

WEF highlights gains in Malta's competitiveness



Malta's competitiveness gains have been recognised by the World Economic Forum in its Global Competitiveness Index for 2016-2017. The WEF has placed Malta in 40th position out of 138 nations, an improvement of eight positions over last year.

The WEF has once again ranked Malta amongst the top financial services jurisdictions, with a ranking of 16th in terms of soundness of banks and 15th with regards to the strength of auditing and reporting standards. Malta was classified as an innovation-driven economy.

The World Economic Forum's report provides a detailed overview of the competitiveness performance of 138 economies, and provides a highly detailed analysis of their economic, financial and social performance. It contains a detailed summary for each of the economies included in the study, as well as an extensive section of data tables with global rankings covering over 100 indicators. Switzerland kept its position at the top end of the table above Singapore and the United States.

Malta's attractiveness as an investment location is also confirmed by its placing, in the same report, among the top 40 nations with regards to the quality of its education, health services, physical infrastructure and technological availability.

Malta's growth focused on quality not quantity

The Maltese financial services jurisdiction was put under the spotlight in this month's edition of Professional Wealth Management, published by the Financial Times, which specialises in analysing the growth strategies of the regional financial centres.



PWM describes the island as increasingly attractive to financial firms seeking safe, well-regulated and cost effective operating hubs within the EU. In its review, PWM interviewed a number of stakeholders in the financial services sector, including MFSA Chairman Prof Joe Bannister.

Commenting on the success of the sector, Prof Bannister noted that "the good thing about Malta is that its economy is diversified. It would not be ideal to make the financial sector a predominant sector largely because this is highly mobile and obviously there is a limited population. I think there is room for further expansion largely because the economy is shifting towards a more service-type economy."

The MFSA Chairman noted that there are "€10bn in assets of funds registered here but the whole system accounts for €100bn through custody operations, managed accounts, trusts, corporate services work and pension funds. The sector will expand in relation to the number of companies coming in. We have strong due diligence and a good authorisation team and firms are well scrutinised before they are granted a licence. We stand out as a Mediterranean country."

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Professor Bannister also discussed developments with regards to custodians: “We are working on this. There are various players now looking at Malta attracted by not simply looking at custody for funds, but also the custody for trust work and corporate services for example. Our developing personal pension sector will also require custodians, although they are not required to be on the island but obviously we, as regulators – when we see large amounts of money in these personal pensions – prefer the custodian should be in Malta

In conclusion, when asked about developments in the year to come, Prof Bannister remarked that “the future looks good, but obviously the road is bumpy because of a number of external factors. What is important is that we continue on the same road that has brought us success, which is not numbers but quality. If we keep on track, particularly in authorisation and supervision, then our success will continue.”

The full interview is available online on <https://goo.gl/gRyn3B>

FERMA Seminar 2016 in Malta

Malta will be hosting the 2016 edition of the FERMA Seminar, which brings together risk management and insurance professionals from around the world to discuss the latest developments in risk management and the insurance market. The event is dedicated to risk and insurance managers with the themes: education, communication and leadership.



The one and a half day programme will feature the announcement of the results of the 2016 FERMA European Risk and Insurance Survey, the most representative report of the views of risk and insurance managers across Europe; high level speakers from government, industry and the financial sector; sessions on topical issues raised by National Associations and a risk Managers only round table discussion with a specific parallel session for all other participants.

So far over 350 delegates have registered for this event. Further information is available: <http://www.ferma.eu/ferma-seminar-2016>

Report on Collective Investment Schemes

The MFSA has published its mid-year report on trends of the funds sector based on an analysis of Collective Investment Schemes licensed in Malta.

The net asset value of Malta-domiciled funds experienced a decline of almost four percent (or €0.4 billion) over the period December 2015 – June 2016, to stand at €9.83 billion at the end of June 2016. While net assets of equity funds and mixed funds expanded by almost €0.19 billion and €0.05 billion respectively in the first half of 2016, diversified funds, bond funds and hedge funds reported falls of €0.41 billion, €0.19 billion and €0.13 billion respectively. Funds adopting other different investment strategies reported an increase of €0.07 billion in net assets during the same period.

Net assets of Alternative Investment Funds reached €1.82 billion at the end of June 2016, representing an increase of almost €0.18 billion when compared to end of 2015. Professional Investor Funds reported a decline of €0.35 billion in net assets, from €5.34 billion at the end of 2015 to €4.99 billion at the end of June 2016.

UCITS funds reported a loss in the net asset value of €0.26 billion to stand at €2.47 billion as at the end of June 2016, while net assets of retail non-UCITS funds increased slightly by €0.02 billion to €0.55 billion at the end of June 2016.

Over 35 percent of the funds (including sub-funds) were self-managed at the end of June 2016, representing an increase of 2.4 percentage points when compared to end 2015. Almost 31 percent of the funds were managed by locally based fund managers with the remaining 34 percent being managed overseas.

Funds administered in Malta increased by 2.4 percentage points in the first half of 2016, with over 83 percent of the number of funds (including sub-funds) domiciled in Malta being locally administered at the end of June 2016. The remaining 17 percent of the funds were administered from outside Malta.

The report “Analysis of Collective Investment Schemes licensed by the Malta Financial Services Authority” is published on the MFSA website and may be accessed from the following link: goo.gl/miuEc5

Circular to Credit Institutions on the consultation on proposed amendments to Banking Rule 09 under the Banking Act 1994

High levels of non-performing loans are not only a source of risk for credit institutions individually but also have a collective bearing at a macroeconomic level. Elevated levels of non-performing loans have long been identified by international institutions such as the IMF as a source of financial stability risk, since they hinder the efficient flow of credit to productive investment in the real economy, thus constraining future growth prospects. Non-performing loans also limit the future income streams for credit institutions, threatening the long term sustainability of their business models. In turn, this threat is gaining more impetus in the current low interest rate environment. Motivated by these same concerns, on the 12th of September, the European Central Bank in its SSM capacity published a guidance report^[1] on NPL reduction for consultation.

Against this background the CBM/MFSA Joint Financial Stability Board (‘the Board’), following extensive discussions with both the MFSA and Central Bank of Malta, has determined the need for the banking sector in Malta to reduce its level of non-performing loans and has advocated a more direct approach to achieve this target. The Board’s views were motivated by a relatively higher NPL ratio for core domestic banks when compared to the European average, more so when taking into account that the latter is biased upwards by the stock of non-performing loans of distressed countries. This notwithstanding, the Board also took note of the particular traits of the banking industry in Malta, such as the size of the institutions, their structural characteristics and their operational constraints.

The Board has also determined that an amended version of the MFSA’s Banking Rule 09 issued under the Banking Act 1994 is the most appropriate instrument to achieve this objective.

For this reason, the MFSA would like to draw the attention of credit institutions licensed in Malta to a [consultation on the amendments to BR09](#) that are being proposed following close cooperation with the Central Bank of Malta.

The proposed amendments are essentially anchored around a medium-to-long-term ceiling on the NPLs ratio of credit institutions. Credit institutions holding a higher ratio will be required to devise a concrete reduction plan to bring the levels of non-performing loans below this ceiling. Failure to adhere to this plan will require the institution to shore up its resiliency through the accumulation of an additional capital reserve. Further details on this proposed framework could be found in the said consultation document.

Interested parties are being invited to submit any written comments by not later than Friday 21st October 2016. Any comments and feedback are to be addressed to Alexandra Filletti, Senior Manager, Regulatory Development Unit on afilletti@mfsa.com.mt. The Authority reserves the right to disregard any responses sent after the said date.

Recent Consultations on Amendments to the Insurance Rules issued under the Insurance Business Act

External audit of the Solvency II regulatory returns

With a view of ensuring the high quality of public disclosure of Solvency II information, on [26th August 2016](#), the MFSA issued a consultation document relating to the external audit of certain templates of the Solvency and Financial Condition Report. This Consultation contains proposed amendments to Chapter 8 on *Financial Statements and Supervisory Reporting Requirements*, in Part B of the Insurance Rules issued under the Insurance Business Act. The proposed amendments will require the external audit of specific templates of the Solvency and Financial Condition Report ("SFCR"), in particular templates on the Solvency II balance sheet, own funds, capital requirements and technical provisions.

It is being proposed to insert a new Section 8.10 in Chapter 8, requiring that the specific templates of the SFCR specified in the new Annex V to Chapter 8 are to be accompanied by a report drawn up by the approved auditor of the undertaking, which is to include a reasonable assurance opinion on the said templates confirming that these have been prepared in all material respects in accordance with the said Chapter 8 and the Commission Implementing Regulation 2015/2452. Part I and Part II of the proposed Annex V contains a list of selected templates of the SFCR found in the Commission Implementing Regulation 2015/2452, to be disclosed by individual undertakings and groups, as applicable.

Intra-Company Loans within a Group (Intra-Group Loans)

On [1st April 2016](#), the MFSA had issued for consultation proposed amendments to *Chapter 5 on Valuation of assets and liabilities, technical provisions, own funds, Solvency Capital Requirement, Minimum Capital Requirement and investment rules*, of Part B of the Insurance Rules issued under the Insurance Business Act. The proposed amendments in the said Consultation included an additional new paragraph 5.7.12 and a new Annex to Chapter 5 which established the proposed minimum parameters within which authorised insurance or reinsurance undertakings and captive undertakings will be permitted to grant intra-group loans to undertakings or companies within its group. The proposed new Annex addressed two main issues originating from the Solvency II Directive (Directive 2009/38/EC), mainly the *encumbrance* of the capital of insurance undertakings and the proper management and the diversification of the assets of the insurance undertakings (*prudent person principle*).

The MFSA received a considerable amount of feedback from the insurance market on the introduction of prescriptive rules on intra-group loans made by authorised undertakings. In order to address the feedback raised by the insurance market, further amendments were proposed to the draft Annex, which was previously issued for consultation.

Further to the consultation of 1st April 2016, on [9th September 2016](#) the MFSA issued a consultation document on the proposed amendments to the new proposed Annex on intra-group loans.

DBRS Ratings Limited confirms Malta's A rating

In its latest credit rating report on Malta, DBRS Ratings Limited has confirmed the country's stable outlook and its 'A' rating.

The A rating reflects Malta's Eurozone membership, which ensures reliable access to European markets, fosters strong and credible macroeconomic policies and makes available financial support from European institutions. The country's solid external position also supports Malta's ratings, together with a favourable public debt structure and the robust financial position of households.



In its assessment, DBRS also made reference to the rise in national income, which it attributed to the rise in employment generated by trade and tourism as well as the country's success at strengthening fiscal, monetary and financial policy institutions in line with the EU and Eurozone rules. Moreover, reference was made to the resilient private consumption growth and overall strong economic performance.

DBRS acknowledged that "important improvements in fiscal management have been undertaken". DBRS also commented positively on the recent budget measures which were aimed at strengthening the fiscal framework, such as the Fiscal Responsibility Act.

Malta expecting a "bumper year" for new formations

Article as published on captivereview.com

Professor Joe Bannister, chairman of the Malta Financial Services Authority (MFSA), believes the jurisdiction is on track to have a strong year of new formations.

Malta is one of the European Union's most prominent captive domiciles, joining Dublin and Luxembourg as one of the preferred options for corporates.

"Things have changed since May this year and we are getting quite a few inquiries for captives and traditional (re)insurance companies," Bannister told Captive Review. "We expect it could be bumper year for captive and reinsurance companies coming to Malta."

Bannister said he met with one large corporate recently that is considering forming a captive in Malta, while a reinsurance company is also considering setting up a captive on the island.

At present there are seven pure captives and one protected cell company (PCC) captive licensed in the domicile. The PCC contains 12 active cells.

The official statistics, however, do not paint an accurate picture of Malta's status since any 'captive' writing third party business is not classed as such. Peugeot Citroen, Vodafone and Nissan are among a host of companies owning insurance entities in Malta, but these are not counted in the official tally.

Among those captives that are counted within the seven number are Ergon Insurance Ltd, owned by German energy company Uniper, and Werla Insurance Company, owned by UPM-Kymmene Corporation, a Finnish forest industry company. Falcon Insurance, owned by metals and mining corporation Rio Tinto, is in run-off.

"This is something that we discuss internally," the Professor added. "The statistics do look poor, but in reality this is the right classification and we do not want to mislead. Often what happens is a company looks to form a captive here, but then they see how easy it is to add third-party business and so they do that as well."

European Supervisory Authorities Announcements

European Banking Authority (EBA)

- 01/09/2016 - [An Update on the Insider Lists](#)
- 09/09/2016 - [ESAs highlight main risks for the EU financial system](#)
- 09/09/2016 - [EBA updates its CET1 list](#)
- 09/09/2016 - [EBA says that core funding ratio cannot replace NSFR when assessing funding risk](#)
- 12/09/2016 - [ESAs reject proposed amendments from the European Commission to technical standards on non-centrally cleared OTC derivatives](#)
- 12/09/2016 - [EBA issues revised list of ITS validation rules](#)
- 23/09/2016 - [Consultation on Technical Standards on standardised terminology and disclosure documents under the PAD](#)
- 23/09/2016 - [Consultation on the Guidelines on the criteria on how to stipulate the minimum monetary amount of the professional indemnity insurance under PSD2](#)
- 23/09/2016 - [EBA consults on Guidelines on professional indemnity insurance or comparable guarantee for payment initiation and account information services providers](#)
- 23/09/2016 - [EBA consults on technical standards on fee terminology and disclosure documents under the Payment Accounts Directive](#)
- 23/09/2016 - [EBA publishes final draft technical standards on information exchange between authorities regarding qualifying holdings](#)
- 29/09/2016 - [EBA harmonises the definition of default across the EU](#)

MFSA Circulars

- 02/09/2016 - [Circular to Credit Institutions including branches on the revised FINREP templates and revised templates for the Delegated Act on LCR](#)
- 06/09/2016 - [Circular - Update to the Industry on recent developments in relation to the Insurance Distribution Directive](#)
- 06/09/2016 - [Circular - Update to the Industry on recent developments in relation to upcoming legislation](#)
- 12/09/2016 - [Circular to Payment Services Providers on EBA Consultation Paper on draft Regulatory Technical Standards specifying the requirements on authentication and communication under PSD2](#)
- 22/09/2016 - [Circular - Update to the Industry on recent developments in relation to PRIIPs](#)
- 30/09/2016 - [Circular to Credit Institutions on the consultation on proposed amendments to Banking Rule 09 under the Banking Act 1994](#)

MFSA Consultation Papers and Feedback Statements

- 09/09/2016 - [Consultation on Amendments to the Insurance Rules issued under the Insurance Business Act](#)
- 16/09/2016 - [Consultation on the Implementation of three new banking rules issued under the Depositor Compensation Scheme Regulations, S.L. 371.09](#)
- 30/09/2016 - [Consultation on the proposed amendments to Banking Rule 9 'Measures addressing Credit Risks arising from the assessment of the quality of Asset Portfolios of Credit Institutions authorised under the Banking Act 1994'](#)

MFSA Warnings

- 26/09/2016 - [MFSA Warning - EMEXPAY - http://www.emexpay.com/](#)

Foreign warnings received by MFSA can be viewed on [MFSA Website / Announcements / Warnings](#)

MFSa Licences - August 2016

NEW LICENCES

Collective Investment Schemes

Professional Investor Funds targeting Qualifying Investors

- Collective Investment Scheme licence issued to **PerSYSTEMCY SICAV plc** in respect of one sub-fund.
- Collective Investment Scheme licence issued to **Pilatus SICAV plc** in respect of one sub-fund.

Alternative Investment Funds targeting Professional Investors

- Collective Investment Scheme licence issued to **Italo SICAV plc** in respect of one sub-fund.

Recognised Incorporated Cell Companies

- Recognition Certificate issued to **Water Lane Investment RICC Limited**.

UCITS

- Collective Investment Scheme licence issued to **ARIA SICAV plc** in respect of one sub-fund.

Investment Services

- Category 2 licence issued to **Markham Rae (Malta) Management Company Limited**.

Pensions

Retirement Scheme

- Certificate of Registration issued to **Synergy International Pension Plan**.

Retirement Scheme Administrator

- Certificate of Registration issued to **TMF International Pensions Limited**.
- Certificate of Registration issued to **JTC Trustees (Malta) Limited**.

Company Service Providers

- Registration certificate issued to **Virtue Resources Limited**.
- Registration certificate issued to **Sarnia Yachts (Malta) Limited**.
- Registration certificate issued to **Corpog Services (Malta) Limited**.

Securitisation Vehicle*Cells*

- Acknowledgement issued to **HAVENGRID 2026 ZC Cell**.

Trustees and Fiduciaries

- Authorisation issued to **Imperium Malta Limited** to provide trustee and other fiduciary services including acting as administrators of private foundations.

Insurance*Insurance Brokers*

- **Tempus Global Group Insurance Brokers Limited** has been granted enrolment in the Brokers List.

Reinsurance Special Purpose Vehicle

- Authorisation issued to **Exchange Re SCC Limited** to carry on business as a Reinsurance Special Purpose Vehicle in terms of the Reinsurance Special Purpose Vehicles Regulations, 2016, and constituted as a Securitisation Cell Company in accordance with the Securitisation Cell Companies Regulations, 2014.

SURRENDERED LICENCES**Collective Investment Schemes***Professional Investor Funds targeting Qualifying Investors*

- Surrender of licence issued to **Knights of Malta Investments Funds SICAV plc** in respect of one sub-fund.
- Surrender of licence issued to **Reventón Advanced Solutions SICAV plc**.

Incorporated Cells

- Surrender of licence issued to **Andromeda Fixed Income IC SICAV plc**.

UCITS

- Surrender of license issued to **AQA UCITS Funds SICAV plc** in respect of one sub-fund.
- Surrender of licence issued to **EMIntrinsic SICAV plc**

EXTENDED AND REVISED LICENCES**Collective Investment Schemes**

- Licence issued to **Open Door SICAV plc** was converted from Professional Investor Fund to Alternative Investment Fund.
- Licence issued to **Cerro Torre SICAV plc** was converted from Professional Investor Fund to Alternative Investment Fund.

Investment Services

- Extension of license issued to **Abalone Asset Management Limited** to include the provision of management services to Professional Clients.

Insurance*Insurance Undertakings*

- Extension of license issued to **Real Estate Insurance Cell**, a protected cell of HighDome PCC Limited, to carry on business of insurance in one additional class of the general business.

Registry of Companies - New Registrations – August 2016

Companies	Partnerships
401	7

Forthcoming Events



October 3-4 - [FERMA - European Risk Seminar](#)



8-9 November - [European Captive Forum 2016](#)



Training by members of the ECC:

- [Malta International Training Centre](#)
- [Malta Institute of Accountants](#)
- [Institute of Financial Services](#)
- [Institute of Legal Studies](#)
- [Institute of Financial Services Practitioners](#)
- [Malta Institute of Management](#)
- [Castille Institute](#)
- [PricewaterhouseCoopers](#)
- [Malta College of Arts, Science and Technology \(MCAST\), Institute of Business & Commerce](#)
- [The Department of Banking & Finance, Faculty of Economics, Management & Accountancy, The University of Malta](#)

*Communications to be addressed to:
The Secretary,
Educational Consultative Council,
MFSA,
Notabile Road,
Attard.*



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