

## IMF, EC give Maltese economy clean bill of health

In concluding the annual Article IV consultation process, the International Monetary Fund has issued a positive bill of health for Malta's economy and financial service sector. In its final report, the IMF described Malta as one of the fastest-growing economies in Europe. Following an average growth of nearly 8 percent in 2014-15, output is estimated to have expanded by 4.1 percent in 2016, supported by strong domestic demand. Robust job creation drove unemployment to record lows, despite rising labour supply, while subdued wage pressures contributed to low inflation. The external position remains strong, with sizable exports of services keeping the current account in surplus.



The Fund also highlighted the fiscal consolidation process, which in 2016 saw the deficit narrowed to an estimated level of 0.7 percent of GDP, well below the budget target of 1.1 percent of GDP, while public debt declined further to about 60 percent of GDP.

Looking at Malta's financial sector, the IMF reported that domestic banks remain well-capitalised and liquid, with profitability well above the levels seen in European peers. It highlighted that banks' asset quality continues to improve, while measures have been taken to reduce legacy non-performing loans. Credit growth to the private sector was subdued as credit to the non-financial corporate sector contracted, but mortgage lending remained buoyant.

The IMF's Directors concurred that the planned Malta Development Bank could support the economy by alleviating financing constraints faced by small and medium-sized enterprises and by fostering higher development investment.

In conclusion, the IMF stressed that Malta's economic activity is expected to remain robust, supported by sound policies, structural reforms and favourable conditions. Whilst agreeing that the external environment poses downside risks, the authorities underscored Malta's resilience to shocks owing to increased economic diversification, strong domestic demand growth, and reliance on domestic funding.

### *European Commission's Country Report notes country's resilience*



In a separate report, the European Commission provided a comprehensive and in-depth review which not only takes into account the economic performance of the country, but also the progress made by reforms undertaken so as to strengthen the economy's resilience.

Indeed, the European Commission expects that over the coming years, average potential economic growth will exceed pre-crisis performance backed by increased productivity and investment. However, higher growth will not come at the expense of growing inequalities. In fact, the report states that income inequality remains stable and below the EU average, concluding that,

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

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"...overall the system shows high coverage and adequacy of benefits and recent reforms are likely to further improve it."

On employment, the Country Report adds that positive developments in the labour market, in particular, the strong employment growth reflected: "the creation of jobs, the take-up of economic opportunities by the growing working age population....and the rising labour force participation." The latter mainly referring to the increase in the female participation rate.

The European Commission comments positively on external trade. It acknowledges Malta's current account surplus and attributes the improving external balance to structural factors including the increasing importance of export-oriented and less capital-intensive services as well as the implementation of energy and transport reforms aimed at further lowering the energy intensity of the economy freeing up resources for investment.

It acknowledges that in recent years, the fiscal balance has improved while the debt-to-GDP ratio has been on a downward trend as a result of strengthened primary balances and GDP growth.

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## MFSa Chairman features in Captive Review Power 50

MFSa Chairman, Professor Joe Bannister, has featured in the 2017 edition of Captive Review's Power 50 report. The Power 50 is a ranked list recognising the most influential professionals in the global captive insurance industry. The report describes Prof Bannister as synonymous with Malta and has overseen its integration into the EU's regulatory framework.

Captive Review further adds that the MFSa Chairman as "Trusted by more than a handful of multinationals with captives", and highlights Malta's innovative regulation by remaining the only EU domicile to facilitate cell company business, putting it in a strong position as Solvency II takes full effect. The full report provides the full run-down of the 2017 Power 50 cohort, as well this year's Enterprise Risk Captive (ERC) Pioneers and the Captive Review Hall of Fame.

More information is available through the MFSa Website by [clicking this link](#).

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## Fitch affirms Malta's rating, gives positive outlook

Fitch Ratings has affirmed Malta's long-term foreign rating at 'A' with a positive outlook. The agency said Malta's ratings reflected its high national income per head compared with the 'A' median, robust economic growth and a large net external creditor position.

The logo for Fitch Ratings, with "Fitch" in red and "Ratings" in blue.

The positive outlook reflected the agency's view that the public debt/GDP ratio was on a downward trajectory and that economic growth would keep outperforming similarly-rated peers. Economic growth remained strong in 2016 at 3.9% year-on-year over the first three quarters, boosted by robust private consumption.

Fitch forecasts that the Maltese economy will keep growing at a faster pace than the 'A' median at an average 3.3% over 2017-2018, supported by strong employment growth, rising disposable income due to continuous wage appreciation and the launch of new investment projects in the health, education and transport sectors.

"Strong export performance in the pharmaceutical, remote gaming, financial services and tourism sectors will help maintain a solid current account surplus over 2017-2018 despite higher import-intensive investments related to the new EU funding cycle."

Malta's external position compared favourably with 'A' rated peers, with a net international investment position estimated at 47% of GDP at end-2016.

Fitch also noted that Malta's banking sector remained profitable, liquid and well capitalised, asset quality improved with non-performing loans decreasing to 5.6% of total loans at end-September 2016, with the credit rating agency expecting further improvements.

## **MFSA launches Consultation process with the financial services industry with regards to a number of draft Legal Notices transposing MiFID II**

The MFSA has launched a consultation process in order to seek the financial industry's comments and suggestions with regards to a number of draft Legal Notices (LNs) intended to be issued under the Financial Markets Act (FMA) and the Investment Services Act (ISA). The draft LNs seek to transpose/implement a number of provisions of MiFID II, a European Directive with a transposition deadline of 3 July 2017.

This consultation builds on two previous communications by the Authority, namely: [i] the [Circular](#) to the financial services industry on the changes being proposed to the Financial Markets Act (FMA) as a result of the transposition of MiFID II and the implementation of MiFIR; and [ii] the [Circular](#) to the financial services industry on the changes being proposed to the Investment Services Act (ISA) as a result of the transposition of MiFID II and the implementation of MiFIR.

The Consultation period closes on the 16 March 2017.

Consultation - <http://bit.ly/2l2MyPg>

Draft amended Regulations and Legal Notices - <http://bit.ly/2m1ZFQv>

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## **MoU between the MFSA and the Abu Dhabi Global Market Financials Services Regulatory Authority**

The Malta Financial Services Authority is pleased to announce that, on the 2<sup>nd</sup> February 2017, it successfully concluded and signed a Memorandum of Understanding with the Abu Dhabi Global Market Financials Services Regulatory Authority. The Memorandum of Understanding establishes a framework of bilateral cooperation between the two Authorities in the carrying out of their respective duties and obligations in the area of banking, securities and insurance. It also provides for the exchange of information and the provision of technical and investigative assistance between the two Authorities.

This Memorandum of Understanding was signed by Professor Joe V. Bannister, Chairman of the Malta Financial Services Authority, and Mr Richard Teng, Chief Executive Officer of the Financial Services Regulatory Authority of the Abu Dhabi Global Market.

Prof. Joe V. Bannister, Chairman of the Malta Financial Services Authority said, "The main objective of the Memorandum of Understanding is to create a formal framework for regulatory collaboration between the two Authorities. Such collaboration should prove beneficial in protecting investors, promoting the integrity of regulated markets and bolstering the growth of financial services in both markets. This will be achieved by providing clear means for co-operation between the two Authorities including channels of communication, increased mutual understanding, exchange of regulatory experience and technical information and investigative assistance."

Mr Richard Teng, Chief Executive Officer, Financial Services Regulatory Authority of ADGM said, "Malta and Abu Dhabi have established years of great friendship, robust trade and investment initiatives. We are pleased to further our partnership with Malta FSA through closer collaboration in efforts to uphold high regulatory practice and standards in our respective jurisdictions. By harnessing joint efforts and regulatory co-operation, financial institutions and companies can further expand their global footprints through ADGM's internationally recognised platform. We look forward to working closely with the MFSA to leverage each other's regulatory experience and insights and bolster the growth of financial services in both markets."

## MFSA Circulars

- 01/02/2017 - [Market Abuse Regulation – Q & A Document](#)
- 06/02/2017 - [Circular - EIOPA consults on Guidelines issued under the Insurance Distribution Directive on Complex Insurance-Based Investment Products](#)
- 07/02/2017 - [Circular ESMA Questions and Answers \(Q&A\) Document on Alternative Performance Measures](#)
- 08/02/2017 - [Circular to the financial services industry on changes to the Standard Licence Conditions applicable to Category 4 Investment Services Licence Holders](#)
- 15/02/2017 - [Circular to the Financial Services Industry in relation to the transposition of MiFID II](#)
- 20/02/2017 - [Circular - Preparatory Guidelines on Product Oversight and Governance arrangements by insurance undertakings and insurance distributors as required by the Insurance Distribution Directive \(“IDD”\)](#)
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## MFSA Consultation Papers

- 01/02/2017 - [Consultation Document on the amendments to Chapter 11 of the Listing Rules](#)
- 16/02/2017 - [Consultation with the financial services industry with regards to a number of Legal Notices transposing MiFID II](#)
- 27/02/2017 - [Consultation Document on the amendments to Chapter 11 of the Listing Rules – Extension of Consultation Period](#)
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## MFSA Warnings

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

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## MFSA Media Releases

- 15/02/2017 - [MoU between the MFSA and the Abu Dhabi Global Market Financials Services Regulatory Authority](#)
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## European Supervisory Authorities Announcements

- 23/02/2017 - [Variation margin exchange under the EMIR RTS on OTC derivatives](#)

### European Insurance and Occupational Pensions Authority (EIOPA)

- 16/02/2017 - [EIOPA reinforces Supervisory Cooperation in Cross-Border Activities](#)
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## MFSA Licences – January 2017

### NEW LICENCES

#### Collective Investment Schemes

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

- Collective Investment Scheme licence issued to **Higher Ground SICAV plc** in respect of one sub-fund.
- Collective Investment Scheme licence issued to **Jacaranda Special Situations SICAV plc** in respect of one sub-fund.
- Collective Investment Scheme licences issued to **Audentia Capital SICAV II plc** in respect of four sub-funds.
- Collective Investment Scheme licence issued to **RESCO Funds SICAV plc** in respect of one sub-fund.
- Collective Investment Scheme licence issued to **PerSystemcy SICAV plc** in respect of one sub-fund.

##### *UCITS*

- Collective Investment Scheme licences issued to **Merill SICAV plc** in respect of two sub-funds.

#### Investment Services

- Category 2 licence issued to **Oneka Asset Management Limited**.

#### Pensions

##### *Back office Administrator*

- Recognition certificate issued to **Trireme Pension Services (Malta) Limited**.
- **Boal & Co (Pensions) Limited** was granted exemption from requiring recognition as a Back Office Administrator.
- **MC Trustees (Administration) Limited** was granted exemption from requiring recognition as a Back Office Administrator.

#### Company Service Providers

- Registration certificate issued to **NMCS Limited**.
- Registration certificate issued to **Affinity Corporate Directors Limited**.
- Registration certificate issued to **FJV Management Limited**.
- Registration certificate issued to **Francis J Vassallo & Associates Limited**.
- Registration certificate issued to **IURIS Consult Limited**.
- Registration certificate issued to **Lecocqassociates Limited**.
- Registration certificate issued to **ITP Advisors Limited**.

#### Securitisation Vehicles

##### *Notified Securitisation Vehicles*

- Acknowledgement issued to **Alternative Investments Securities SCC plc**.
- Acknowledgement issued to **AC Securities SCC Limited**.

### Cells

- Acknowledgement issued to **Dolce Vita Cell**.
- Acknowledgement issued to **AC Securities - Cell 1**.

### Trustees and Fiduciaries

- Authorisation issued to **IURIS Trustees Limited** to act as a trustee and to provide other fiduciary services including the administration of private foundations in terms of Article 43 of the Trusts and Trustees Act.

### SURRENDERED LICENCES

#### Collective Investment Schemes

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

- Surrender of licence issued to **Metatron Capital SICAV plc** in respect of one sub-fund.
- Surrender of licence issued to **Swissfund SICAV plc**.
- Surrender of licence issued to **Paragon SICAV plc** in respect of one sub-fund.
- Surrender of licence issued to **Novium Opportunity Umbrella SICAV plc** in respect of one sub-fund.

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

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

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

- Surrender of licence issued to **Burren Global Arbitrage Master Fund SICAV plc**.
- Surrender of licence issued to **Burren Global Arbitrage Fund SICAV plc**.

#### Investment Services

- Surrender of Category 2 licence issued to **AS Financial Services Limited**.

#### Recognised Fund Administrators

- Surrender of licence issued to **BOV Asset Management Limited**.

**EXTENDED AND REVISED LICENCES****Banking***Financial Institutions*

- Extension of licence issued to **Money + Card Payment Institution Limited** to carry out the activity of Issuing of Electronic Money as defined in the Third Schedule to the Financial Institutions Act.

**Collective Investment Schemes**

- Licence issued to **DTMR Management SICAV plc** was converted from Professional Investor Fund to Alternative Investment Fund in respect of one sub-fund.
- Licences issued to **EOS SICAV plc** were converted from Professional Investor Fund to Alternative Investment Fund in respect of four sub-funds.

*Incorporated cells*

- Licence issued to **The ARP Funds (SICAV) plc** was converted into an Incorporated Cell.

**Investment Services**

- Revision of licence issued to **Tendall Capital Markets Limited** to include the provision of Nominee Services to Retail Clients, Professional Clients (including collective investment schemes) and Eligible Counterparties in relation to the same instruments listed in the Company's current licence.
- Revision of licence issued to **Framont & Partners Management Limited** to include the provision of reception and transmission of orders for Retail Clients, Professional Clients and Eligible Counterparties and Nominee Services for Retail Clients, Professional Clients (excluding collective investment schemes), and Eligible Counterparties.
- Upgrade of licence issued to **Langlade Capital Advisors Limited** to provide Investment Management services to Professional Clients (excluding collective investment schemes) in relation to transferable securities and units in collective investment schemes.

**Trustees and Fiduciaries**

- Extension issued to **GVZH Trustees Limited** to include acting as an administrator of private foundations in terms of the Trusts and Trustees Act.

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

Companies	Partnerships
409	12

## Forthcoming Events

### 2017

17-18 May - [FinanceMalta 10th Annual Conference](#)

20-22 June - [NeMa 2017 The Premier Network Management Event](#)

#### Malta EU Council Presidency events:

<http://www.eu2017.mt/en/Events/Pages/Events.aspx>



The MFSA's ECC has started to give active thought to issues related to the topic of Vocational Qualifications being also considered within licensed financial services sector firms from both recruiting and internal promotion aspects. Late last year, the ECC invited Prof. Maurice Mullard to address its members about the topic and a very interesting discussion ensued.

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.*



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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