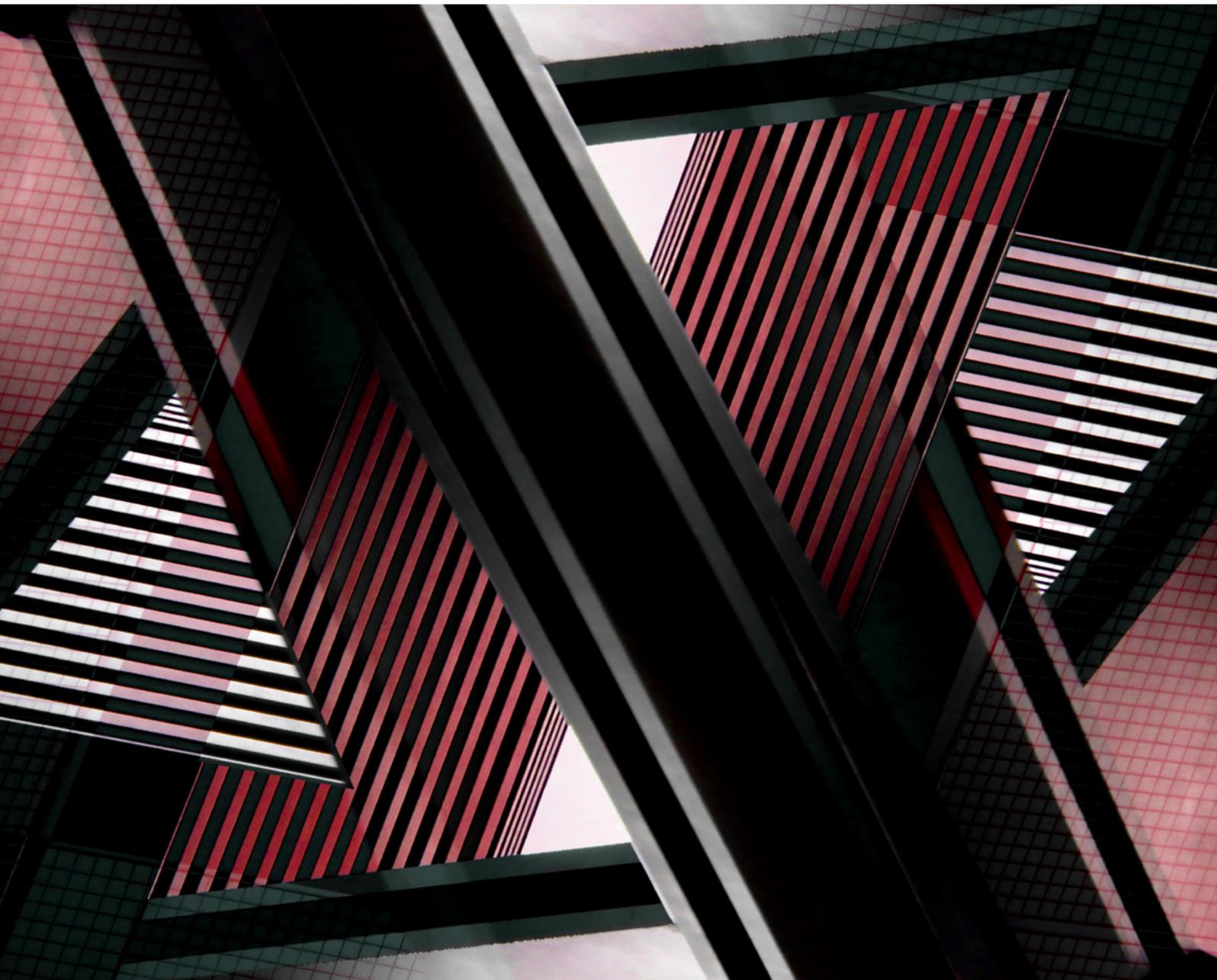


Newsletter



MFSA

MALTA FINANCIAL SERVICES AUTHORITY



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Further developments relating to the VFA Framework

VFA Act comes into force

The MFSA has continued the process to establish the legal framework for the regulation of Virtual Financial Assets throughout the month in review. Meanwhile, in an important milestone for the development of this sector, the Virtual Financial Assets Act came into force on 1st November.

The Act regulates the registration of whitepapers by Issuers of Virtual Financial Assets ('VFAs'), VFA Service Providers and VFA Agents. The aim of the VFA Framework is to achieve investor protection, market integrity and financial stability through regulation that is proportionate and which supports innovation and new technologies. The Act also aims at ensuring that money laundering and financing of terrorism risks in this field are addressed by inter alia designating the mentioned entities as subject persons in terms of PMLFT regulations.

Persons who started performing an activity or providing a service under the Act prior to the said date, may avail themselves of the transitory period

under Article 62 of the Act, subject to a notification requirement to the MFSA, through the Notification Form, as outlined in the Circular to Persons Involved in DLT Asset Activity and Services. More information on this matter is available in the relevant Circular.

MFSA publishes first two Chapters of VFA Rulebook

Meanwhile, the MFSA has published Chapter 1 and 2 of the Virtual Financial Assets Rulebook. The first Chapter includes the Virtual Financial Assets Rules for VFA Agents and Chapter 2 covers Rules for Issuers of VFAs. A corresponding glossary of terms was also issued.

The publication of the rules applicable to VFA Agents follows two main consultations, namely: [i] Consultation Paper on the Virtual Financial Assets Rules for VFA Agents; and [ii] Consultation Paper on raising the bar for VFA Agents that were issued on 12 July 2018 and 4 September 2018, respectively.

The publication of the rules applicable to Issuers of Virtual Financial Assets ('VFAs') follows two main consultations, namely:

[i] Consultation Paper on the Virtual Financial Assets Rules for Issuers of Virtual Financial Assets; and [ii] Consultation Paper on achieving a Higher Degree of Investor Protection under the Virtual Financial Assets Act, that were issued on 30 July 2018 and 21 August 2018, respectively.

The Authority has also published a Circular on the Competence Assessment of prospective VFA Agents as well an extensive Q&A on VFA matters.

Further updates and developments on the Virtual Financial Assets Framework will be made public on www.mfsa.com.mt/vfa.

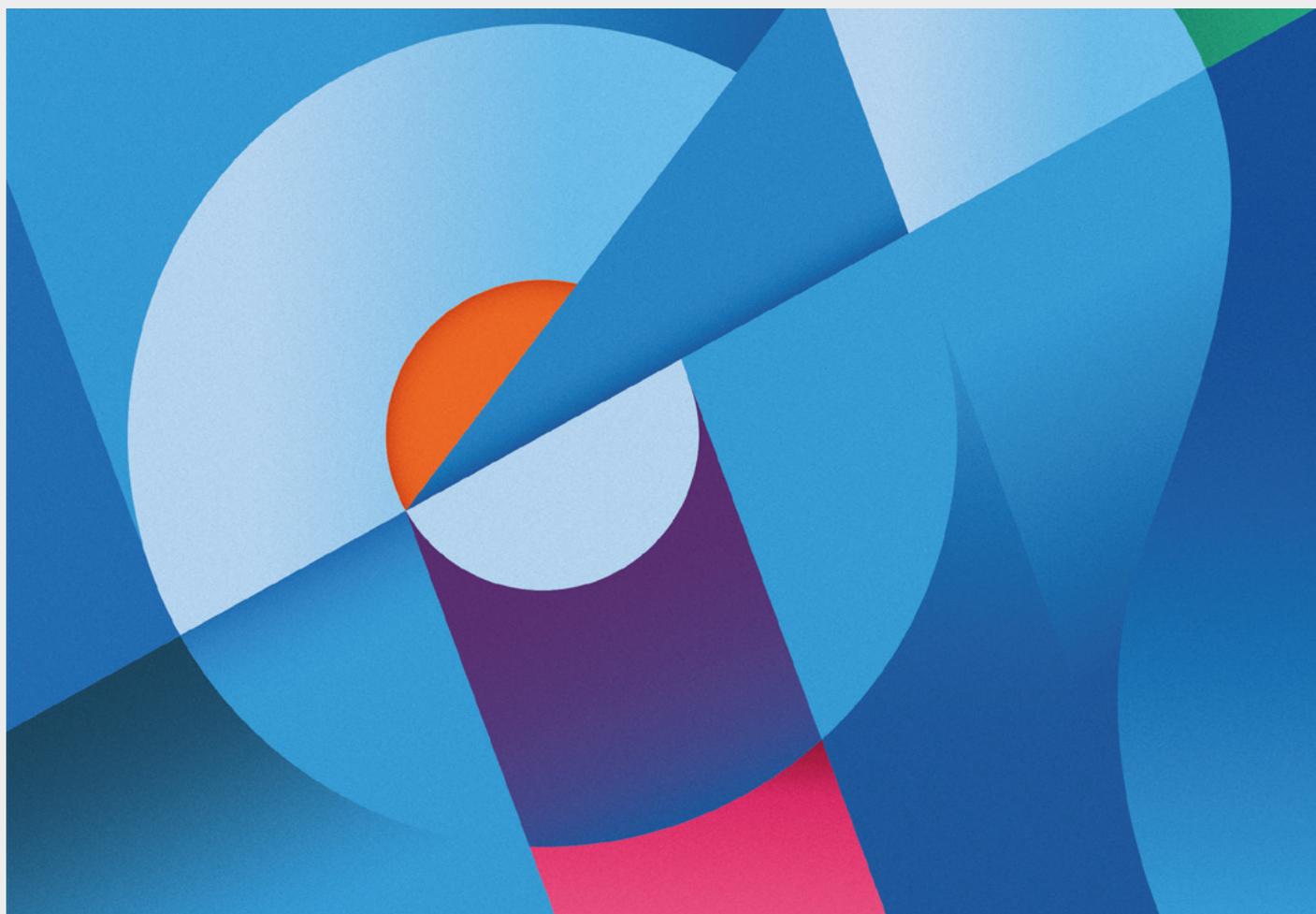
Malta ranks first in macroeconomic stability

Malta has ranked first in macroeconomic stability in the annual report released by the World Economic Forum. In the Global Competitiveness Index 2017-2018, Malta has once again achieved a highly positive performance in its ranking of competitiveness. Malta now ranks 36th out of 140 countries included in this publication, improving its ranking by more than 10 places in five years.

The Forum said in a statement that about 60% of the indicators used in the new index, "are brand new, as we increasingly believe factors such as workforce diversity, labour rights, e-government and disruptive businesses are driving competitiveness".

The report assesses each country on twelve main pillars that express the extent and complexity of the drivers of productivity and the competitiveness ecosystem. Malta excelled particularly well in the quality of its enabling environment, with businesses operating under stable macroeconomic stability (1st), having a high level of ICT adoption (24th), and having a strong institutional environment (33rd). Malta's financial system has also ranked in 29th place worldwide.

Malta's economic performance has been improving steadily through rising productivity, employment and sustainable growth.



MFSA strengthens AML supervision with guidelines on PEPs

The Malta Financial Services Authority continued to strengthen its anti-money laundering procedures with the publication of Guidance on Politically Exposed Persons (PEPs). This is another step in the MFSA's efforts to enhance AML supervision and tackle international challenges posed by money laundering in line with international best practice and commitments with international counterparts and supervisory bodies.

The Malta Financial Services Authority (MFSA) expects all persons and entities licensed or otherwise authorised by it who qualify as subject persons under the Prevention of Money Laundering and Funding of Terrorism Regulations (PMLFTR), to comply with their anti-money laundering and combating financing of terrorism (AML/CFT) obligations under the PMLFTR, including the requirement to apply a risk based approach to identifying PEPs and to apply appropriate Enhanced Due Diligence (EDD) measures when dealing with PEPs.

In view of the higher risk attributed to PEPs, the PMLFTR require subject persons to apply EDD measures when they are offering services to PEPs. Family members of PEPs and persons known to be close associates of PEPs shall be subject to the same EDD measures which are applicable to PEPs in view of their similar risk profile.

Subject persons are required to carry out customer due diligence (CDD) measures which are proportionate to the risks posed by the customer. This applies also to PEPs and family members and persons known to be close associates of PEPs. Not all PEPs pose the same level of risk and the EDD measures to be applied should be proportionate to the risk attributed to a particular PEP. Finally, the guidance notes outline and provide information on the application of the Enhanced Due Diligence measures to be taken by subject persons in the case of PEPs, family members and close associates. These consist of obtaining senior management approval prior to providing a service to a PEP, family member or close associate; taking adequate measures to establish the source of wealth and funds involved; and conducting enhanced ongoing monitoring.

The full document is available [here](#).



MFSA consults on Retirement Pensions Act

The MFSA is currently reviewing the provisions of the Retirement Pension Act (Cap. 514) primarily, to align it with the requirements of the Institutions for Occupational Retirement Provision (IORP) II Directive and also to align the said Act with other financial services legislation. A number of the provisions, including those relating to information to be given to members and beneficiaries, key functions and cross-borders transfers will be transposed in regulations and the Pension Rules issued under the said Act.

In this context, the MFSA has issued a Consultation Document to the public. This [Consultation Document](#) highlights the main changes proposed to be carried out to the Retirement Pensions Act (Cap. 514), primarily

as a consequence of transposing Directive (EU) 2016/2341 of the European Parliament and of the Council of 14 December 2016 on the activities and supervision of institutions for occupational retirement provision (IORPs) (recast), (the "IORP II Directive").

The Institutions for Occupational Retirement Provision (IORP) II Directive is a minimum harmonisation Directive and is a recast of Directive 2003/41/EC of the European Parliament and of the Council of 3rd June 2003 on the activities and supervision of institutions for occupational retirement provision. Member States are required to transpose the Institutions for Occupational Retirement Provision (IORP) II Directive by 13th January 2019.

The documents circulated by the MFSA for the purpose of consultation consist of a draft Bill amending the Retirement Pensions Act and a consolidated draft version of the Retirement Pensions Act reflecting the changes being proposed.

These proposals are not binding and are subject to changes and revisions. Any comments and feedback in relation to the attached draft legislations are to be addressed to the Insurance and Pensions Supervision Unit and submitted in writing on ipsu@mfsa.com.mt, by not later than 16th November 2018.

Delta Summit 2018

Successful participation for the MFSA

The MFSA successfully participated in Malta's first official Blockchain and digital innovation summit which had an impressive turnout of more than 3,500 delegates. Malta is currently leading the charge in regulating the blockchain and cryptocurrency technology. The aim of this summit was to launch Malta as a regulated virtual currency and Initial Coin Offering (ICO) centre and to provide a platform from where to promote this technology and its related business opportunities. The summit also served as a venue from where cryptocurrency enthusiasts, doubters and experts came together and exchanged ideas.

MFSA CEO, Mr Joseph Cuschieri and Head of Securities and Markets Supervision Dr Christopher P. Buttigieg were amongst the high profile speakers at this event. They contributed to two separate discussion panels that highlighted the MFSA's efforts to regulate and supervise the crypto-asset sector, particularly how the three main objects of financial services regulation – financial soundness, market integrity and consumer protection – are achieved through the Virtual Financial Asset framework.

The MFSA's stand at the summit was managed by our Fintech team who had the opportunity to address queries relating to the Virtual Financial Assets framework and provide legal certainty in this field. The MFSA's presence at the summit was pivotal as this served as an opportunity for interested parties and operators in the crypto-asset space to share with the MFSA their business models and ideas.



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“Be a Hero” campaign a resounding success

MFSA's participation at this year's Freshers' Week at the University of Malta was a resounding success with hundreds of students visiting the MFSA stand and engaging with members of our Human Resources team and other colleagues from the MFSA on the various career opportunities with the Authority.

During Freshers' Week, students signed up to participate in internships at MFSA throughout the university semesters and summer recess. The response was very positive and encouraging, with over more 400 students showing interest in working for some months at the MFSA.

Besides learning more about the MFSA, students had the opportunity to win three sixth generation iPads with the MFSA, by visiting the stand and taking part in our “Be a Hero” campaign, striking the best Superhero pose. The three winners, judged on the highest number of Facebook likes received were Daryl Tabone, Roxanne Busuttill and Katryna Vassallo. The MyCareeratMFSA Facebook page garnered in excess of 24,300 views over this period.

MFSA Chief Operations Officer Reuben Fenech remarked that “We are extremely satisfied with the engagement with students on the UoM campus and by the interest shown by them to work at the MFSA. We believe that this strengthened our brand as Employer of Choice and helps us nurture relationships with potential future employees whilst spotting talent early.”

Further information about careers at MFSA may be found on our website www.mfsa.com.mt/pages/careers.



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MFSA Circulars

04/10/2018	<u>Circular to Licence Holders on MFSA Licence Holder Corporate Profile</u>
04/10/2018	<u>Market Abuse Regulation – Q&A Document</u>
08/10/2018	<u>Circular to the financial services industry on changes to Appendix 2D</u>
08/10/2018	<u>Supervisory Guidance Paper on Politically Exposed Persons</u>
09/10/2018	<u>Circular: ESMA MiFID II / MiFIR Investor Protection Q&As</u>
15/10/2018	<u>FIAU Guidance Note on AML/CFT Obligations in relation to Payment Accounts with Basic Features</u>
22/10/2018	<u>Circular to Credit Institutions on Banking Rule BR/11</u>
23/10/2018	<u>Notice to Financial Services Licence Holders – FATF identifies jurisdictions with strategic deficiencies</u>
24/10/2018	<u>Prevention and Detection of Market Abuse by Investment Firms and Trading Venues</u>

MFSA News

01/10/2018	<u>ESMA to renew restriction on CFDs for a further three months</u>
04/10/2018	<u>EBA publishes the preliminary impact of the Basel reforms on EU banks capital and updates on liquidity measures in the EU</u>
05/10/2018	<u>Overwhelming interest in the Maltese jurisdiction by crypto asset operators</u>
08/10/2018	<u>Guidance on Politically Exposed Persons</u>
10/10/2018	<u>EBA acknowledges adoption of amended supervisory reporting standards by the European Commission</u>
11/10/2018	<u>Sanctions Monitoring Board issues Guidance on Targeted Financial Sanctions</u>

MFSA Media Releases

02/10/2018	<i><u>MFSA FinTech Team at DELTA Summit</u></i>
02/10/2018	<i><u>MFSA present at Freshers' Week – "Be a Hero!"</u></i>
05/10/2018	<i><u>Overwhelming interest in the Maltese jurisdiction by crypto asset operators</u></i>
08/10/2018	<i><u>MFSA strengthens AML supervision with the publication of Guidance on PEPs</u></i>
10/10/2018	<i><u>Publication of FAQ document on the Virtual Financial Assets framework</u></i>
17/10/2018	<i><u>Publication of the Virtual Financial Assets Rules for VFA Agents</u></i>
20/10/2018	<i><u>Public Notice Concerning Satabank plc</u></i>
24/10/2018	<i><u>Public Notice: Update on Satabank plc</u></i>
26/10/2018	<i><u>"Be a Hero" campaign a resounding success</u></i>

MFSA Consultations and Feedback Statements

19/10/2018	<i><u>Consultation Paper - List of the most representative services linked to a payment account</u></i>
22/10/2018	<i><u>Consultation on the Proposed Amendments to the Retirement Pensions Act</u></i>
24/10/2018	<i><u>Feedback Statement on the Consultation Paper on the Virtual Financial Assets Regulations</u></i>

MFSA Warnings

25/10/2018	<i><u>MFSA Warning - PRIMETRAIDINGBOT - https://www.primetradingbot.com/</u></i>
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MFSA Licences – October 2018

New Licences

Collective Investment Schemes

Notified Alternative Investment Funds targeting Professional and Qualifying Investors

FCS Global AIFs Malta SICAV plc in respect of two sub-funds included in the List of Notified AIFs in terms of Regulation 6 of the Investment Services Act (List of Notified AIFs) Regulations 2016.

Italico Future Invest 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 Fund targeting Qualifying Investors

Collective Investment Scheme licence issued to **Carma Capital Partners SICAV plc** (“the Scheme”) in respect to one sub-fund.

Collective Investment Scheme licence issued to **Magiston Funds SICAV plc** (“the Scheme”) in respect to two sub-funds.

Collective Investment Scheme licence issued to **EIP Levant (SICAV) plc** (“the Scheme”).

Collective Investment Scheme licence issued to **Meridon Funds SICAV plc** (“the Scheme”) in respect to one sub-fund.

Collective Investment Scheme licence issued to **Audentia Capital SICAV II plc** (“the Scheme”) in respect to one sub-fund.

Alternative Investment Fund

Collective Investment Scheme licence issued to **StarStruck Marine Capital IC SICAV plc** (“the Scheme”) as an incorporated cell of AKJ RICC Limited.

Investment Services

Category 1A licence issued to **Scheuermann & CO. Limited**.

Category 2 licence issued to **Emerging Investment Partners Limited**.

Company Service Providers

Registration certificate issued to **Kylin Prime Corporate Services Limited**.

Pensions

Retirement Fund

Registration of **Kemmuna Retirement Benefit Fund SICAV plc** as a Retirement Fund set up in the form of an investment company with variable share capital.

Securitisation Vehicles

Notified Securitisation Vehicles

Acknowledgement issued to **N.E.M.O Securitisation SCC Ltd**.

Cells

Acknowledgement issued to **Rodnik Seven Protected Bond Cell**.

Insurance

Insurance Undertakings

Licence issued to **Duiker Insurance Company Limited** to carry on business of insurance under the Insurance Business Act in eight classes of business.

Licence issued to **Starr Europe Insurance Limited** to carry on business of insurance under the Insurance Business Act in sixteen classes of business.

Surrender of Licences

Collective Investment Schemes

Notified Alternative Investment Fund

Surrender of licence issued to **Global Series SICAV Scheme** in respect of one sub-fund.

Professional Investor Funds

Surrender of licence issued to **Strategica Funds SICAV plc** (“the Scheme”) in respect of two sub-funds

Surrender of licence issued to **Blue Star Vision IC SICAV plc** (“the Scheme”)

Surrender of licence issued to **Mezzanine Capital Funds SICAV plc** (“the Scheme”) in respect of two sub-funds.

Surrender of Licence issued to **RPS Umbrella Fund (Malta) SICAV plc** (“the Scheme”) to its collective investment scheme licence, as well as the collective investment scheme licence granted in relation to its remaining sub-fund.

Investment Services

Surrender of Category 3 licence issued to **Charts Investment Management Service Limited** (“the Company”).

UCITS

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

Pensions

Retirement Scheme Administrators

Surrender of licence issued to **Harbour Pensions Limited**.

MFSA Licences – October 2018

Extended and Revised Licences

Investment Services

Revision of Category 2 licence issued to **Zenith Finance Limited** to reflect the change in the name of MFSP Financial Management Limited to Zenith Finance Limited.

Revision of Category 3 licence issued to **Calamatta Cuschieri Investment Services Limited** to deal on Own Account, in relation to 'options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yield, or other derivative instruments, financial indices or financial measures which may be settled physical or in cash' for Professional Clients and Eligible Counterparties.

Revision of licence issued to **Lutetia Capital Investment Advisors Ltd** to reflect the conversion of the Company's Category 1a Investment Service Licence to a Category 1b Licence to provide Investment Advice to Professional Clients (**including collective** investment schemes) and Eligible Counterparties.

Revision of licence issue to **Praude Asset Management Limited** ("the Company") so as to act as an Alternative Investment Fund Manager in terms of the AIFM Directive, and accordingly, have dual authorization under both the AIFM and the UCITS Directive.

Insurance

Insurance Undertakings

Extension of authorisation issued to **PSA Insurance Europe Limited** to carry on business of insurance in one class of the general business.

Collective Investment Scheme

Alternative Investment Funds

Revision of licence issued to **Altinum Fund SICAV plc** ("The Scheme") in relation to one sub-fund so as to reflect the conversion of the Scheme and it's Sub-Fund from a Professional Investor Fund to an Alternative Investment Fund.



MFS

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