

MFSA

MALTA FINANCIAL SERVICES AUTHORITY

Securities Unit

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21 December 2005

The Compliance Officer

Dear Sir/Madam

Advertorials

The MFSA has over recent months noted a number of advertorials in the local press relating to investment products offered by investment services licence holders.

Such advertorials ordinarily include a description of the features of the investment products concerned and what they aim to offer investors, as well as the contact details of the licence holders offering such products. In certain cases, launch offer details are also included. A number of such advertorials even include details pertaining to rates of interest or income offered by such investment products. It is clear from the content of such advertorials, that the press have been provided with the relevant product details by the licence holders concerned.

In view of the promotional nature of such advertorials, they are considered to fall within the definition of 'investment advertisement' in Article 2(1) of the Investment Services Act, 1994 ("ISA"), which reads:

"investment advertisement" means any form or medium of advertising or promotional activity, other than a prospectus, the contents of which, either invites persons, or contains material calculated to induce persons:

- (i) to become or offer to become participants in a collective investment scheme; or
- (ii) to subscribe for or otherwise acquire or underwrite an instrument; or
- (iii) to purchase or otherwise procure an investment service;

Accordingly, in view of their 'advertisement' content, such so called 'advertorials' fall within the scope of Section 11 of the ISA, which requires their approval by a Licence Holder. Such Licence Holder is responsible for ensuring that the relevant advertising SLCs in Section 5 of Part C.I of the Investment Services Guidelines, are complied with, including the inclusion of risk warnings. Please refer in particular to SLCs 5.27 and 5.29.

The Authority appreciates that there may be press releases which do not clearly fall within the scope of Section 11. Even in these cases, the disclosure requirements as per SLC 5.30 are to apply.

The purpose of this circular letter is to remind Licence Holders of their above-mentioned responsibilities relating to advertising. The MFSA will not be tolerating breaches of its

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regulatory requirements concerning investment advertisements and will take regulatory action against those Licence Holders who do not comply with the letter and spirit of these requirements.

Should you have any difficulties in relation to the above, kindly contact Ms. Audrey Said.

Yours faithfully,



Cristina Parlato Trigona
Director