

GLOSSARY TO THE INVESTMENT
SERVICES RULES FOR INVESTMENT
SERVICES PROVIDERS

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This Glossary should be read in conjunction with the Investment Services Rules for Investment Services Providers.

A

- “Act” or “ISA”** The Investment Services Act, 1994.
- “Accrual Period”** “Accrual period” means the period during which the performance of the staff member is assessed and measured for the purposes of determining its remuneration.
- “Advertorial”** An Advertorial is an editorial with an advertising content. Advertorials are in their majority press releases or other editorials, which are offered to the Licence Holder free of charge and which content ordinarily includes a description of the features of the investment product and/or service concerned and what such product and/or service aims to offer to potential investors. Advertorials usually also include launch offer details, rates of return or other income offered by the investment.
- “AIFM”** An AIFM or Alternative Investment Fund Manager is a legal person whose regular business is managing one or more AIFs.
- “AIFM” Directive** Directive 2011/61/EC of the European parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directive 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010.
- “Alternative Investment Funds” or “AIFs”** Alternative Investment Funds or AIFs means a collective investment undertaking, including sub-funds thereof, which raises capital from a number of investors, with a view to investing it in accordance with a defined investment policy for the benefit of those investors and which does not qualify as a UCITS Scheme in terms of the UCITS Directive.
- “Ancillary Services”** Ancillary Services are any of the services listed in Section B of Annex 1 of the MiFID.

“Ancillary Services Undertaking” “Ancillary Services Undertaking” shall have the same meaning as that assigned to it in point (18) of article 4 (1) of the CRR, i.e. an undertaking the principal activity of which consists of owning or managing property, managing data-processing services, or a similar activity which is ancillary to the principal activity of one or more institutions;

“Asset Management Company” “Asset Management Company” shall have the same meaning as that assigned in point (19) of article 4 (1) of the CRR, i.e. an asset management company as defined in regulation 2 of the Financial Conglomerates Regulations, 2013 and an AIFM including, unless otherwise provided, third country entities, that carry out similar activities, that are subject to the laws of a third country which applies supervisory and regulatory requirements at least equivalent to those applied in the Union.

B

“Banking Consolidation Directive” or “BCD” Banking Directives 77/780/EEC and 89/646/EEC.

“Beneficial Owners” Beneficial Owners are individuals who ultimately own or control the proposed acquirer and/ or the persons on whose behalf the proposed acquisition is being conducted. It also includes persons who exercise ultimate effective control over a proposed acquirer which is a legal person or a legal arrangement such as a trust.

“Branch” Branch means the place of business which is part of the management company whether this is a UCITS Management Company or an AIF Manager, which has no legal personality and which provides the services for which the management company has been authorised. All the places of business established in the same Member State or EEA State by a management company having its head office in another Member State or EEA State shall be regarded as a single branch;

Or in the case of investment firms, a place of business which forms a legally dependent part of an investment firm and which carries out directly all or some of the transactions inherent in the business of investment firms.

C

- “carried interest”** Carried interest means a share in the profits of the Alternative Investment Fund accrued to the AIF Manager as compensation for the management of the alternative investment fund and excluding any share in the profits of the alternative investment fund accrued to the AIF Manager as a return on any investment by the AIF Manager into the Alternative Investment Fund.
- “Civil Partner”** The term “civil partner” shall mean a partner bound by a civil union or a union of equivalent status in terms of the Civil Unions Act.
- “Civil Union”** The term “civil union” shall mean a civil union or a union of equivalent status in terms of the Civil Unions Act.
- “Clawback”** A contractual agreement in which the staff member agrees under certain circumstances to return ownership of an amount of remuneration received. This can be applied to both upfront and deferred variable remuneration. When related to risk outcomes, clawback is a form of ex-post risk adjustment.
- “Close Links”** The term ‘close links’ shall have the same meaning as that assigned to it in Appendix 9 to Part B of these Rules.
- “Compliance Officer”** The Compliance Officer is the person appointed by the Investment Services Licence Holder, responsible for ensuring compliance by the Licence Holder with its applicable Licence Conditions.

“Connected Company” A connected company is a company in which the Applicant or Licence Holder, or a company holding directly or indirectly fifty per cent or more of the share capital or voting rights of the Applicant or Licence Holder, holds a qualifying shareholding, and also the Applicant's or the Licence Holder's holding company itself.

“Consolidated Basis” “Consolidated Basis” shall have the same meaning as that assigned to it in point (48) of article 4 (1) of the CRR, i.e. on the basis of the consolidated situation.

“Consolidated Group” A group of entities which is subject to Part One, Title II Chapter 2 of the CRR. For further guidance on determining consolidation status, Licence Holders should refer to regulation 3 of the Banking Act and the Investment Services Act (Supervisory Consolidation Regulations) 2014.

“Consolidated Situation” “Consolidated Situation” shall have the same meaning as that assigned to it in point (47) of article 4 (1) of the CRR, i.e. the situation that results from applying the requirements of the CRR in accordance with Part One, Title II, Chapter 2 to a Licence Holder as if that Licence Holder formed, together with one or more other entities, a single Licence Holder.

“Consolidating Supervisor” “Consolidating Supervisor” shall have the same meaning as that assigned to it in point (41) of Article 4(1) of the CRR, i.e. where the MFSA is responsible for the exercise of supervision on a consolidated basis of EU parent institutions and of institutions controlled by EU parent financial holding companies or EU parent mixed financial holding companies, in accordance with regulation 3 of the Banking Act and the Investment Services Act (Supervisory Consolidation Regulations), 2014.

“Constitutional Documents”: The Constitutional Documents are the documents constituting a Scheme: in the case of an investment company its Memorandum and Articles of Association, statutory documents, or other instruments of incorporation; in the case of a mutual fund the contract or partnership agreement; in the case of a unit trust the trust deed.

“Control”: Control means the relationship between a parent undertaking and a subsidiary undertaking as defined in Article 2 of the Companies Act, or a similar relationship between any natural or legal person and an undertaking.

“Control Functions” “Control Functions” means staff (other than senior management) responsible for risk management, compliance, internal audit and similar functions within the AIFM (e.g. the CFO to the extent that he/she is responsible for the preparation of the financial statements).

“CRD” 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, as amended from time to time, and includes any implementing measures that have been or may be issued thereunder.

“CRR” 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, as amended from time to time, and includes any implementing measures that have been or may be issued thereunder.

“Custodian”: The Custodian is the person appointed by the Scheme responsible for safekeeping of the assets of the Scheme and for carrying a monitoring function over the activities of the Manager.

“Customer”: The term ‘customer’ includes a potential customer and a recipient of documents from a Licence Holder including a policyholder and a potential policyholder in relation to linked long term contracts of insurance.

D

“Deferral period” “Deferral period” is the period during which variable remuneration is withheld following the end of the accrual period.

- “Directive”** Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments amending Council Directive 85/511/EEC and 93/6/EEC and Directive 2000/12/EC of the European parliament and of the Council and repealing Council Directive 93/22/EEC (MiFID).
- “Distribution Channels”** Distribution channels are defined in Regulation 2 of the Prevention of Financial Markets Abuse (Fair Presentation of Investment Recommendations and Disclosure of Conflicts of Interest) Regulations, 2005 regarding the fair presentation of investment recommendations and the disclosure of conflicts of interest.
- “Durable Medium”** A Durable Medium is any instrument which enables a client to store information addressed personally to that a client in a way accessible for future reference for a period of time adequate for the purposes of the information and which allows the unchanged reproduction of the information stored.

E

- “EBA”** The European Banking Authority as established by Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24th November 2010;
- “EEA”** European Economic Area
- “EEA Member State”** The term ‘EEA Member State’ shall have the same meaning as that assigned to it by Article 2 of the Act.

“Eligible Counterparty”:

The term ‘Eligible Counterparty’ refers to Licence Holders, credit institutions, insurance companies, UCITS and their management companies, pension funds and their management companies, other financial institutions authorized or regulated under EU Law or the national law of an EU Member State, undertakings which are exempt from the requirements of the MIFID in terms of Article 2(1)(k) and (l) thereof, national governments and their corresponding offices including public bodies that deal with public debt, central banks and supranational organisations.

Provided that the above entities shall have the right to request, either generally or on a trade-by-trade basis, not to be treated as an eligible counterparties

Provided further that the MFSA may recognise as eligible counterparties, third country entities equivalent to those categories of entities mentioned above.

“Employee representatives”

The term “employee representatives” means employees’ representatives as defined in Article 2(e) of Directive 2002/14/EC.

“ESMA”

The European Securities and Markets Authority established by Regulation (EU) no 1095/2010 of the European Parliament and of the Council of 24 November 2010

“Established”

‘Established’ means:

- (a) For AIF Managers, ‘having its registered office in’;
- (b) For AIFs, ‘being authorised or registered in’, or if the AIF is not authorised or registered, ‘having its registered office in’;
- (c) For Custodians, ‘having its registered office or branch in’;
- (d) For legal representatives that are legal persons, having its registered office or branch in’;
- (e) For legal representatives that are natural persons, ‘domiciled in’.

- “EU”** European Union.
- “EU AIF”** “EU AIF” means:
- (a) An AIF which is authorised or registered in a Member State under the applicable national law;
 - (b) An AIF which is not authorised or registered in a Member State, but has its registered office and/or head office in a Member State.
- “EU AIFM”** “EU AIFM” means an AIFM which has its registered office in a Member State or EEA State other than Malta.
- “EU AIFM Home Member State or EEA State”** “EU AIFM Home Member State or EEA State” means the Member State or EEA State other than Malta in which the European AIFM has its registered office.
- “EU AIFM Host Member State or EEA State”** “EU AIFM Host Member State or EEA State” means:
- (a) A Member State or EEA State, other than the home Member State or EEA State, in which the European AIFM manages European AIFs; or
 - (b) A Member State or EEA State, other than the home Member State or EEA State, in which a European AIFM markets units or shares of a European AIF.
- “EU Member State”** A Member State of the European Union.
- “EU Parent Financial Holding Company”** “EU Parent financial Holding company” shall have the same meaning as that assigned to it in point (31) of article 4 (1) of the CRR, i.e.: a parent financial holding company in a Member State which is not a subsidiary of an institution authorised in any Member State or of another financial holding company or mixed financial holding company set up in any Member State.

“EU Parent Institution”

“EU Parent Institution” shall have the same meaning as that assigned to it in point (29) of Article 4(1) of the CRR; i.e. a parent institution in a Member State which is not a subsidiary of another institution authorised in any Member State, or of a financial holding company or mixed financial holding company set up in any Member State.

“EU Parent Mixed Financial Holding Company”

“EU Parent Mixed Financial Holding Company” shall have the same meaning as that assigned to it in point (33) of article 4 (1) of the CRR, i.e.: “a parent mixed financial holding company in a Member State which is not a subsidiary of an institution authorised in any Member State or of another financial holding company or mixed financial holding company set up in any Member State.

“European Regulatory Authority”

The body or bodies designated by a Member State or an EEA State other than Malta in accordance with Article 44 of the AIFMD, Article 48 of the MiFID Directive, Article 97 of the UCITS Directive and Article 4 of the CRD to carry out each of the duties provided for under the different provisions of the said Directives.

“European Investment Firm”

European Investment Firm shall have the same meaning as that assigned to it by Regulation 2 of the European Passport Right for Investment Firms Regulations 2007.

“European Management Company”

European Management Company shall have the same meaning as that assigned to it by Regulation 2 of the Investment Services Act (UCITS Management Company Passport) Regulations, 2011.

“European Management Company Home Member State or EEA State”

European Management Company Home Member State shall mean the Member State or EEA State in which the registered office and head office of the management company is situated.

F

“Financial Analyst”

Financial Analyst is a relevant person who produces the substance of investment research.

“Financial Holding Company”

“Financial Holding company” shall have the same meaning as that assigned to it in point (20) of Article 4(1) of the CRR, i.e. a financial institution, the subsidiaries of which are exclusively or mainly institutions or financial institutions, at least one of such subsidiaries being an institution, and which is not a mixed financial holding company.

“Financial Institution”

“Financial Institution” shall have the same meaning as that assigned to it in point (26) of Article 4(1) of the CRR, i.e. an undertaking other than an institution, the principal activity of which is to acquire holdings or to pursue one or more of the activities listed in points 2 to 12 and point 15 of Annex I to Directive 2013/36/EU, including a financial holding company, a mixed financial holding company, a payment institution within the meaning of Directive 2007/64/EC of the European Parliament and of the Council of 13 November 2007 on payment services in the internal market, and an asset management company, but excluding insurance holding companies and mixed-activity insurance holding companies as defined in point (g) of Article 212(1) of Directive 2009/138/EC;

G

“Group” (when used in relation to a Licence Holder):

The group of which that Licence Holder forms a part, consisting of a parent undertaking, its subsidiaries and the entities in which the parent undertaking or its subsidiaries hold a participation, as well as undertakings linked to each other by a relationship.

H

“Holding Company”

The term ‘Holding Company’ means a company with shareholdings in one or more other companies, the commercial purpose of which is to carry out a business strategy or strategies through its subsidiaries, associated companies or participations in order to contribute to their long-term value, and which is either a company:

- (a) Operating on its own account and whose shares are admitted to trading on a regulated market in the Union; or
- (b) Not established for the main purpose of generating returns for its investors by means of divestment of its subsidiaries or assorted companies as evidenced in its annual report or other official documents.

“Home Member State of the AIF”

The term “Home Member State of the AIF” shall have the meaning assigned to it in Regulation 2 of the Investment Services Act (Cross-border Marketing of AIFs) Regulations, 2013.

“Home Member State”

‘Home Member State’ shall have:

- (a) the meaning assigned to “home Member State or EEA State” in Regulation 2 of the European Passport Right for Investment Firms Regulations 2007, as may be amended from time to time; or
- (b) the meaning assigned to “home Member State or EEA State” in Regulation 2 of the Investment Services Act (UCITS Management Company Passport) Regulations, 2011, as may be amended from time to time; or
- (c) the meaning assigned to “home Member State or EEA State” in Regulation 2 of the Investment Services Act (Alternative Investment Fund Manager Passport) Regulations, 2013

as applicable.

“Home State Regulator”

The Competent Authority responsible for the regulation of investment services in the country of incorporation (which could be a member of the European Union or the European Economic Area) of a European Investment Firm or of a European Management Company and which issued the respective authorisation to the European Investment Firm or European Management Company.

“Host Member State of the AIFM” The terms “Host Member State of the AIFM” shall have the same meaning assigned to it in the Investment Services Act (Alternative Investment Fund Manager Passport) Regulations, 2013.

I

“Identified Staff” The term “identified staff” shall be understood as including categories of staff, including senior management, risk takers, control functions and any employee receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers, whose professional activities have a material impact on the Licence Holders’ risk profile or the AIFM’s risk profile or the risk profiles of the AIFs it manages and categories of staff of the entity(ies) to which portfolio management or risk management activities have been delegated by the AIFM, whose professional activities have a material impact on the risk profiles of the AIF that the AIFM manages.

“Institution” “Institution” shall have the same meaning as that assigned to it in point (3) of Article 4(1) of the CRR, i.e. a credit institution or an investment firm for the purpose of CRD and CRR.

“institutional investor” ‘institutional investor’ means:

- (a) an undertaking carrying out activities of life assurance within the meaning of points (a), (b) and (c) of Article 2(3) of Directive 2009/138/EC of the European Parliament and of the Council (4), and of reinsurance as defined in point (7) of Article 13 of that Directive provided that those activities cover life-insurance obligations, and which is not excluded pursuant to that Directive;
- (b) an institution for occupational retirement provision falling within the scope of Directive (EU) 2016/2341 of the European Parliament and of the Council (5) in accordance with Article 2 thereof.

“Instrument”	<p>The term ‘Instrument’ shall have the same meaning as that assigned to it in article 2 of the Act.</p> <p>In particular, with regards to the use of the term in Appendix 12, the term “instruments” shall mean units or shares of the AIFs managed by the AIFM or equivalent ownership interests (including – for AIFs issuing only units – unit-linked instruments), subject to the legal structure of the AIFs concerned and their rules or instruments of incorporation, or share-linked instruments or equivalent non-cash instruments.</p>
“Introducer”	<p>The Introducer as a person who enters into a written arrangement with a Licence Holder, whereby such person introduces a potential customer to the Licence Holder. As a consequence of this introduction, the Licence Holder may remunerate the introducer by means of commission.</p>
“Investment”	<p>Any instrument, contract or right falling within the Second Schedule to the Act and whether or not issued or entered into in Malta.</p>
“Investment Advertisement”	<p>Shall have the same meaning as that assigned to it in Article 2 of the Act.</p>
“Investment Firm”	<p>Shall have the same meaning as that assigned to it in Regulation 2 of the European Passport Rights for Investment Firms Regulations 2007, as amended.</p>
“Investment Service”	<p>Shall have the same meaning as that assigned to it in article 2 of in the Investment Services Act, Cap. 370.</p>
“Investment Services Licence Holder”	<p>A person who holds an Investment Services Licence.</p>
“Investment Services Licence”	<p>Shall have the same meaning as that assigned to it in Article 2 of the Act.</p>
“Investment Services Rules for Investment Services Providers”	<p>Investment Services Rules issued by the MFSA in terms of Article 6 of the Investment Services Act, 1994 applicable to Investment Services Licence Holders and equivalent authorised persons.</p>

“Investment Services Rules for Professional Investor Funds”

Investment Services Rules issued by the MFSA in terms of Article 6 of the Investment Services Act applicable to Professional Investor Funds.

“Investment Services Rules for Retail Collective Investment Schemes”

Investment Services Rules issued by the MFSA in terms of Article 6 of the Investment Services Act, 1994 applicable to Retail Collective Investment Schemes.

“Issuer”

The term ‘issuer’ means an issuer within the meaning of Article 2(1) (d) of Directive 2004/109/EC where that issuer has its registered office in the Union, and its shares are admitted to trading on a regulated market within the meaning of Article 4(1)(14) of Directive 2004/39/EC.

K

“Key Function Holder”

Persons who have significant influence over the direction of the Licence Holder, but who are neither members of the management body and are not the CEO. They include the heads of internal control functions, the CFO, Compliance Officer, MLRO and the Risk Manager, where they are not members of the management body, senior management and other key function holders such as investment management, risk management, advisory, audit and valuation committee members, as may be deemed appropriate. Other key function holders might include heads of significant business lines, European Economic Area/European Free Trade Association branches, third country subsidiaries and other internal functions”

L

“legal representative”

The term ‘legal representative means a natural person domiciled in the Union or a legal person with its registered office in the Union, and which, expressly designated by a non-EU AIFM, acts on behalf of such non-EU AIFM vis-à-vis the authorities, clients, bodies and counterparties to the non-EU AIFM in the Union with regard to the non-EU AIFM’s obligations under the AIFM Directive.

“leverage”

The term “leverage” means any method by which the AIFM increases the exposure of an AIF it manages whether through borrowing of cash or securities, or leverage embedded in derivative positions or by any other means;

Or for Licence Holders that are subject to the CRR and CRD IV, leverage means the relative size of an institution’s assets, off-balance sheet obligations and contingent obligations to pay or to deliver or to provide collateral, including obligations from received funding, made commitments, derivatives or repurchase agreements, but excluding obligations which can only be enforced during the liquidation of an institution, compared to that institution’s own funds.

“Licence Holder”

“Licence Holder” shall have the same meaning as an Investment Services Licence Holder.

“Listed Company”

“Listed Company” means a company which has its registered office in a Member State and has its shares admitted to trading on a regulated market situated or operating within a Member State.

“Listing Authority”

The authority defined in Article 2 of the Financial Markets Act, Cap. 345.

M

“Maltese Investment Firm”

The term “Maltese Investment Firm” shall have the same meaning as that assigned to it in Regulation 2 of the European Passport Rights for Investment Firms Regulations, 2007.

“Maltese Management Company”	The term “Maltese Management Company” shall have the same meaning as that assigned to it in Regulation 2 of the Investment Services Act (UCITS Management Company Passport) Regulations, 2011 or in Regulation 2 of the Investment Services Act (Alternative Investment Fund Manager Passport) Regulations, 2012 as applicable.
“Malus”	“Malus” means an arrangement that permits the Licence Holder or an AIFM to prevent vesting of all or part of the amount of a deferred remuneration award in relation to risk outcomes or performances of the Licence Holder/ AIFM as a whole, the business unit, the AIF and, where possible the staff members of the Licence Holder/ AIFM. Malus is a form of ex-post risk adjustment.
“Management Body”	The term “Management Body” means the governing body of an AIFM or the body appointed in accordance with Maltese law which is empowered to set the strategy, objectives and overall direction of an investment firm, and which oversees and monitors management decision-making, and includes the persons who effectively direct the business of the investment firm, including the Board of Directors.
“Management body in its supervisory function”	The term ‘Management body in its supervisory function’ means the Management Body acting in its role of overseeing and monitoring management decision-making.
“Management Company”	The term “Management Company” shall mean a company, the regular business of which is the management of UCITS in the form of common fund, unit trusts or of investment companies or one or more AIFs as applicable depending whether the Management Company is a UCITS Fund Manager or an Alternative Investment Fund Manager.
“managing AIFs”	The term “managing AIFs” shall mean performing at least investment management functions referred to hereunder for one or more AIFs: <ul style="list-style-type: none"> (a) Portfolio management; (b) Risk management.

“Management of UCITS”	<p>“Management of a UCITS” shall include the following functions:</p> <p>(a) Investment management.</p> <p>(b) Administration:</p> <ul style="list-style-type: none"> i. legal and fund management accounting services; ii. customer inquiries; iii. valuation and pricing (including tax returns); iv. regulatory compliance monitoring; v. maintenance of unit-holder register; vi. distribution of income; vii. unit issues and redemptions; viii. contract settlements (including certificate dispatch); ix. record keeping. <p>(c) Marketing.</p>
“Marketing”	<p>“Marketing” means a direct or indirect offering or placement at the initiative of an AIFM or on behalf of the AIFM of units or shares of an AIF it manages to or with investors domiciled or with a registered office in the Union.</p>
“Market Operator”	<p>A Market Operator is a person or persons who manages and/or operates the business of a regulated market. The market operator may be the regulated market itself.</p>
“Marketing Communication”	<p>See “Investment Advertisement”.</p>
“Member State”	<p>The term “Member State” shall have the same meaning as that assigned to it by Regulation 2 of the Investment Services Act (Marketing of UCITS) Regulations, 2011.</p>
“MFSA”	<p>The Malta Financial Services Authority.</p>
“MiCA”	<p>Regulation (EU) 2023/1114 of the European Parliament and of the Council of 31 May 2023 on markets in crypto-assets, and amending Regulations (EU) No 1093/2010 and (EU) No 1095/2010 and Directives 2013/36/EU and (EU) 2019/1937.</p>

“MIFID” Directive 2004/39/EC of the European Parliament and of the Council of the 21st April 2004 on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC.

“Mixed Activity Holding Company” Mixed Activity Holding Company shall have the same meaning as that assigned to it in point (22) of Article 4(1) of the CRR, i.e. a parent undertaking, other than a financial holding company or an institution or a mixed financial holding company, the subsidiaries of which include at least one institution;

“Mixed Financial Holding Company” Mixed Financial Holding Company shall have the same meaning as that assigned to it in point (21) of Article 4(1) of the CRR, i.e. a mixed financial holding company as defined in point (15) of Article 2 of Directive 2002/87/EC;

“Money Laundering Reporting Officer” or “MLRO” The Money Laundering Reporting Officer is the person appointed by an Investment Services Licence Holder in terms of Regulation 10 of the Prevention of Money Laundering and Funding of Terrorism Regulations, 2003.

“Money Market Instruments” Money Market Instruments are instruments normally dealt in on the money market which are liquid, and have a value which can be accurately determined at any time.

“Multilateral Trading Facility” or “MTF” An MTF is a multilateral system, operated by a licence Holder or a market operator, which brings together multiple third-party buying and selling interests in financial instruments - in a system and in accordance with non-discretionary rules – In a way that results in a contract in accordance with the provisions of the MIFID.

N

“Non-listed Company” “Non-listed company” means a company which has its registered office in the Union and the shares of which are not admitted to trading on a regulated market within the meaning of point (14) of Article 4(1) of Directive 2004/39/EC;

O

“Off-Market Deal” An Off-Market Deal is a transaction in shares admitted to trading on a regulated market but which is concluded outside a regulated market or MTF.

“Outsourcing” Outsourcing is an arrangement of any form between a Licence Holder and a service provider by which that service provider performs a process, a service or an activity which would otherwise be undertaken by the Licence Holder himself.

P

“Parent Undertaking” “Parent Undertaking” means a parent undertaking within the meaning of Articles 1 and 2 of Directive 83/349/EEC.”

“Parent Financial Holding Company in a Member State” “Parent Financial Holding Company in a Member State” shall have the same meaning as that assigned to it in point (30) of Article 4(1) of the CRR, i.e. a financial holding company which is not itself a subsidiary of an institution authorised in the same Member State, or of a financial holding company or mixed financial holding company set up in the same Member State.

“Parent Investment Firm” “Parent Investment Firm” means an investment firm licensed in terms of the Act which has an institution or a financial institution as a subsidiary or which holds a participation in such an institution or financial institution, and which is not itself a subsidiary of another institution licensed in terms of the Act, or of a financial holding company or mixed financial holding company established in Malta.

“Parent Institution” “Parent Institution” shall have the same meaning as that assigned to it in regulation 2 of the Banking Act and the Investment Services Act (Supervisory Consolidation Regulations) 2014.

“Parent Mixed Financial Holding Company in a Member State”

“Parent Mixed Financial Holding Company in a Member State” shall have the same meaning as that assigned to it in point (32) of Article 4(1) of the CRR, i.e. a mixed financial holding company which is not itself a subsidiary of an institution authorised in the same Member State, or of a financial holding company or mixed financial holding company set up in that same Member State.

“Participation”

“Participation” shall have the same meaning as that assigned to it in point (35) of Article 4(1) of the CRR, i.e. participation within the meaning of the first sentence of article 17 of Fourth Council Directive 78/660/EEC of 25 July 1978 on the annual accounts of certain types of companies, or the ownership, direct or indirect, of 20% or more of the voting rights or capital of an undertaking.

“Person with whom a relevant person has a family relationship”

Any of the following:

- (a) the spouse of the relevant person or any partner of that person considered by national law as equivalent to a spouse, including a civil partner;
- (b) a dependent child or stepchild of the relevant person;
- (c) any other relative of the relevant person who has shared the same household as that person for at least one year on the date of the personal transaction concerned.

“Personal Questionnaire” or “PQ”

The Personal Questionnaire, which is also referred to as the ‘PQ’ is available in Schedule F to Part A of the Investment Services Rules for Investment Services Providers.

“Prime Broker”

A prime broker means a credit institution, a regulated investment firm or another entity subject to prudential regulation and ongoing supervision, offering services to professional investors primarily to finance or execute transactions in financial instruments as counterparty and which may also provide other services such as clearing and settlement of trades, custodial services, securities lending, customised technology and operational support facilities.

“Professional Client” A client who possesses the experience, knowledge and expertise to make its own investment decisions and properly assess the risks that it incurs. The following should all be regarded as professionals in all investment services and activities and with respect to all the financial instruments mentioned in Schedule 2 to the Investment Services Act, 1994:

(a) Entities which are required to be authorised or regulated to operate in the financial markets. The list below should be understood as including all authorised entities carrying out the characteristic activities of the entities mentioned: entities authorised by a Member State under a Directive, entities authorised or regulated by a Member State without reference to a Directive, and entities authorised or regulated by a non-Member State:

- i. Credit Institutions;
- ii. Investment Firms;
- iii. Other authorised or regulated financial institutions;
- iv. Insurance Companies;
- v. Collective investment schemes and management companies of such schemes;
- vi. Pension funds and management companies of such funds;
- vii. Commodity and commodity derivatives dealers;
- viii. Locals;
- ix. Other institutional investors

(b) Large undertakings meeting two of the following size requirements on a company basis:

- i. balance sheet total: EUR20,000,000
- ii. net turnover: EUR40,000,000
- iii. own funds: EUR2,000,000

(c) National and regional governments, public bodies that manage public debt, Central banks, international and supranational institutions such as the World Bank, the IMF, the ECB, the EIB and other similar international organisations.

- (d) Other institutional investors whose main activity is to invest in financial instruments, including entities dedicated to the securitisation of assets or other financing transactions.

Clients not falling under any of the above categories, including public sector bodies and private individual investors may also be treated as professional clients upon request subject to the conditions and procedure set out in Section 2 of Part B of these Rules.

“Proxy Advisor”

Proxy Advisor means a legal person that analyses, on a professional and commercial basis, the corporate disclosure and, where relevant, other information of listed companies with a view to informing investors’ voting decisions by providing research, advice or voting recommendations that relate to the exercise of voting rights;

Q

“Qualifying Shareholder”

A person who has a Qualifying Shareholding.

“Qualifying Shareholding”

Shall have the same meaning as that assigned to it by Article 2 of the Act.

R

“Recognised Fund Administrator” or “Recognised Administrator”

A person who is in possession of recognition to act as an administrator of a collective investment scheme, in or from Malta, in terms of Article 9A of the Act.

“Regulated Market”

For the purpose of these rules “regulated market” means a multilateral system operated and/or managed by a market operator, which brings together or facilitates the bringing together of multiple third-party buying and selling interests in financial instruments – in the system and in accordance with its non-discretionary rules – in a way which results in a contract, in

respect of the financial instruments admitted to trading under its rules and/or systems, and which is authorised and functions regularly in accordance with the provisions of Title III of the MiFID.

“Regulation No 345/2013”

The term “Regulation No 345/2013” shall be understood as referring to Regulation (EU) No 345/2013 of the European Parliament and of the Council of 17 April 2013 on European Venture Capital Funds.

“Regulation No 346/2013”

The term “Regulation No 346/2013” shall be understood as referring to Regulation (EU) No. 346/2013 of the European Parliament and of the Council of 17 April 2013 on European Social Entrepreneurship Funds.

“Relevant person” (when used in relation to a Licence Holder)

Any of the following:

- (a) a director, partner or equivalent, manager of the Licence Holder;
- (b) an employee of the Licence holder , as well as any other natural person whose services are placed at the disposal and under the control of the Licence Holder and who is involved in the provision by the Licence Holder of investment services and activities;
- (c) a natural person who is directly involved in the provision of services to the Licence Holder under an outsourcing arrangement for the purpose of the provision by the Licence Holder of investment services and activities.

“Reportable Instrument”

Instrument which has been admitted to listing and trading on a Regulated Market.

“Remuneration Bracket”

“Remuneration Bracket” means the range of the total remuneration of each of the staff members in the senior manager and risk taker categories – from the highest paid to the lowest paid in these categories.

“Retail Client”

A client who is not a professional client.

“Retention Period” The term “retention period” means the period of time during which variable remuneration that has been already vested and paid out in the form of instruments cannot be sold.

S

“Scheme” See “Collective Investment Scheme”.

“Securities Financing Transaction” An instance of stock lending or stock borrowing or the lending or borrowing of other financial instruments, a repurchase or reverse repurchase transaction, or a buy-sell back or sell-buy back transaction.

“Senior Management” Those natural persons who exercise executive functions within the Licence Holder and who are responsible, and accountable to the Management Body, for the day-to-day management of the Licence Holder.

“Shareholders Intermediary” “Shareholders Intermediary” means a Licence holder acting as an intermediary when investing in shares of listed companies on behalf of shareholders being natural or legal person that is recognised as a shareholder under the applicable law.

“Significant Influence” Is exercised where a proposed acquirer’s shareholding, although below the 10% threshold, allows it to exercise a significant influence over the management of the Investment Services Licence Holder (for example, allows it to have a representative on the board of directors).

“Sub-consolidated basis” “Sub-consolidated basis” shall have the same meaning as that assigned to it in point (49) of Article 4(1) of the CRR, i.e. on the basis of the consolidated situation of a parent institution, financial holding company or mixed financial holding company , excluding a sub-group of entities, or on the basis of the consolidated situation of a parent institution, financial holding company or mixed financial holding company that is not the ultimate parent institution, financial holding company or mixed financial holding company.

“Supervisory Function” ‘Supervisory function’ means the relevant persons or body or bodies responsible for overseeing and monitoring

management decision making including the assessment and periodical review of the adequacy and effectiveness of the risk management process and of the policies, arrangements and procedures put in place to comply with the Licence Holders' obligations, including its obligations where applicable under the CRD/ CRR, UCITS and MiFID Directives.

With regards to the AIFMD, "supervisory function" means the relevant persons or body or bodies responsible for the supervision of the AIFM's senior management and for the assessment and periodical review of the adequacy and effectiveness of the risk management process and of the policies, arrangements and procedures put in place to comply with the obligations under the AIFMD. For those AIFMs that given their size, internal organisation and the nature, scope and complexity of their activities or their legal structure do not have a separate supervisory function, the supervisory function should be understood as the member or members of the management body responsible for these functions.

"Supervisory authorities" in relation to non-EU AIFs or non-EU AIFMs"

The terms "supervisory authorities in relation to non-EU AIFs or non-EU AIFMs" means the national authorities of a third country which are empowered by law or regulation to supervise AIFs or AIFMs as applicable.

"Sustainability Risk"

means sustainability risk as defined in Article 2, point (22), of Regulation (EU) 2019/2088 of the European Parliament and of the Council.

"Sustainability Factors"

means sustainability factors as defined in Article 2, point (24), of Regulation (EU) 2019/2088 of the European Parliament and of the Council.

"Systematic Internaliser"

An Investment Firm which, on an organised, frequent and systematic basis, deals on own account by executing client orders outside a regulated market or an MTF.

"Systemically Important Institution"

Means an EU parent institution, an EU parent financial holding company, an EU parent mixed financial holding company or an institution the failure or malfunction of which could lead to systemic risk.

“Systemic Risk”

Means a risk of disruption in the financial system with the potential to have serious negative consequences for the financial system and the real economy.

T

“Tied Agent”

A natural or legal person, who under the full and unconditional responsibility of only one Investment Services Licence Holder or European Investment Firm and on whose behalf it acts, promotes investment and, or ancillary services to clients or prospective clients, receives and transmits instructions or orders from the client in respect of investment services or instruments, places instruments and, or provides investment advice to clients or prospective clients in respect of those instruments or services.

“Third Country”

A country which is not an EU or an EEA Member State.

“Transferable Securities”:

Those classes of securities which are negotiable on the capital market, with the exception of instruments of payment such as:

- a. shares in companies and other securities equivalent to shares in companies, partnerships or together entities and depositary receipts in respect of shares;
- b. bonds or other forms of securitised debt, including depositary receipts in respect of such securities;
- c. any other securities giving right to acquire or sell any such transferable securities or giving rise to a cash settlement determined by reference to transferable securities, currencies, interest rates or yields, commodities or other indices or measures.

“Spouse”

The term “spouse” includes a partner bound by a civil union or by a union of equivalent status in terms of the Civil Unions Act.

U

- “UCITS”:** A collective investment scheme, whether of the unit trust or open-ended investment company variety, falling within the scope of and authorised in terms of the UCITS Directive.
- “UCITS Directive”:** Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) (recast) and includes any implementing measures that have been or may be issued thereunder;
- “Units”:** Shares in an investment company, units in a unit trust, or any other form of representation of the rights and interests of participants in a Collective Investment Scheme.

V

- “Vesting point”** An amount of remuneration vests when the staff member receives payment and becomes the legal owner of the remuneration. Once the remuneration vests, no explicit ex-post adjustments can occur apart from clawback clauses.
- “Voting Rights”** “Voting rights” shall be calculated on the basis of all the shares to which voting rights are attached even if the exercise thereof is suspended. Voting rights exercised in any of the following cases or a combination of them shall also be included:
- (a) voting rights held by a third party with whom a person has concluded an agreement, which obliges the person and the third party to adopt, by concerted exercise of the voting rights they hold, a lasting common policy towards the management of the issuer in question;
 - (b) voting rights held by a third party under an agreement concluded with a person providing for the temporary transfer for consideration of the voting rights in question;
 - (c) voting rights attaching to shares which are lodged as collateral with a person, provided the person controls the voting rights and declares its intention of exercising them;

- (d) voting rights attaching to shares in which a person has the life interest;
- (e) voting rights which are held, or may be exercised within the meaning of points (a) to (d), by an undertaking controlled by a person;
- (f) voting rights attaching to shares deposited with a person which person can exercise at its discretion in the absence of specific instructions from the shareholders;
- (g) voting rights held by a third party in its own name on behalf of a person;
- (h) voting rights which a person may exercise as a proxy where the person can exercise the voting rights at its discretion in the absence of specific instructions from the shareholders.