

# MFSA

## MALTA FINANCIAL SERVICES AUTHORITY

7<sup>th</sup> February, 2011

The Directors  
Investment Services Licence Holders

**Securities and Markets  
Supervision Unit**

Unit Tel: (+356) 21441155  
Unit Fax: (+356) 21449308

Dear Sirs,

***Circular letter regarding the Regulatory Disclosure by investment services licence holders required under Standard Licence Conditions ('SLCs') 7.49 & 7.50 of Part B of the Investment Services Rules for Investment Services Providers ('the Rules').***

In terms of SLC 7.49 of Part B of the Rules, as supplemented by Appendix 4, investment services licence holders are required to publicly disclose, at least in their annual audited financial statements, information on their own funds, their risk components, and their risk management and internal capital adequacy assessment process ('Pillar III disclosures'). Additional Pillar III disclosure requirements also apply in the case of Licence Holders which form part of an Investment Services Consolidation Group, in terms of SLC 7.50 of Part B of the Rules.

The above-mentioned conditions do not apply to investment services licence holders which determine that the disclosure of the information required in terms of these SLCs is not material or is proprietary or confidential, as outlined in SLC 7.51. This notwithstanding, investment services licence holders are still required to *inter alia* state in their annual audited financial statements the fact that the information required in terms of SLC 7.49 or 7.50 has not been disclosed and the reason for non-disclosure.

The following licence holders are exempt from the Pillar III disclosures: **[i]** credit institutions which are also Licence Holders given that these will be subject to the requirements for credit institutions arising from the Banking Act, Cap. 371; **[ii]** Category I Licence Holders; **[iii]** Licence Holders which only provide management services to collective investment schemes; and **[iv]** Companies which are only licensed under the Investment Services Act, 1994 as Category 4 licence holders.

Provided that with respect to point **[iii]** above, the MFSA may, on a case by case basis, exempt licence holders providing other services apart from fund management, from the requirements of SLC 7.49.

The MFSA has noted that in 2010 a number of investment services licence holders did not fully satisfy their regulatory obligations relating to Pillar III disclosures, given that their annual audited financial statements did not include proper disclosure as required in terms of the Rules.

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**The Authority expects investment services licence holders to adhere to the Pillar III disclosure requirements. As indicated above, compliance with these requirements may be achieved through disclosure in the investment services licence holders' annual audited financial statements.**

Should a Licence Holder fail to disclose the required information, the Authority will need to consider what regulatory action is appropriate in the circumstance.

Should you have any queries regarding the above, please do not hesitate to contact Ms. Stephanie Buhagiar Camilleri – [scamilleri@mfsa.com.mt](mailto:scamilleri@mfsa.com.mt) or 2548 5438 or Ms. Mellyora Grech - [mgrech@mfsa.com.mt](mailto:mgrech@mfsa.com.mt) or 2548 5193.

Sincerely,



**Cristina Parlato Trigona**  
Director



**Christopher P. Buttigieg**  
Deputy Director