

## MFSA Conference - Conclusions and developments regarding the Financial Services dossiers - Malta EU Council Presidency 2017



Photo - MFSA - Geoffrey Buhagiar LMIPP LSWPP

*Parliamentary Secretary for Financial Services, Digital Economy and Innovation Silvio Schembri addresses attendees at the "Financial Services files concluded and developed during Malta's EU Council Presidency 2017" conference held at the MFSA*

The MFSA was pleased to welcome a full audience of local and international practitioners in the financial services industry for a half-day conference on the financial services files concluded during the Maltese EU Presidency of 2017. MFSA staff were closely involved in the teams taking forward these files, the work on which commenced much earlier than 2017. After an introduction by the Hon. Silvio Schembri, Parliamentary Secretary for Financial Services and the Digital Economy - OPM, and the keynote speech delivered by presidency advisor Chev Fabrice Demarigny, a discussion was launched by a panel composed of presidency team members [Dr Karen Xuereb, Dr Anton Bartolo, Dr Nicholas Curmi, Ms Eileen Muscat, Mr Raniero Polidano],

who directed the audience through the challenges and future impacts of the EuVeca/EuSef, securitisation, money laundering, and risk reduction legislative packages developed by the European Union.

The highlights discussed:

### *EUVeca/EUSef*

A main aim of the amendments to Regulation (EU) No 345/2013 and Regulation (EU) No 346/2013 was to open the market for qualifying venture capital funds and qualifying social entrepreneurship funds to a larger base of prospective managers, essentially to managers of collective investment undertakings authorised under Article 6 of Directive 2011/61/EU.

### *Securitisation*

A framework for securitisation was one of the main elements of the EU's 2015 plan to develop a fully functioning Capital Market Union by the end of 2019. The Regulation introduces a "simple, transparent and standardised securitisation" product. However, it also lays down a ban on re-securitisation, subject to certain derogations, and it also stresses that securitisation instruments are generally not appropriate for retail investors within the meaning of Directive MiFID II [2014/65/EU].

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### ***What's Inside This Issue:***

**MFSA – Conference – Conclusions and developments regarding the Financial Services dossiers - Malta EU Council Presidency 2017 | Consultation document for the strengthening of the Malta Financial Services Authority | Direct investment in Malta and Abroad | Fitch upgrades Malta to A+ | MFSA Note for Information on Amendments to Insurance Rules**

The Securitisation file also included an amending act to CRR [Regulation (EU) No 575/2013] with regard to its securitisation content.

#### *Risk Reduction*

The review of EU banking legislation aims mainly to reduce risk in the financial sector and take into account regulatory developments at international level and challenges affecting the EU economy. The wide-ranging scope of this file touches upon the Capital Requirements Regulation and Directive (CRR, CRDIV), the Bank Recovery and Resolution Directive (BRRD), and the Single Resolution Mechanism Regulation (SRM). Negotiations are ongoing.

#### *AML4*

Amendments to the fourth Anti Money Laundering Directive, to reinforce provisions to combat money laundering and terrorist financing were negotiated during the MT presidency and are still ongoing.

The conference concluded with questions from the audience and a light lunch.

## Consultation document for the strengthening of the Malta Financial Services Authority

*Issued by the Department of Information*



Photo: DOI - Clifton Fenech

*Parliamentary Secretary for Financial Services, Digital Economy and Innovation Silvio Schembri visited the MFSa and met with management and staff, in his first visit since being appointed in this new role*

During a visit at the Malta Financial Services Authority, Parliamentary Secretary for Financial Services, Digital Economy and Innovation Silvio Schembri announced that the Government was publishing a consultation document for the strengthening of the MFSa to take the financial services sector to a new level.

Parliamentary Secretary Silvio Schembri said that in such a dynamic financial services environment, time was ripe for MFSa to step up the game through a pragmatic risk based approach rather than a descriptive one, fostering more efficient processes and a

more conducive environment for innovation.

He emphasised that this public consultation should lead to an authority which is reactive enough to address situations where regulations lag the developments of new products in the market. Parliamentary Secretary Silvio Schembri said that a strengthened MFSa should be well set to harness the industry in the design of new products like Fintech, Blockchain and other niches to tap.

“At the same time, the new MFSa needs to be vigilant to ensure that any new niches do not endanger the long-term stability of the sector and with it Malta’s long standing high reputation. The risk of allowing the industry to tap new niches may be contained if there is the right synergy between those willing to invest and the regulatory authority to create products that actually reduce such risks”, said Parliamentary Secretary Silvio Schembri.

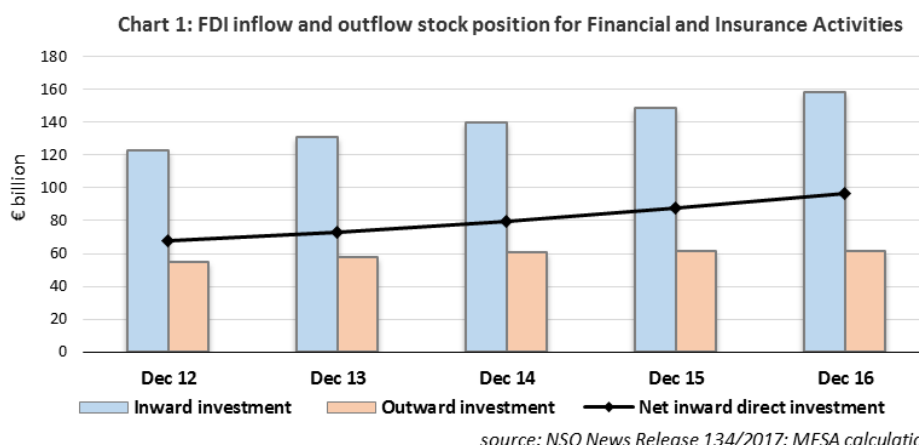
Whilst thanking chairman Prof. Joe Bannister and his team for their work to strengthen the MFSA through the years, the Parliamentary Secretary reiterated that the government is committed to the continued development of the financial services sector and is publishing this Consultation Document to seek the views of all operators on MFSA. The consultation document can be downloaded online from [www.opm.gov.mt](http://www.opm.gov.mt) and submissions will be received until the 15th of September 2017.

## Direct investment in Malta and abroad

Recent figures published by NSO (NSO News release: 134/2017) show that the stock position of inward Foreign Direct Investment (FDI) stood at €161.4 billion as at end-2016. This represents an increase of €9.5 billion during 2016, reflecting a 6.2% growth over the previous year. Although the stock position of inward direct investment increased across all economic sectors, the financial and insurance sector continued to be the main contributor. In fact, in line with past trends, the financial and insurance activities represented 98% of total inward FDI as at end-2016. This level of direct investment reflects the cross-border nature of firms operating within the financial and insurance sector, which in turn comprise also the investment activity of special purposes entities<sup>1</sup>. As regards the rest of the economic sectors, these also recorded a higher inward position indicating that cumulatively all sectors in the economy are attracting a higher investment activity.

In terms of outward investment or direct investment made by Maltese resident firms abroad, the stock position amounted to €62.1 billion, reflecting an increase of 0.9% during 2016. This was wholly attributable to the financial and insurance sector which in turn represents 99.5% of the total outward direct investment position.

The following chart provides a comparison of the stock positions with respect to financial and insurance activities' FDI inflows, outflows and net positions over the last five years:



By end of December 2016, the inward stock position of the sector stood at €158.2 billion, 6.2% higher when compared to the previous year. At the same time the outward FDI position of the sector stood at €61.8 billion by end of 2016, an increase of 0.9%. Such a difference in the growth rates between inward and outward direct investment resulted in an increase in the net inward direct investment position of the sector, a trend that could be observed through the years as depicted in the chart.

<sup>1</sup>Characteristics of special purposes entities provided in Eurostat ESA 2010 guidelines, accessible from: <http://ec.europa.eu/eurostat/documents/3859598/5925693/KS-02-13-269-EN.PDF/44cd9d01-bc64-40e5-bd40-d17df0c69334>

## Fitch upgrades Malta to A+

Malta's proposal as an attractive investment jurisdiction was further enhanced with credit rating agency Fitch upgrading Malta to A+.

Fitch highlighted the country's improved financial position, reporting that it expected gross general government debt to decline to 50% of GDP by 2019, with GDP growth remaining strong and primary surpluses being registered. The rating agency said it expects Malta's GDP to grow at a faster clip than its similarly-rated peers, with growth forecast at 4.3% this year, 3.7% the next and 3.5% in 2019. The 'A' median growth rate is 2.9%.

Fitch said it expects investment to pick up in 2019, thanks to new EU funds becoming available and "the launch of large transport, health and education projects.

#### *DBRS affirms Malta A rating*

Meanwhile, another credit rating agency, DBRS, has affirmed Malta's credit rating at A while upgrading the trend on the ratings to positive.

DBRS acknowledged that, following a fiscal consolidation process since 2013, Malta's fiscal outturns came in better than expected in 2016 where decades of fiscal deficits were turned into surpluses. The credit rating agency also noted that in 2016, the Government debt ratio, which was already 12 percentage points lower than its 2011 peak, fell below 60% of the GDP. DBRS attributes the improvement in public finances to "...strong revenues as well as moderation in expenditure, and supported by a strengthened fiscal framework."

The report further notes how the fiscal over-performance meant that Malta complied with the budget balance rule, the debt rule, and the expenditure benchmark of the EU Stability and Growth Pact in 2016.

DBRS positively expects that "The important improvement in the fiscal position over the past three years is likely to be sustained. A sound budget position, together with solid growth, is expected to lead to the further reduction in the public debt ratio."

On 16th February 2017, EIOPA published on its website a Decision on the collaboration of the insurance supervisory authorities. The provisions relating to the said collaboration, as set out in the Annex to the Decision, entered into force on 1st May 2017 and repealed the General Protocol relating to the collaboration of the insurance supervisory authorities of the Member States of the European Union, 2008. The new Decision reflects the joint decision of the competent authorities of the Member States to replace the said General Protocol with a new arrangement, whilst taking into account the relevant provisions of the Solvency II Directive.

The MFSA issued a Note for Information on Amendments to Insurance Rules which provides a description of the main amendments carried out to Chapters 1, 9 and 10 of the Insurance Rules issued under the Insurance Business Act (Cap. 403),

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## **MFSA Note for Information on Amendments to Insurance Rules**

primarily to align the provisions of the said Chapters with the provisions of the new Decision. The amended Chapters have been uploaded on the MFSA website.

Any queries are to be addressed to the Insurance and Pensions Supervision Unit by email on [ipsu@mfsa.com.mt](mailto:ipsu@mfsa.com.mt).

The Note for Information is available here: [Note for Information on Amendments to Insurance Rules](#)

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## **MFSA Circulars**

**02/08/2017** - [Note for Information - Amendments to Insurance Rules](#)

**04/08/2017** - [MiFID II Updates](#)

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## **MFSA Warnings**

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

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## **Consultation Documents**

**07/08/2017** - [Consultation on Proposed Amendments to the Notified Investment Funds Regime \(NAIFS\)](#)

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## MFSa Licences – August 2017

### NEW LICENCES

#### Collective Investment Schemes

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

- Collective Investment Scheme licences issued to **Audentia Capital SICAV II plc** in respect of two sub-funds.
- Collective Investment Scheme licence issued to **Catey Investments (SICAV) plc** in respect of one sub-fund.

##### *Incorporated Cells*

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

##### *Alternative Investment Funds targeting Qualifying Investors*

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

##### *UCITS*

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

#### Company Service Providers

- Registration certificate issued to **Salina (Malta) Limited**.

### SURRENDERED LICENCES

#### Collective Investment Schemes

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

- Surrender of licence issued to **EYRY IV Fund SICAV plc**.

##### *Professional Investor Funds targeting Extraordinary Investors*

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

##### *Alternative Investment Funds targeting Extraordinary Investors*

- Surrender of licence issued to **EurAsia Alternative Investments Fund SICAV plc** in respect of one sub-fund.

*UCITS*

- Surrender of licence issued to **Aag Evolution SICAV plc.**

**Investment Services**

- Surrender of Category 2 licence issued to **Rascasse Investments Limited.**

**Pensions***Retirement Scheme*

- Termination of registration issued to **Optimus Retirement Benefit Scheme No. 2.**

**EXTENDED AND REVISED LICENCES****Company Service Providers**

- Extension of registration issued to **DGA Corporate Limited** to include forming companies or other bodies corporate.
- Extension of registration issued to **Crystal Worldwide Limited** to restrict the service of acting as a director or secretary of a company to acting as secretary of a company.

**Investment Services**

- Extension of license issued to **FXDD Malta Limited** to provide dealing on own account and execution of orders on behalf of other persons to Retail Clients, Professional Clients (including collective investment schemes) and Eligible Counterparties in relation to a number of investment instruments.

**Insurance**

- Extension of authorisation issued to **Hillwood Limited** to carry on business of reinsurance in three classes of the general business.

**Registry of Companies - New Registrations – August 2017**

Companies	Partnerships
306	7

## Forthcoming Events



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](#)
- [Malta College of Arts, Science and Technology \(MCAST\), Institute of Business & Commerce](#)
- [The Department of Banking & Finance, Faculty of Economics, Management & Accountancy, The University of Malta](#)

Communications to be addressed to:

*The Secretary, Educational Consultative Council, MFSA, Notabile Road, Attard.*



*A portal of financial information from the regulator about financial products and services.*



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