

Explanatory Note regarding the issue of:-

Prevention of Financial Markets Abuse (Disclosure and Notification) (Amendment) Regulations, 2005 ('**the Amendment Regulations**')

MFSA Prevention of Financial Markets Abuse Guidance Notes ('**the Guidance Notes**')

The Amendment Regulations

The Amendment Regulations (as per attached - Annex I), are aimed at amending the Prevention of Financial Markets Abuse (Disclosure and Notification) Regulations, 2005 (Annex 2 attached), with the main purpose of:

1. requiring issuers to provide the MFSA, together with the notification of their decision to delay publication of inside information, with a note of their reasons for taking the said decision (*vide Regulation 2 of the Amendment Regulations*);
2. applying certain dates/deadlines by when issuers should provide the MFSA with a list of insiders; requiring issuers to notify the MFSA promptly of any updates to the said list; and prescribing a form to be used by issuers when submitting the said list of insiders (*vide Regulation 3 of the Amendment Regulations*). It is important to note that in terms of these regulations, issuers who on the 1st October 2005 are already listed on a recognised investment exchange are required to submit a list of insiders to the MFSA (Securities Unit) by the 1st November 2005. Please note that failure to submit the said list by the 1st November 2005 may result in an administrative sanction;
3. exempting persons discharging managerial responsibilities within an issuer and / or persons closely associated with them, from notifying the MFSA about transactions in the shares of the said issuer until the total amount of transactions within a calendar year, computed in accordance with the same regulation, reaches Lm 2,400 (*vide Regulation 4 of the Amendment Regulations*);
4. requiring persons who by telephone notify the Authority of: **(a)** suspicious transactions; **(b)** transactions by persons discharging managerial responsibilities within an issuer or persons closely associated with them; to confirm such notification by means of a completed form in accordance with the applicable Schedule to these regulations within the time limits referred to in the said regulations (*vide Regulation 5 of the Amendment Regulations*).

The Guidance Notes

On the 1st April 2005, the Prevention of Financial Markets Abuse Act (henceforth referred to as 'the Act') came into force. The purpose of the Act is to safeguard the integrity of Maltese and European Community financial markets and to enhance investor confidence in those markets. To meet this objective, the Act transposes and implements the EC Market Abuse Directive.

The Malta Financial Services Authority as competent authority for the purposes of the Act, has the function of administering the said Act. In this regard, the MFSA is issuing the enclosed Guidance Notes which have the purpose of:

- (a) affording the persons affected by the provisions of the Act with some guidance on the meaning of the term Market Abuse and the administrative/criminal sanctions which may be applied when a person is found guilty of market abuse; and
- (b) providing persons affected by the provisions of the Act, the Legal Notices issued under the Act and the Commission Regulation on exemptions for buy-back programmes and stabilisation of financial instruments, with direction as to their respective responsibilities and the manner in which they should satisfy certain duties which emanate from the Prevention of Financial Markets Abuse regime.

These Guidance Notes are mainly targeted to assist Investment Services Licence Holders, Issuers of Financial Instruments, Recognised Investment Exchanges and their employees.