

IMF lauds Malta's economic performance, noted profitability and high capitalisation of banks

Malta's economic growth remains one of the strongest in Europe, owing to favorable economic conditions and sound policies, which advanced structural reforms and supported the strengthening of private and public balance sheets. This was the main conclusion of the International Monetary Fund (IMF)'s Article IV Consultation with Malta for 2017.



In concluding the 2017 Article IV consultation with Malta, Executive Directors endorsed the staff's appraisal, noting that: "the Maltese economy remains on a strong growth trajectory. Rapid expansion of export-oriented services, improved balance sheets, and solid job creation contributed to a robust growth in 2017 and kept unemployment at historically-low levels, despite continued inflows of foreign workers.

The favorable economic performance is expected to persist in the coming years, albeit at a more moderate pace, with domestic demand as the main driver. Inflation is expected to pick up gradually, reflecting an increase in import prices and tighter labor market conditions, while buoyant services exports are projected to sustain current account surpluses.

Risks to the outlook are broadly balanced, and the external position is assessed to be broadly in line with fundamentals."

The IMF also noted that domestic banks remain profitable and well-capitalised.

Mr Reuben Fenech appointed MFSA COO



Mr Reuben Fenech

The MFSA Board of Governors has appointed Mr Reuben Fenech as the Authority's Chief Operations Officer with effect from 1st February 2018.

Mr Fenech has occupied various senior positions in Malta and in UK across a wide-spectrum of areas in the financial field - namely asset management, life assurance, wealth and retirement. He pioneered the Research and Statistics Unit of the Malta Stock Exchange for five years after which stint he joined HSBC Life Assurance Malta in 2005, where he developed the investment desk. In 2009 he was appointed Managing Director of HSBC Asset Management Malta overseeing US\$1.3 billion in multi-asset strategies. Eventually at the end of 2012 he moved to HSBC in London where he was involved in all major aspects of the investments and retirement proposition for the UK market.

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Back in Malta, Mr Fenech took the role of Director General of the National Statistics Office in May 2015. With a staff complement of over 160 persons he carried out substantial reforms that strengthened and modernised the organisation. During his time within the statistics community, Mr Fenech has chaired the EU Council Working Party for Statistics, and been appointed on the Eurostat High-Level Group on Quality of Statistics and the Eurostat Vision 2020 Implementation Group.

Mr Fenech is an Economics graduate and holds an MA in European Studies. He has been awarded the Chartered Financial Analyst designation in 2003 from the US-based CFA Institute. He has also spent eight years as a visiting lecturer at the University of Malta and has delivered various courses and presentations on investment management and financial markets.

Mr Fenech succeeds Mr Joe Demanuele who retired from the service.

MFSa issues feedback and revises Supplementary conditions following consultation process on the Proposed Regulation of Collective Investment Schemes investing in Virtual Currencies

On the 23 October 2017, the Malta Financial Services Authority (“MFSa” or “the Authority”) issued a Consultation on the Proposed Regulation of Collective Investment Schemes investing in Virtual Currencies (“Consultation Document”).

The main proposals introduced within the regulatory framework aim at safeguarding the interest of investors and the integrity of the financial market in the context of virtual currencies. The consultation period for this proposed regulation closed on 17 November 2017.

Amongst the major concerns, a number of respondents stated that having a separate rulebook applicable to Professional Investor Funds (“PIFs”) investing in virtual currencies (“VCs”) would potentially create confusion in the industry and would significantly overlap with the current rulebooks especially where PIFs investing in VCs also invest in other asset classes.

The MFSa considered the ample feedback received and revisited this position so that the additional requirements pertaining to PIFs investing in VCs would be inserted as supplementary licence conditions applicable to such collective investment schemes and not as a standalone rulebook.

The Supplementary Conditions applicable to Professional Investor Funds (‘PIFs’) investing in Virtual Currencies (‘VCs’) were published on 29th January 2018.

These rules aim at providing a robust regulatory framework that seeks to ensure investor protection, market integrity and financial soundness with regard to collective investment schemes that invest in VCs.

In order to achieve these objectives, the Supplementary Conditions introduce specific requirements both during authorisation stage as well as on an ongoing basis thereafter, necessitating a PIF investing in VCs inter alia to:

Competence – ensure that several parties involved have sufficient knowledge and experience in the field of information technology, VCs and their underlying technologies, including but not limited to the distributed ledger technology.

Risk Warnings – include in its offering documentation risk warnings in relation to proposed direct and/or indirect investment in VCs.

Quality Assessment – ensure that the appointed investment manager carries out appropriate research in order to assess the “quality” of the VCs being invested into.

Risk Management – ensure that prior to investing in any VC on behalf of the PIF, the investment manager assesses whether the risk profile of the said VC falls within the scope of that PIF’s risk management policy.

Valuation – ensure that the appointed service providers have the business organisation, systems, experience and expertise necessary to conduct the required verification and valuation of the PIF’s investments in VCs.

Further to the above, the Supplementary Conditions have been inserted as additional provisions under the revised Part A - The Application Process and as a new section under Appendix I to Part B - Standard Licence Conditions.

- [Part A - The Application Process](#)
- [Appendix I to Part B - Standard Licence Conditions](#)

It should further be noted that both Part A and [Appendix III](#) to Part B have been revised to reflect the amendments proposed in the [Consultation on the Proposed Revised Rulebooks applicable to Collective Investment Schemes](#) issued by the Authority on 27 December 2016.

The publication of the Supplementary Conditions is just the first step taken by the MFSA towards achieving a comprehensive regulatory framework in which industry participants wishing to provide services in relation to VC may operate.

Any queries in relation to this circular can be addressed to fintech@mfsa.com.mt.

MFSA consults on changes to Banking and Financial Institutions Acts

The MFSA has launched a consultation process with the aim to present to the industry and other relevant stakeholders the amendments which are being proposed to, inter alia, the Financial Institutions Act (Cap. 376) and the Banking Act (Cap. 371) in order to transpose Directive 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market, amending Directives 2002/65/EC, 2009/110/EC and 2013/36/EU and Regulation (EU) No 1093/2010, and repealing Directive 2007/64/EC (hereinafter referred to as the “PSD2”).

The PSD2 brings within its scope two new payment services, namely payment initiation services and account information services, which were previously not licensable under Directive 2007/64/EC of the European Parliament and of the Council of 13 November 2007 on payment services in the internal market amending Directives 97/7/EC, 2002/65/EC, 2005/60/EC and 2006/48/EC and repealing Directive 97/5/EC (hereinafter referred to as the “PSD1”). With respect to the provision of account information services however, the PSD2 envisages a lighter supervisory regime, referring to it as a registration.

In this regard, the amendments which are being proposed in this consultation complement the revised Directive No. 1 of the Central Bank of Malta on the Provision and Use of Payment Services, issued on the 9th of January 2018.

The MFSA is also proposing some minor amendments to both the Financial Institutions Act and to the Banking Act in order to provide the Minister responsible for Financial Services with the possibility to implement, at any future

point in time, certain options provided to Member States by Directive 2014/92/EU of the European Parliament and of the Council of 23 July 2014 on the comparability of fees related to payment accounts, payment account switching and access to payment accounts with basic features (hereinafter referred to as the “PAD”).

In addition, the MFSA is also proposing additional amendments in order to clarify and improve the text of the Financial Institutions Act and of the Banking Act, and bearing the proportionality principle in mind, to align to the extent possible and necessary the provisions of the Financial Institutions Act with the provisions of the Banking Act.

Besides the amendment of the Financial Institutions Act and the Banking Act, the MFSA is also envisaging changes to subsidiary legislation and to Financial Institutions Rules issued under the Financial Institutions Act. The proposed amendments to such subsidiary legislation and Rules are however not being covered in this consultation.

The proposed amendments to the Financial Institutions Act and the Banking Act are being issued for consultation together with this Consultation Document. The documents circulated by the MFSA for the purpose of consultation are in draft form and consist of the following proposals:

- [A consolidated version of the Financial Institutions Act](#) indicating in tracked changes the proposed amendments; and
- [A consolidated version of the Banking Act](#) indicating in tracked changes the proposed amendments.

Any feedback on the proposed amendments should reach the MFSA by not later than the 7th of February of 2018. Please send your responses by e-mail to the policy team within the Banking Supervision Unit at MFSA on bsupolicy@mfsa.com.mt. Any queries for clarification in respect of the draft amendments should also be addressed to the provided email address.

Captive Review's Ones to Watch in 2018

Captive Review has named eight professionals as 'Ones to Watch in 2018', including captive owners, insurers, captive managers and tax experts. The Ones to Watch list recognises those individuals that are becoming increasingly prominent in the captive industry and/or are expected to have a big impact in their area of expertise over the next 12 months.

Mr Karl DeGiovanni, today Managing Director at Aon Risk Solutions, features on this list.

Captive Review describes Mr DeGiovanni as “an increasingly influential individual within Aon’s global captive team and he is likely to be kept busy in 2018 as clients assess their post-Brexit insurance structure.

DeGiovanni is also heavily involved with Aon’s cell company offering, sitting on the boards of White Rock Europe and White Rock Netherlands, both domiciled in Malta”.

Captive Review is a leading printed and electronic publication which provides news and analysis for the risk management and captive insurance communities.



Karl De Giovanni

MFSA Circulars

- 29/12/2017 - [Circular addressed to Investment Services Licence Holders in terms of Part B1 of the Investment Services Rules for Investment Services Providers](#)
- 29/12/2017 - [Circular on the issue of the Conduct of Business Rulebook](#)
- 29/12/2017 - [Circular - Notice of coming into force of Regulations and Various Financial Services Laws](#)
- 29/12/2017 - [Circular on the revised Part BII, Part BIII and Part BIV of the Investment Services Rules for Investment Services Providers](#)
- 02/01/2018 - [Circular on Markets in Financial Instruments Directive \('MIFID II'\) and Markets in Financial Instruments Regulations \('MIFIR'\) - Transaction Reporting - End of Phase 3 - 'Go-Live'](#)
- 05/01/2018 - [Circular to Credit Institutions](#)
- 22/01/2018 - [Circular: Call for evidence on Potential Product Intervention Measures on Contracts for Difference \[CFDs\] and Binary Options to retail clients](#)
- 29/01/2018 - [Circular to the Industry on the Supplementary Conditions applicable to Collective Investment Schemes Investing in Virtual Currencies](#)
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MFSA Consultation Papers and Feedback Statements

- 08/01/2018 - [Discussion Paper on Initial Coin Offerings, Virtual Currencies and related Service Providers – Extension of Consultation Period](#)
- 15/01/2018 - [Feedback Statement further to Industry responses to MFSA Consultation Document dated 7th August 2017 on Proposed Revisions to the NAIF Regime](#)
- 22/01/2018 - [Feedback Statement issued further to industry responses to the MFSA Consultation on the proposed regulation of Collective Investment Schemes investing in Virtual Currencies](#)
- 24/01/2018 - [Consultation on Proposed Amendments to the Financial Institutions Act \(Cap. 376\) and the Banking Act \(Cap. 371\)](#)
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European Supervisory Authorities' Announcements

- 16/01/2018 - [The EBA Risk Dashboard confirms steady improvements in the EU banking sector but banks profitability and business model sustainability remain key challenges](#)
- 18/01/2018 - [ESMA consults on potential CFD and binary options measures to protect retail investors](#)
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MFSA Licences – January 2018

New Licences

Banking

Financial Institutions

- Financial Institution licence issued to **Daily Payment International Limited (C82846)**

Insurance

Insurance Undertakings

- Licence issued to **Mangrove Insurance Europe PCC Limited** to carry on business of insurance in three classes

Collective Investment Schemes

Alternative Investment Funds

- Collective Investment Scheme licence issued to **Bianco SICAV plc** (“the Scheme”)

Notified Alternative Investment Funds targeting Professional and Qualifying Investors

- **Prescient Asset Fund SICAV plc** in respect of one sub-fund included in the List of Notified AIFs in terms of Regulation 6 of the Investment Services Act (List of Notified AIFs) Regulations 2016.
- **COSMOS SICAV plc** in respect of one sub-fund included in the List of Notified AIFs in terms of Regulation 6 of the Investment Services Act (List of Notified AIFs) Regulations 2016.

Professional Investor Funds targeting Qualifying Investors

- Collective Investment Scheme Licence issued to **Olma Next Fund IC SICAV plc** (“the Scheme”) as an incorporated cell of AKJ Simplon RICC Limited

Professional Investor Funds targeting Experienced Investors

- Collective Investment Scheme licence issued to **Reitway Global Property Portfolio (MLT) SICAV plc**

Company Service Providers

- Registration certificate issued to **United International Management (Malta) Limited**
- Registration certificate issued to **Fortia Management Ltd**
- Registration certificate issued to **Fortia International Services Ltd**
- Registration certificate issued to **Rosemont (Malta) Ltd**

Securitisation Vehicles

Cells

- Acknowledgement issued to **Transimmofinanz Cell**
- Acknowledgement issued to **Standrevier Cell**
- Acknowledgement issued to **Utah Relocation Specialists Cell**
- Acknowledgement issued to **Scytale Cell**

Securitisation Vehicles*Cells*

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Extended and Revised Licences**Investment Services**

- Revision of Category 2 Investment Services Licence to **BOV Asset Management Limited** to include the provision of Management Services to Retail Clients.
- Revision of Category 2 Investment Services Licence to **Bastion Wealth Limited** to provide Management of Investments to Professional Clients.

Collective Investment Schemes

- Licence issued to **Pentagon High Conviction Bond Fund IC SICAV plc** was converted from Professional Investor Fund to Alternative Investment Fund.
- Licence issued to **Avenue Fund IC SICAV** was converted from Professional Investor Fund to Alternative Investment Fund.

Trustees and Fiduciaries

- Extension of the authorisation of **Fides Fiduciary Limited** to act as an administrator of private foundations.

Surrendered Licences**Collective Investment Schemes***Alternative Investment Funds*

- Surrender of licence issued to **Elef Global Investments SICAV plc** in respect of one sub-fund.
- Surrender of licence issued to **Comino III Umbrella Fund SICAV plc** ("the Scheme") in respect of one sub-fund.

Professional Investor Funds

- Surrender of licence issued to **The ARP Absolute Return Fund (SICAV) plc** ("the Scheme") in respect of two sub-funds
- Surrender of licence issued to **The Millennium Wave Fund (SICAV) plc** ("the Scheme")
- Surrender of licence issued to **Alphabetos Funds plc** ("the Scheme")
- Surrender of licence issued to **Foinavon SICAV plc** in respect to one sub-fund
- Surrender of licence issued to **Lagonda Funds SICAV plc** in respect of two sub-funds

Company Service Providers

- Voluntarily cancellation of the registration issued to **St Julians Insurance Company Limited**.

Investment Services

- Cancellation of Category 2 licence issued to **Numen Investments Limited**.

Registry of Companies - New Registrations – January 2018

Companies	Partnerships
281	3

Forthcoming Events

25th to 26th February 2018 - [World Federation of Exchanges \(WFE\) SME Conference](#)

6th, 8th, 13th, 15th, 20th February 2018 - Institute of Financial Services - Malta -

[MALTESE FINANCIAL REGULATION](#)



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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