

Consumer Media Release
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Warning to prospective investors about *Asset-Backed securities*


The Malta Financial Services Authority (MFSA) has come across local media adverts, reports and product documentation about investments in “bonds” or “fund accounts” whose performance is linked to assets, such as life insurance policies or currencies (referred to as asset-backed investments). By their very nature, these investments are not easy to understand.

Despite the fact that they may be promoted as “alternative” to traditional or conventional investments, these are investment opportunities which involve substantial risks, in particular liquidity risks, whereby the investor may be unable to sell his investment. Potential investors should pay particular attention to a number of characteristics describing these products and should not presume that the payment of interest and capital are guaranteed *unless* such promises are clearly labelled.

When it comes to redemption (selling) of these investments, these investments are always of a medium / long term nature and generally restrict the investor from selling his holdings before the investment matures. Investors should also pay particular attention to technical terms such as “lock-up periods” or “redemption gates”.

Although the MFSA has addressed its concerns directly with the financial entities which are promoting these products, investors should be extremely vigilant before committing their monies to these investments and should make sure that they have read and understood the product documentation given to them prior to any potential investment. Investors who are unable to understand the documentation, should not buy these investments.

Consumers should be aware that the characteristics of these products make them unsuitable for unsophisticated investors. These products are generally considered appropriate for investors who have the experience and knowledge to understand how these financial instruments work and can afford to take the relevant related risks



The aim of this announcement is to assist prospective investors to make an informed decision. The MFSA does not give financial advice but rather promotes education in financial matters.

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