plc
- Hospitaller Funds SICAV plc
- Vilhena Funds SICAV plc in respect of two sub-funds
- Waterfront SICAV plc in respect of two sub-funds

### *NON-UCITS*

- Surrender of licence issued to HSBC No-Load Funds SICAV plc

### *Recognised Private Collective Investment Schemes*

- Surrender of recognition issued to Brokart Investment Unit Trust Fund

### *Incorporated cells*

- Surrender of licence issued to Bestum Universalis Fund IC SICAV plc

## RECOGNISED FUND ADMINISTRATORS

- Surrender of licence issued to BOV Asset Management Limited

## **TRUSTEES, FIDUCIARIES AND NOMINEES**

### *Surrender of authorisation issued to:*

- Baltimore Fiduciary Services Limited
- Citibank International Limited
- Valletta Offshore Management Nominee Limited

## **COMPANY SERVICE PROVIDERS**

- Cancellation of the registration issued to Hand Limited

### *Closure of Notified Sub-Fund*

- Tutela Capital Protection Fund

## APPENDIX VI - MEMORANDA OF UNDERSTANDING IN FORCE

<i>Entity</i>	<i>Scope of Agreement</i>
<b>Bilateral MoUs with Foreign Regulators</b>	
Australian Prudential Regulation Authority	Banking and Insurance
Austrian Financial Market Authority	Credit Institutions
Belgian Banking and Finance Insurance Commission	Banking
Bermuda Monetary Authority	Insurance, Credit Institutions and Trusts
Cayman Islands Monetary Authority	Credit Institutions, Insurance, Securities and Trusts
China Banking Regulatory Commission	Banking
China Securities Regulatory Commission	Securities
Cyprus Central Bank	Credit Institutions
German Federal Financial Supervisory Authority	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
Jersey Financial Services Commission	Mutual Assistance and exchange of information
Mauritius Financial Services Commission	Securities, Insurance and Pensions
Netherlands Central Bank	Banking
Portugal Central Bank	Credit Institutions
Portugal Securities Market Commission	Securities
Qatar Financial Centre Regulatory Authority	Banking, Financial and Insurance related business
Slovakia National Bank	Banking, Insurance and Securities
South Africa Financial Services Board	Securities, Insurance and Pension Funds
Turkey Banking Regulation and Supervision Agency	Banking
Turkey Capital Markets Board	Securities
U.A.E. Dubai Financial Services Authority	Securities, Credit Institutions, Insurance and Trusts
U.A.E. Abu Dhabi Global Market Financials Services Regulatory Authority	Banking, Securities and Insurance
U.S.A. Nebraska Department of Insurance	Insurance
UK Financial Services Authority	Banking, Insurance and Investment Services
Ukraine National Securities and Stock Markets Commission	Securities and Markets
Vatican Financial Information Authority	Financial Institutions
Vietnam National Financial Supervisory Commission	Banking, Securities and Insurance
<b>Bilateral MoU's with Local Authorities</b>	
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.
<b>Multilateral MoUs and Protocols</b>	
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

### ***As at 31<sup>st</sup> December 2017***

1. Christopher J. Pace v. MFSA (Case Ref: FST3/09)
2. Nicholas Portelli v. MFSA (Case Ref: FST04/09)
3. James Blake v. MFSA (Case Ref: FST5/09)
4. European Insurance Group Ltd v. MFSA (Case Ref: FST01/10)
5. Denise Zammit v. MFSA (Case Ref: FST01/12)
6. MFSP Financial Management Ltd v MFSA (Case Ref: FST04/12)
7. All Invest Company Limited v MFSA (Case Ref: FST 1/13)
8. All Invest Company Limited and Wallace Falzon v MFSA (Case Ref: FST 2/13)
9. Hermione Bugeja v MFSA (Case Ref: FST 1/14)
10. Murcko, Legay, Premier Interchange Gateway Limited v MFSA (Case Ref: FST1/15)
11. Novium AG v MFSA (Case Ref: FST2/15)
12. Alan Kentish v MFSA (Case Ref: FST3/15)
13. JFP Investments SICAV plc v MFSA (Case Ref: FST1/16)
14. FX-CAM Consulting and Advertisement Ltd (formerly Sensus Capital Markets Ltd.) v MFSA (Case Ref: FST2/16)
15. St Publius Corporate Services Ltd v MFSA (Case Ref: FST3/16)
16. Heikki Niemela, Mika Lehto, Nemea plc, Nevestor SA, Nemea Bank plc v MFSA (Case Ref: FST4/16)
17. STM Malta Trust and Company Management Ltd v MFSA (Case Ref: FST5/16)
18. Hollingsworth International Financial Services Ltd v MFSA (Case Ref: FST7/16)
19. Futura Investment Management Ltd v MFSA (Case Ref: FST8/16)
20. Hollingsworth International Financial Services Ltd v MFSA (Case Ref: FST9/16)
21. Heikki Niemela, Mika Lehto, Nemea plc, Nevestor SA, Nemea Bank plc v MFSA (Case Ref: FST10/16)

22. FIMBANK plc v Depositor Compensation Scheme & MFSA (Case Ref: FST 3/17)
23. Confiance Malta Ltd v MFSA (Case Ref: FST 4/17)

**Pending Court cases as at 31<sup>st</sup> December 2017**

**Court of Appeal (Civil, Inferior):**

24. Heikki Niemela, Mika Lehto, Nemea plc, Nevestor SA, Nemea Bank plc v MFSA (6/2017)

**Court of Appeal (Civil, Superior):**

25. Martone Dottor Michele Pro Et Noe vs Gatt Raymond, MFSA (1099/2006/1)

**Civil Court, First Hall:**

26. All Invest Company Ltd vs X (888/2013 JZM)
27. Amedeo Barletta noe vs MFSA (276/2012 JRM)
28. Maltese Cross Financial Services Ltd v X (204/2015 JZM)
29. All Invest Company Ltd v X et (894/2017 MCH)

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## APPENDIX IX - ABBREVIATIONS USED IN THIS REPORT

AIF	Alternative Investment Fund	CU	Communications Unit
AIFMD	Alternative Investment Fund Managers Directive	DG MS III	DG Micro-Prudential Supervision III
AIFMs	Alternative Investment Fund Managers	DGMPSIV	Directorate General Micro-prudential Supervision IV
AML	Anti-Money Laundering	DRP	Disaster Recovery Plan
AMLD	Anti-Money Laundering Directive	DRSPs	Data Reporting Services Provider
APM	Alternative Performance Measures	EBA	European Banking Authority
ATC	Advisory Technical Committee	EC	European Commission
ATMs	Automated Teller Machines	ECB	European Central Bank
AUM	Assets under Management	ECC	Education Consultative Council
AWG	Analysis working groups	ECTF	Ethics and Compliance Officers Task Force
BCP	Business Continuity Plan	EEA	European Economic Area
Brexit	A term for the United Kingdom's planned withdrawal from the European Union.	EFTF	Ethics Framework Task Force
BRIS	Business Registers Interconnection System	EIOPA	European Insurance and Occupational Pensions Authority
BRRD	Bank Recovery and Resolution Directive	EMIR	European Markets Infrastructure Regulation
BSU	Banking Supervision Unit	ESAs	European Supervisory Authorities
CBM	Central Bank of Malta	ESCB	European System of Central Banks
CCP	Central Counterparties	ESEF	European Single Electronic Format
CCPFI	Committee on Consumer Protection and Financial Innovation	ESFS	European System of Financial Supervision
CFD	Contracts for Difference	ESMA	European Securities and Markets Authority
CFT	Combating the Financing of Terrorism	ESRB	European Systemic Risk Board
CIS	Collective Investment Schemes	ETFs	Exchange Traded Funds
COREP	Common Reporting Framework	ETI	Exchange Traded Instrument
CRD	Capital Requirements Directives	EU	European Union
CRMS	Customer relationship management	EUR	Euro
CRR	Capital Requirements Regulation	EuSEF	European social entrepreneurship funds
CSD	Central Securities Depository	EuVECA	European Venture Capital
CSDR	Central Securities Depository Regulation	EWSM	European Wholesale Securities Market
CSP	Company Service Provider	FATF	Financial Action Task Force
CSR	Corporate Social Responsibility	FEMA	Faculty of economics Management and Accountancy, University of Malta
CSU	Conduct Supervisory Unit		

FIAU	Financial Intelligence Analysis Unit	ISR ISLH	Investment Services Rules for Investment Services Holders
FISC	Financial Innovation Standing Committee	ISR PIFs	Investment Services Rules for Professional Investor Funds
FSB	Financial Stability Board	IT	Information Technology
FSC	Financial Stability Committee	ITS	Implementing Technical Standards
GAPSME	General Accounting Principles for small and medium enterprises	IWG	Instrument working groups
GCFM	Global Capital Financial Management	JFSB	Joint Financial Stability Board
GDP	Gross Domestic Product	Jobsplus	Employment and training agency in Malta
HR	Human Resources	JST	Joint Supervisory Team
HRC	Human Resources Conference	KID	Key Information Document
HRDU	Human Resources and Development Unit	LEI	Legal Entity Identifier
IAIS	International Association of Insurance Supervisors	LH	Licence Holder
IBA	International Bar Association	LHCMS	License Holder Centralised Management System
ICO	Initial Coin Offering	LSIs	Less Significant Institutions
ICT	Information and Communication Technology	MAR	Market Abuse Regulation
ICTU	Information and Communication Technologies Unit	MCAST	Malta College of Arts Science and Technology
IDD	Insurance Distribution Directive	MFSA	Malta Financial Services Authority
IFRS	International Financial Reporting Standards	MTFS	Managed File Transfer Solution
IFS	Institute of Financial Services	MGS	Malta Government Stocks
IFSP	Institute of Financial Services Practitioners	MIA	Malta Institute of Accountants
IIA	Institute of Internal Auditors	MiFID	Markets in Financial Instruments Directive
ILS	Institute of Legal Studies	MiFIR	Markets in Financial Instruments Regulation
IMAS	Information Management System for Supervision	MIM	Malta Institute of Management
IMF	International Monetary Fund	MITC	Malta International Training Centre
IORP	Institutions for Occupational Retirement Provision	MONEYVAL	Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism
IOSCO	International Organisation of Securities Commissions	MPAG	Macro-prudential Analysis Group
IPID	Insurance Product Information Document	MPPG	Macro-prudential Policy Group
IPISC	Investor Protection and Intermediaries Standing Committee	MSE	Malta Stock Exchange
IPSU	Insurance and Pensions Supervision Unit	NAIFS	Notified Investment Funds Regime
ISLH	Investment Services Licence Holders	NAV	Net Asset Value
		NCA	National Competent Authority
		NCPE	National Commission for the Protection of Equality



NFC	Non-Financial Counterparties	SI	Significant Institution
NPLs	Non-Performing Loans	SICAV	Investment company with variable share capital
O-SII	Other Systemically Important Institutions	SLC	Standard Licence Condition
OSI	On-site Inspection	SME	Small and medium-sized enterprises
OTC	Over The Counter	SMSU	Securities and Markets Supervision Unit
PAR	Financial Institutions (Payments Accounts) Regulations (S.L.371.18)	SRB	Single Resolution Board
PCCs	Protected Cell Companies Bottom of Form	SREP	Supervisory Review and Evaluation Process
PDMR	Persons Discharging Managerial Responsibilities	SRF	Single Resolution Fund
PEPP	Pan-European Personal Pension Product	SRMR	Single Resolution Mechanism Regulation
PEPs	Politically Exposed Persons	SSM	Single Supervisory Mechanism
PFMA	Prevention of Financial Markets Abuse	TFTD	Task Force on Training and Development
PIF	Professional Investor Fund	TIIIs	Tied Insurance Intermediaries
PRIIPs	Packaged Retail and Insurance-based Investment Products	UBO	Ultimate Beneficial Owners
PSD	Payment Services Directive	UCITS	Undertakings for Collective Investment in Transferable Securities
PWC	PricewaterhouseCoopers	UK	United Kingdom
Q & A	Questions & Answers	US	United States of America
QAF	Quality Assurance Function	USD	United States Dollar
REFIT	Regulatory Fitness and Performance Programme	VBA	Visual Basic for Applications
RIA	Risk Analysis Division (ECB)	WPFS	Financial Services Working Party
RICCs	Recognised Incorporated Cell Companies	WSM	Wholesale Securities Market
RMICAAP	Risk Management Internal Capital Adequacy Assessment Process		
RPA	Retirement Pension Act		
RRR	Recovery and Resolution Regulations		
RSA	Retirement Scheme Administrator		
RSVP	Reinsurance Special Purpose Vehicle		
RTSs	Regulatory Technical Standards		
RU	Resolution Unit		
SCC	Securitisation Cell Vehicle		
SCSC	Supervisory Convergence Standing Committee		
SEP	Supervisory Examination Programme		
SFTR	Securities Financing Transactions Regulation		





**MFSA**

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**MALTA FINANCIAL SERVICES AUTHORITY**