

## Inside this issue:

**Corporate Governance Manual for Directors of Investment Companies and Collective Investment Schemes**

**Ms Danièle Nouy, Chair of the Supervisory Board, visits MFSA**

**Innovation through regulation**

**Malta set to establish itself as leading financial services jurisdiction**

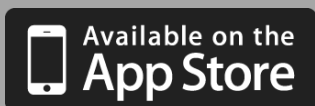
**Strength of Malta's financial services sector confirmed by WEF**

**Fitch confirms Malta's 'A' rating and stable outlook**

**Consultation: Proposed Securitisation Cell Companies Regulations 2014**

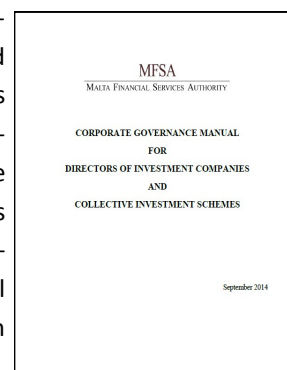
**Industry Update – AIFMD**

**MFSA Announcements**



## Corporate Governance Manual for Directors of Investment Companies and Collective Investment Schemes

The MFSA has published an updated Corporate Governance Manual for Directors of Investment Companies and Collective Investment Schemes. This revised Manual is updated with the requirements of the Alternative Investment Fund Managers Directive(2011/61/EU). The objective of this Manual is to increase awareness amongst Directors who are vital for the proper operation of investment companies and funds. The Manual also provides general guidance on the implementation of good governance in financial services.



The global financial crisis of 2007-09 caused severe troubles in the funds industry. These manifested themselves mainly through unprecedented losses in asset value, but also through unexpected and prolonged limitations on shareholder liquidity, operational chaos, extremely compressed and extended time horizons, legal and regulatory paralysis, slow or poor communication from managers, and overall shareholder confusion and even panic.

Many participants in the fund industry, politicians, regulators, investors and journalists believe that directors of investment funds generally failed to react properly in the context of such a crisis. Whether or not such a perception is merited, it is crucial that going forward directors of investment funds are cognizant of their role, duties and obligations.

A number of jurisdictions have overhauled their corporate governance frameworks or are considering doing so. The Malta Financial Services Authority considers the role of directors to be vital to the proper operation of an investment fund and has accordingly issued a Corporate Governance Manual for Investment Funds, a copy of which is available from the [MFSA website](http://www.mfsa.org.mt).

## Ms Danièle Nouy, Chair of the Supervisory Board, visits MFSA

The Chair of the Supervisory Board of the European Central Bank, Ms Danièle Nouy visited the Malta Financial Services Authority, where she met a number of officials from the Authority, as part of the upcoming preparations for the implementation of the Single Supervisory Mechanism (SSM).

Ms Nouy also met with the CEOs of significant banks as well as officials from the Malta Banking Association.

Currently, the European Central Bank (ECB) is preparing to take on new banking supervision tasks and responsibilities as from the 4th November 2014 as part of the SSM. The SSM will create a new system of banking supervision comprising the ECB and the national competent authorities of participating EU countries.



*Ms Danièle Nouy addressing MFSA officials*

The ECB will be responsible for the effective and consistent functioning of the SSM, cooperating with the national competent authorities of participating EU countries. The main aims of the SSM will be to ensure the safety and soundness of the European banking system and to increase financial integration and stability in Europe.

The Supervisory Board's mandate is to plan and carry out the ECB's supervisory tasks, undertake preparatory work, and propose complete draft decisions for adoption by the ECB's Governing Council. The aim of her visit to Malta is to address MFSA staff who would be directly or indirectly involved within the wider SSM processes and procedures and to develop a sense of unity and community of interest within the SSM.

This visit served as an important opportunity to allow officials from the MFSA to engage in an open discussion with Ms Nouy and to develop a more holistic awareness of the challenges which the Authority and the Maltese financial services jurisdiction in general will be facing within the context of the forthcoming SSM.

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## Innovation through regulation

The Upper Reach team interviewed Prof. Joseph Bannister, Chairman of the Malta Financial Services Authority, and asked him about Malta's economic performance, his role as regulator of the financial sector, and opportunities for Maltese-UK partnerships. Prof. Bannister spoke about the financial sector as being an important part of the economy and how the Authority has put in practice its motto, "innovation through regulation."



In an in-depth interview, Prof Bannister looks into recent developments within the Maltese financial services sector, noting how the financial sector is distinguishing itself as a pillar driving growth. While noting the fact that this industry thrived since EU accession, the MFSA Chairman highlighted the fact that the process of harmonizing financial services regulation began 10 years before entry, so at entry there was not much left to change. Furthermore, all current legislation is up to speed with EU legislation, and Malta has always been at the top of the EU scoreboard for transposing EU legislation.

The Report notes that Malta is one of the EU's most resilient and stable in Europe, while it is also one of the only EU countries to experience growth in the job market. Reflecting on this statement, the MFSA Chairman noted that the sector is very resilient, regulation is very robust, "and we have made substantial strides in keeping everything in check by holding discussions on a continuous basis with individual companies. It is the policy of the MFSA that the regulators meet all stakeholders, discuss issues before hand, and have in place an open-door policy. We believe companies should meet the regulator on a regular basis to avoid problems."

The Report lauds Malta as an attractive and strategic designation for companies worldwide within which to base their operations. This is thanks to the many advantages such as economic stability, excellent IT connectivity, and a hard-working and English-speaking workforce, to name a few. Prof Bannister clarifies that it is not financial incentives which attract financial services companies to Malta: "There are no incentives for the financial sector. Companies today weigh decisions on entering new markets after observing how the regulator is operating. Malta's Financial Services Authority is proactive; we have a policy called Innovation through Regulation. The MFSA reviews legislation and proposes new programs; it sees how things can work up. One success story has been the "Protected Cell Company" in the insurance sector, where Malta is the only Member State to have this legislation. We have also introduced wholesale capital markets for international businesses to complement the local stock exchange. It is a regulated and recognised market. Basically, that was a new initiative to make things work."

In this wide-ranging interview, the MFSA chairman also tackled other issues such as pension funds and Islamic financing. The full interview is available through: <http://goo.gl/MellRQ>.

## Malta set to establish itself as leading financial services jurisdiction

While addressing the 4th Annual Malta Fund Two-Day Conference 2014, AIFMD One Year After: Implications for Funds, Managers & Service Providers, held at St Julians on Thursday 18th September 2014, the Minister for Finance Prof. Edward Scicluna said, "I see the next ten years as the pivotal period during which Malta will establish itself as the leading jurisdiction in terms of sound regulation and cutting edge legislation."

During his address, Prof. Scicluna underlined that over recent years, "Malta has established itself among more dynamic financial services and hedge fund jurisdictions in Europe." He noted that these years have been used wisely to introduce an excellent regulatory model, adding that the number of Malta-based fund managers has been increasing steadily in recent years.

"Seventy seven fund managers based in Malta now manage over €22 billion in fund assets alone. The industry is supported by 28 fund administrators and scores of other investment and professional service providers. This is a clear indication of the general acceptance of our model within the industry," said Prof. Scicluna.

"With regards to the quality of regulation, it is pertinent to point out that the soundness of Malta's banking system has placed 10th in the World Economic Forum global rankings, and that the strength of auditing and reporting standards has featured among the top 15 nations on the list," added Prof. Scicluna.

He also underlined that Malta has reached a point where the country can aim higher, adding that the coming decade will serve as the pivotal period during which Malta will establish itself as the leading jurisdiction in terms of sound regulation and cutting edge legislation. "We have hit the homestretch in good shape and I am confident that we are now inching towards a steady lead," emphasised Prof. Scicluna.

Prof. Scicluna noted that Malta has successfully implemented the Alternative Investment Fund Managers Directive (AIFMD) in a timely and effective manner thanks to constant liaison between the ESMA, the Commission, and the MFSa, which led to the implementation of the correct solutions to issues which arose during implementation.

"Among other things Malta has retained its highly successful Professional Investor Funds regime which allows fund managers to provide MIFID-type services while retaining an element of proportionality in its approach where appropriate," noted Prof. Scicluna.

Prof. Scicluna further remarked that Malta is also taking a strong position when it comes to discussions related to the future development of the Directive. "We firmly believe that there is still scope for more cross-border integration within the European alternative investment market."



Photo - DOI - Martin Attard

## Strength of Malta's financial services sector confirmed by WEF

Malta's ranking as one of the world's top financial jurisdictions has been confirmed by the World Economic Forum in its annual Global Competitiveness Report for 2014-2015. The increasing soundness of its banking institutions has been reflected in a significant improvement in relevant score which now puts the country amongst the best 10 rankings (14<sup>th</sup> in 2013-2014). Malta also maintained the 13th ranking position in terms the strength of auditing standards and reporting standards.



This year's Report provides an overview of the competitiveness performance of 144 economies, and thus continues to be a highly comprehensive assessment of economic performance. It contains a detailed profile 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 sixth consecutive year Switzerland leads the table, ahead of Singapore as the second-most competitive economy in the world.

Overall, Malta has 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 important sectors which strengthen its proposition as a investment location, ranking amongst the top 20 nations with regards to the quality of education and health services offered.

In its introduction, the World Economic Forum notes that this Report is being launched at a time when the world seems to be finally emerging from the worst financial and economic crisis of the past 80 years and returning to a pre-crisis situation: large interest rate spreads for public debt in hard-hit countries are falling; banking systems seem more robust, even if financial reform has not yet been completed; and access to credit, while still limited, is slowly recovering. Overall, it adds, growth prospects in advanced economies are better than they have been in recent years, albeit very unevenly distributed.

Click [here](#) for the full Report.

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### Fitch confirms Malta's 'A' rating and stable outlook

Malta's stability has been given an important endorsement this month following credit rating agency's Fitch to confirm Malta's 'A' rating and stable outlook. The report also confirms the stability of the financial jurisdiction, commenting that despite its size, the banking sector is strong and has proved resilient to the eurozone crisis.

**Fitch**Ratings

Fitch remarks that "the core domestic banks have a loan/deposit ratio of only around 66% and have not been drawing on any significant amount of ECB liquidity facilities. Banks are well-capitalised and the government has not needed to provide capital or liquidity."

Malta also has a robust net external creditor position relative to rating peers and positive international investment position. The banking sector is the main contributor, but the sovereign also enjoys modest net external creditor status, adds Fitch.

Looking at the wider economy, the agency notes that GDP growth is outperforming the eurozone average. In 2013 the economy grew by 2.9%, better than 2012 (1.1%) and higher than the eurozone average (negative 0.4%). Fitch expects above potential growth averaging 2.5% in 2015-16, continuing above the eurozone average.

At 5.7% in July the unemployment rate is below both the 'A' median and the eurozone average, while the employment rate has risen, underpinned by the increasing female labour market participation rate. The decline in unemployment therefore took place against the backdrop of a strong increase in the labour force.

With regard to general Government gross debt, Fitch forecasts that it will decline gradually in the medium term to 70 per cent of GDP by 2020. Fitch also notes how despite the pressure on public finances posed by the healthcare, social security and transport sectors, the credit rating agency does not expect these developments to compromise deficit reduction in 2014.

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### Consultation: Proposed Securitisation Cell Companies Regulations 2014

On 4<sup>th</sup> September 2014, the Authority issued a Consultation Paper on Proposals for Securitisation Cell Companies Regulations (the 'SCC Regulations'). The consultation period ran till 24<sup>th</sup> September 2014 and currently the Authority is evaluating the feedback received from the industry.

The proposed Regulations, which can be accessed by the following [link](#), have been drawn up with the aim of providing a framework for a new type of cell company acting as a special purpose vehicle in Malta - the Securitisation Cell Company.

The proposed framework aims to unite the Securitisation Act and the Reinsurance Special Purpose Vehicle Regulations with the cell company concept, resulting in a legally entrenched framework for the segregation of different sets of assets and risk instruments within a single special purpose vehicle. The securitisation cell company thus would allow for the launch of multiple asset-backed or insurance-linked securities without incurring any risk of cross-contamination between the different sets of creditors and investors.

The proposed SCC Regulations provide that a securitisation cell company may be established for the purpose of, either entering into securitisation transactions, other than the assumption of insurance risk, in accordance with the Securitisation Act, or assuming risks as a reinsurance special purpose vehicle in accordance with the Reinsurance Special Purpose Vehicles Regulations. The two types of securitisation cell companies will be regulated differently depending on whether they carry on regulated activity or otherwise. For this reason, the draft SCC Regulations are divided into three parts as follows. Part I is the general part applicable to both types of securitisation cell companies. Part II regulates securitisation cell companies carrying on the business of securitisation vehicles, and Part III regulates securitisation cell companies carrying on the business of reinsurance special purpose vehicles.

The introduction of the securitisation cell company structure will prevent creditors of one cell from having recourse to the assets of another cell thereby providing enhanced protection to investors in relation to specific sets of assets. Furthermore, in case of insolvency, the insolvency of one cell would have no effect on the solvency of the other cells. Once a securitisation cell company structure is in place, repeat securitisation transactions could be structured at reduced costs and within reduced timeframes. This is particularly attractive in securitisations, where negotiating transaction documents can be a complex and lengthy process, and where a successful initial structure will often lead to a demand for further similar structures using common service providers.

### Contacts

Any queries or requests for clarifications in respect of the above should be addressed to Dr. Emaliese Lofaro – Analyst, Regulatory Development Unit, at [elofaro@mfsa.com.mt](mailto:elofaro@mfsa.com.mt).

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## Industry Update – AIFMD

The MFSA published a set of documents formalising the implementation of the National Private Placement Regime ('NPPR') in Malta.

The NPPR allows Alternative Investment Fund Managers ('AIFMs') to market in Malta Alternative Investment Funds ('AIFs') which fall outside the passporting framework set in Articles 31 to 33 of the Alternative Investment Fund Managers Directive ('AIFMD').

The documents consist of three notification forms in Excel format, as follows:

- (i) Notification Form for EU AIFMs (above threshold) marketing AIFs under Article 36;
- (ii) Notification Form for non-EU AIFMs (above and below threshold) marketing AIFs under Article 42; and
- (iii) Notification Form for EU AIFMs (below threshold) marketing AIFs

The Notification Forms require a declaration from the AIFM that the management of the AIF complies with the relevant conditions.

The MFSA also published Guidance Notes on the completion of the NPPR forms to assist the industry in compiling the said forms correctly.

The MFSA also revised the AIFMD FAQs which has been updated with additional Q&As on the application and implementation of the NPPR as well as some additional questions on other topics.

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## European Supervisory Authorities Press Releases issued during September 2014



22/09/2014 - [EU Supervisory Authorities update on risks in EU financial system](#)



04/09/2014 - [ECB publishes final list of significant credit institutions](#)

## MFSa Licences - August 2014

### NEW LICENCES

#### Collective Investment Schemes

##### *Professional Investor Funds targeting Qualifying Investors*

- Collective Investment Scheme licence issued to **Metatron Capital SICAV plc** in respect of one sub-fund.
- Collective Investment Scheme licence issued to **Knights of Malta Investment Funds SICAV plc** in respect of one sub-fund.
- Collective Investment Scheme licence issued to **Jacaranda Special Situations Fund SICAV plc** in respect of one sub-fund.
- Collective Investment Scheme licences issued to **CAM Fund Series SICAV plc** in respect of three sub-funds.
- Collective Investment Scheme licences issued to **Magiston Funds SICAV plc** in respect of two sub-funds.

##### *Professional Investor Funds targeting Experienced Investors*

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

##### *Incorporated Cells*

- Collective Investment Scheme licence issued to **Oakland Strategy IC SICAV plc**.

#### Insurance

##### *Cells*

- Approval of **Cell Europe** as a cell of **HighDome PCC Limited** to carry on business of insurance in three classes of the general business.

#### Pensions

##### *Asset Manager*

- Certificate of Registration issued to **Ravenscroft Investment Management Limited**.

##### *Retirement Scheme Administrator*

- Certificate of Registration issued to **Bourse Trust Company (Malta) Limited**.

#### Company Service Provider

- A registration certificate issued to **Apex Corporate & Advisory Services Limited** to act as a company service provider.



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

- Surrender of licence issued to **PMG Focus Funds SICAV plc** in respect of one sub-fund.
- Surrender of licence issued to **Mansard Capital SICAV plc** in respect of one sub-fund.
- Surrender of licence issued to **Metatron Capital SICAV plc** in respect of one sub-fund.
- Surrender of licence issued to **MCM Fund SICAV plc** in respect of one sub-fund.
- Surrender of licence issued to **Comino Umbrella Fund SICAV plc** in respect of one sub-fund.

**UCITS**

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

**EXTENDED AND REVISED LICENCES****Investment Services**

- Extension of licence issued to **FCS Asset Management Limited** to provide investment advice to retail clients.

*AIFMs'*

- Revision of licence issued to **Pamplona Credit Opportunities Investments Limited** to act as an Alternative Investment Fund Manager.
- Revision of licence issued to **Pamplona PE Investments Malta Limited** to act as an Alternative Investment Fund Manager.
- Revision of licence issued to **Finisterre Malta Limited** to act as an Alternative Investment Fund Manager.
- Extension of licence issued to **Culross Global Investment Management Limited** to act as an Alternative Investment Fund Manager.

**Insurance***Agents List*

- Approval of **Thomas Smith Insurance Agency Limited** to act as insurance agent for **Gasamamo Insurance Limited** in one class of the general business.

**Registry of Companies - New Registrations - August 2014**

Companies	Partnerships	Total
323	5	328

**MFSA Announcements****MFSA Circulars**

- 05/09/2014 - [Circular to credit institutions on Developments in relation to the Draft Implementing Technical Standard \(ITS\) on Supervisory Reporting including both the Common Reporting \(COREP\) and Financial Reporting \(FINREP\) Frameworks](#)
- 11/09/2014 - [Circular to the financial services industry on the European Markets Infrastructure Regulation \('EMIR'\): Authorisation and Supervision of Central Counterparties \('CCPs'\)](#)
- 19/09/2014 - [Circular to credit institutions including branches on the Draft Implementing Technical Standard \(ITS\) on Supervisory Reporting regarding Financial Reporting \(FINREP\) templates.](#)
- 22/09/2014 - [Circular to the financial services industry on the AIFMD National Private Placement Regime \(NPPR\)](#)
- 29/09/2014 - [Thematic Review on compliance with the requirements on Governance, Compliance and Risk Management](#)

**MFSA Warnings**

- 05/09/2014 - [Facebook Posts offering loans to the public posted by users under the names 'Marina Zidane' and 'Exaucer Doremos'](#)

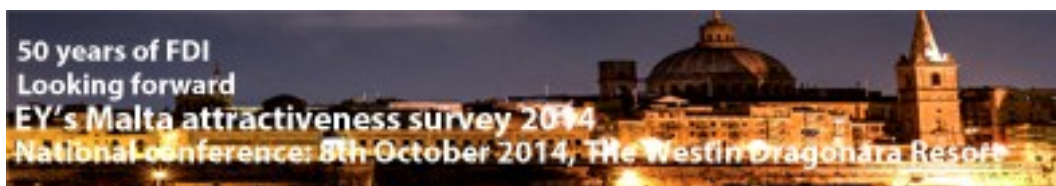
Foreign warnings received by MFSA can be viewed on [MFSA Website / Announcements / Warnings](#)

**MFSA Consultation***Consultation Document*

- 24/09/2014 - [Consultation Document on the Proposals for Securitisation Cell Companies Regulations](#)



## Forthcoming Events



Education Consultative Council

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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