

# **Competence Criteria for the Provision of Financial Services**

## **(Recognition of Academic and Professional Qualifications)**

1. One of the functions of the MFSA is to ensure high standards of conduct and management throughout the financial system. An important component of these standards is the professional competence of officers and employees of licence holders. These officers and employees must be able to demonstrate an acceptable level of knowledge, professional expertise and experience. This will also be helped by the increasing focus on lifelong learning in all sectors.
2. The MFSA is aware that consumers of financial services and those seeking financial advice give high consideration to the competence criterion of individual licence holders as expressed by the latter's academic and/or professional qualifications, level of staff training (in the case of corporate licence holders) and overall work experience. At the same time the MFSA considers its statutory obligations relating to consumers as being crucial in its determination of the criteria to apply to establish the competence of licence holders through due diligence testing. Within this scope the MFSA maintains that a proper qualifications framework together with a clear system of designatory letters would enable consumers to understand better the competence projected by licence holders. Subsequently it is expected that consumers would be in a better position to demand comprehensive information and service levels. This would improve their overall knowledge of the financial products offered to them and their own protection in the longer term.
3. The degree of competence required would depend upon the job being performed. The MFSA expects that any academic or professional qualification includes a content that would be commensurate with the requirements of the particular job.
4. Therefore, before any institution offers any course leading to an academic or professional qualification for regulatory purposes, it has to ensure that the course meets the requisites indicated in paragraph 5 below. For this reason institutions offering courses of a regulatory nature should obtain confirmation from the MFSA 'a priori' that the recognition criteria established by the MFSA are satisfied.
5. In principle, the MFSA will generally recognize courses leading to Competence for due diligence purposes if such courses contain the required Maltese regulatory content in relation to the regulation of the licenced business activity which would be the subject of the course or to which the course would be relevant. Such regulatory content should cover the particular local legal and regulatory requirements applicable to the nature of the business covered by the course/qualification. Other major factors that would be taken into consideration by the MFSA in this regard would be the relevance of the

content of the course to the nature of the financial services to be undertaken, the duration of a course assessment levels that are adopted to test student knowledge, and the quality of experience trainers. However, in the absence of such Maltese regulatory content, the MFSA would need to be satisfied that the individual obtaining the qualification has supplemented it with certification in relation to attendance to relevant training courses or with working experience as considered satisfactory by the particular regulatory unit.

6. Any requisites concerning the Maltese Regulatory Content are to be discussed by the appropriate Regulatory Unit and the Human Resources Unit with the respective course providers. Human Resources Unit would also seek to identify available qualifications and will consult the regulatory units accordingly during the process before study products are made available to prospective students.
7. Regulatory Units are to provide schedules of recommended professional and academic qualification to the Human Resources Unit who will then make arrangements to have each schedule approved by the Board of Management and Resources for insertion in the MFSA Web-site.
8. Updates to the schedules referred to in the preceding paragraph are to be approved in the manner indicated and inserted in the MFSA Web-site updated accordingly.
9. Regulatory Units are to determine which category of staff at licenced institutions need to possess a given qualification for due diligence purposes and to determine a licence holder's competence regime.
10. Regulatory Units can exercise discretion in situations where individuals requesting authorizations can prove their relevant professional experience even though they would not be in possession of any qualification included in the relevant schedule.
11. Regulatory Units can also exercise the same level of discretion as indicated in paragraph 10 where individuals giving particular financial services do so after undergoing in house training organized by a licenced institution. A licence holder's commitment to training and competence should be that:
  - its employees are competent
  - its employees remain competent for the work that they do and to the nature of the business
  - its employees' competence is regularly reviewed

However, in applying discretion, Regulatory Units are expected to ensure as much as possible that such training programmes satisfy the criteria that would have been satisfied by the corresponding academic or professional qualification.

12. This policy and any subsequent updates will be featured on the MFSA Web-site together with the schedules referred to in paragraphs 7 and 8. The Web-site shall also include a 'grand fathering' clause that establishes that already authorised staff of licence holders would not be subject to any new competence requirements established through this policy. However such clause should indicate that the ruling would be without prejudice to the need for already authorised staff of licence holders to upgrade periodically their level of expertise at least through staff training programmes or specialised seminars organised by specific professional bodies as applicable.

In this regard, certified attendance to periodic financial services training programmes and seminars supported, co-ordinated or promoted by the MFSA will be given favourable consideration when assessing competence.