

MFSA

MALTA FINANCIAL SERVICES AUTHORITY

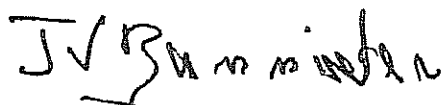
Investments by Credit and Financial Institutions in companies authorised to carry on general insurance business

The Government policy regarding the participation of credit and financial institutions in companies authorised to carry on general insurance business has been further revised.

Credit and financial institutions can now acquire or hold a direct or an indirect investment which does not exceed 35% of the share capital of a general insurance company which is authorised to carry on general insurance business, subject to regulatory approval in accordance with the provisions of the Banking Act and the Financial Institutions Act, as applicable. Such an investment shall not entail any direct or indirect control by the credit or financial institution over the general insurance company, and is subject to the following regulatory requirements:

1. the aggregate investment both on a solo or group consolidated basis of a credit institution in companies carrying on general insurance business (considered as a connected group by sector) shall not exceed the limit of 15% of the own funds of the investing credit institution;
2. In the case of a financial institution which is not a subsidiary of a credit institution, and therefore not captured by the requirement in 1 above, the aggregate exposure by way of investment in insurance companies carrying on general insurance business will still be limited to 15% of the own funds of the investing financial institution notwithstanding the limit established for such institutions in Paragraph 18(b) of the Financial Institutions Directive (FID/02) in applying the Large Exposures Banking Rule (BR/02).

Credit and financial institutions are advised to discuss their intentions to enter into any proposed investments in insurance business with the MFSA *prior* to entering into any investment commitment of this nature.



Professor Joseph V. Bannister
Chairman
Malta Financial Services Authority

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