MFSA Newsletter

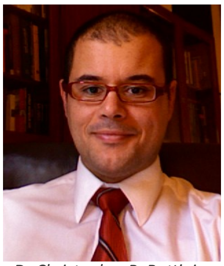
June 2014

MFSA
Malta Financial Services Authority

Inside this issue:

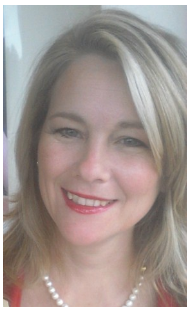
Appointment of Directors at MFSA

The Board of Governors has appointed Dr Christopher P. Buttigieg as Director – Securities & Markets Supervision Unit, and Ms Angele Grech, as Director – Authorisation Unit.


Dr Christopher P. Buttigieg

Dr Buttigieg is a Certified Public Accountant, has a Masters in Financial Services from the University of Malta and a Masters in European Law and Society and a DPhil in Law Studies from the University of Sussex. He is also a lecturer in the Banking and Finance Department of the University of Malta. His research deals with the governance mechanisms for financial regulation and supervision.

Dr Buttigieg joined the MFSA in 2000 and has fourteen years of professional experience in financial regulation and supervision including the off-site and on-site monitoring of financial institutions and the investigation and enforcement of financial product mis-selling and financial market abuse. He also represents the Authority at meetings of the European Securities and Markets Authority.


Ms Angele Grech

Ms Angele Grech is a Certified Public Accountant, qualified from the University of Malta in Accountancy and obtained a Master of Science degree in Risk Management from Glasgow Caledonian University. She is a member of the Accountancy Board and lectures in insurance regulation at the University of Malta.

Ms Grech has over 18 years of experience in the regulation and supervision of financial services. She has previously headed the on-site compliance team within the Insurance Supervision Unit and following an internal restructuring of the MFSA in 2010, Ms Grech was responsible for the co-ordinating the processing of applications primarily in the insurance and pensions within a newly created Authorisation Unit. She has represented the MFSA in various expert working groups on a local level and within the European Insurance and Occupational Pensions Authority and the International Association of Insurance Supervisors.

ESMA Chair holds meetings with MFSA officials during Malta visit


Meeting between Mr Maijoor and MFSA officials

European Securities and Markets Authority (ESMA) Chairman Steven Maijoor has visited Malta and held a number of important meetings with officials from the Malta Financial Services Authority, the Central Bank of Malta and Finance Malta.

Mr Maijoor held meetings with MFSA Chairman Prof Bannister and other members of the MFSA Board of Governors, Mr David Pullicino, Chairman of the Listing Committee, Mr Saviour Briffa, member of the Listing Committee, Dr Andre Camilleri, Director General and Ms Marianne Scicluna, Director General Designate.

Steven Maijoor took up office on 1 April 2011 and is the first chair of the Authority and has been appointed for a term of 5 years. He is responsible for chairing ESMA's Board of Supervisors and Management Board.

New synergies, legislation and training initiatives for the insurance sector - PM

Prime Minister Joseph Muscat announced that new synergies, legislation and training initiatives are in store for the insurance sector, to build on its recent growth. Dr Muscat described the insurance sector as a key asset for Malta, employing close to 1,000 insurance professionals and support staff, with business volumes steadily on the increase. Dr Muscat was addressing delegates during the The Insurance Europe Conference: "The Challenge Of Change: Global Insurance Trends".

Taking a look at the recent history and changes within this industry, Dr Muscat noted that Maltese firms who in the past used to provide insurance to the local market as agents of foreign, insurance companies have consolidated through a number of mergers and have started providing insurance underwriting services themselves.

These companies are now successfully established in the market and provide an invaluable service to the wider economy. Meanwhile they have been joined by some 50 new companies writing cross-border business as conventional or captive insurers and reinsurers - one of the clearest signs of single market integration in financial services.

The sector now has a total asset base of over Euro 10 billion and an annual premium income of close to Euro 2.5 billion. It continues to expand through an increasing number of protected cells as much as by the addition of new companies.

Access to the single market has also allowed Maltese insurance brokers to diversify their business, some of them by entering into the insurance management business through joint ventures with established international managers. The number of insurance management companies has now reached 15, with all the global players in the field having an established presence in Malta. A growing number of law firms, accountancy firms and other professional service providers have also specialised in insurance adding more value to our product and supporting the ongoing drive for innovation.

Not only has the insurance industry been able to face up to increased competitive pressures in the home market, noted the Prime Minister, but it has also become an integral part of the country's drive to continue making headway internationally. "My government recognises all this and is determined to maintain and strengthen the sector by promoting new synergies, legislation and training initiatives that will continue to sharpen its competitive edge."

Conscious of the challenges still faced by the European insurance industry, not least by the negative effects that the low growth environment is having on the demand for both life and non-life products, the Prime Minister explained that pledges to do its best to ensure that Malta will continue to offer the most competitive business environment possible for government, financial services and insurance companies in the region.

The tax treaty network which now comprises around 70 agreements will continue to be expanded while international financial corporations, international finance executives and high net worth individuals alike will continue to be encouraged through the right policies to base their interests in Malta.

More importantly in the current environment, "we will also continue to pursue tax policies that promote economic activity and an international level playing field. This is why we will continue to take a stand against the implementation of any form of financial transactions tax that may detract from the competitiveness of doing financial services business in Europe".

Innovation will also continue to be a key policy platform going forward. Malta remains the only EU member state with cell company legislation and continues to be a leader in the application of the Solvency II Directive to these types of structures.

"Just as they have done with the introduction of new frameworks for redomiciliation, insurance management, occupational and personal pensions and reinsurance special purpose vehicles, our legislators shall remain on constant lookout for further opportunities that would add to the versatility of our regulatory infrastructure".

Dr Joseph Muscat noted that Government is conscious of the challenges that the European insurance industry faces ranging- from a sluggish economy to the impact of low interest rates on profitability, from the lingering market uncertainties affecting long term asset portfolios to increasing competition from other financial products, from demographic patterns to climate change.

Malta strongly believes that these challenges can only be overcome through sound competitive polices that promote strong and sustainable growth. We will therefore actively promote and support the adoption of such policies within the EU.

“Our pledge to the insurance community is to continue to provide a stable and competitive environment within which it can continue to expand and develop new opportunities within the framework regulation provided by EU law. I assure you that under my watch Malta will continue to be a model of regulation, integration and opportunity and that it will continue to attract international capital, companies and leading professionals in your field. We are determined to keep the momentum going in the years to come.”

Stronger Insurance Sector Through Regulation And Opportunities For Growth

“The Maltese Government is determined to keep giving Malta’s insurance sector the attention it requires to expand its contribution to the economy and increase its capacity to generate employment,” the Minister for Finance Prof. Edward Scicluna said. Prof. Scicluna was speaking during the 5th Malta International Risk and Insurance Congress, which was held on Wednesday 11th June 2014 at the Westin Dragonara.

PHOTO - DOI - PIERRE SAMMUT

Minister of Finance addressing the 5th Malta International Risk & Insurance Congress

Prof Scicluna noted that in the non-life insurance sector, annual premiums have reached €1.6 billion, a full 15% increase on the previous year.

Furthermore while motor, fire and other property damage, accident and health classes represent the strongest areas of activity, substantial amounts of activity in other areas including aviation, marine and transport, as well as general liability, also account for a significant amount of business.

“Life insurance as well has been on the increase, and this sector now accounts for over €1 billion of annual premium, 80 percent of which is again down to international business,” Prof. Scicluna said, adding that insurance intermediation, including brokerage and agency, as well as other ancillary services have also expanded considerably.

“The innovative component in our industry, coupled with the excellent qualities of our workforce, have enabled us to overcome many a challenge on the way to establishing ourselves in this competitive market,” he said.

He noted what has been achieved so far has not been at the expense of regulation. “If anything, we are seeing more of this, as EU regulation continues to be transposed responsibly and applied with a firm hand.”

Prof. Scicluna said the Government will continue to promote innovation while remaining vigilant against any practice that might compromise the financial stability of our operators or the interests of consumers.

“In developing our markets we must remain credible and responsible. This is paramount if we are to remain industrious and authoritative. Growth can only be sustained if scrutiny moves in tandem with innovation.”

He added that the Government will be looking towards creating more training and specialisation opportunities in the sector to ensure that it can realise its maximum potential and that this is fully exploited to the benefit of all stakeholders and the national economy.

“Priority will continue to be given to implementing new legislation, not only through the timely transposition of EU legislation, but also through the continued expansion of the legal framework. In this respect, our policy objectives are three: ensuring good regulation, creating opportunities for growth, and attracting the capital to achieve it,” Prof. Scicluna concluded.

The Economic Observer puts spotlight on Malta

Influential business newspaper The Economic Observer has this month put its spotlight on the Maltese economy, looking at different sectors of growth, including the maritime sector, digital gaming, and the financial services sector. Through its articles and interviews, The Economic Observer brings the developments taking place in the Maltese jurisdiction to the attention of the growing Far Eastern Market.

The Economic Observer introduces the Maltese islands' experience as one based on the full advantage of a strategic location between North Africa and southern Europe, becoming both a successful commercial hub and a popular destination for tourists. However, the newspaper highlights Malta's innovative and forward-looking vision, which is behind its sustained growth in varied sectors within its economy.

Focussing on the financial services sector, The Economic Observer defines the Maltese jurisdiction as a "stable, safe and predictable finance sector", adding that thanks to the prudent and conservative nature of the Maltese financial sector and its regulator, Malta's banking sector remained relatively untainted by the financial crisis. The past five years have seen double-digit growth across the five key pillars of the sector; insurance and pensions, investment funds and asset management, credit and financial institutions, trusts and foundations, and wealth management – an impressive feat for Europe's smallest economy.

Quoting some key figures, the Economic Observer notes that in 1995 Malta had just one investment fund, while by the end of 2013, 600 investment funds were authorised by the MFSA, including an additional 27 fund administrators and 123 investment management service providers.

The full report is available on:

http://goo.gl/tncOmh

The Report Company features in-depth interview with MFSA Chairman

The feature on Malta was also published by the international business portal The Report Company, which distributes The Economic Observer's special features on markets and countries around the world.

Additionally, The Report Company also features an in-depth interview with MFSA Chairman Prof Bannister, who noted that that statistics published recently show that over the past three years, 80 percent of the foreign direct investment into Malta has been in financial services. "We have introduced new areas of activities because we tend to do innovation through regulation. We have introduced reinsurance special purposes vehicles and this will lead to the introduction of the capital markets, not simply for insurance but for the whole sector."

Professor Bannister also referred to the setting up of a new exchange which is 80 percent owned by the Irish Stock Exchange and 20 percent owned by the Malta Stock Exchange and this will deal solely with wholesale capital markets. "Hopefully this year now that we have all the legislation in place we will see activities in the special purpose vehicles and in the issue of debt instruments and listings on the exchange which is called the European Wholesale Securities Market [EWSM]."

The other area in which Malta has become quite well-known is in the investment funds sector. "We were the first to introduce the alternative investment fund managers directive [AIFMD]. Malta has taken some positive steps on remuneration of managers, liability of custodians, to help the managers operate. The effects are already being seen. All the managers licensed in Malta have opted to remain here. The effect now is also being seen with new managers coming to establish themselves here. Malta is becoming well-known for small hedge fund managers and for small funds, largely obviously because of its size and its population. It has found the appropriate niche. For us, it is better to have a number of small companies."

The Report also highlighted Malta's efforts to achieve growth outside of traditional European markets. In this context, Prof Bannister commented that "North America is moving, particularly in the funds area and in insurance. With China it's something new, although I must say the framework is there because we have signed memoranda of understanding with the Chinese securities regulator and the Chinese banking regulator.

The future is always not in our hands. It is more in the hands of practitioners and how they move. It's the practitioners who have to influence the movement of business" added the MFSA Chairman.

You may view the Q&A on the following link.

Malta - regulation of AIF managers

By Dr Christopher Buttigieg and Dr Isabelle Agius

(Paper as first published in GFM Special Report – June 2014)

This paper attempts to summarise the legislative framework adopted in Malta for the implementation of the Alternative Investment Fund Managers Directive (`AIFMD').

Malta is considered a European domicile of choice for the establishment of investment funds and their services providers. The island's achievement in this field came about primarily as a consequence of a highly developed regulatory framework applicable to investment funds and the Malta Financial Services Authority's (`MFSA') approach to financial supervision characterised by a high degree of accessibility and robust supervision. Malta's implementation of the AIFMD has developed and strengthened even further its regulatory and supervisory framework in the field of fund management.

The legislative framework for the regulation of investment services in Malta, including investment funds and their service providers, is the Investment Services Act, 1994 (`the Act'). The Act, the legal notices issued by the Minister of Finance in terms of the Act, and the Investment Services Rules issued by the MFSA, set the national regulatory framework for the licensing and supervision of investment services. The Act and subsidiary legislation transpose inter alia the AIFMD. The regulatory framework is constantly under review in order to avoid the prospect of ossification and to remove rules that through the passage of time, and due to the development in financial markets, may not be adequate to attain the objectives of financial regulation.

The AIFMD focuses on the regulation of the manager. The regulatory framework in Malta regulates both the manager and the fund. Indeed, all types of funds established in Malta are subject to specific product regulation, the primary aim of which is that of protecting investors. The regulatory framework allows the establishment of different fund structures and the application of diverse portfolio management strategies. The supervision carried out by the Authority focuses on the investor and the integrity of the financial system. The intensity of supervision varies depending on the nature of the fund, the underlying investment strategies and the relevant target investor market.

The primary purpose of this paper is to examine Malta's implementation of the AIFMD. The resulting position is that the changes brought about by the AIFMD have strengthened the regulatory framework in Malta. Given the investor demand for robust regulation, Malta is now better placed to grow as a jurisdiction of choice for international financial services.

For narrative ease the paper has been divided into two additional sections as follows: Section 1 examines the legislative framework for the implementation of the Directive in Malta; and Section 2 covers those areas of regulation which are particular to Malta and which add value to the positioning of Malta as a jurisdiction of choice for international financial services.

1. Malta's legislative framework

In Malta the transposition of the AIFMD required amendments to the Investment Services Act, 1994 (`the Act'). By way of background, the Act regulates the activity of investment firms, fund managers, collective investment schemes, custodians and fund administrators. The amendments to the Act, which implement the AIFMD, provided for the licensing of an AIFM and alternative investment funds [`AIF']. The first schedule to the Act was also amended to include `collective portfolio management of assets' as an integral part of the service of management of investments.

The Act is supplemented by the following legal notices adopted by the Minister of Finance in terms of the Act:

- Investment Services Act (Alternative Investment Fund Manager) Regulations, which enhance the MFSA's powers qua competent authority for the purpose of the AIFMD;
- Investment Services Act (Alternative Investment Fund Manager) (Passport) Regulations, which apply to AIFM exercising passporting rights in terms of the AIFMD;
- Investment Services Act (Marketing of Alternative Investment Funds) Regulations, which regulate the cross-border marketing of AIFs; and
- Investment Services Act (Alternative Investment Fund Manager Third Country) Regulations [`Third Country Regulations'], which implement the third country provisions, including the framework applicable to the national private placement regime and the choice of the Member State of reference by third country AIFMs.

In addition to the Act and the legal notices, changes were also carried out to the MFSA's Investment Services Rules. In terms of the Act, the MFSA, which is Malta's single regulator and supervisor for financial services, has the power to issue Investment Services Rules stipulating requirements and conditions in relation to activities of licensed entities, the conduct of their business, their relations with customers, the public and other parties, their responsibilities to the MFSA and any other matters as the Authority may consider appropriate. The MFSA has issued (and/or amended, as the case may be) a number of Investment

Services Rulebooks that generally aim at supplementing the high-level regulatory principles set in the Act and which transpose various pieces of EU regulation such as the AIFMD, the Markets in Financial Instruments Directive (`MiFID'), the UCITS Directive and the Capital Requirements Directive.

The Investment Services Rules for Investment Services Providers [`ISP Rulebook'] which regulates the activity of investor firms, fund managers and custodians (`depositaries'), were amended to implement the governance, compliance, capital, risk management, conduct of business and transparency requirements applicable to AIFM. In addition, as part of the AIFMD project, the Authority decided to restructure the ISP Rulebook, the on-going obligations of which applied to investment services providers in general, into four parts which apply depending on the specific type of activity undertaken by the licensed entity, these being: [i] MiFID investment firms; [ii] UCITS managers; [iii] AIFM; and [iv] depositaries.

The following diagram provides an outline of the current structure of the MFSA's Investment Services Rulebook.

2. Malta's Approach to AIFMD Regulation

This section examines those areas of regulation which are particular to Malta and add value to the positioning of Malta as a jurisdiction of choice for international financial services, specifically the: [i] licensing framework for de minimis fund managers; [ii] implementation of the requirements on remuneration; [iii] transitional depositary passport and depositary-lite framework; and [iv] implementation of rulebooks applicable to AIFs.

2.1 De minimis Fund Managers

The part of the Investment Services Rulebook that applies to AIFMs contains specific regulation applicable to de minimis AIFMs. Malta decided to regulate de minimis AIFMs with a stricter regime than what is prescribed in the AIFMD for this type of manager. Policy makers in Malta were of the view that a licensing regime is preferable than mere registration as it is in the best interest of investor protection and financial integrity that all fund managers are subject to a robust but proportionate regulatory framework.

Moreover, it was deemed important that fund managers, irrespective of the size and complexity of their operations, should be subject to Malta's anti-money laundering deterrence framework. Therefore, de minimis AIFMs are subject to regulation, authorisation and supervision in Malta.

To allow the MFSA to be in a position to re-assess and re-authorise as AIFM or de minimis AIFM those fund managers already licensed by the MFSA prior to the coming into effect of the AIFMD in July 2013, the ISP Rulebook contains two self-assessment questionnaires which must be completed by applicants. These self-assessment questionnaires should allow the MFSA to assess existing fund managers' preparedness to comply with the AIFMD and are presently being submitted for the Authority's assessment.

2.2 Implementation of the Requirements on Remuneration

The MFSA has also implemented the ESMA Guidelines on sound remuneration policies under the AIFMD [ESMA/2013/232] with the exception of paragraph 18 of the guidelines. This paragraph stipulates that the delegate of an AIFM, who has been delegated investment management activities, must be subject to regulatory remuneration requirements which are equally as effective as those applicable under the Guidelines and that appropriate contractual arrangements must be in place to ensure that there is no circumvention of the remuneration rules.

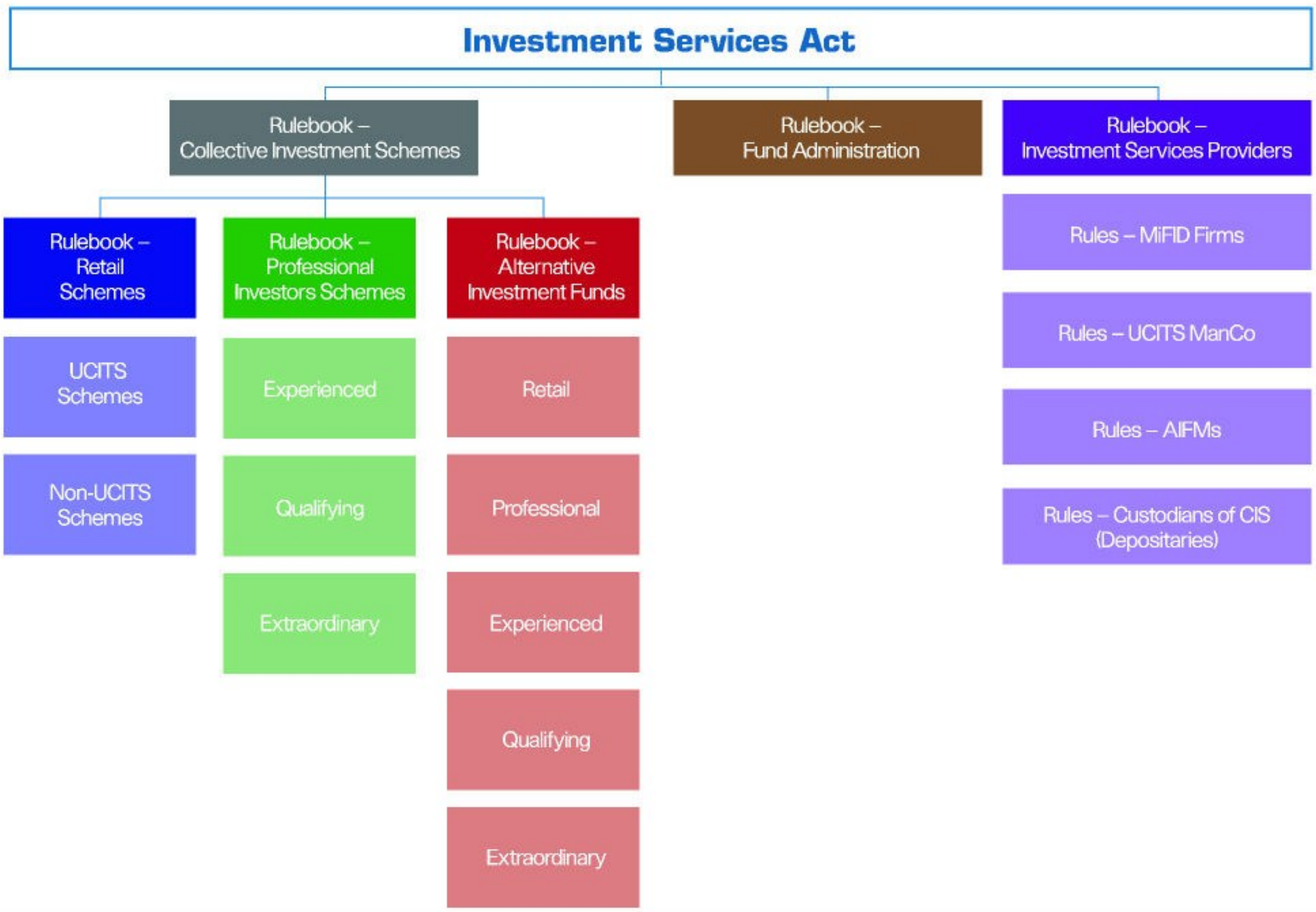
ESMA has therefore extended the remuneration provisions in the Directive with the intent that entities to which AIFMs delegate investment management activities are also subject to the guidelines. The recitals of the UCITS V Directive are demanding ESMA to take a similar position with regard to delegation structures in the context of UCITS.

The adoption and implementation of requirements on remuneration is fundamental in order to address the possible detrimental effect of poorly designed remuneration arrangements on the sound management of risks. It is a mechanism which seeks to control the risk-taking behaviour by individuals. However, as a result of the uneven approach to the regulation of remuneration between Europe on the one hand and the rest of the world, the ESMA guideline that is applicable in the event of delegation may cause serious difficulties in the setting up of delegation structures where the delegate is established outside the EU.

To address the concerns that delegation structures may be applied in order to circumvent the European requirements on remuneration, while at the same time allowing delegation structures between EU and non-EU fund managers to continue existing without restrictions, instead of implementing paragraph 18 of the ESMA Guidelines, the MFSA is applying a supervisory procedure for monitoring the effective implementation of remuneration requirements by local fund managers. This monitoring process aims at keeping management companies on their toes and reminding them that they may not use the delegation provisions to circumvent their responsibilities under the AIFMD, including their responsibilities under the remuneration rules. This procedure should achieve the same outcome, however without disrupting the existing delegation structures.

2.3 Transitional depositary passport and depositary-lite

Malta exercised the optional transitional provision that allows an AIF to engage a depository in another Member State. The implementation of AIFMD was an important step for the strengthening of investor confidence in the alternative investment fund industry. In this regard, the requirement to appoint a depositary to safe keep the assets of the fund and to monitor the fund manager is an important investor protection requirement. Nonetheless, the requirement that the depository should be established in the same Member State as the fund goes beyond what is necessary to achieve the investor protection objective of regulation. The restriction on the place of establishment of the depositary limits the jurisdictional options for promoters of investor funds, restricts the choice of depositaries and lessens the competition within the depositary industry. The restriction goes against the internal market objectives set in the Treaty of the European Union (TFEU) and the Directive.



EU harmonisation is implemented to allow the internal market to operate on the basis of single rulebook or mutual recognition. However, while as a result of AIFMD and the UCITS V Directive there is significant harmonisation of the conduct of business of depositary services, a depositary passport has not been implemented.

This illogical position is the unfortunate outcome of European processes that are largely driven by national protectionist agenda, which are prevailing over and creating barriers to the operation of the European Internal Market project. In the EU, harmonisation is not implemented for harmonisation's sake, but for the purpose of the Internal Market. On this basis one would expect that, sooner rather than later, the jurisdictional restriction on depositaries will be challenged at the level of the European Courts.

The transitional provision on the establishment of depositaries expires in 2017. To guarantee a wider range of depositaries established in Malta, the Authority developed a specific regulatory framework for entities that provide restricted depositary services. The AIFMD contemplates the provision of services by a depositary‐lite in the case of third country funds which are marketed in the EU and EU AIFs that have no redemption rights exercisable during a period of five years from the date of the initial investment and which, in accordance with their core investment policy, generally do not invest in assets that must be held in custody. Malta's framework for depositary-lite operators allows licensed entities such as recognised fund administrators and investment firms that are subject to an initial capital requirement of EUR125,000 to apply for an authorisation to provide restricted depositary services. This is an area which is experiencing significant interest and should facilitate the process for private equity and venture capital type funds to be established in Malta.

2.4 MFSA Rulebook applicable to AIFs

During the process that led to the implementation of the AIFMD in Malta, the MFSA decided to adopt the Investment Services Rules for Alternative Investment Funds [`AIF Rulebook'], a rule book for the establishment of AIFMD ready funds. While the MFSA opted to retain the existing regulatory framework applicable to professional investor funds, it decided to reinforce the framework for the regulation of the funds sector by establishing a rulebook which regulates self-managed funds, which in terms of the AIFMD qualify as the AIFM, and third party managed funds that are targeted for distribution as AIFs across Europe. Apart from stipulating an exhaustive list of service providers which the AIF is required to appoint, the AIF rulebook also sets requirements on the governance and transparency of the fund.

Conclusion

This paper has examined how Malta has approached the implementation of the AIFMD from a regulatory perspective. Experience in financial regulation and supervision however suggests that regulation on its own is not enough to ensure that the systemic stability objectives of financial regulation are realised. It is clear that without supervision and enforcement the industry may be inclined not to comply with regulation, which in turn may result in the failures of the past to be repeated in the future. Ultimately, the financial crisis did not only result from inter alia a failure to regulate the shadow financial system but also from a failure to carry out effective supervision. Therefore, robust supervision is equally important for the attainment of the objectives of regulation. The MFSA is fully committed towards maintaining high standards of supervision.

The authors would like to thank Professor Joseph Bannister, Chairman of the MFSA and Joseph Agius, Deputy Director Securities and Markets Unit of the MFSA, for their comments and suggestions on the paper. The views expressed in the paper are solely those of the authors at the time of writing and do not engage the MFSA.

Lufthansa travellers briefed on Malta's developments

Air travellers from around the globe last month received a taste of what Malta has to offer through an in-depth review published in last month's edition of "Lufthansa Inflight Magazine". The special feature, drawn up by Country Profiler, marked Malta's 10 years of EU membership, while showcasing the country's business and investment potential.

Malta is described as a "vibrant, popular and respected international finance centre", challenging and competing with the top domiciles in the world. The popular Lufthansa publication states that financial services have become one of the country's most important economic generators, registering impressive year-on-year growth, and attracting international attention, all against the backdrop op one of the worst financial crises in history.

"Attracted by EU-complaint legislation, a competitive business environment, access to key market and a pool of highly-trained professional services providers, some of the world's top-rated financial firms now base their operations in Malta.

It highlights the fact that "while bigger economies have been rocked by the global financial crisis, Malta's "finance sector has been given a clean bill of health by rating agencies, the EU commission and the IMF. The country's banks did not require government assistance, and their strong capital reserves and liquidity ratios continue to serve them well. Offering both security and flexibility, Malta is increasingly being seen as an alternative to established European finance centres."

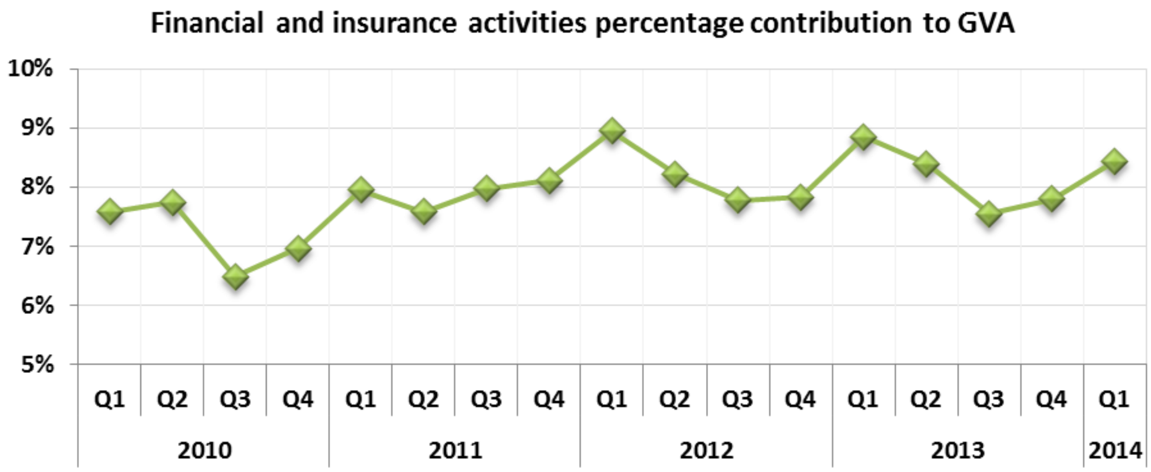
Looking at specific areas of business, Country Profiler dwells into Malta's development as an important wealth management location. The country's wide range of investment vehicles, including trusts and foundations are increasingly utilised by high net worth individuals, wealth managers and family offices. When focusing on the factors underpinning the country's success, the report focuses on three specific areas: regulation, connections and talent.

In terms of regulation, Country Profiler credits Malta's success to the country's regulatory framework, which is in line with EU law and which has facilitated a commercially secure business environment from which international investors can operate. The country has gained a reputation for striking a good commercial balance, providing an appropriate legal framework without over-regulation in a way that might inhibit growth and innovation. Commenting in this context, MFSA Chairman Prof Joe Bannister said that "Companies are being attracted to Malta largely on the basis of a proactive MFSA which seeks to combine high standard regulation with efficient response to industry and consumer needs".

With regards to talent, the report notes that a high proportion of Maltese students continue to third level education, with law, accountancy and management amongst the popular subjects. In addition, industry-specific training is offered by a number of institutes, couples with tax incentives which attract highly qualified foreign professionals working on the island who benefit from a flat income tax rate of just 15%.

Finally, EU membership has provided with access to a market of 500 million people. However Malta has always looked far beyond its shores, including towards developing markets, with favourable tax treaties negotiated with China, India and the US amongst others.

Financial and insurance activities percentage contribution to GVA



source: NSO release - Gross Domestic Product: Q1/2014 (108/2014)

During the first quarter of 2014, Malta's Gross Value Added on financial and insurance activities amounted to EUR 130 million in absolute terms.

According to data published by the National Statistics Office, (NSO), the contribution of financial and insurance activities to total Gross Value Added registered 8.4 per cent during the quarter under review.

European Supervisory Authorities Press Releases issued during June 2014

European Securities and Markets Authority (ESMA)

03/06/2014 - ESMA censures Standard & Poor's for internal control failings

European Insurance and Occupational Pensions Authority (EIOPA)

02/06/2014 - EIOPA consults on Set 1 of its Guidelines on Solvency II

MFSA Licences - May 2014

NEW LICENCES

Collective Investment Schemes

Professional Investor Funds targeting Qualifying Investors

- Collective Investment Scheme licence issued to **Monte Rosa SICAV plc** in respect of one sub-fund.
- Collective Investment Scheme licence issued to **Innocap Fund SICAV plc** in respect of one sub-fund.
- Collective Investment Scheme licence issued to **Pluri-Invest SICAV plc** in respect of three sub-funds.
- Collective Investment Scheme licence issued to **Altinum Funds SICAV plc** in respect of one sub-fund.
- Collective Investment Scheme licence issued to **Audentia Capital SICAV plc** in respect of one sub-fund.
- Collective Investment Scheme licence issued to **Meridon Funds SICAV plc** in respect of one sub-fund.
- Collective Investment Scheme licence issued to **Cesky Fond SICAV plc** in respect of one sub-fund.
- Collective Investment Scheme licence issued to **Windrush Capital SICAV plc** in respect of one sub-fund.
- Collective Investment Scheme licence issued to **Mansard Capital SICAV plc** in respect of one sub-fund.

UCITS

- Collective Investment Scheme licence issued to **Vilhena Funds SICAV plc** in respect of four sub-funds.
- Collective Investment Scheme licence issued to **Libero International SICAV plc** in respect of one sub-fund.

Investment Services

- Category 1A licence issued to **Greenwich Dynamic Limited**.
- Category 2 licence issued to **Novofina Management Limited**.
- Category 2 licence issued to **Timberland Invest Ltd**.

Insurance

Insurance Undertakings

- Licence issued to **Liberty Global Insurance Company Limited** to carry on business of insurance and reinsurance in nine classes of the general business.

Cells

- Approval of Cell 1 as a cell of **White Rock Insurance (Netherlands) PCC Limited** to carry on business of affiliated reinsurance in one class of the general business class.

Pensions

Retirement Scheme

- Certificate of Registration issued to **Plegt-Vos** Retirement Scheme.

SURRENDERED LICENCES

Banking

Credit Institutions

- Surrender of licence issued to **Erste Bank (Malta) Limited**.

Collective Investment Schemes

Professional Investor Funds targeting Qualifying Investors

- Surrender of licence issued to **Venus Multi Strategy Fund Plc** in respect of ten sub-funds.
- Surrender of licence issued to **Resco Funds SICAV plc** in respect of one sub-fund.
- Surrender of licence issued to **Patronus Invest SICAV plc** in respect of two sub-funds.

Incorporated Cells

- Surrender of licence issued to **The Cape Global Trading Fund IC SICAV plc**.
- Surrender of licence issued to **Red Sandalwood Dynamic Fund IC SICAV plc**.

Investment Services

- Surrender of Category 2 licence issued to **Erste Bank (Malta) Ltd**.

Insurance

Insurance Undertakings

- Surrender of licence issued to **Arnold Clark Life Insurance (Malta) Limited**.

EXTENDED AND REVISED LICENCES

Insurance

Insurance Undertaking

- Extension issued to **GasanMamo Insurance** to carry on business of insurance in general business class 17 – Legal expenses in terms of the Insurance Business Act, 1998.

Registry of Companies - New Registrations - May 2014

Companies	Partnerships	Total
472	7	479

MFSA Announcements

MFSA Circulars

28/06/2014 - Circular to the financial services industry regarding the new Market Abuse Regulation

03/06/2014 - An Update to the Investment Services and Banking Industries on Common Equity Tier 1 (CET1) capital instruments

02/06/2014 - Notice to Financial Services Licence Holders - MONEYVAL public statement concerning Bosnia and Herzegovina

MFSA Consultation

Consultation Document

02/06/2014 - Consultation on the proposed amendments to the Tenth Schedule of the Companies Act

MFSA Listing Authority Announcements

09/06/2014 - A25 Gold Producers Corp | Discontinuation of Listing

Warnings

20/06/2014 - Warning against Forex Broker Inc. or Noble Services, Forex Club or Forex Club International Limited, Velarda Forex, Velarda Markets or Velarda and NDD Broker

13/06/2014 - WM Bormla, WM Bormla Limited, WM Bormla Bank Limited and WM Bormla PLC - http://www.wmbormla.eu/secure/

Foreign warnings received by MFSA can be viewed on the MFSA Website.

Forthcoming Events

18-19/09/2014 - [The 4th Annual Malta Spring Fund Conference 2014]

The 4th Annual Malta Fund Conference
AIFMD ONE YEAR AFTER
Implications for Funds, Managers, Service Providers
September 18th & 19th Morning, 2014 – Hilton – St. Julian's Bay – Malta

11-12/11/2014 - [European Captive Forum 2014]

Education Consultative Council (ECC)

Training by members of the ECC:

- Malta International Training Centre
- Malta Institute of Accountants
- Institute of Financial Services

You can keep up-to-date on our news and regulatory developments by regularly visiting our website or by subscribing to our RSS feeds.

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