PART D

APPENDICES

APPENDIX I

(Section 4.3 of Part A of the Pension Rules for Service Providers)

Annex II

Compilation of Financial Returns

Cover Sheet

a) All cells in Items 1 to 8 which are highlighted in yellow are to be completed. .

b) Item 1: Select document type – either Annual or Interim Financial Return – from the drop down list depending on the period for which the Return is being compiled.

c) Returns are to be prepared in the currency in which the Audited Annual Financial Statements are compiled. The Reporting Currency of the accounts should be inserted in ISO Code.

d) If the Reporting Currency of the Accounts is not Euro, the relevant Middle Exchange Rate against the Euro published by the Central Bank of Malta as at the end of the reporting month should be inserted in Item 8.

Profit & Loss Statements (Sheet 1)

a) Besides providing for taxation in the Annual Profit and Loss statement, the Licensed Service Provider is also required to provide for taxation when compiling the Interim Profit or Loss statement.

b) The space provided in Item 7.0 ("*Details of Other RPA related revenue*"*)* is to be used to explain Item 4.0 ("*Other RPA related revenue*").

c) The space provided in Item 18.0 ("*Details of Exceptional items of expenditure allowed by MFSA")* should provide an explanation to Item 9.0a ("*Exceptional Items of expenditure allowed by MFSA").*

d) Allowable Fees, Item 8.0(a), are fees payable, provided they are directly attributable to fees receivable which are included in total revenue. For example, investment management fees paid by a Retirement Scheme Administrator to a third party Investment Manager provided these are directly attributable to fees which the Administrator may itself receive from the Scheme.

e) Exceptional Expenditure, Item 9.0(a), are items of expenditure for which the MFSA's no-objection should be sought prior to their inclusion in the Return.

Balance Sheet Statements (Sheet 2)

a) Disallowed Trade Debtors, Item 2.0(b)(i), are trade debtors due for settlement in more than three months' time, or more than one month overdue.

b) Related Company Loans, Item 2.0(b)(i)(i.i), are loans and advances by the licensed service-provider to any related company. Please use the space in Item 10.0 to provide details in respect of this item.

Definition of Related Company

For the purposes of these Returns, a Related Company includes:

- A holding company or parent company of the licensed service provider;
- The subsidiary of the licensed service provider, where the latter holds directly or indirectly 50 per cent or more of the capital of another body corporate or controls the financial and operating policies of another body corporate so as to obtain benefits from its activities;
- Associated company of the licensed service provider, where a company has directly or indirectly through subsidiaries, 20% or more of the voting power of the investee;
- A related company of the licensed service provider, where the company has a majority shareholding which is common to that of the licensed service provider.

c) Other Disallowed Non-trade Debtors, Item 2.0 (b)(i)(i.iii), shall include unsecured non-trade debtors, except for taxation debtors which have been agreed in writing by the Inland Revenue Department.

d) Inter company balances should be disclosed under Item 2.0 (b)(ii) ("*Non-trade debtors – inter company balances*"). For the purpose of these Returns, inter company balances are balances arising from day to day transactions between related companies. An explanation of any intercompany balances should be disclosed in Item 10.0.

e) Disallowed Prepayments, Item 2.0 (c)(i), are prepaid expenses to the extent that the period of prepayment exceeds three months.

f) Disallowed Accrued Income, Item 2.0 (d)(i), comprises of accrued income for which payment is due in more than six months' time.

g) Subordinated loans – The value in item 6.0 (a)(i) should only include subordinated loans which must be approved by the MFSA and must be in the form set out in Annex V to this Appendix or such other form as has been agreed by the MFSA.

Calculation of Financial Resources (Sheet 3)

a) The user is required to key in the relevant figures for the "*Calculation of Discounted Fixed or Current Asset Investments*" in worksheets 'DI-Fixed' or 'DI-Current' before proceeding further with the compilation of Sheet 3. The discounting of such assets is done automatically after all the relevant information requested is keyed in. Information in respect of 'DI-Fixed' and 'DI-Current' should be compiled in accordance with Annex III.

Adjusted Net Tangible Assets: Sheet 3 Item 3.0

Adjusted Net Tangible Assets shall be calculated by deducting total liabilities from total assets, as shown in the balance sheet, adjusted for the following items:

a. Deductions:

   i. intangible fixed assets;

   ii. the amount by which the directors' or partners' estimated realisable value of tangible fixed assets is less than the amount included in the audited financial statements;

   iii. related company loans;

   iv. inter company balances - the amount of inter company balances in excess of 10% of the total assets less total liabilities shall be deducted;

   v. advances to directors, partners or shareholders;

   vi. any other amounts specified by the MFSA (for example in relation to investments in subsidiaries).

b. Additions:

   i. subordinated loans approved by the MFSA. Subordinated loans shall be allowed provided that:

      i.i the total amount of all such loans is not greater than four times the net amount of net assets less intangible fixed assets;

      i.ii the loan agreement is in the form of the MFSA's specimen subordinated loan agreement (see Annex V to this Appendix) or such other form as has been agreed by the MFSA;

   ii. any other amounts agreed by the MFSA (for example in relation to guarantees or undertakings from a bank or a parent company. See Annex VI and VII to this Appendix).

Liquid Capital: Sheet 3 Item 5.0

Liquid Capital – which is to satisfy the Liquid Capital Requirement, Sheet 4 Item 7.0 – shall be an amount equal to Adjusted Net Tangible Assets, adjusted for the following items:

a. Deductions:

i. Tangible fixed assets – this item is linked to Sheet 2 Item 1.0(b), net of any deficiency as per Sheet 3 Item 2.0(b);

ii. Discounts on Fixed Asset investments (as set out in Annex III) are applied unless immediate recourse is available to the asset by sale on the market free of all encumbrances and restrictions. All investments in subsidiaries (which, for the purposes of these Schedules are considered as 'Unquoted Investments') shall be deducted in full unless otherwise permitted by the MFSA. This item is linked to the total of Discounting on Fixed Asset Investments (worksheet 'DI-Fixed');

iii. In the case of Current Asset investments, a proportion of the value of the investments calculated by reference to the discounts set out in Annex III. This item is linked to the total of Discounting on Current Asset investments (worksheet 'DI-Current');

iv. Trade debtors due for settlement in more than three months' time, or more than one month overdue. This item is linked to Item 2.0(b)(i) in Sheet 2;

v. Unsecured non-trade debtors, except for taxation debtors which have been agreed in writing by the Inland Revenue Department. This item is linked to Sheet 2 Item 2.0(b)(i)(i.iii);

vi. Prepaid expenses to the extent that the period of prepayment exceeds three months. This item is linked to Sheet 2 Item 2.0(c)(i);

vii. Accrued income for which payment is due in more than six months' time. This item is linked to Sheet 2 Item 2.0(d)(i);

viii. Deferred tax. This item is linked to Sheet 2 Item 2.0(f);

ix. Ten percent of the market value of any certificates of deposit, money on deposit or bills which are not encashable within 90 days.

Stocks, unless they are stocks of investments – in which case the discounts set out in Annex III shall be applied;

x. Other amounts specified by the MFSA (for example, in relation to guarantees or undertakings);

xi. Any other amounts such as contingent liabilities and any other guarantees where the Registered Person is acting as the guarantor.

b. Additions:

   i. Any amounts agreed by the MFSA.

Liquid Capital Requirement (Sheet 4)

a) Relevant Expenditure:

Relevant Expenditure: Sheet 4 Item 3.0

Relevant Expenditure – used as a basis for calculating a Licensed Service Provider's Expenditure Based Requirement – shall be the Total Expenditure (Sheet 4 Item 1.0 which is linked to Sheet 1 Item11.0) less the following items (if included):

i. commissions and fees payable, provided they are directly attributable to commissions and fees receivable which are included in total revenue. This item is linked to Sheet 1 Item 8.0(a);

ii. interest paid on clients' money;

iii. all forms of profit share, bonus or appropriation applicable to directors, partners and employees;

iv. exceptional expenditure where the adjustment has been agreed by the MFSA. This item is linked to Item9.0(a) in Sheet 1;

v. depreciation. This item is linked to Sheet 1 Item10.0(a).

b) Except for the 'yellow' cells and for the "*Satisfaction of Liquid Capital Requirement*" in the IFR – [which requires the user to key in the relevant amount for item 7.0(b)(ii)] - all cells in this worksheet are either linked to other cells or are calculated automatically.

c) Where the previous accounting period does not span 12 months, the Relevant Expenditure shall be pro-rated to an equivalent annual amount.

d) In the case of the AFR, the "*Satisfaction of Liquid Capital Requirement*" is calculated as Liquid Capital less the higher of the Expenditure Based Requirement and Absolute Minimum Requirement (€11,650).

e) For the IFR, the "*Satisfaction of Liquid Capital Requirement*" is calculated as follows:

Liquid Capital less higher of (i) [higher of EBR calculated in the IFR and Absolute Minimum Requirement] or (ii) [higher of EBR calculated in the most recent AFR approved by the auditors or Financial Resources Statement and Absolute Minimum Requirement as applicable].

Accordingly, for Sheet 4, item 7.0(b)(ii), the licensed Service Provider must input the higher of Absolute Minimum Requirement (€11,650) and Expenditure Based Requirement as calculated in the most recent Annual Financial Return approved by the auditors. Where the licensed Service Provider has not yet reached the end of its first accounting period and has therefore not yet prepared an Annual Financial Return, the user must input the higher of Absolute Minimum Requirement and the Expenditure Based Requirement as calculated in the Financial Resources Statement submitted on application for licencing.

The Surplus/(Deficit) of Financial Resources is then calculated automatically.

f) The Surplus (Deficit) of Liquid Capital Requirement (Sheet 4 Item 8.0) should be satisfied on a day-to-day basis.

Net Tangible Assets Requirement (Sheet 5)

a) All cells in Sheet 5 are calculated automatically.

b) Net Tangible Assets should exceed the following minimum Net Tangible Assets Requirement:

Retirement Scheme Administrator	€ 116,500
Investment Manager	€ 116,500
Custodian	€ 125,000

Where an entity is licensed as a Retirement Scheme Administrator and managing the investment of assets of a Retirement Scheme, it shall be required to comply with only one set of financial resources requirements. Where an entity is licensed as a Retirement Scheme Administrator and is also licensed to carry out the custody function, it shall be required to comply with financial resources requirements applicable to custodians.

c) The Net Tangible Assets Requirements (Sheet 5 Item 3.0) should be satisfied on a day-to-day basis.

Financial Details (Sheet 6)

a) Where applicable, all the cells marked in yellow are to be inputted.

b) Some cells enable the user to select a reply from a drop down menu.

c) The Service Provider should only mark as “Yes” questions 3 and 4 of this Sheet if the particular activities are allowed by the licence granted in terms of the Retirement Pensions Act, 2011

d) The Service Provider may add further details/comments in item 5 of this Sheet.

Representations (Sheet 7)

e) Where applicable, all the cells marked in yellow are to be inputted.

f) Some cells enable the user to select a reply from a drop down menu.

g) The Service Provider should also indicate whether any complaints were received during the reporting period in Item 4. If in the affirmative the Service Provider is to include: (i) the number of complaints received and (ii) those which are still pending at the end of the reporting period.

h) Any breaches to the Retirement Pensions Act, 2011 and/or to the standard licence conditions, are to be filled in Item 5.

i) The date when the Service Provider approved the Return is to be inputted in item 6.

j) Where the Return is being compiled as an Audited Annual Financial Return, items 7 and 8 of the Return are to be completed. Furthermore, it must also be signed by the auditor of the Service Provider.

k) Comments may be added by using the space provided at the bottom of the worksheet.

Discounting of Investments (DI-Fixed/DI-Current)

a) The discounting of Fixed Asset Investments is calculated in worksheet 'DI-Fixed' whilst for Current Asset Investments in worksheet 'DI-Current'. It is imperative that all required information is keyed in the appropriate cells. The disallowed fixed/current assets would then be automatically calculated and linked to Sheet 3 Item 4.0(b)/(c) as appropriate.

b) There are 12 labelled columns in each of the two worksheets (i to xii).

c) Choose the type of category under which the investment should be classified (i.e. whether it is a quoted floating rate security, a quoted fixed interest security, other quoted investments etc.).

d) Each category contains six rows. A new row is to be used for each different investment. The user is urged to contact the Investment Services Unit to arrange for additional rows – if required.

e) The blank spaces between column (iii) and (iv), and column (vi) to (vii) contain guidance/instructions for the compilation of information relating to a number of cells. Instructions are automatically shown as appropriate, once details are entered in the "yellow" cells.

f) The base currency of the investment should be keyed in column (ii) and should be in ISO Code.

g) If the investment is reported at cost in the accounts, then the letter "C" should be inserted in the relevant cell under column (iii). If the investment is reported at market value, then the letter "M" should be inserted.

h) If the investment has been reported in the accounts at cost, the amount of the investment (at cost) in its currency of denomination should be inserted under column (iv) – the respective market value should also be inserted under column (v).

   Otherwise, if the investment has been reported in the accounts at market value, the market value of the investment (in the currency of denomination) is required under column (v). The cost value of the investment need not be inserted under column (iv) in such cases.

i) The user will be prompted to key in the exchange rate - which should be the Middle Rate of Exchange provided by the Central Bank of Malta as at the end of the reporting period - if the base currency of the investment is different from that in which the accounts are reported.

j) When the investment has been reported in the accounts at Cost, the cost of the investment as reported in the accounts and in the reporting currency of the accounts, should be inserted in column (vii).

k) In the circumstances where investments are classified (under column (i)) as being a mixture of 'd1 to d4', the user would need to insert the applicable discounts manually.

l) The sheet will automatically calculate the discount rate and total of the required discount in accordance with the directives (Annex III refers).