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MFSA Consumer Complaints Annual Report published

The Consumer Complaints Unit Annual Report for 2014 was published this month, featuring extensive details on the operations, major initiatives and key challenges faced by the Unit throughout the year.

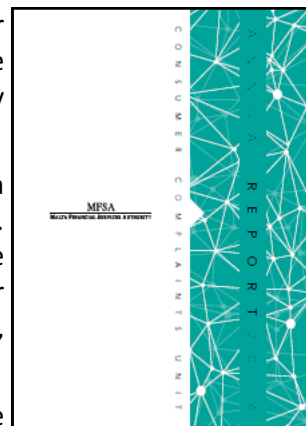
Over the twelve-month period, the Unit received a total of 127 formal complaints and 251 enquiries. Just over one quarter of these complaints were related to cross-border issues. The most popular type of complaint concerned investment products, followed by insurance and banking products.

Introducing the Report, MFSA Chairman Prof. Joe Bannister noted that the procedures followed by the Unit to investigate complaints reflect the Authority's commitment to maintain its dispute resolution mechanism impartial throughout the whole investigation process.

The Chairman emphasised that "the MFSA expects its licensees to treat their customers with respect at all times. This means therefore that the Authority expects firms to look beyond procedures of proper record keeping, disclosure, training and other regulatory requirements and instil a credible culture of placing the very best interest of the client at the forefront

throughout the process".

The Report also provides details about the Unit's participation in EU committees on consumer protection and financial innovation as well as its work in terms of financial education, through a continuous presence on traditional and social media platforms. The Report is available for download on: <https://goo.gl/2VNf6Z>



Hedgeweek reports on latest developments in fund industry



The recent innovative regulatory changes have been the subject of a feature published this month in Hedgeweek Special Report - Malta Alternative Investment Fund Services 2015. The report looks in detail at the MFSA's efforts on upgrading and enhancing the product structuring framework.

The Securitisation Act which came into effect in 2006 had introduced important legal changes which greatly improved the scope for structuring new investment products under Maltese law. This legislation was followed by other important developments including the setting up of the European Wholesale Securities Market ('EWSM'), a specialised market for debt securities targeting institutional and professional investors in Europe. Following a settling in period the Securitisation Act was earmarked for further development aimed at integrating securitisation into the financial services value chain.

This would also involve the introduction of certain add-ons that would render the Act more amenable to specific types of product structuring and give it an edge over comparable frameworks elsewhere.

Given the inroads the jurisdiction had made in the insurance sector, particularly captive insurance, the first initiative was to explore ways in which the Malta could meaningfully tap the ILS market.

Insurance-Linked Securities, or ILS, are a type of financial instrument whose values are driven by insurance loss events. Typical ILS instruments are those linked to property losses due to natural catastrophes. For investors these instruments represent a unique asset class the return from which is uncorrelated with that of the broader financial market. The issue of ILS requires the transfer and securitisation of risk via special purpose vehicles that may be set up under the Act.

Reinsurance Special Purpose Vehicle (RSPV) Regulations published at the beginning of 2014 enabled the MFSa to regulate this type of activity. They were the first legislation of its kind in the EU and had the added advantage of being aligned with the Solvency II draft implementing measures. The Regulations are therefore already in line with the corresponding Solvency II regime allowing operators to position themselves in this market at an early stage.

The ability to purchase a securitised risk instrument (in the form of bonds, notes or other securities) issued by an authorised RSPV helps institutional and professional investors diversify their investment portfolios. It is also possible to structure the product in different tranches based on proximity to the underlying risk thus providing investors with even more choice.

The next logical step in the development agenda was to introduce the cell concept in the area of securitisation. Protected cell companies were already very well established in the Maltese financial sector when the Securitisation Cell Company Regulations came into effect at the end of 2014. The introduction of Securitisation Cell Company (SCC) was therefore founded on well-trodden ground. The cell structure allows securitisation vehicles making use of multiple compartments to establish these within a legally entrenched framework that recognises and protects different sets of assets or risks placed in separate cells of the same company.

Thus, investors in instruments issued through one cell of an SCC are protected from any claims arising from other creditors of the same SCC, both in respect of instruments issued through other cells, as well as from other, general creditors of the company itself. In essence, cell legislation provides a ring fence around contractual arrangements placed within a securitisation cell of a securitisation company. This may be replicated in other cells of the same company allowing unlimited scaling up of securitisation activity within a single special purpose vehicle. This makes the SCC an excellent vehicle for the launching of asset backed securities and similar types of instrument. It is also possible to structure a Reinsurance Special Purpose Vehicle as an SCC.

When launching new products in Europe, sound and innovative structures such those provided under Maltese law should be seriously considered.

The full report is available through this link <http://goo.gl/s4rXGG>.

Financial Markets in Malta: Developments and Opportunities

The MFSa and the Maltese financial services jurisdiction was featured in a Special Reportage published in this month's special edition of Invest'News published by Voxia.

Malta is placed among the top financial hubs in the European Union and, in spite of the global economic crisis, the country's financial services industry has continued to expand. Malta has stood out in Europe as one of the very few countries experiencing real growth, falling unemployment and stable public finances.

2014 also saw Malta enter the global top ten for the soundness of its banks and ranked in the top fifteen for its audit and reporting standards. More positive news came with the International Monetary Fund (IMF) Article IV assessment that 'Malta continues to host a relatively large financial sector without exposing itself to excessive risk'.

In a detailed report about the financial services industry, the report pointed out some of Malta's key offering: "High standards, openness, cooperation, entrepreneurship and nimbleness characterise the Maltese financial services sector."

Looking at major regulatory developments, Invest'News highlights the fact that 2014 and 2015 so far have been particularly busy years not least in the implementation of important legislative and supervisory reforms including the implementation of the Single Supervisory Mechanism by the ECB, and other important pieces of European legislation including the Capital Requirements Directive and Solvency II for insurance.

The MFSA has also been working on internal reforms with a strong focus on good customer outcomes.

The MFSA has also been very active in seeking ways to sustain dynamism in the funds sector. One important development in this regard was the publication of the Loan Fund Rules in April 2014, which have been recently revised, placing Malta at the forefront of this growing market.

The Rules are based on the recommendations of the Financial Stability Board which was entrusted by the G20 to look into the standards of legislation in shadow banking. This has enabled us to design a robust framework for closed-ended type funds that aim to invest in loan origination or managing loan portfolios.

The Report also tackles the future challenges facing the MFSA, arising from increased complexity in the demands from consumers, innovation in the market and changes in the financial landscape all call for enhanced industry rules and regulations that are able to better cope with the market.

Currently, there are various regulatory developments underway including the AIFMD, revision of the Capital Requirements Directive (CRD IV), revision of the Market Abuse Directive and review of MiFID; which will definitely impact the financial services sector in Malta.

The full extract of the article featuring the MFSA is available on <https://goo.gl/Gg5WpA>.

MFSA consults on regulations to be issued under the Insurance Business Act

Further to the consultation document issued by the MFSA last December highlighting the main changes to be carried out to the Insurance Business Act (Cap.403) in order to transpose Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (recast), (the "Solvency II Directive"), the MFSA has issued for consultation a number of proposed regulations to be issued under the proposed amended Act.

As part of the transposition exercise of the Solvency II Directive, the MFSA is currently amending the subsidiary legislation issued under the Insurance Business Act (Cap.403) to align it with the requirements, as well as the terminology of the Solvency II Directive.

It is also being proposed to issue a number of new regulations transposing specific provisions of the Solvency II Directive.

For this purpose, the MFSA has issued a Consultation Document, and published the draft regulations beings proposed. These are available on the MFSA Website.

Any comments and feedback are to be addressed to the Insurance and Pensions Supervision Unit by email on ipsu@mfsa.com.mt. Interested parties are invited to submit any comments in writing by not later than the Monday 19th October 2015.

The consultation document is available on <https://goo.gl/6lgzsg>.

WEF confirms Malta amongst top 20 financial services jurisdictions



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Malta's placing amongst the top twenty financial services jurisdictions has been confirmed by the World Economic Forum in its annual Global Competitiveness Report for 2015-2016. Malta has maintained its position amongst the best ranked twenty countries in terms of the soundness of its banks and the strength of auditing standards and reporting standards.

The World Economic Forum's report provides an in-depth overview of the competitiveness performance of 140 economies, and thus provides a highly comprehensive assessment of economic and financial 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.

For the seventh consecutive year Switzerland leads the table, ahead of Singapore and the United States. Germany ranks first amongst European Union Member States.

In terms of general classification, Malta has once again been ranked amongst the top 50 nations in terms of competitiveness. It has also maintained its status of an innovation-driven economy.

Moreover, Malta maintained its high scores in vital sectors which are crucial in attracting top quality investment to its shores, ranking amongst the top 25 nations with regards to the quality of education, health and technological services offered.

In its introduction, the World Economic Forum notes that this Report is being launched seven years after the beginning of the financial crisis in 2008, a crisis which is still being felt around the world. "The recovery has been less robust, more uncertain and taken longer than many expected, suggesting subdued economic growth, lower productivity growth and high unemployment.

Looking forward, the Report states that addressing constraints to growth on the supply side could go a long way to restoring growth, as "competitiveness – understood as higher productivity – is a key driver of growth and resilience."

The full Report is available on <http://goo.gl/TCQs1V>.

European Supervisory Authorities Press Releases issued during September 2015**European Securities and Markets Authority (ESMA)**

01/09/2015 - [ESMA approves Greek HCMC short selling ban](#)

09/09/2015 - [ESAs see continued risks in EU financial markets and call for rigorous action on assets and liabilities](#)

22/09/2015 - [ESMA publishes draft ITS on penalties and measures under UCITS V](#)

28/09/2015 - [ESMA readies MiFID II, MAR, and CSDR](#)

28/09/2015 - [ESMA publishes opinion on accounting for cash contributions to the Deposit Guarantee Schemes](#)

29/09/2015 - [ESMA Consultation Paper on the European Single Electronic Format](#)

European Banking Authority (EBA)

17/09/2015 - [EBA updates on remuneration practices and high earners data for 2013 across the EU](#)

23/09/2015 - [EBA consults on harmonised definition of default](#)

European Insurance and Occupational Pensions Authority (EIOPA)

25/09/2015 - [EIOPA publishes Opinion on group solvency calculation in the context of equivalence](#)

MFSA Circulars

03/09/2015 - [Circular to Credit Institutions including branches on an update to Supervisory Reporting Templates](#)

14/09/2015 - [Circular on Advertising and promotion of packaged products as Pension/Retirement Plans](#)

17/09/2015 - [Circular to Institutions on the submission of a Recovery Plan Document](#)

28/09/2015 - [Circular - European Securities and Markets Authority – Publication of Opinion on Accounting for cash contributions to the Deposit Guarantee Schemes](#)

29/09/2015 - [Circular regarding the European Securities and Markets Authority Consultation Paper on the European Single Electronic Format.](#)

Consultation Papers and Documents

18/09/2015 - [Consultation on regulations to be issued under the Insurance Business Act](#)

MFSA Licences - August 2015

NEW LICENCES

Banking

Financial Institutions

- Financial Institution license issued to **Money + Card Payment Institution Limited**.

Collective Investment Schemes

Professional Investor Funds targeting Extraordinary Investors

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

Alternative Investor Funds targeting Qualifying Investors

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

UCITS

- Collective Investment Scheme licence issued to **Calamatta Cuschieri Funds SICAV plc** in respect of one sub-fund.
- Collective Investment Scheme licences issued to **EMIntrinsic SICAV plc** in respect of two sub-funds.

Incorporated Cells

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

Investment Services

- Category 2 licence issued to **Pilatus Bank Limited**.

Company Service Providers

- Registration certificate issued to **Erremme Corporate Services**.
- Registration certificate issued to **Alter Domus (Services) Malta Limited**.
- Registration certificate issued to **Marsh Management Services Malta Limited**.
- Registration certificate issued to **Stivala & Stivala Corporate Management Limited**.
- Registration certificate issued to **Encore Services Limited**.
- Registration certificate issued to **Octave Corporate Services Limited**.

SURRENDERED LICENCES**Investment Services**

- Surrender of Category 3 license issued to **RTFX Limited**.

Recognised Fund Administrators

- Surrender of license issued to **HSBC Global Asset Management (Malta) Limited**.

EXTENDED AND REVISED LICENCES**Collective Investment Schemes**

- Licence issued to **Aquarium Funds SICAV plc** was converted from Professional Investor Fund to Alternative Investment Fund.

Registry of Companies - New Registrations - August 2015

Companies	Partnerships	Total
384	3	387

Forthcoming Events

October 4 -7 - [FERMA Risk Management Forum 2015](#)

October 24 - [Investor Education Conference \(MSE\)](#)

November 18 - [5th EIOPA Annual Conference - 2015](#)

November 24-26 - [Commonwealth Business Forum 2015](#)



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](#)



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