

Media Statement

The Malta Financial Services Authority (MFSA) has the responsibility to provide the public in general with information and direction on issues regarding the financial sector, as well as to monitor activities by financial intermediaries that directly or indirectly affect consumers of financial services in Malta.

The Investment Services Act (Cap.370 of the Laws of Malta) stipulates that every person providing an investment service should hold a licence issued by the competent authority, in this case the MFSA. This also applies to commercial banks. Every licence holder providing an investment service must do so according to law and to the rules issued by the MFSA, which are modelled on EU legislation applicable to this sector, including Directive 2004/39/EC known as the Markets in Financial Instruments Directive (MiFID). A Guide to MiFID has recently been published by the MFSA.

These rules, also known as conduct of business rules, regulate the way a licensed person provides the services for which a licence is issued. The main aim of these rules is to ensure that consumers receive a professional service from the licensed person concerned, and that they are able to take a well-informed decision on investments being made.

Although the MFSA is investigating the manner in which a number of consumers have acquired bonds, shares and other financial instruments issued by foreign financial institutions, such as Lehman Brothers Holdings Inc. and/or its subsidiaries, and other financial products issued by other foreign entities, the MFSA is, however, unable to provide a remedy simply because a financial instrument provides a lesser return than the one expected due to reasons such as an ongoing crisis in financial markets or the bankruptcy of the providers of such financial instruments or products. A remedy can only be provided in case of a breach of regulations such as the mis-selling of the financial product involved.

From investigations carried out so far at the specific request of a number of consumers, it does not transpire that persons selling these financial products to local investors have done so in contravention of any law or regulation. However, should it result that unwarranted pressure was applied on the buyer of any particular product or that any

financial intermediary has sold any products that are not suitable for an investor, the MFSA would take the appropriate steps against the particular intermediary. Every case submitted to the MFSA is examined on its merits and without prejudice to any legal remedy that the investor may have against the relevant financial intermediary.

The MFSA would like to remind the public that the financial crisis that has hit many financial and economic markets around the world is an extraordinary event and that, for example, securities such as those issued by Lehman Brothers had a very high credit rating, even up to a few days before the institution was declared bankrupt.

The public is also advised to fully understand the products they are investing in and to read all the documentation carefully. Consumers should not rely solely on attractive rates of return in advertisements, booklets or hear from friends and neighbours. They should weigh carefully the nature of the investment and to what extent the capital or the potential return is being guaranteed. Consumers are also advised that it is always safer to diversify investments intelligently, rather than investing all savings in one product.

Notwithstanding this, the MFSA, through the Consumer Complaints Manager, will continue investigating all complaints received from private consumers that derive from or are related to any financial service activity, including investment instruments issued by any bank or other institution, and to verify whether such an investment was made according to the legal provisions in force.

The Consumer Complaints Unit can be contacted as follows:

- Website at www.mfsa.com.mt/consumer, e-mail consumerinfo@mfsa.com.mt
- Telephone during office hours: 8007 4924 (*Freephone*) or 21 44 11 55 and Fax: 21 44 1189
- By letter to: **The Consumer Complaints Unit**
Malta Financial Services Authority, Notabile Road, Attard BKR3000

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