

Inside this issue:

Setting up of the Resolution Authority

Protected Cell Structures

Conduct of Business Rulebook update

Cell Company Acknowledgement

Notice to Company Directors

Malta's 'A' rating reaffirmed by Fitch

**European Supervisory Authorities
Press Releases - August 2015**

MFSA Licences - July 2015

MFSA Circulars

Forthcoming Events



The setting up of the Resolution Authority

Background

The Bank Recovery and Resolution Directive (BRRD) establishes a comprehensive framework for authorities to deal with failing banks at the national level. It also includes provisions for cooperation arrangements to address cross-border bank failures. The BRRD is fully in line with the Financial Stability Board's (FSB) recommendations and establishes another pillar of the European Banking Union, together with the Single Supervisory Mechanism (SSM) and the Single Resolution Mechanism (SRM). Whilst the former provides for an integrated bank oversight mechanism, the latter sets out the institutional and funding architecture for applying uniform recovery and resolution rules within the Union.

Scope and Responsibilities of the Resolution Authority and Resolution Committee in Malta

Following from the above, the Resolution Authority in Malta was established, within the Malta Financial Services Authority, on the 17 July 2015. The Board of Governors of the MFSA will now also act as the Resolution Authority, which is the authority appointed for the purposes of Article 3 of the BRRD.

Furthermore, the Resolution Authority has appointed a Resolution Committee which shall have all the powers assigned to the Resolution Authority under the BRRD. The composition, powers and functions of the Resolution Committee are governed by the provisions set out in the First Schedule to the Malta Financial Services Authority Act. In this respect, and in order to achieve its statutory responsibilities in a transparent

and credible manner, the Resolution Authority and the Resolution Committee shall be operationally independent and shall act independently of each other and of the Supervisory Council. The Resolution Committee will have resolution and other executive powers in order to carry out its functions. The three members forming the Resolution Committee are Mr Emanuel Ellul, Mr Paul Spiteri and Mr Alfred Sladden.

In line with international standards, the Resolution Committee will have the following four distinct objectives:

- (i) to safeguard the continuity of essential banking operations;
- (ii) to protect depositors, client assets and public funds;
- (iii) to minimise risks to financial stability; and
- (iv) to avoid any unnecessary destruction of value.

The Resolution Committee will have a harmonised minimum set of resolution tools which will include the power: to sell or merge the business with another bank, to set up a temporary bridge bank, to separate good assets from bad ones and to convert to shares or write down the debt of failing banks (bail-in) as well as to replace senior management.

The amendments to the Act also created a Resolution Unit which, when established, shall carry out the functions assigned to it under the Act, and as may be assigned to it by the Resolution Committee, from time to time. The main duties of the Resolution Unit will be to:

- (a) assess whether an institution is failing or is likely to fail, after consulting the Authority;
- (b) draw up resolution plans, after consulting the Competent Authority, on how to deal with financial stress or failure of institutions, including at group level;
- (c) carry out resolvability assessment of institutions;
- (d) cooperate, liaise and exchange information, as necessary, with the Units respectively responsible for supervision of credit institutions and investment firms within the Authority.

The legal framework to put into effect the BRRD, also involved the transposition of the BRRD into Maltese Law through the enactment of a Legal Notice issued under the MFSA Act. The proposed regulations transposing the BRRD ensure close and effective collaboration and exchange of information between the Resolution Committee and the Competent Authority. The experience, information and specific knowledge gained about individual institutions by the competent authority when performing its supervisory duties is also relevant to the Resolution Unit.

The Competent Authority is responsible for analysing the recovery plans which are to be drawn up and submitted by the institutions, and has to closely liaise with the Resolution Unit to ensure that what is being stated by the institution is achievable. Where the recovery plan is not adequate, both the Competent Authority and the Resolution Unit may recommend changes.

The Resolution Unit will be entrusted with the preparation and the execution of resolution plans at national level and will consult with the Competent Authority on this issue. Such plans are prepared ex-ante and would be based on information provided by the institution in normal times and applied in times of crises with the aim of facilitating the effective use of resolution powers to protect systemically important functions, without severe disruption to the financial system or exposing taxpayers to undue burden. The resolution plan should explain how the institution will be resolved while protecting critical functions and financial stability.

The Resolution Unit will also be required to identify and mitigate weaknesses to resolvability by adopting specific measures. These include: reducing the complexity in the institutions' structure; limiting individual and aggregate exposures; limiting or prohibiting activities, products and business areas; and imposing requirements to issue additional convertible capital instruments.

Finally, the enactment of this legislation and the setting up of the requisite structures will now allow the authorities to deal with a banking crisis at an early stage and should a situation deteriorate further, would have the necessary tools to resolve a failing institution in an orderly manner thus ensuring long term financial and economic stability and reducing the potential public costs of a possible future crises.

Protected Cell Structures

As part of Malta's drive to introduce capital markets activity, legislation for Re-insurance Special Purpose Vehicles was enacted and the PCC concept was extended to the Reinsurance Special Purpose Vehicles. The new regulations - the Securitisation Cell Companies Regulations (S.L.386.16), continue to build on the Protected Cell concept by adapting and extending the protected cell company structure to cater for securitisation activity. The legislation leverages on Malta's experience in legislating for cells in other sectors including the investment funds and insurance sectors, where dedicated cell legislation notably contributed to Malta's growth in financial services.

Authorisations Unit Director Angele Galea St John detailed these new developments in an interview to the Cell Company Guide 2015, published by Captive Review.

Ms Galea St John explained that the Regulations now provide a legally entrenched framework for segregation of different sets of assets and risk instruments within a single special purpose vehicle, the SCC, thereby allowing for the launch of multiple insurance-linked securities without incurring any risk of cross-contamination between the different sets of creditors and investors. This is a first in securitization vehicle structures as these are normally set up with compartments in other jurisdictions. The SCC is also applicable as a vehicle for all types of securitization transactions

Ms Galea St John also added that the PCC offers various benefits to cell owners from efficient use of capital, down to cost sharing in respect of governance structures and reporting requirements. Cell structures offer the facility of flexibility, speedier set ups and cost effective solutions while being fully compliant with the Solvency II regulatory framework. The core and cells within the PCC structure are treated as ring fenced funds for the purposes of Solvency II. As a single legal entity, the PCC needs to comply with Solvency II as a whole thereby offering a proportionate facility for cells.

The full interview is available on <http://www.mfsa.com.mt/pages/announcement.aspx?id=7078>

MFSA Industry update on the proposed Conduct of Business Rulebook

On 30 June 2015 the MFSA organised an industry update session relating to the proposed Conduct of Business Rulebook as issued for consultation to the industry on 6 May 2015. The event was attended by over 100 delegates.

Six MFSA officials together with Dr Anton Felice, a consultant to the MFSA, delivered presentations during this event. The panel of speakers was chaired by Dr Michelle Mizzi Buontempo, Director of the Conduct Supervisory Unit. In her introductory speech Ms Marianne Scicluna, Director General of the MFSA, provided the audience with a brief explanation as to the rationale leading up to the drawing up of the proposed Rulebook as well as the purpose of this industry update.

Dr Anton Felice delivered a presentation entitled 'Conduct of Business – Process so Far'. In his presentation, Dr Felice provided the attendees with an overview of the processes undertaken by the MFSA and the events leading up to the introduction of a Rulebook focused particularly on Conduct of Business, including the previous consultation undertaken by the MFSA on 27 January 2014 relating to the "Proposed Conduct of Business Rules for the enhanced protection of customers in investment services".

Dr Michelle Mizzi Buontempo provided the audience with an overview of the new approach being adopted with respect to Conduct Supervision. Dr Mizzi Buontempo introduced the newly set up Conduct Supervisory Unit and explained the regulatory approach which the Unit intends to adopt, emphasizing that the ultimate aim is to bring about a culture change within the financial services industry whereby the interests of the client are placed at the heart of the industry's business. Dr Mizzi Buontempo also explained the setup of the proposed Conduct of Business Rulebook as well as highlighting the sources from which the proposed rules are derived. She also provided an outline of the chapters being put forward to the industry in this first phase of the consultation process, including certain policy approaches which are being proposed by the MFSA.

Other MFSA officials delivered presentations focusing on the individual chapters which are the subject of this first phase of consultation. Ms Romina Bonnici, Deputy Director of the Authorisation Unit, explored the first two themes of the chapter relating to Disclosures, namely Medium of Disclosure and the relevant rules on disclosures with respect to Marketing and Advertising. Ms Bonnici's presentation was followed by Ms Erika Farrugia from the Insurance and Pensions Supervision Unit, who explained the salient rules on disclosures relating to Information on Regulated Persons and disclosures about the Services and Products provided by Regulated Persons.

Dr Sarah Pulis, Senior Manager within the Conduct Supervisory Unit, delivered a presentation which highlighted the most significant new rules concerning Product Oversight and Governance. Dr Petra Camilleri from the Conduct Supervisory Unit and Mr Christopher Micallef from the Securities and Markets Supervision Unit, delivered a joint presentation relating to Conflicts of Interest, which focused on the General Principles relating to Conflict of Interest, rules relating to Remuneration and Inducements as well as the rules relating to Disclosures on Conflicts of Interest.

A Q&A session followed the presentations, following which the Chairman of the MFSA brought this industry update session to an end with his concluding remarks.

In the meantime, following this first phase of this consultation procedure, the MFSA has received feedback from the industry which is currently being analysed and considered by the Authority. It is envisaged that the second phase of this consultation process will take place in September 2015, when the MFSA intends to issue the next set of chapters of the Proposed Conduct of Business Rulebook for consultation to the industry.

Cell Company Acknowledgement - Algebris Cell

After the entry into force of the Securitisation Cell Companies Regulations, 2014 (L.N. 411 of 2014), the MFSA had processed the Notification of one Parent SCC namely, Primus Global Securities Investment SCC plc. This month, the MFSA issued an Acknowledgement in terms of Article 22 of the Securitisation Cell Company Regulations LN 411, 2014 in relation to Algebris Cell, a cell created by Primus Global Securities Investment SCC PLC.

A securitisation cell company (SCC) is a company incorporated for the sole object of entering into securitisation transactions. SCCs, which are separate legal persons, have the power to establish within itself one or more cells for the purpose of securitisation transactions. On the other hand, the creation of a cell does not create, in respect of that cell, a legal person separate from the securitisation cell company.

Notice to Company Directors

The Registry of Companies Online System is currently being upgraded. One of the new features of the system will be the possibility of issuing automated electronic reminders to all registered companies concerning the due dates and deadlines regarding the filing of the annual returns and annual accounts. For this purpose the Registry of Companies should be provided with one or more valid e-mail address/es where such reminders will be sent. A company may provide its own corporate e-mail address, and/or other e-mail addresses where the officers of the company would prefer to receive these reminders, such as the e-mail address of its accountant or legal practitioner. It is important that the e-mail address/es provided is/are functional and regularly used so that the reminders will be read in time. Companies are being urged to furnish the Registry with the electronic mail address/es at the earliest opportunity so that they may benefit from this service as soon as it is up and running. This automated reminder service should help companies not to overlook filing deadlines.

Companies may inform the Registry of Companies by an e-mail addressed to systemsupport@rocmalta.com.mt of the e-mail addresses they choose to use for this service indicating also the name of the company and its registration number.

Fitch reaffirms Malta's 'A' rating

Fitch Ratings has confirmed Malta's Long-term rating at 'A', while also re-affirming a Stable Outlook.

FitchRatings

In an announcement earlier this month, Fitch noted that Malta's capital markets remains very liquid, with the loan to deposit ratio of domestic banks at 63% in 1Q15. "The core banks, which have a balance sheet of around 260% of GDP, are well capitalised and delinquency portfolios have stabilised over the past year, while provisions for NPLs have increased." Positively, the credit rating agency notes that the regulatory environment has continued to evolve in the past six months, with a single-supervisory framework now in place and the establishment of a resolution fund. This should help underpin financial stability.

Looking at the broader economic picture, Fitch remarks that the Maltese economy will continue to outperform eurozone peers in the medium term. "The country's services sectors will remain the most dynamic, led by higher tourist arrivals and expansion of the gaming industry." The agency lauds the existence of a structural shift in the economy to higher value-added services. However, failure to improve productivity could create growth bottlenecks in the longer term.

Finally, Fitch forecasts a decrease in the fiscal deficit to 1.8% of GDP in 2015, an important step in the process of fiscal consolidation.

European Supervisory Authorities Press Releases issued during August 2015

European Securities and Markets Authority (ESMA)



04/08/2015 - [ESMA confirms 4 week renewal of Greek HCMC short selling ban – market making is exempted](#)

05/08/2015 - [ESMA advises Commission on implementation of CSD Regulation](#)

MFSA Licences - July 2015

NEW LICENCES

Banking

Financial Institutions

- Financial Institution license issued to **PaymentWorld Europe Limited**.
- Financial Institution license issued to **Petranka Beheer B.V.**

Collective Investment Schemes

Professional Investor Funds targeting Qualifying Investors

- Collective Investment Scheme licences issued to **Audentia Capital SICAV plc** in respect of two sub-funds.
- Collective Investment Scheme licence issued to **Paragon SICAV plc** in respect of one sub-fund.
- Collective Investment Scheme licence issued to **Katla Funds SICAV plc** in respect of one sub-fund.
- Collective Investment Scheme licences issued to **Woodman Funds SICAV plc** in respect of two sub-funds.
- Collective Investment Scheme licences issued to **Golden Share Investments SICAV plc** in respect of two sub-funds.

Alternative Investor Funds targeting Professional Investors

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

UCITS

- Collective Investment Scheme licence issued to **AMA UCITS SICAV plc** in respect of one sub-fund.
- Collective Investment Scheme licences issued to **Waterfront SICAV plc** in respect of four sub-funds.

Investment Services

- Category 1A licence issued to **Cliff Drive Capital Limited**.
- Category 2 licence issued to **Abalone Asset Management Limited**.

Tustees and Fiduciaries

- Authorisation issued to **War Chest Fiduciary Services Limited** to act as administrator of private foundations.
- Authorisation issued to **Vassiliades & Co (Malta) Limited** to provide fiduciary services which do not include acting as Trustee.

Company Service Providers

- Registration certificate issued to **Aequitas Management Limited**.
- Registration certificate issued to **Triglav Management Limited**.
- Registration certificate issued to **Med Castle Directors Limited**.
- Registration certificate issued to **Integritas Corporate Services Limited**.
- Registration certificate issued to **Integritas Consulting Limited**.

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

- Surrender of licence issued to **UK Financial Services Products Fund SICAV plc**.
- Surrender of licence issued to **Howard Scott & Co. SICAV plc**.
- Surrender of licence issued to **Resco Funds SICAV plc** in respect of one sub-fund.
- Surrender of licence issued to **Metatron Capital SICAV plc** in respect of one sub-fund.

Professional Investor Funds targeting Experienced Investors

- Surrender of licence issued to **RS Resources (Malta) SICAV plc**.

Investment Services

- Surrender of Category 2 licence issued to **RTFX Fund Management Limited**.

Insurance*Insurance Undertakings*

- Surrender of licence issued to **Allcare Insurance Limited**.

EXTENDED AND REVISED LICENCES**Investment Services**

- Extension of licence issued to **GWM Group Investment Management (Malta) Limited** to include the provision of investment advice to Professional Clients (including Collective Investment Schemes) in relation to all instruments listed in the Second Schedule of the Investment Services Act, 1994.
- Revision of licence issued to **Timberland Invest Limited** to include placing of instruments without a firm commitment basis.

Insurance*Insurance Undertakings*

- Extension of license issued to **QIC Europe Limited** to carry on business of insurance and reinsurance in all classes of general business.

Registry of Companies - New Registrations - July 2015

Companies	Partnerships	Total
491	8	499

MFSA Circulars

04/08/2015 - [Circular to the financial services industry on changes to the Investment Services Rules for Investment Services Providers](#)

07/08/2015 - [Solvency II Circular for Insurance and Reinsurance Undertakings](#)

07/08/2015 - [Circular to Credit, Payment and Electronic Money Institutions on Financial Institutions Rule FIR/04](#)

26/08/2015 - [Circular to Financial Institutions on the submission of supervisory data through the MFSA Web Portal](#)

Consultation Papers and Documents

19/08/2015 - [Draft regulations transposing Directive 2014/49/EU on deposit guarantee schemes, and other ancillary rules](#)

Forthcoming Events

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

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](#)



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

Notabile Road, Attard BKR 3000, Malta

Phone: +356 21 44 11 55; Fax: +356 21 44 11 89

www.mfsa.com.mt registry.mfsa.com.mt mymoneybox.mfsa.com.mt www.careersinfinance.mfsa.com.mt

