

S&P reaffirms Malta's 'A' rating

Standard & Poor's Global Ratings has confirmed Malta's credit rating at 'A'. Moreover it has also kept its outlook for the island as positive. S&P further highlighted that it "could raise the ratings on Malta over the next 18 months".

"Our ratings on Malta are supported by its strong growth performance coupled with consistent current account surpluses driven by its large services exports, as well as its improving budgetary position and fiscal management," S&P said, "We anticipate Malta's growth will likely exceed that of peers at similar income levels and stages of development".

S&P remarked that in recent years and in the midst of a high-growth environment, the government had narrowed the budget deficit, reduced general government debt-to-GDP and undertaken various structural reforms, namely those which have increased women's participation in the labour market and lowered Malta's energy bill.

"We anticipate that macroeconomic policymaking will remain geared toward further fiscal consolidation. "Efforts to reform state-owned enterprises further, reduce skill mismatches, and improve the long-term sustainability of public finances in the context of an ageing population will be implemented gradually".

The report acknowledges that the fast pace of growth of the new economic sectors and the implementation of recommendations from the spending reviews have allowed a consolidation of public finances. This led to the narrowing of the budget deficit leading to a surplus, and the reduction of the general government debt."

S&P anticipates that the government's strategy and policymaking will remain geared towards further fiscal consolidation. The report highlights that the positive outlook indicates that the ratings could be raised if Malta maintains its economic growth and fiscal performance.



The logo for S&P Global Ratings, featuring the text "S&P Global" in red and "Ratings" in grey, with a horizontal line above the text.

Financial services sector registers further growth

The financial services sector in Malta continued to register growth in 2017 with the issuance of various licences and authorisations predominantly in the areas of insurance business, investment services, investment funds and trust. The MFSA has given a snapshot of these licencing developments through new data published on its website.

The number of insurance undertakings authorised to conduct insurance activities under the Insurance Business Act reached 63 at the end of 2017, representing an increase of three net licences when compared with the previous year. In 2017, the Authority granted registration certificates to five new retirement schemes.

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Investment services also continued to register growth in the year under review with 162 investment services companies licensed with the Authority at the end of 2017. This represents a net increase of six licences when compared with year 2016. The Authority licensed 97 investment funds (including sub-funds) in 2017, of which nine were licensed as Alternative Investment Funds, 58 Professional Investor Funds and 30 UCITS funds.

These include three Incorporated Cells, all licensed as PIFs, of Recognised Incorporated Cell Companies. During the year, 18 Professional Investor Funds had their licences converted to Alternative Investment Funds while one Professional Investor fund and two non-UCITS funds converted to UCITS funds.

Further details related to licensing data in 2017 will be published in the Authority's Annual Report.

MFSA revises Banking Rule 16

The Authority has issued a revised version of Banking Rule BR/16 on Funding Plans for Credit Institutions authorised under the Banking Act.

The Authority has, in view of its obligations pursuant to the Decision of the European Banking Authority (hereinafter the "EBA") on reporting by competent authorities to the EBA (EBA/DC/2015/130) (hereinafter the "EBA Decision"), as well as its obligations towards the European Systemic Risk Board under the Recommendation of the European Systemic Risk Board of 20 December 2012 on funding of credit institutions (ESRB/2012/2) (hereinafter the "ESRB Recommendation") and to the European Central Bank (hereinafter the "ECB") under the Decision (EU) 2017/1198 of the ECB of 27 June 2017 on the reporting of funding plans of credit institutions by national competent authorities to the ECB (ECB/2017/21) (hereinafter the "ECB Decision"), amended paragraph 4 of the Rule.

In particular:

- A new criterion under point (d) of paragraph 4 has been added. Point (d) of paragraph 4 has been introduced in order to include within the scope of the Rule, credit institutions which are deemed as significant credit institutions in accordance with Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions, in order for the Authority to be able to fulfil its obligations towards the ECB pursuant to the ECB Decision;
- A proviso has been added to provide that, where a credit institution does not satisfy any of the criteria listed in paragraph 4 of the Rule, such a credit institution would, in order for the Authority to be able to fulfil its obligations towards the EBA pursuant to Article 2(5) of the EBA Decision, still be deemed to be within the scope of the Rule if it satisfied any of such criteria during any of the previous three years;
- A proviso has been added to provide that, in the event that the total consolidated assets of the credit institutions which are deemed in scope of the criteria established in points (a) to (d), do not represent 75% of the total consolidated assets of the Maltese banking system in any year of review, the credit institution with the next highest four-year average asset-to-GDP ratio, should also be considered in scope in descending order until the 75% threshold criterion is satisfied; and
- Point (a) of paragraph 4, which refers to instances where the assets of a credit institution represent a minimum of 5% of the total banking assets in Malta, has been removed. This criterion has been replaced by the second proviso to paragraph 4, which has been introduced in order to include within the scope of the Rule credit institutions

which, although not satisfying any of the criteria outlined in paragraph 4 and the first proviso thereto, are to be included within the scope in order to satisfy the 75% threshold criterion established in the ESRB Recommendation;

In this regard, the Authority will be communicating directly with the credit institutions which will fall within the scope of this Rule.

Other minor changes have also been carried to the Rule in order to provide further clarity.

The revised Banking Rule BR/16 will come into force with immediate effect.

Any queries in relation to the above should be directed to the Banking Supervision Unit (Policy Section) on bsupolicy@mfsa.com.mt.

Consultation on Knowledge and Ability and Continuous Professional Development in terms of the Insurance Distribution Directive

Further to the Consultation Document issued by the MFSA on the 3rd July 2017, relating to the proposed amendments to the Insurance Intermediaries Act (Cap.487) and the Insurance Business Act (Cap.403), for the purposes of transposing the Directive (EU) 2016/97 of the European Parliament and of the Council of 20 January 2016 on insurance distribution (recast), (the “Insurance Distribution Directive” or “IDD”), the MFSA is issuing for consultation two Chapters which will form part of a Single Rulebook containing all the Insurance Distribution Rules to be issued under the Insurance Distribution Act (“IDA”).

The purpose of these proposed new Chapters of the Insurance Distribution Rules is mainly to transpose Article 10 of the IDD and Annex I (Minimum Professional Knowledge and Competence Requirements) of the IDD. The proposed Chapters being issued for consultation are the following:

- (a) the draft Chapter on Knowledge and Ability;
- (b) the draft Chapter on Continuous Professional Development.

Insurance undertakings and insurance agents are expected to bring the contents of this Consultation paper to the attention of the tied insurance intermediaries acting on their behalf.

The proposed Chapter on Knowledge and Ability

In terms of Article 10 on professional and organisational requirements of Chapter IV of the IDD, insurance and reinsurance undertakings and persons registered or enrolled under the Act (Cap. 487), carrying out insurance and reinsurance distribution activities, as applicable, are required to possess appropriate knowledge and ability in order to complete their tasks and perform their duties adequately. Employees of insurance and reinsurance undertakings and of persons enrolled under the Act who are directly involved in insurance or reinsurance distribution are also required to possess appropriate knowledge and ability.

The proposed Chapter on Continuous Professional Training (“CPD”)

The proposed Chapter on Continuous Professional Training transposes the continuous professional training or development requirements required in terms of Article 10(2) of the IDD, in particular to ensure that the professional competence of persons involved in distribution activities corresponds to the requirements concerning the products sold. The requirements of the proposed Chapter will apply to the persons specified in paragraph 1.2.1 thereof. The MFSA would like to point out that the Chapter applies to relevant persons and relevant employees

involved in the sales and the underwriting process. The Chapter will not apply to relevant persons and relevant employees who are involved solely in the processing of claims.

Any comments and feedback in relation to the attached draft Insurance Distribution Rules 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 13th April 2018**.

Collective Investment Schemes which have not commenced the licenced activities and/ or have a Zero NAV

The Authority noted, from a review of its records, that there are a number of licenced Collective Investment Schemes and Sub-Funds (collectively referred to as “Licenced Entity(ies)”) that have a zero NAV and/ or have not been launched despite obtaining a licence, i.e. have not commenced the activities which they were authorised to carry on within the time provided for in the licence or has ceased to provide such service.

In this context, the Authority has issued a circular to inform the industry of the most common findings identified from said review and sharing the expectations of the Authority, particularly with respect to the surrendering any applicable Collective Investment Scheme Licence and subsequently winding up any fund structures.

It is being noted that the Authority carries out close monitoring to ensure compliance with the applicable regulatory framework, and where required, it has to take possible enforcement measures against Licenced Entities as referred to in this documents, in terms of article 7(3) of the Investment Services Act.

In light of the above, the Authority requests the Board of Directors of Licenced Entities and/ or Managers thereof (if applicable) to undertake a review of the respective fund structure/s falling under their responsibility. The Directors should consider surrendering any Collective Investment Scheme Licence and subsequently wind up any fund structures. Consideration should also be taken in respect of any fund structures the launch of which is envisaged to protract unduly.

The Directors are advised that deadline for a completion of these reviews is **Friday, 29 June 2018**. After this date, the Authority will be contacting the relevant Licenced Entities to determine whether action has been taken and whether the surrender process has been initiated, as appropriate. It is to be noted that failure to undertake such action may entail a cancellation or a suspension of the Collective Investment Scheme Licence by the Authority in terms of the provisions of Article 7(1) and Article 7(3) of the Investment Services Act. Specifically, Article 7(3)(d) of the Investment Services Act permits the Authority to exercise its power against Licenced Entities which have not commenced the activities which they were authorised to carry on within the time stipulated in the licence or have ceased to carry on such activities.

Any queries or requests for clarifications in relation to this subject are to be addressed to the following officials at the Securities and Markets Supervision Unit, MFSA by e-mail on: Joseph Agius jagius@mfsa.com.mt; Christopher Micallef cmicallef@mfsa.com.mt; Sandra Saliba ssaliba@mfsa.com.mt.

ESMA's product intervention measures in relation to Contracts for Differences [CFDs] and Binary Options offered to retail investors

The European Securities and Markets Authority (ESMA) has agreed on a range of product intervention measures relating to the provision of contracts for differences (CFDs) and binary options to retail investors in the European Union (EU).

ESMA concluded that there exists a significant investor protection concern in relation to CFDs and binary options offered to retail investors.

The agreed measures include:

- 1. Binary Options** - a prohibition on the marketing, distribution or sale of binary options to retail investors; and
- 2. Contracts for Differences** - a restriction on the marketing, distribution or sale of CFDs to retail investors. This restriction consists of: leverage limits on opening positions; a margin close out rule on a per account basis; a negative balance protection on a per account basis; preventing the use of incentives by a CFD provider; and a firm specific risk warning delivered in a standardised way.

The product intervention measures ESMA has agreed under Article 40 of the Markets in Financial Instruments Regulation (MiFIR) in relation to CFDs include:

I. Leverage limits on the opening of a position by a retail client from 30:1 to 2:1, which vary according to the volatility of the underlying:

- 30:1 for major currency pairs;
- 20:1 for non-major currency pairs, gold and major indices;
- 10:1 for commodities other than gold and non-major equity indices;
- 5:1 for individual equities and other reference values;
- 2:1 for cryptocurrencies;

II. A margin close out rule on a per account basis. This will standardise the percentage of margin (at 50% of minimum required margin) at which providers are required to close out one or more retail client's open CFDs;

III. Negative balance protection on a per account basis. This will provide an overall guaranteed limit on retail client losses;

IV. A restriction on the incentives offered to trade CFDs; and

V. A standardised risk warning, including the percentage of losses on a CFD provider's retail investor accounts.

In accordance with MiFIR, ESMA can only introduce temporary intervention measures on a three monthly basis. Before the end of the three months, ESMA will consider the need to extend the intervention measures for a further three months.

ESMA has also issued a Frequently Asked Questions document.

Next steps

ESMA intends to adopt these measures in the official languages of the EU in the coming weeks, following which ESMA will publish an official notice on its website.

The measures will then be published in the Official Journal of the EU (OJ) and will start to apply one month, for binary options, and two months, for CFDs, after their publication in the OJ.

Should you have any queries regarding the above, please do not hesitate to contact: Dr Sarah Pulis, Senior Manager – Conduct Supervisory Unit, Tel 25485232; spulis@mfsa.com.mt or Ms Sara Antonia Magri, Analyst – Conduct Supervisory Unit, Tel: 25485250; samagri@mfsa.com.mt.

Financial Services Scholarship Scheme

Despite being the smallest EU Member State, Malta distinguishes itself in the financial services sector, which has continued to experience significant year on year growth. This sector is facing difficulties to fill in specific vacancies, both at the top and lower levels, mainly due to professional, technical and practical skills gaps.

Following an agreement between the Malta Financial Services Authority and the Ministry for Education and Employment, the Financial Services Scholarship Scheme has been launched to address this issue. This scheme aims to address this through specialised training in various areas of the financial services.

For a period of two consecutive years the lump sum of fifty thousand euro per annum out of the annual profit generated by MFSA to be used for the purpose of providing short-term Scholarships at advanced level aiming to address the existing skill gaps in Malta's Financial Services Sector.

The Sectors offered include: Banking, Financial Institutions, Insurance, Insurance Intermediaries, Investment Services, Trust and Trust Management. Within these sectors, training is necessary in particular skills: Compliance Skills, Fund Administration Skills, General Regulatory Requirements, Technical skills in Accounting, Knowledge in Legal Aspects, Communications Skills, Banking Operations, Analytical Skills, IT Skills, Investment Management Skills, Risk Management Skills, and Actuarial Skills.

The applicable regulations and further information is available here:

<https://edumalta.gov.mt/en/financial-services-scholarships-scheme>

EIOPA Stakeholder Groups Selection Process



EIOPA's Stakeholder Groups (SHGs) facilitate EIOPA's consultation with stakeholders in Europe on issues such as regulatory and implementing technical standards as well as guidelines and recommendations that apply to the insurance and occupational pensions industry.

Members of the Stakeholder Groups submit opinions and advice to EIOPA on any issue related to its tasks. Additionally, the Stakeholder Groups are expected to notify EIOPA of inconsistent application of European Union law as well as inconsistent supervisory practices in the different European Member States.

EIOPA strives to ensure appropriate geographical and gender balance in its Stakeholder Groups. The Stakeholder Groups meet separately at least four times a year in Frankfurt, Germany. In addition, there is one joint meeting per year, organised with EIOPA's Board of Supervisors.

EIOPA covers accommodation and travel costs for the following categories: consumers, academics, beneficiaries, employee representatives and users of insurance and reinsurance services.

Further information is available on:

https://eiopa.europa.eu/Publications/Administrative/Selection_procedure_for_Stakeholder_members_EN.pdf

MFSA Circulars

- 05/03/2018 - [Circular to the financial services industry on changes to Banking Rule 16](#)
- 09/03/2018 - [Notice to Financial Services Licence Holders – FATF identifies jurisdictions with strategic deficiencies](#)
- 27/03/2018 - [ESMA's product intervention measures in relation to Contracts for Differences \[CFDs\] and Binary Options offered to retail investors](#)
- 28/03/2018 - [Circular on Collective Investment Schemes which have not commenced the licenced activities and / or have a Zero NAV](#)
- 28/03/2018 - [Outcome of Supervisory Meetings with Collective Investment Schemes](#)
- 29/03/2018 - [Solvency II Circular for Insurance and Reinsurance Undertakings](#)
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MFSA Consultation Documents

- 02/03/2018 - [Consultation on Amendments to the Banking Act](#)
- 16/03/2018 - [Consultation on Knowledge and Ability and Continuous Professional Development in terms of the Insurance Distribution Directive](#)
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MFSA Media Releases

- 21/03/2018 - [Notice to the Public concerning Mr Ali Sadr Hasheminejad and Pilatus Bank Limited](#)
- 21/03/2018 - [Update - Notice to the Public concerning Mr Ali Sadr Hasheminejad and Pilatus Bank Limited](#)
- 22/03/2018 - [Public Notice concerning Pilatus Bank Limited](#)
- 27/03/2018 - [ESMA Press Release: ESMA agrees to prohibit binary options and restrict CFDs to protect retail investors](#)
- 02/04/2018 - [Public statement by the Malta Financial Services Authority in relation to Pilatus Bank](#)
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MFSA Warnings

- 12/03/2018 - [SHTERN GROUP - https://www.shterngroup.com/](#)

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

European Supervisory Authorities' Announcements

- 05/03/2018 - [EIOPA Stakeholder Groups Selection Process](#)
- 14/03/2018 - [EBA advises European Commission on the use of prudential backstops to prevent the building up of new NPLs](#)
- 26/03/2018 - [EIOPA Stress Test 2018](#)
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MFSA Licences – March 2018

New Licences

Securitisation Vehicles

Cells

- Acknowledgement issued to **Dynamic Strategies Cell 2023**

Collective Investment Schemes

Alternative Investment Funds

- Collective Investment Scheme licence issued to **Bastion Wealth Strategies SICAV plc** (“the Scheme”) in respect to one sub-fund
- Collective Investment Scheme licence issued to **AMAGIS Capital Funds SICAV plc** (“the Scheme”) in respect to one sub-fund
- Collective Investment Scheme licence issued to **J&T AIF Fund SICAV plc** (“the Scheme”) in respect to one sub-fund

Professional Investor Funds targeting Qualifying Investors

- Collective Investment Scheme licence issued to **Chevaux 4 SICAV plc** (“the Scheme”) in respect to one sub-fund
- Collective Investment Scheme licence issued to **21 Solstice Funds SICAV plc** (“the Scheme”) in respect to one sub-fund
- Collective Investment Scheme licence issued to **Capaneo Investments SICAV plc** (“the Scheme”) in respect to one sub-fund
- Collective Investment Scheme licence issued to **Arrow SICAV plc** (“the Scheme”) in respect to one sub-fund
- Collective Investment Scheme licence issued to **Taliti Funds SICAV plc** (“the Scheme”) in respect to one sub-fund
- Collective Investment Scheme licence issued to **Northern Cross SICAV plc** (“the Scheme”) in respect to one sub-fund

Notified Alternative Investment Funds targeting Professional and Qualifying Investors

- **JCI Private Equity SICAV plc** (“the Scheme”) 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** (“the Scheme”) in respect of two 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

UCITS

- Collective Investment Scheme licence issued to **AQA UCITS Fund SICAV plc** (“the Scheme”) in respect to one sub-fund

Investment Services

- Category 2 licence issued to **EMA Capital Limited**
- Category 1B licence issued to **FIIG International Limited**

Company Service Providers

- Registration certificate issued to ***EuroMed Risk Solutions Limited***

Insurance

Insurance Undertakings

- Licence issued to ***Fortegra Europe Insurance Company Limited*** to carry on business of insurance in four classes of the long term business

Extended and Revised Licences

Collective Investment Schemes

- Licence issued to ***Sunshine Fund (Malta) SICAV Limited*** ("The Scheme") in respect of the ***Alba Fund, The Intevo Industrial Technologies Value Opportunities Fund, The Blue Harmon Private Equity Fund*** and ***the Global Strategy East Investment Fund*** ("the Sub-Funds") was converted from Professional Investor Fund to Alternative Investment Fund

Investment Services

- Revision of Category 2 Investment Services Licence to ***Alpha Value Management Limited*** ("the Company") to reflect a change in the nature of authorisation

Surrendered Licences

Investment Services

- Surrender of Category 4B licence issued to ***Estera International Fund Services (Malta) Limited***

Collective Investment Schemes

Professional Investor Funds

- Surrender of licence issued to ***Meridon Funds SICAV plc*** ("the Scheme") in respect of one sub-fund
- Surrender of licences issued to ***Pilatus SICAV plc*** ("the Scheme") in respect of two sub-funds
- Surrender of licence issued to ***EZA Capital SICAV plc*** ("the Scheme") in respect of one sub-fund
- Surrender of licences issued to ***Himalaya SICAV plc*** ("the Scheme") in respect of nine sub-funds
- Surrender of licence issued to ***Cembra High Yield Fund SICAV p.l.c.*** ("the Scheme")

Alternative Investor Funds

- Surrender of licence issued to ***Bastion Wealth Strategies SICAV plc*** ("the Scheme") in respect of one sub-fund

Incorporated Cells

- Surrender of licence issued to ***Oakland Strategy IC SICAV plc*** ("the Scheme")

Company Service Providers

- Voluntarily cancellation of the registration issued to **Meo Limited** (“the Company”)

Trustees and Fiduciaries

- Surrender of warrant issued to **Camco (Nominee) Limited** (“the Company”)

Banking*Financial Institutions*

- Surrender of licence issued to **Heinz-Glas Financial Services Malta Limited** (“the Company”)

Registry of Companies - New Registrations – March 2018

Companies	Partnerships
419	4

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](#)
- [Malta Stock Exchange Institute \(MSEI\)](#)

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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