

MFSA Newsletter

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MFSA
MALTA FINANCIAL SERVICES AUTHORITY

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IFSP Seminar - Malta as a Financial Centre: State of Play

"MFSA active in generating reforms despite regulations – Joseph Bannister"

"As we are here today to put the spotlight on financial services, I cannot but highlight the remarkable results being achieved in this sector, despite the fact that competition from other jurisdictions has grown significantly. The positive aspect of this success is that it is being registered within a wide spectrum of financial services."

Minister of Finance Tonio Fenech was addressing a packed seminar, State of Play: Malta as a financial centre, organised by the Institute of Financial Services Practitioners (IFSP) and held at the Corinthia Hotel in St Julian's, yesterday.

"We have 25 banks, more than 600 funds, and 54 insurance companies. Two years ago, we have amended legislation to allow the setting up of pension management schemes in Malta – in a short space of time, 13 such schemes are being managed from Malta.



Minister Tonio Fenech addressing the seminar

"Over and above, I am equally impressed by the feedback given by independent and non-regulated professionals involved in corporate services, who re-

port, that, despite all the challenges, they are constantly busy registering companies, providing registered offices and several other services," Fenech said.

Companies registered with the MFSA are on the increase: just under 10,000 in the past three years, the best year being last year with 3,458 new companies. Figures available so far for 2012 indicate that this trend is being maintained.

Fenech also said that "around four to five years ago, when we first came up with our Vision 2015 proposal, we had defined our target of transforming Malta as a regional centre of excellence in financial services. Five years later... we have certainly come a long way", adding "and this is recognised by the World Economic Forum, putting Malta amongst the world top 15 in the world. This is also thanks to your commitment and dedication".

The seminar hosted various key players in the financial sector including Andrew Manduca, IFSP president, Doreen Fenech, director, tax, KPMG, Edward Attard from PriceWaterhouse Coopers, Andre Zerafa from Ganado & Associates, among others. MFSA chairman Prof Joseph Bannister was among the event's speakers.

Among the subjects tackled were the latest developments and regulations implemented by the Malta Financial Services, High Net Worth Individuals' and Highly Qualified Expatriates' taxation developments, IT and Corporate Services, anti-money laundering regulations and the IFSP Guidance Notes on the subject, and the Solvency II Directive.

The aim of the conference was to highlight the many changes underway in many areas of the financial services sector, changes that have the capacity to influence the way practitioners do business and provide service to their clients.

In his speech, Bannister said that “many reforms have been made to protect companies in Malta, including the financial supervision of financial institutions, improved consumer protection, an improved hedge-fund directive, transparency directive, among others.

“MFSA is active in generating reform, and doesn’t simply sit there implementing regulations continuously emerging from Brussels – but by reviewing all the regulations and making sure that Malta attracts foreign investment at the same time. It is then in the business operators’ hands to utilise such developments and further attract business.”

Bannister also referred to the talk of ‘Shariah banking’ (Islamic banking) which isn’t an easy structure to follow and implement. “Besides, Shariah is never found to be in a EU State, however, there is space for bringing in Sharia funds eventually.”

Islamic banking is the world's fastest growing sector in world finance.

Bannister said that the MFSA has gone a step further by also meeting the demand for a platform model involving an incorporated cell company providing administrative services such as routine contractual matters and start-up support to a number of Incorporated Cells licensed as collective investment schemes. He was referring to the Recognised Incorporated Cell Company’s new legal structure.

A collective investment scheme may be established as a Sicav ICC that operates under a CIS licence in accordance with the Companies Act (Sicav Incorporated Cell Companies) Regulations or one may opt for a platform serving purely for the provision of administrative services to incorporated cells in terms of the Companies Act (Recognised Incorporated Cell Companies) Regulations.

The regulations build on the “cellular” concept of establishing a cluster of cell companies group under an incorporated cell company structure.

On the Companies Act – Amendment of the Tenth Schedule regulations – MFSA has carried out certain amendments, according to Bannister. The regulations are aimed at aligning the Tenth Schedule of the Maltese Companies Act with Sicav regulations

“This alignment was considered necessary so as to bring limited partnership structures on a level playing field with SICAVs,” Bannister added.

Regarding the Solvency II EU Directive – by which the European insurance business is regulated – the MFSA chairman said that it was another important new framework that requires insurers take into account the risks inherent to their assets such as investment risks, credit risks and operational risks.

Meanwhile, Bannister said that Malta was one of the jurisdictions to meet the Qualifying Recognised Overseas Pensions Scheme (QROPS).

QROPS is an overseas pension scheme into which UK private pension rights can be transferred.

Meanwhile, on the Retired Pensions Act (to be enacted in July), Barrister said that amendments were still in the consultation process since certain issues related to governance were pending approval, adding that “it would be released for consultation some time soon”.

Concluding, Bannister said that “operators must always bear in mind that the MFSA is not a one-man band”, adding that “we consult on all regulations and directives prior to implementation with all concerned”.

A new set of provisions targeted towards attracting foreign High Net Worth Individuals who wish to relocate to Malta have also been established.

The conditions required to qualify for special tax status, as well as the minimum tax payable under the HNWI Rules, vary depending on whether the applicant falls within or outside the EU, EEA or Swiss national category.

Doreen Fenech, director, tax KPMG, said: "One of the selling points of Malta is definitely taxation. High Net Worth Individuals taking up residence in Malta in respect of any foreign income received here are subject to 15% tax. EU nationals are subject to paying 20,000 euros plus 2,500 per dependant in tax. With respect to Third country nationals, neither nationals of Switzerland, the minimum tax payable in Malta is 25,000 euros, plus a further 5,000 euros per dependant."

Fenech also highlighted the Highly Qualified Expatriates rule which started off in respect of companies which are licensed and recognised by the MFSA and which was further extended to employees of companies licensed with the Lotteries and Gaming Authority (LGA).

"Expatriates moving to Malta to take up employment in the top offices of companies licensed or recognised by the Malta Financial Services Authority or the Lotteries and Gaming Authority and in receipt of a minimum annual salary of €75,000, may benefit from a flat rate of tax of 15% for a determined number of years, subject to the fulfilment of certain conditions." See table below.

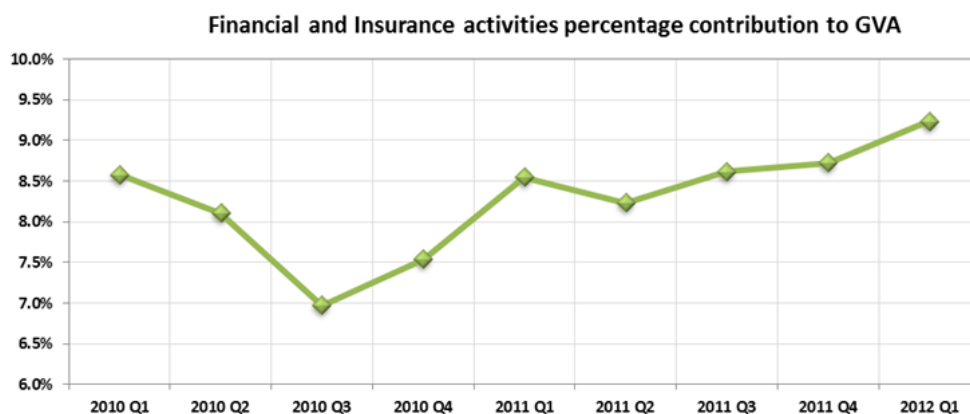
Beneficial tax rate	EU/EEA/Swiss/Third country nationals
(15%)*	75,000 euros-5,000,000 euros
Exempt	5,000,000+

*** Conditions: The beneficial rate of tax applies for a period of five consecutive years while for Third country nationals for a period of four years and provided the minimum taxable income threshold is of 75,000 euros.**

Article by Duncan Barry - Maltatoday, Business & Finance, 27 June 2012

Financial and insurance activities contribution to Gross Value Added (Q1-2012)

During the first quarter of 2012, Gross Value Added (GVA) from financial and insurance activities in Malta amounted to €124 million registering a 5.2 per cent growth from the previous quarter. Financial and insurance activities contributed 9.2 per cent to total GVA during the first quarter of this year, up from 8.7 per cent during the previous quarter. In comparison to the corresponding quarter last year, financial and insurance activities' contribution to GVA grew by 7.7 per cent. As illustrated in the chart, from the fourth quarter of 2010 to date, with the exception of the 0.3 percentage points drop incurred during the second quarter of 2011, financial and insurance activities percentage contribution to GVA continued to register steady growth.



source: NSO release - Gross Domestic Product: Q1/2012 (111/2012)

Revised Application Form for Investment Services Licence Holders

The MFSA has announced an extensive revision to the Application Form for the licencing of Investment Services Licence Holders. The intention behind the revision to Schedule A of the Investment Services Rules for Investment Services Providers is that of making the submission of application documents for Investment Services Licence as comprehensive as possible.

Essentially, the main changes to the Application Form are the following:

1. The sections in the Application Form have all been revised and additional questions have been included in each section requesting details from the Applicant which originally used to be addressed in the correspondence between the Applicant and the Authority post submission of the Application. The Applicant is to pay particular attention to the information reported in the beginning of the Application Form as well as the Checklist, both of which have become more comprehensive.
2. Section 1 has been totally revamped and requires that the Applicant provides the Authority with all contact details of the promoters and their legal/professional consultants.
3. Section 2 is now dealing with the general information concerning the Applicant. In particular additional questions and requests for information have been included concerning the proposed set-up of the Applicant.
4. Section 3 concerns the shareholding/structure and the regulatory history of the applicant. This section concerns the entities which control the applicant or are in a position to influence whether directly or indirectly the business of the Applicant.
5. Section 4 deals with the nature of the investment services to be carried out. It encompasses the information which the Applicant used to submit to the Authority in terms of Sections 3, 4 and 5 of the repealed Schedule 'A'.
6. Section 5 is rather new in its content and deals with the operations and in particular the operational set up of the Applicant, who will be doing what and from where. The Authority expects that the Applicant provides comprehensive information in this section.
7. Section 6 dealing with competence assessments has been completely revised to include detailed questions concerning the relevance of the academic qualifications and the work experience of the individuals concerned. This section has also been extended to capture Compliance Officers, Money Laundering Reporting Officers and Risk Managers.
8. Two new sections have been introduced namely: a new Section 7 dealing with additional information to be provided by Fund Managers and a new Section 8 dealing with additional information to be completed by Online Forex Applicants.



Lastly, the revised Application Form also includes new guidance notes regarding the requirements in so far as (i) documents required by the Authority in the case of complex shareholding structures and (ii) documents that can be provided by the Applicant in providing comfort to the Authority regarding the competence of individuals proposed for certain key positions.

The Revised Application Form is available for download from the [MFSA website](#).

Any queries should be addressed to the Authorisations Unit - au@mfsa.com.mt

Guidance Note issued by MFSA on the Delegated Regulation amending Regulation (EC) No. 809/2004

On 2 April 2012, the European Commission published a Delegated Regulation to amend Regulation (EC) No. 809/2004 (Prospectus Regulation). The delegated Regulation is expected to enter into force on 1st July 2012. A Guidance Note on the draft Delegated Regulation was issued by the MFSA on the 21st June 2012, aimed to all securities listed on the European Wholesale Securities Market. The Guidance Note was designed to provide an indication of the salient features introduced by the Delegated Regulation which would be pertinent to the wholesale market. The Guidance Note explained MFSA's position regarding transitional provisions and also provided a clarification on the MFSA's position regarding Supplements. This Guidance Note also explained the main changes proposed by the European Commission relevant to wholesale non-equity securities. A copy of the delegated Regulation can be downloaded from the MFSA website - <http://www.mfsa.com.mt/pages/viewcontent.aspx?id=485>.

In case of queries regarding the above, please contact the Securities and Markets Supervision Unit - su@mfsa.com.mt

APS seminar focuses on ethical investment design, objectives

Ethical funds' design and objectives were laid out to around 100 participants at an APS Bank seminar themed 'Introducing ethical investment in a dynamic society' at the Radisson Blu Resort St Julian's earlier this month.

The event came just days after APS Funds SICAV plc launched Malta's first retail ethical investment fund. Managed by the Church-owned bank, the Regular Income Ethical Fund has a medium-risk profile with investments directed at companies meeting its ethical policy on social and environmental values.

Attended by Archbishop Paul Cremona and Gozo Bishop Mario Grech among other religious, clients, staff and investment advisors, the seminar was opened by APS Bank chairman Lino Delia who pointed out that human behaviour has been scrutinised for centuries.

Prof. Delia said ethics and morals saw their meaning evolve in dynamic societies and it was important that they were reviewed from time to time.

Alessandra Viscovi, chief executive officer of Etica SGR, the Italian ethical investments pioneer, outlined how socially responsible investing was mindful of its positive and negative consequences on society. She mapped the growth of SRI funds in Italy which, at just €1.2 billion, clearly showed that there was a lack of information and understanding of their objectives.

Detractors often accused socially responsible investors of causing problems for portfolio managers but Ms Viscovi argued that they were more likely to reach their goals for the benefit of shareholders and society.

"The way we invest matters," she argued. "We live on a small planet. Institutional investors have greater resources and they must do great things. There is no trade-off between socially responsible investment and performance – they are patient and non-speculative. The investments we make today will shape the world we live in tomorrow."

Malta Financial Services Authority chairman Joseph Bannister underlined how most consumers were unfamiliar with ethical finance but there was a growing urge for a return to basics that was leading to a trend.

Refuting accusations that the regulator was too rigid or too cautious at times, Prof. Bannister conceded that the financial sector faced increased regulation but practitioners had to understand that the country's reputation had to be protected. Consumers were responsible for their decisions, he cautioned, while the onus was on organisations to instruct their teams properly, particularly through training in ethics.

Prof. Delia delivered the presentation of Bill McKibben, author of 'Play Nice, Make Money, Making the case for an ethical business model' who was taken ill and was unable to travel to Malta.



Professor Lino Delia addressing the seminar

“In the end, it all comes down to doing the right thing,” the broadcaster and journalist believes. “But can you make money from doing the right thing? I believe you can.”

He explains how with two academics, he set out to prove his theory through research of which there was little other than anecdotal evidence.

They found that seven in 10 Americans preferred to give their custom to companies which shared their values. Research also suggested that the more open and collaborative a business was, the more successful it was likely to be.

UK Sustainable Investment and Finance Association chief executive Penny Shepherd made a similar argument. She explained how 42 per cent of consumers surveyed said that if they could make money while making a difference they would.

Ethical investing, she added, was not only an option for the deeply committed but for everyone who sought to diversify their portfolios. It was particularly important in an environment of new thinking, which brought lobby groups like the Occupy movement calling for more responsibility and meetings like the Rio+20 conference earlier this month.

Mark Robertson, head of communications at the UK’s EIRIS Foundation, a not-for-profit research and investor services organisation, explained how investors were increasingly seeking to obtain more information. It was important businesses were more forthcoming with information but the quality of corporate social responsibility reporting still had a long way to go, he said.

Heightened consumer interest was resulting in a “shareholders’ spring” in the UK with many instances of voting against executive remuneration at HSBC and more recently at WPP.

F&C Investments’ director and fund manager Richard Mercado explained that to avoid the risk of “green-washing”, it was essential that screening and investment functions were separated for ethical investment to be carried out credibly. Ethical investment, he added, provided an extra layer of risk assessment.

Wolfgang Pinner, head of sustainable investments at Erste Asset Management GmbH, demonstrated how a socially responsible investment approach limited risk from hard-to-predict natural or human-made events. He compared the results to a best-in-class approach which was proven to help to identify opportunities.

Article by Joanna Ripard - The Times, 28 June 2012

Compensation Schemes - Publication of reports and financial statements for 2011

The Compensation Schemes Management Committee of the Depositor Compensation Scheme and of the Investor Compensation Scheme, has published the reports on the discharge of its functions and its operations during 2011, together with the Schemes’ audited financial statements for 2011.

Furthermore, the Management Committee of the Protection and Compensation Fund published the Fund’s audited financial statements for 2011.

A copy of these reports can be downloaded from the [MFSA Website/Publications](#)

Training in ‘soft’ skills for MFSA employees

Three separate training courses have recently been organised by the MFSA HR & Development Unit for MFSA staff as part of the annual personal development programme. The sessions, which were entitled, Verbal & non-Verbal Communication, Managing Your Time, and Team Working respectively were conducted by Douglas Miller, a training specialist of international repute.



Mr Douglas Miller and MFSA staff members during one of the training courses

The training activities aimed at motivating employees; reinforcing team spirit and staff morale; communicating shared values; improving team co-operation and productivity.

Douglas Miller stated that while we've known for a long time that while Technical Skills are very important they only provide 50% of the answer. It's the crucial link between technical knowledge and the way we relate to people – individually and in groups – that has become the key success or failure variable. Everything we do professionally is done 'through' and 'with' people and if we can't develop strong professional relationships through our 'soft' skills we won't succeed. Mr Miller said that it was great to see MFSA recognising how important these soft skills are and committing resources to the development of these skills in the MFSA team.

Press Releases issued by the European Supervisory Authorities

European Banking Authority (EBA)



7 June 2012 - [Consultation paper on Draft Implementing Technical Standards on Disclosure for Own Funds](#)

7 June 2012 - [Consultation paper on Draft Implementing Technical Standards on supervisory reporting requirements for leverage ratio](#)

7 June 2012 - [Consultation paper on Draft Implementing Technical Standards on supervisory reporting requirements for liquidity coverage and stable funding](#)

12 June 2012 - [Consultation paper on Draft Regulatory Technical Standards on the concept of Gain on Sale associated with future margin income in a securitisation context](#)

15 June 2012 - [Consultation paper on draft Regulatory Technical Standards on Capital Requirements for CCPs](#)

28 June 2012 - [EBA 2011 Annual Report](#)

29 June 2012 - [Information on the publication timeline of the outcome of the Capital exercise](#)

European Securities and Markets Authority (ESMA)



25 June 2012 - [ESMA proposes rules on derivatives, central counterparties and trade repositories](#)

25 June 2012 - [ESMA publishes its first Annual Report](#)

28 June 2012 - [ESMA proposes remuneration guidelines for alternative investment fund managers](#)

European Insurance and Occupational Pensions Authority (EIOPA)



11 June 2012 - [EIOPA publishes its Financial Stability Report June 2012](#)

11 June 2012 - [EIOPA First Half-Year Financial Stability Report 2012](#)

27 June 2012 - [EIOPA publishes Guidelines on complaints-handling by insurers](#)

Licences - May 2012

LICENCES ISSUED

Collective Investment Schemes

Professional Investor Funds targeting Qualifying Investors

- Collective Investment Scheme licences issued to **NBCG Fund SICAV plc** in respect of five sub-funds.
- Collective Investment Scheme licence issued to **Resco Funds SICAV plc** in respect of one sub-fund.
- Collective Investment Scheme licences issued to **KD Investment Funds SICAV** in respect of one sub-fund.
- Collective Investment Scheme licence issued to **Reventón Advanced Solutions SICAV plc** in respect of one sub-fund.

Professional Investor Funds targeting Experienced Investors

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

Professional Investor Funds targeting Extraordinary Investors

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

UCITS

- Collective Investment Scheme licences issued to **FCS Global Funds SICAV plc** in respect of two sub-funds.

Non UCITS

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

Investment Services

- Category 2 licence issued to **Vatas Asset Management Limited**.
- Category 2 licence issued to **C8 Investments Ltd**.

Banking

Financial Institutions

- Financial Institution licence issued to **HSBC Merchant Services Limited**.

Insurance

Insurance Undertakings

- Licence issued to **Axeria Assistance Ltd** to carry on business of insurance and reinsurance in six classes of the general business.

Protected Cells

- **AIF Cell** has been approved as a cell of Abbey International Insurance PCC Ltd.

Pensions

Retirement Schemes

- Certificate of Registration issued to **Castille Retirement Plan**.

LICENCES SURRENDERED

Collective Investment Schemes

Professional Investor Funds targeting Qualifying Investors

- Collective Investment Scheme licence issued to **EYRY VIII Fund SICAV plc** in respect of one sub-fund.
- Collective Investment Scheme licence issued to **Abbey Capital Fund L.P.** in respect of sixteen sub-funds.

Professional Investor Funds targeting Experienced Investors

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

LICENCES EXTENDED

Trustees & Fiduciaries

- Extension of licence issued to **Summa Fiduciary Services Limited** to include acting as an administrator of private foundations.

Registry of Companies - New Company Registrations - May 2012

Companies	Partnerships	Total
394	6	400



MFSA Notices

01/06/2012 - [Surrender of Licence by Spectrum Fund \(SICAV\) plc](#)

12/06/2012 - [Surrender of Collective Investment Scheme Licence - Zenith International Bond Funds Limited](#)

19/06/2012 - [EIOPA public consultation on the draft technical specifications for the QIS of its Final Advice on the IORP Directive review](#)

21/06/2012 - [MFSA Guidance Note on Delegated Regulation amending EC Regulation 809/2004](#)

26/06/2012 - [MFSA Circular - Opportunities from Regulatory Development - Widening the breadth of services offered by practitioners](#)

28/06/2012 - [Surrender of Collective Investment Scheme Licence – Norvik Macro SICAV plc](#)



MFSa Circulars

12/06/2012 - [Circular regarding the Authorisation Process for Investment Services Licences](#)



MFSa Media Releases

04/06/2012 - [Media statement - MFSa concludes the third investigation regarding the La Valette Multi Manager Property Fund](#)



Warnings

MFSa warnings and Foreign warnings received by MFSa can be viewed on the [MFSa Website](#).



Forthcoming Events

Forthcoming Training Courses

- [Active Group - Achieving effective customer due diligence](#)
- [Financial Crime Regulation and Control - Lessons Learnt in the UK](#)



Details of Malta International Training Centre (MITC) training programmes' are available on the [MITC Website](#).

Issued by the Communications Unit, Malta Financial Services Authority, e-mail: communications@mfsa.com.mt

MFSa

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