

MFSA Annual Report 2016

The MFSA Annual Report for 2016 has been published.

Introducing the report, MFSA Chairman Prof Joe Bannister noted that the financial sector continues to remain a strong contributor to the economy. According to the National Office of Statistics, during the first six months of 2016, Foreign Direct Investment flows in Malta increased by €0.5 billion over the corresponding period in 2015 with the main contributors being financial and insurance activities, which accounted for 95%. Furthermore, direct intermediation represents more than 7% of GDP.

The financial services sector in Malta continues to be a main pillar of economic growth, expanding in size, diversity and attractiveness. The robustness of the sector is underpinned by a resilient regulatory framework based on strong prudential supervision, consumer protection, and money laundering prevention mechanisms, together with healthy capital and liquidity levels of banks and increased capital market opportunities as well as the settling in of the Solvency II regime in the insurance sector. Overall performance in the sector remains buoyant generating significant new employment opportunities within the direct financial intermediation and related professional service segments.

The financial services sector proved to be an important contributor to a year of enhanced growth. The Maltese economy continued to show great resilience despite the global shocks. In recent years growth continued strongly, averaging 4% per annum. In 2016, GDP was around €10 billion and the forecast is for continued growth. Malta's GDP is forecast to reach 97% of the EU average in 2017. This robust growth led Standard and Poor's to upgrade the country's sovereign rating from BBB+ to A-. The country ratings by Moody's and Fitch are A3 and A respectively.

The Annual Report gives a detailed overview of regulatory development, which kept expanding during 2016 with the timely transposition of several European Union Directives and Regulations as listed in the Appendices to the Report. Regulation and supervision remains robust with the World Economic Forum Competitiveness Report 2016-2017 placing Malta 16th out of 140 countries for the soundness of its banking system. Further development in regulation also took place through our Innovation through Regulation Programme with the introduction of the Notified Alternative Investment Funds under the Alternative Investment Fund Managers Directive.

The MFSA Chairman concluded his remarks noting that "despite the various turbulences in the world economy and volatilities in the financial markets, business kept expanding and we have to continuously tap the labour market to keep the Authority properly staffed to provide the necessary level of supervision."

The MFSA Annual Report is available [here](#). The Financial Statements of the Authority for the year ending 31st December 2016 are available [here](#).



What's Inside This Issue:

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Financial services continue to experience steady growth

The financial services sector continued to experience the steady levels of growth recorded in previous years, as shown in statistics published by the MFSA in its Annual Report 2016.

A significant increase in licences and authorisations for the carrying out of various types of activities was registered in the investment services, trusts, pensions and insurance business sectors. The Annual Report for 2016, published earlier this month, provides a detailed look with regards to developments in this regard.

Amongst others, investment services continued to expand particularly with the issue of eight new Category 2 licences in the course of the year. As at end 2016, 156 companies held a licence to provide business in terms of the Investment Services Act (Cap 370), a net increase of seven over the previous year.

Moreover, during the course of the year, no less than 113 new investment funds (including sub-funds) were licensed by the Authority. These included 19 AIFs, 71 PIFs and 23 UCITS funds. Of these, four were authorised as Incorporated Cells of Recognised Incorporated Cell Companies. Additionally, 18 PIFs and three Retail Non-UCITS funds had their licences converted to AIFs.

Insurance and pensions also continued to attract growth, business and jobs to Malta. During 2016, the Authority authorised three new insurance undertakings to carry on business in terms of the Insurance Business Act (Cap. 403). The Authority also approved four new cells to write business in terms of the Companies Act (Cell Companies Carrying on Business of Insurance) Regulations, 2004.

On the other hand, the Retirement Pensions Act (Cap 514) came into force on the 1 January 2015, replacing the Special Funds (Regulation) Act (Cap. 450), and the regulations and directives issued thereunder. The Retirement Pensions (Transitional Provisions) Regulations, 2015 also provided that any scheme or arrangement, retirement fund, or any person registered in terms of the Special Funds (Regulation) Act had until the 31 December 2015 to comply with the Retirement Pensions Act (Cap 514). As at end 2016, 46 retirement schemes were registered in terms of the Retirement Pensions Act (Cap 514), a net total of ten more certificates over the previous year. The Authority also issued certificates of registration to three companies to act as Retirement Scheme Administrators in terms of the Retirement Pensions Act (Cap 514).

The Authority also issued 74 new registration certificates to companies or individuals providing services in terms of the Company Service Providers Act (Cap 529).

During the year under review, the Authority issued acknowledgments in terms of Article 18 of the Securitisation Act (Cap 484) to 16 companies of which eight were Securitisation Cell Companies. At the end of 2016, there were 34 notified securitisation vehicles of which 10 were Securitisation Cell Companies.

Registry of Companies

Over the course of the year, 5,166 new companies and 103 partnerships were registered in the ROC. At the end of 2016, the total number of companies registered in the Registry of Companies (ROC) reached 79,193 - of which almost 67% (52,949 companies) were considered to be active companies.

Moreover, there were 1,647 partnerships - "En Nom Collectif" and 185 partnerships - "En Commandite" registered in the ROC, of which 57% (or 944 partnerships - "En Nom Collectif") and 39% (or 73 partnerships - "En Commandite") respectively were considered active.

Amendments to the Insurance Intermediaries Act and the Insurance Business Act relating to the Insurance Distribution Directive

Further to the Circular relating to the transposition of the Insurance Distribution Directive, issued by the MFSA on 10th April 2017, the MFSA issued a Consultation Document on 3rd July 2017 which highlights the main changes proposed to be carried out to the Insurance Intermediaries Act (Cap. 487), primarily as a consequence of transposing Directive (EU) 2016/97 of the European Parliament and of the Council of 20 January 2016 on insurance distribution (recast), (the “Insurance Distribution Directive”).

The said Consultation also contains consequential amendments proposed to be carried out to the Insurance Business Act (Cap. 403), so as to align the said Act with the proposed terminology and amendments to the Insurance Intermediaries Act, as well as to include references to the Conduct of Business Rules, where relevant. Moreover, together with the proposed amendments to the primary legislation, the MFSA also issued for Consultation the proposed Insurance Distribution (Exemption) Regulations, 2017, which transpose some of the provisions of the IDD.

The main objective of the Insurance Distribution Directive is to provide for an increased level of consumer protection. The said Directive aims at ensuring a level playing field between all participants who are involved in the activities preparatory to, during and after the sales of insurance and reinsurance products, so that consumers benefit from the same level of protection, despite the differences between distribution channels. Therefore, unlike the Insurance Mediation Directive, which only regulated activities of insurance intermediaries, the scope of the Insurance Distribution Directive now extends to insurance undertakings and reinsurance undertakings directly selling insurance products, as well as to online distribution.

The Insurance Distribution Directive covers not only insurance undertakings or intermediaries, but also other market participants who sell insurance products on an ancillary basis (such as travel agents, car rental companies and motor vehicle dealers), unless they meet the conditions for exemption in terms of Article 1(3) of the IDD. Therefore, the said Directive introduces a new category of intermediary which is referred to as the ancillary insurance intermediary.

The Insurance Distribution Directive also contains a new Chapter III on freedom to provide services and freedom of establishment. It also provides new requirements on the knowledge and ability of insurance and reinsurance distributors and requires compliance with continuous professional training or development, in particular to ensure that the professional competence of persons involved in distribution activities corresponds to the requirements concerning the products sold. In addition, it provides for a specific Chapter on administrative sanctions and other measures.

Any comments and feedback in relation to the MFSA Consultation issued on the 3rd July 2017 are to be addressed to the Insurance and Pensions Supervision Unit and submitted in writing on idd@mfsa.com.mt, by not later than Friday 11st August 2017.

MFSA Circulars

- 06/07/2017 - [Circular addressed to Category 2 and Category 3 Investment Firms Updates to the COREP Return](#)
- 17/07/2017 - [Notice to Financial Services Licence Holders - FATF identifies jurisdictions with strategic deficiencies](#)
- 19/07/2017 - [Note for Information on the Amendments to Insurance Rules and Insurance Intermediaries Rules relating to Complaints](#)
- 19/07/2017 - [Note for Information on Amendments to the Pension Rules for Service Providers relating to Complaints](#)
- 19/07/2017 - [Circular addressed to MiFID Firms on Supplementary Data Collection to Support the New Prudential Framework for Investment Firms](#)
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MFSA Warnings

- 31/07/2017 - [MFSA Warning - Warning addressed to the general public regarding virtual currencies](#)
- Foreign warnings received by MFSA can be viewed on [MFSA Website / Announcements / Warnings](#)
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Consultation Documents

- 03/07/2017 - [Consultation on the Proposed Amendments to the Insurance Intermediaries Act and the Insurance Business Act](#)
- 19/07/2017 - [Note regarding an Extension of Consultation Period](#)
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European Supervisory Authorities' Announcements

European Banking Authority (EBA)

- 13/07/2017 - [EBA updates on the impact of IFRS 9 on banks across the EU and highlights current implementation issues](#)
- 19/07/2017 - [EBA amends Decision on the quality of unsolicited credit assessments of certain ECAIs for the assignment of risk weights](#)

European Securities and Markets Authority (ESMA)

- 13/07/2017 - [ESMA issues sector-specific principles on relocations from the UK to the EU27](#)

European Insurance and Occupational Pensions Authority (EIOPA)

- 05/07/2017 - [EIOPA calls for a European Recovery and Resolution Framework for \(Re\)Insurers](#)
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MFSA Licences – July 2017

NEW LICENCES

Collective Investment Schemes

Professional Investor Funds targeting Qualifying Investors

- Collective Investment Scheme licence issued to **Pilatus SICAV plc** in respect of one sub-fund.
- Collective Investment Scheme licence issued to **Audentia Capital SICAV II plc** in respect of one sub-fund.

UCITS

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

Investment Services

- Category 2 licence issued to **APartners Capital Investment Management Limited**.

Insurance

Insurance Undertakings

- Licence issued to **London & Leith PCC SE** to carry on business of insurance and reinsurance in all classes of the general business.

Pensions

Retirement schemes

- Registration Certificate issued to **Pecunia Retirement Benefit Scheme**.

Securitisation Vehicles

Cells

- Acknowledgement issued to **Cell Salfort VC 2**.

Trustees and Fiduciaries

- Authorisation issued to **Fidgen Malta Limited** to receive property under trusts and to act as a trustee or co-trustee and to provide other fiduciary services including acting as an administrator of private foundations in terms of Article 43 of the Trusts and Trustees Act.

Company Service Providers

- Registration certificate issued to **Meo Limited**.
- Registration certificate issued to **Omega Services Limited**.
- Registration certificate issued to **Mare Services Limited**.
- Registration certificate issued to **GM International Services Limited**.
- Registration certificate issued to **YPM Corporate Services Limited**.
- Registration certificate issued to **Centaur Services (Malta) Limited**.

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

- Surrender of licence issued to **Paragon SICAV plc** in respect of one sub-fund.
- Surrender of licence issued to **Lansrode Capital Management SICAV plc**.
- Surrender of licence issued to **TRIPS SICAV plc**.

UCITS

- Surrender of licence issued to **FCS Global Funds SICAV plc** in respect of one sub-fund.

Investment Services

- Surrender of Category 2 licence issued to **Seia Capital Management Limited**.

EXTENDED AND REVISED LICENCES**Collective Investment Schemes**

- Licence issued to **ACL Fund SICAV plc** was converted from Professional Investor Fund to Alternative Investment Fund.

MERGER**Banking***Credit Institutions*

- **Mediterranean Corporate Bank Limited**, a company authorised to carry on the business of banking in terms of the Banking Act 1994 has merged into **Mediterranean Bank plc**, a company which is also authorised to carry on the business of banking in terms of the Act. Consequently, Mediterranean Corporate Bank Limited's authorisation ceased to be operative upon the effective date of the merger.

Registry of Companies - New Registrations – July 2017

Companies	Partnerships
356	5

Forthcoming Events



ECC Annual Report

The ECC's Annual Report for 2016 was approved by the Board of Governors of the MFSA on 8th July 2017.

A highlight of this report is that during 2016 no less than 8630 persons benefited from participating in financial services courses organised by the ten local educational bodies who are members of the ECC. These organisations provide training, from simple short and ad hoc courses right up to degree level, in no less than 216 courses, and average group size was of 36 students in each group.

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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