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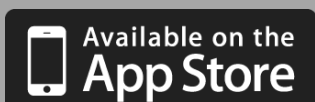
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The Single Supervisory Mechanism

By Dr. Johan Farrugia LL.D

1. Introduction

The Single Supervisory Mechanism (SSM) officially entered into operation marking a step towards greater European harmonisation through the promotion of the single rulebook approach to the prudential supervision of credit institutions. On the 4th November 2014, the European Central Bank (ECB) announced that it would be responsible for the supervision of euro area banks, following a year-long preparatory phase.¹ Established as a response to the aftermath of the financial crisis, the SSM is based on commonly agreed principles and standards whose main objectives include ensuring the safety and soundness of the European banking system, increasing financial integration and stability, and ensuring consistent supervision.

This article proposes to provide some information on the role of the ECB together with the MFSA (as the national competent authority (NCA) for Malta) with regards to supervision of Maltese credit institutions following the coming into force of the SSM.

2. Composition of the SSM

The SSM is composed of the ECB and participating Member States' NCAs so as to combine the particular experience and expertise of each institution.²

Two pieces of legislation are key, namely:

- Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institution ([SSM Regulation](#));³ and
- Regulation (EU) No 468/2014 of the European Central Bank of 16 April 2014 establishing the framework for co-operation within the Single Supervisory Mechanism between the European Central Bank and national competent authorities and with national designated authorities ([SSM Framework Regulation](#)).⁴

The ECB is responsible for the effective and consistent functioning of the SSM and exercises oversight over the functioning of the system, based on the distribution of responsibilities between the ECB and NCAs.

In carrying out its prudential tasks, the ECB applies all relevant EU laws and, where applicable, the national legislation transposing them. Where the relevant law grants options for Member States, the ECB also applies the national legislation exercising those options. The ECB is subject to technical standards developed by the EBA and adopted by the Commission, as well as the EBA's European Supervisory Handbook.

Moreover, in areas not covered by this set of rules, or if a need for further harmonisation emerges in the conduct of the day-to-day supervision, the SSM reserves the right to issue its own standards and methodologies, while considering Member States' national options and discretions under EU legislation.

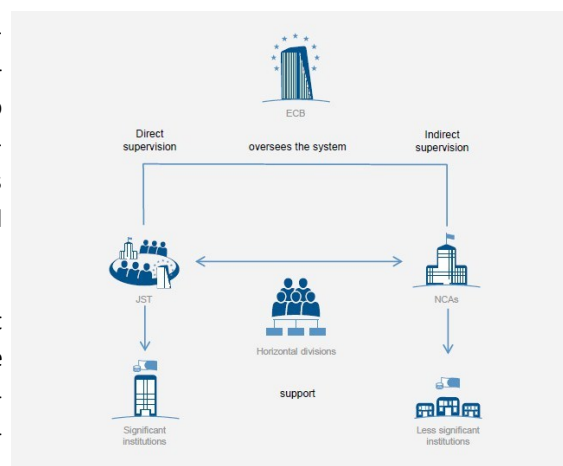
To ensure efficient supervision, credit institutions are classified into two categories namely: 'significant' and 'less significant' institutions, with the ECB directly supervising 'significant' institutions and NCAs in charge of the supervision of 'less significant' institutions.

A credit institution will be considered as 'significant' if any one of the following criteria is met:⁵

- The total value of its assets exceeds €30 billion or – unless the total value of its assets is below €5 billion – exceeds 20% of national GDP;
- It is one of the 3 most significant credit institutions established in a Member State;
- It is a recipient of direct assistance from the ESM;
- The total value of its assets exceeds €5 billion and the ratio of its cross-border assets/liabilities in more than one other participating Member State to its total assets/liabilities is above 20%.

To avoid rapid or repeated alternations of supervisory responsibilities between NCAs and the ECB, the aforementioned classification has a moderation mechanism: whereas the change in status from 'less significant' to 'significant' is triggered if just one criterion is met in any 1 year, a significant group or credit institution will only qualify for a reclassification as 'less significant' if the relevant criteria have not been met over a period of 3 consecutive calendar years.

Day-to-day supervision of significant institutions will be conducted by Joint Supervisory Teams (JSTs) which consist of staff from both NCAs and the ECB. The ECB can also take on the direct supervision of less significant institutions if this is necessary to ensure the consistent application of high supervisory standards.

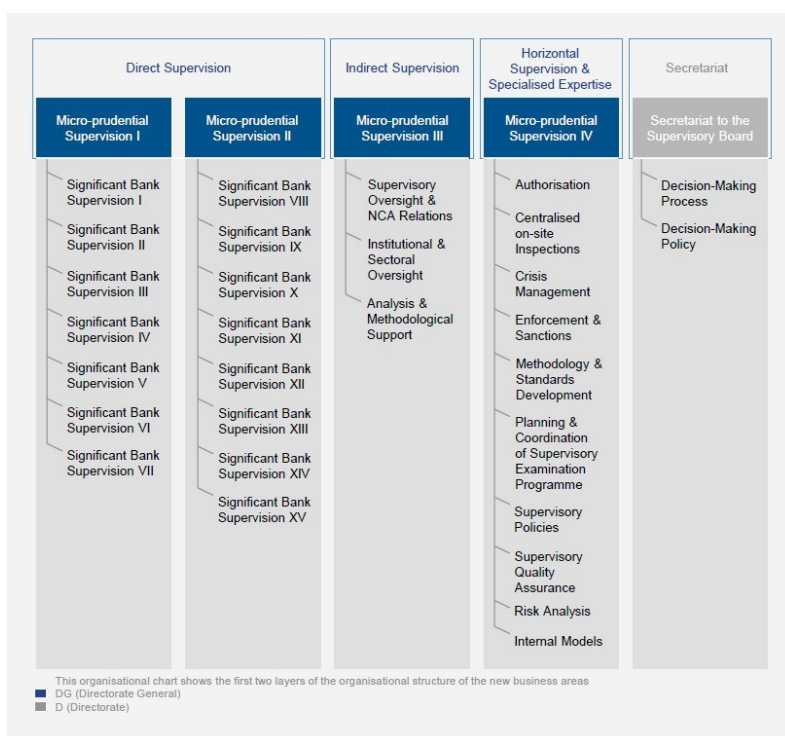


Distribution of tasks within the SSM – source: [ECB Guide to banking supervision](#)

The ECB is also involved in the supervision of cross-border institutions and groups, either as a home or host supervisor in Colleges of Supervisors. Moreover, it participates in the supplementary supervision of financial conglomerates in relation to the credit institutions included in a conglomerate and assumes the responsibilities of the coordinator referred to in the [Financial Conglomerates Directive](#).⁶

3. Operating Structure of the SSM

The establishment of the SSM has necessitated considerable changes within the setup of the ECB. As such, the ECB has established 4 dedicated Directorates General (DGs) to perform the supervisory tasks conferred on the ECB in cooperation with NCAs operating as follows:



Organisation of the SSM supervisory units in the ECB – source: [ECB Guide to banking](#)

4. Supervisory Review and Evaluation Process (SREP)

The SSM has developed a common methodology for the on-going assessment of significant credit institutions' risks, their governance arrangements and their capital and liquidity situation. This methodology encompasses 3 main elements:

1. A risk assessment system, which evaluates credit institutions' risk levels and controls;
2. A comprehensive review of the institutions' Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP);
3. A capital and liquidity quantification methodology, which evaluates credit institutions' capital and liquidity needs given the results of the risk assessment.

4.1 Risk analysis

The risk analyses carried out by the JSTs and by the dedicated Risk Analysis Division complement each other. The Risk Analysis Division monitors the overall risk environment of the SSM and delivers timely and in-depth risk analyses across institutions.

The role of the JSTs is that of providing the Risk Analysis Division with institution-specific information. Since adequate, reliable and up-to-date supervision and risk analysis is based on accurate supervisory data, the ECB forged a close cooperation with the NCAs and their reporting units, as the first receivers of supervisory reporting data. The reporting and statistics function in the ECB performs its own quality checks before the data are used for supervisory and risk analysis purposes and for decision-making.

5. Conduct of supervision in the SSM

Key processes are generally the same for all credit institutions – regardless of whether they are 'significant' or 'less significant' – and involve both the ECB and the NCAs. Each credit institution covered by the SSM is supervised according to the same methodology with due respect to the principle of proportionality. The common procedures applying to both significant and less significant institutions and the approaches to the supervision of both categories are as follows:

5.1.1 Authorisations, acquisitions of qualifying holdings, withdrawal of authorisations

Applications for authorisations and notifications of an acquisition of a qualifying holding are sent to the relevant NCA which, in turn, notifies the ECB of its receipt of an application for an authorisation within 15 working days (5 in the case of an intention to acquire a qualifying holding). Once applications have been submitted and their completeness verified, they are subject to a complementary assessment by the receiving NCAs, the ECB and any other NCAs concerned.

Both the ECB and the NCAs of the participating Member States where an institution is established have the right to propose the withdrawal of a banking licence. NCAs can propose a withdrawal upon the request of the credit institution concerned or in other cases on its own initiative in accordance with national legislation. The ECB can initiate a withdrawal in cases set out in the relevant EU laws.

5.1.2 Supervision of significant institutions

In their day-to-day supervision, the JSTs analyse the supervisory reporting, financial statements and internal documentation of supervised institutions; hold regular and ad hoc meetings with the supervised credit institutions at various levels of staff seniority; conduct on-going risk analyses and on-going analysis of approved risk models; and analyse and assess credit institutions' recovery plans. In this regard, the ECB shall also levy fees from supervised entities in accordance with [Regulation \(EU\) No 1163/2014 if the European Central Bank of 22 October 2014 on supervisory fees.](#)⁷

5.1.3 Right of establishment within the SSM

If a significant institution in a participating Member State wishes to establish a branch within the territory of another participating Member State via passporting procedures, it has to notify the NCA of the participating Member State where it has its head office and provide the necessary documentation. On receipt of this notification, the NCA immediately informs the ECB's Authorisation Division, which then assesses the adequacy of the administrative structure in the light of the activities envisaged.

Where no decision to the contrary is taken by the ECB within two months of receipt of the credit institution's notification, the significant institution may establish the branch and commence its activities.

A credit institution in a participating Member State wishing to establish a branch or exercise the freedom to provide services within the territory of a non-participating Member State informs the relevant NCA of its intention. On receipt of such notifica-

tion from a significant institution, the relevant NCA immediately informs the ECB, which then carries out the required assessment.

5.1.4 The Fit and Proper Assessment of the members of the management body

Changes to the composition of the management body of a significant institution are declared to the relevant NCA, which then informs the relevant JST and the ECB's Authorisation Division. With the assistance of the NCA, the JST and the Authorisation Division jointly carry out the assessment and then present a detailed proposal to the ECB's Supervisory Board and Governing Council for a decision.

5.1.5 On-site inspections

The need for an inspection is determined by the JST in the context of the Supervisory Examination Programme (SEP) and scheduled in close cooperation with the ECB's Planning and Coordination of SEPs Division. Scope and frequency of on-site inspections are proposed by the JSTs taking into account the overall supervisory strategy, the SEP and the characteristics of the credit institution. In addition to these planned inspections, ad hoc inspections may be conducted in response to an event or incident, which has emerged at a credit-institution and which warrants immediate supervisory action.

5.1.6 Crisis Management

The ECB has established a Crisis Management Division, tasked with supporting the JSTs in times of crises. The ECB's Crisis Management Division is also engaged in the review of the significant supervised credit institutions' recovery plans and does further analysis, which allows for benchmarking, quality control, consistency checks and expert support to the JSTs.

With regard to resolution planning, the SSM has a consultative role under the [Banking Recovery and Resolution Directive](#)⁸ and the [Single Resolution Mechanism Regulation](#).⁹ The Crisis Management Division is a key player in this consultative process. Moreover, the ECB's Crisis Management Division and the JSTs will participate in Crisis Management Groups set up for specific banks.

5.1.7 Use of Supervisory Measures and Powers

The ECB is empowered to require significant credit institutions in participating Member States to take steps at an early stage to address problems regarding compliance with prudential requirements, the soundness of management, and sufficiency of the coverage of risks in order to ensure the viability of the credit institution.

Before making use of its supervisory powers with regard to significant credit institutions, the ECB may firstly consider addressing the problems informally. If the action is based on the national law of a participating Member State, the respective NCA might be asked for support to ensure that all the legal prerequisites are covered.

5.1.8 Enforcement and Sanctions

If regulatory requirements have been breached and credit institutions and/or their management need to be penalised, the supervisor may impose sanctions. The ECB may impose on credit institutions administrative pecuniary penalties of up to twice the amount of the profits gained or losses avoided because of the breach where those can be determined, or up to 10% of the total annual turnover in the preceding business year.

In addition, the ECB may impose a periodic penalty payment in case of a breach of a supervisory decision or ECB regulation so as to compel the persons concerned to comply with the prior supervisory decision or regulation of the ECB.

The periodic penalty payment will be calculated on a daily basis until the persons concerned comply with the supervisory decision or regulation of the ECB, provided that the periodic penalty is imposed for a period of no longer than 6 months.

6. Supervision of less significant institutions

NCAs are responsible for the direct supervision of less significant institutions - bar common procedures for which the ECB and NCAs are jointly responsible - as well as for those areas that are not covered by the SSM Regulation.

Even though NCAs have primary responsibility for organising and conducting the supervision of less significant institutions, ECB staff may also participate in certain activities, such as on-site inspections.

At the same time, the ECB is responsible for the effective and consistent functioning of the SSM and is entrusted with an oversight responsibility to ensure that the supervisory activities carried out by the NCAs are of the highest quality and that supervisory requirements on all credit institutions covered by the SSM are consistent. As such, the ECB carries out the following processes and procedures in relation to the supervision of less significant institutions:

1. Regular quantitative and qualitative information gathering from NCAs;
2. General oversight of the NCAs' supervisory activities to ensure adequate and harmonised conduct of supervision of the less significant institutions;
3. The ECB, in cooperation with the NCA, determines whether an institution changes its status from less significant to significant or vice versa. The ECB may also, ex officio and after consulting with the NCAs, decide to supervise less significant institutions.

7. Way forward

On the 26th October 2014, the ECB published the long-awaited results of the Comprehensive Assessment of the significant banks. This assessment was carried out by the ECB in collaboration with the NCAs during the past year in preparation for the SSM to become fully operational. A full list of the banks participating in this assessment as well as the aggregate results can be downloaded from the ECB website. Any shortfalls identified in the Asset Quality Review or under the baseline stress test scenario must be covered by the end of April 2015. Any shortfalls identified under the adverse stress test scenario must be covered by end of July 2015.

The Authority shall keep the industry abreast of all emerging EU legislation and developments in this area through constant communication with all stakeholders.

¹ The relevant ECB Press Release can be downloaded from the ECB website at:

<https://www.bankingsupervision.europa.eu/press/pr/date/2014/html/sr141104.en.html>

² All Euro area Member States participate automatically in the SSM. Non-euro area EU Member States may opt-in by entering into 'close-cooperation' with the ECB.

³ OJ L 287, 29.10.2013, p. 63-89

⁴ OJ L 141, 14.5.2014, p. 1-50

⁵ A full classification of institutions into 'significant' and 'less significant' is available on the SSM's website at: <https://www.bankingsupervision.europa.eu/banking/list/who/html/index.en.html>

⁶ Directive 2002/87/EC of the European Parliament and of the Council of 16 December 2002 on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate and amending Council Directives 73/239/EEC, 79/267/EEC, 92/49/EEC, 92/96/EEC, 93/6/EEC and 93/22/EEC, and Directives 98/78/EC and 2000/12/EC of the European Parliament and of the Council ; OJ L 35, 11.2.2003, p. 1-27

⁷ OJ L 311, 31.10.2014, p.23-31

⁸ Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council; OJ L 173, 12.6.2014, p. 190-348

⁹ Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010; OJ L 225, 30.7.2014, p. 1-90

The views expressed in the paper are solely those of the author at the time of writing and do not engage the MFSa.

Embracing Change – Regulatory Innovation

By Angele Grech

Insurance is a dynamic industry operating in a world of risk and uniquely exposed to uncertainty. To succeed, it needs to be flexible and innovative. In parallel, regulatory change is transforming the face of insurance regulation. The Solvency II Project which originated some 13 years ago aims for a robust framework which captures the economic reality of the asset-liability position of insurers and brings capital closer to the insurers' risk profile.

The framework promotes a strong risk culture embedded in the insurers' organisation and nurtures strong risk management capabilities. This is a steep shift from the fragmented and outdated approach of the current rules based Solvency I regime which primarily focuses on the capital adequacy for insurers without catering for risk management and governance within firms.

As insurers respond to these new regulatory developments, they are faced with strategic and operational challenges. As insurers adjust, they innovate - and look for opportunity in change.

In developing a supervisory framework for insurance companies, the Malta Financial Services Authority (MFSA) has adopted a dynamic and proactive approach to market needs through the evolving of prudent, sustainable and innovative regulation.

The MFSA values an open communication and dialogue with stakeholders and this has resulted in the development of new regulation to keep abreast with market changes. As an ongoing process the MFSA has sought to balance innovation with sound institutional development through sustainable regulation.

The establishment of a regulatory regime for protected cell companies (PCC) in insurance is a prime example of regulatory innovation. Malta introduced the PCC regime in 2004 and is the only full European Member State to offer PCC legislation.

The PCC is a single legal entity authorised in terms of the Insurance Business Act (Cap 403) and the Companies Act (Cell Companies Carrying on Business of Insurance) Regulations, 2010 (S.L. 386.10). It is structured in two parts namely, a non-cellular part (the core) and an unlimited number of cells. Despite the segregation of assets and liabilities that exists between protected cells and the core and among the protected cells themselves, a cell has no separate legal identity.

For regulatory purposes, where any liability arising is attributable to a cell of the PCC, the cellular assets of a cell will be primarily used to meet the liability of that cell and the non-cellular assets (also known as the core assets) can be utilized to meet the liability of the cell, only when the cellular assets of the cell have been exhausted. Cellular assets from other cells cannot be used to meet the liability of the cell.

PCCs may be used for reinsurance, insurance and captive business. Within a PCC structure, the cells are approved to write re/insurance business. The core, on the other hand, may or may not be authorised to write re/insurance. The core of the PCC is the provider of capital for solvency purposes and in the event that any of the cells become insolvent, the core should transfer capital to meet the liabilities of the cell. The core also maintains and controls all the activities of the PCC.

Under Solvency II, the core and cells within the PCC structure are treated as ring fenced funds. The Solvency II framework adopts a complementary three pillar approach. As a single legal entity, the PCC needs to comply with Solvency II as a whole thereby offering a proportionate facility for cells. This is key when it comes to addressing all requirements under the three pillars of Solvency II.

Pillar 1 sets out a valuation standard for assets and liabilities and introduces two capital requirements, the Solvency Capital Requirement (SCR) and the Minimum Capital requirement (MCR). The MCR is an absolute minimum floor that, if breached, will trigger serious regulatory intervention and potential licence withdrawal.

The SCR, on the other hand, is a target level that the firm should aim for. Breaching the SCR will be considered by the regulator as a sign of a firm's deteriorating financial soundness and intervention will take place so that the firm takes appropriate action to restore the SCR. For PCCs, the notional SCR needs to be calculated for each cell as well as the core in the same manner as if they were all separate undertakings. The SCR for the PCC as a whole is the sum of the notional SCR for each cell and the notional SCR of the core.

As one legal entity the PCC has a single Board of Directors which manages the affairs of the PCC as a whole. It therefore follows that in respect Pillar 2 (Risk management and Governance) all systems of governance requirements including key functions and the Own Risk and Solvency Assessment process will be under the control of the Board of Directors with cost sharing opportunities for cells.

Likewise, under Pillar 3, a PCC will also need to satisfy regulatory reporting requirements as one single legal entity and this can be of a cost benefit to cells operating within the structure. Accordingly, and increasingly so for small captives, cells provide the facility of flexibility, speedier set ups and cost effective solutions while being fully compliant with the Solvency II regulatory regime. The concept of proportionality is fundamental to Solvency II and cell structures present a solution for smaller captives who may be concerned that the compliance burden may be too onerous for a stand-alone company.

Malta's regulatory framework caters for the establishment of PCCs, whether through incorporation, conversion or re - domiciliation (under the Continuance of Companies Regulations (S.L.386.05)) as well as through the creation of cells and the transfer of cellular assets from and to other PCCs.

In addition, new regulations - the Securitisation Cell Companies Regulations, 2014, continue to build on the Protected Cell concept by adapting and extending the protected cell company structure to cater for securitisation activity. These Regulations set out a framework for a new type of Cell Company acting as a reinsurance special purpose vehicle in Malta - the Securitisation Cell Company. Through fusing the highly sophisticated frameworks provided in the Securitisation Act (Cap. 484) and the Reinsurance Special Purpose Vehicle Regulations (L.N. 452 of 2013) with the cell company concept, 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. There is little doubt that significant regulatory change will continue. Faced with such a reality, in a world of uncertainty, insurers look for opportunity in change. As regulators, the MFSa continues to recognise the importance of maintaining an appropriate balance between preserving the safety and soundness of the system and allowing the flexibility for insurers to create business value through performing their intended functions in an environment which fosters sustainable growth.

This article was first published in "Solvency II - 2014", issued by Captive

Regulator approach is giving Malta the edge

The approachability of the Malta Financial Services Authority (MFSa) is proving a big pull for prospective captive owners, according to Willis' captive chief Paul Owens. This was revealed in an article published in the influential www.captivereview.com



"Malta is beginning to prove an attractive domicile for corporations wanting to write business direct into Europe, while it also has established PCC legislation". Captive Review had revealed in June Virgin Media was the latest big name to license a captive in the Mediterranean jurisdiction, while Nissan is already on the island.

"The regulatory framework in Malta is a big factor," Owens, chief executive officer at Willis Global Captive Management, told *Captive Review* at the European Captive Forum in Luxembourg. "When we do the feasibility study and domicile review for a client, if Malta is on the shortlist then they like to go there and the positive reception you get from the regulators is very appealing."

Malta is due to go live with its [Securitisation Cell Company legislation](#) in the new year, which should add further options in the cell and insurance-linked securities space.

Soft factors including time zone, travel and the weather also play a part according to Owens, but he says there is substance behind the fact it is now Willis' fastest growing captive office outside of Vermont. He added: "We are looking to hire more people and take more office space. We have some really good people there already and the great thing about Malta is there are lots of good people who are suitable too."

The European Captive Forum was held at the Luxembourg Congress, Luxembourg and brought together Captive Forum brings together Europe's prime captive insurance and risk management professionals for two days of networking and industry insights.

Company Services Providers get top international insight at MFSA workshop

Over 130 delegates attended the workshop for company service providers (CSP's) organised by the Institute of Directors in conjunction with the Malta Financial Services Authority (MFSA) and the Malta Institute of Management (MIM).



INSTITUTE OF
DIRECTORS – MALTA

Opening the workshop, Mr. James Satariano, Chairman of the Institute of Directors Malta Branch stressed that Malta's solid reputation as a trusted international financial and business

centre depends on improved standards in corporate governance as well as regulatory authorities and enforcement agencies needing better tools to effectively address emerging risks.

Mr. Satariano said, "There is a risk that the companies CSP's help to incorporate may be abused by criminals to set up complex or unusual business structures to conceal beneficial ownership, and reduce the transparency of transactions. Hence, there was the need to enhance the regulatory framework for company service providers with the new 2013 Act. Besides mitigating the risks of money laundering and terrorism financing, regulatory enhancement helps raise the professional standing of company service providers, which is a good thing for the reputation of the jurisdiction."

The participants were then addressed by keynote speaker Dr. Roger Barker the Director of Corporate Governance and Professional Standards at the Institute of Directors in the UK. Dr. Barker is Senior Advisor to the Board of ecoDa (European Confederation of Directors' Associations) and Chairman of the ecoDa education committee, a board member of European Women on Boards ASBL, and sits on several corporate governance advisory boards, including those of the Institute of Chartered Accountants in England and Wales (ICAEW) and ISS European Governance Exchange.

Dr. Barker said that the limited liability company is the cornerstone and building-block of the modern economy, however, while it can be used for legitimate purposes it was important to understand that it can also be the vehicle for criminal purposes. This negatively impacts the reputation of the entire economic system. This, he said, is what all jurisdictions must manage to maintain integrity. Malta is no different in this regard and every effort must be made to attach effective corporate governance to robust legislation.

Dr. Barker covered proposals by UK Prime Minister David Cameron on creating a public register of beneficial ownership. A key means of countering abuse is transparency about legal and beneficial ownership of companies, argued Dr. Barker and many international organisations are promoting the transparency of corporate vehicles such as The Financial Action Task Force, the OECD, and the EU. In conclusion, Dr. Barker said that The Company Service Providers Act 2013 is a positive step forward for the integrity of companies in Malta but it is not the end of the journey. There is probably more regulation to come, and how much will depend on how well directors do their jobs.

Dr. Michelle Mizzi Buontempo, Deputy Director of the Securities and Markets Supervision Unit at the MFSA provided an overview of the regulation of CSP's in Malta, explaining how the December 2013 act was drafted and what the intention was in terms of strengthening the CSP function on the Maltese Islands, saying that although the new legislation was introduced following an EU-directive it was high on the regulator's agenda to put safeguards in place for CSP's in the jurisdiction. Asked about registration and supervisory fees Dr. Mizzi Buontempo stated that the regulator had set both sets of fees much lower than originally intended, to keep Malta-based CSP's competitive in a global market.

The afternoon's third speaker, Dr. Anthony Cremona who leads the Trusts and Foundations team at Ganado & Associates gave an animated introduction to anti-money laundering in a incisive presentation that outlined how Malta's Company Service Providers Act implements EU Article 36 of Directive 2005/60/EC.

As a sign of appreciation, Dr. Barker presented Mr. Ward and Drs Mizzi Buontempo and Cremona with signed copies of his book, the IoD's main guide to the role of the board, 'The Effective Board: Building Individual and Board Success' and said that he looked forward to developments in the sector and hoped to return to the Maltese Islands soon after this very successful event.

Risk Management in Financial Services – Is it necessary?

Although risk management practices date back to when, our biblical ancestor Noah, carefully selected animals to ensure the continuity of their existence, it has only been recently that standards and models of risk management practices were formulated to ensure good governance and proper control.

Risk managing an organisation is, in itself complex, involving the holistic discipline of identifying, analysing, evaluating and controlling all those risks that threaten the assets or earning capacity.

This will therefore require careful consideration to business threats such as market risks, liquidity risks, credit risks, foreign investment risks and operational risks to name the main ones. Such, will reveal organisational characteristics in terms of vulnerability, appetite and resilience.

The local regulator requires that each company takes steps to ensure that it has in place and applies internal controls in order to prudently manage and control the significant risks to which the company is exposed and the significant business activities in which the company is engaged, commensurate with the nature, scale and complexity of its business. This will entail practitioners engaged in a variety of risk management process to undertake functions to;

- Manage the implementation of all aspects of the risk function, including implementation of processes, tools and systems to identify, assess, measure, manage, monitor and report risks.
- Assist in the development of and manage processes to identify and evaluate business areas' risks and risk and control self-assessments.
- Manage the process for developing risk policies and procedures, risk limits and approval authorities.
- Monitor major and critical risk issues and generate project management documents.
- Conduct compliance & risk assessments and document audits of client compliance to industry standards
- Document project plans, action plans, presentations and project results for clients.
- Define & produce client policies, procedures, processes & other documentation as required.
- Enhance the security architect function and be responsible for the end-to-end security architecture of applications, technologies and services.
- Implement the security program's risk and control framework and global IT risk strategy.
- Ensure the program is effectively integrated into product development and delivery methodology.
- Participate in local and global discussions to formulate new or enhance existing security processes, policies and standards.

The Malta International Training Centre has developed a programme to certify those involved in the risk management function enhancing the participants' level of knowledge in this area. The programme, namely the RISK MANAGEMENT IN FINANCIAL SERVICES provides the participant with knowledge on the fundamentals of this discipline, financial services products, financial risk management, quantitative techniques and regulation. The RISK MANAGEMENT IN FINANCIAL SERVICES programme will strengthen the participants' knowledge in Financial Services Risk Management, providing the right qualification in the pursuance of a successful career in Malta's financial services industry.

It is an important tool for people who;

- are already working in the financial services sector
- intend to take up a career within this environment, complimenting their acquired specialised studies in various other disciplines
- are engaged in the functions and operations of Risk Management
- those who sit on risk committees of licensed entities

The programme will provide participants a solid grounding in risk measurement and its application. The skills gained during this

programme will equip participants to perform effectively in insurance companies, insurance management companies, banks, asset managers, audit firms and regulators as well as provide them with the foundations required to follow further studies in Risk Management.

The Malta Qualifications Council deems this CPD Award of 19 credits to be at Level 4 on the Malta Qualifications Framework (MQF) and on the European Qualifications Framework (EQF) for Lifelong Learning. The programme also qualifies for CPE/CPD credits by established Institutes including the Malta Institute of Accountants.

[Programme and Application Form](#)

European Supervisory Authorities Press Releases issued during November 2014

European Securities and Markets Authority (ESMA)



03/10/2014 - [ESMA has launched 6 new consultations](#)

European Central Bank



04/11/2014 - [ECB assumes responsibility for euro area banking supervision](#)

European Insurance and Occupational Pensions Authority (EIOPA)



03/11/2014 - [EIOPA consults on the Calculation Process for the Solvency II relevant Risk Free Interest Rate](#)

MFSa Licences - October 2014

NEW LICENCES

Banking

Financial Institutions

- Financial Institution licence issued to **OTP Financing Malta Co Ltd.**

Credit Institutions

- Credit Institution licence issued to **Sata Bank.**
- Credit Institution licence issued to **Yapi Kredi Bank Malta.**

Collective Investment Schemes

Professional Investor Funds targeting Qualifying Investors

- Collective Investment Scheme licence issued to **Macro Fund SICAV plc** in respect of one sub-fund.
- Collective Investment Scheme licence issued to **Theorema Fund 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 **Radar Funds SICAV plc** in respect of one sub-fund.
- Collective Investment Scheme licence issued to **Niton Master Fund SICAV Ltd** in respect of one sub-fund.
- Collective Investment Scheme licence issued to **Niton Fund SICAV plc** in respect of one sub-fund.
- Collective Investment Scheme licence issued to **Pollard et Filles Capital Management 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 **Productivity Media SICAV plc** in respect of one sub-fund.

Incorporated Cells

- Collective Investment Scheme licence issued to **Cloud Capital 1 IC SICAV plc.**

Investment Services

- Category 4B licence issued to **Heritage International Fund Services (Malta) Limited.**

Company Service Provider

- A registration certificate issued to **International Company Services (Malta) Ltd** to act as a company service provider.
- A registration certificate issued to **IURIS Management Ltd** to act as a company service provider.

SURRENDERED LICENCES

Collective Investment Schemes

Professional Investor Funds targeting Qualifying Investors

- Surrender of licence issued to **Cerro Torre SICAV plc** in respect of one sub-fund.

Non - UCITS

- Surrender of licence issued to **Santumas Shareholdings plc.**

UCITS

- Surrender of licences issued to **Celsius Global Funds SICAV Plc** in respect of three sub-funds.

EXTENDED AND REVISED LICENCES**Investment Services**

- Revision of licence issued to **Thybo Investment Management (Malta) Limited** to act as a full Alternative Investment Fund Manager.

Registry of Companies - New Registrations - October 2014

Companies	Partnerships	Total
493	2	495

MFSA Announcements

MFSA Circulars

- 03/11/2014 - [Circular to Credit Institutions on Banking Rule BR/07](#)
- 04/11/2014 - [Notice to Financial Services Licence Holders - MONEYVAL public statement concerning Bosnia and Herzegovina](#)
- 04/11/2014 - [Notice to Financial Services Licence Holders - FATF identifies jurisdictions with strategic deficiencies](#)
- 07/11/2014 - [Circular to Credit Institutions on the postponement of the coming into force of the Liquidity Coverage Ratio \(LCR\)](#)
- 07/11/2014 - [Circular regarding Legal Entity Identifiers \(LEIs\)](#)
- 10/11/2014 - [Circular to the financial services industry on changes to the Investment Services Rules for Investment Services Providers](#)
- 11/11/2014 - [Circular to the investment services industry on the definition of 'significant' for the purposes of the CRD IV Package](#)
- 25/11/2014 - [Circular – ESMA publishes 16th extract of EECS' enforcement decisions](#)
- 26/11/2014 - [Circular to Credit Institutions on the Delegated Act on Liquidity](#)

MFSA Consultation

Consultation Papers and Documents

- 19/11/2014 - [Consultation Document on the Proposed Rules for Private Equity Funds](#)
- 25/11/2014 - [Consultation Document on the Proposed Rules for trustees of family trusts](#)

MFSA Media Releases


- 14/11/2014 - [Memorandum of Understanding with the National Financial Supervisory Commission of Vietnam](#)

Warnings

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

Forthcoming Events

16-17/02/2015 - [Continuing Professional Development Course for Directors of Investment Companies and Investment Funds](#)

MFSa MALTA FINANCIAL SERVICES AUTHORITY	in conjunction with	 Directors Chambers
Continuing Professional Development Course for Directors of Investment Companies and Investment Funds February 16 and 17, 2015 - Hilton Hotel, St Julian's		

22-23/01/2015 - [Captive Live UK 2015](#)

CAPTIVE LIVE UK 22-23 JANUARY 2015 etc.venues, St. Paul's, London	 INNOVATE  PARTICIPATE  EDUCATE
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Training by members of the ECC:

- [Malta International Training Centre](#) - [Diploma in Risk Management in Financial Services](#)
- [Malta Institute of Accountants](#)
- [Institute of Financial Services](#)



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