

INVESTMENT SERVICES RULES FOR INVESTMENT SERVICES PROVIDERS

PART B: STANDARD LICENCE CONDITIONS

Appendix 6 Insurance Covers

1.0 Professional Indemnity

- 1.1 As a minimum, cover is required for legal liability in consequence of any negligent act, error or omission in the conduct of the Licence Holder's business by the Licence Holder or any person employed by it or otherwise acting for it, including consultants under a contract for service with the Licence Holder. The cover shall apply to the whole territory of the European Union and shall extend to all other territories from, in or to which Investment Services are provided and shall include dishonest, fraudulent, criminal or malicious act, error or omission of any person at any time employed by the Licence Holder, or otherwise acting for it, including consultants under a contract for service with the Licence Holder;
- 1.2 The Licence Holder may, at its discretion, decide to include cover in respect of the following:
- a. libel, slander and defamation;
 - b. loss of and damage to documents and records belonging to the Licence Holder or which are in the care, custody or control of the Licence Holder or for which the Licence Holder is responsible; including also documents and records stored on magnetic or electronic media; including also liability and costs and expenses incurred in replacing, restoring or reconstructing the documents or records; including also consequential loss resulting from the loss or damage to the documents or records;
 - c. liability resulting from any breach of a provision of the Act, any breach of a regulation made under the Act, and any award resulting from any such breach;
 - d. claims made after expiry of the policy where the circumstances giving rise to the claim were notified to the insurers during the period of the policy.
- 1.3 The required minimum limits of indemnity are:
- a. In respect of any one claim, the higher of:

- i. three times Relevant Income; or
- ii. €1,000,000 for Category 1b Licence Holders.

Plus legal costs limited to 20% of (i) or (ii), whichever is applicable.

- b. In aggregate, the higher of:

- i. three times Relevant Income; or
- ii. €1,500,000 for Category 1b Licence Holders.

Plus legal costs limited to 20% of (i) or (ii), whichever is applicable.”

“Relevant Income” is all gross income received or receivable which is commission, brokerage fees or other earnings arising from the Licence Holder’s business activities, whether those activities are licensed under the Act or not for the last accounting year or on the basis of the business plan agreed with the competent authority in respect of the relevant year or period. Provided that income received or receivable in the form of interest, whether in respect of bank deposits or bonds, and dividends does not form part of “Relevant Income”.

- 1.4 Separate policies may be entered into to cover activities licensed under other laws, subject to MFSA approval of the terms. Where the Licence Holder is required to maintain professional indemnity insurance cover in terms of an authorisation or licence under any other legislation, separate cover for the activities carried out under that legislation is a requirement.
 - 1.5 The excess shall not exceed the higher of €3,494.06 or 1% of Relevant Income in the case of Category 1b Licence Holders.
 - 1.6 The policy shall be governed by Maltese law.
 - 1.7 Where the Licence Holder is also registered in terms of the Insurance Mediation Directive, it shall comply with article 4(3) of that Directive and the limits referred to in Section 1.3 (a) and (b) above shall be replaced by the following:
 - a. In respect of any one claim, the higher of:
 - i. three times Relevant Income; or
 - ii. €500,000 for Category 1b Licence Holders.
- Plus legal costs limited to 20% of (i) or (ii), whichever is applicable.

- b. In aggregate, the higher of:
 - i. three times Relevant Income; or
 - ii. €750,000 for Category 1b Licence Holders.

Plus legal costs limited to 20% of (i) or (ii), whichever is applicable.

2.0 Other

- 2.1 Cover is required in respect of loss of money or loss or damage to any other asset or property belonging to the Licence Holder or which are in the care, custody or control of the Licence Holder or for which the Licence Holder is responsible.
- 2.2 The policy shall be governed by Maltese law.