

MFSA Newsletter

February 2015

MFSA
MALTA FINANCIAL SERVICES AUTHORITY

Inside this issue:

Training for Directors of Investment Companies and Investment Funds

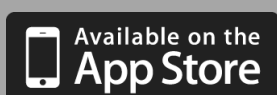
A Kaleidoscope of Evolving Regulation

Malta as a growing insurance location

Economic and Market Report

NAV of Malta Domiciled CISs

MFSA Announcements



Training for Directors of Investment Companies and Investment Funds

The Malta Financial Services Authority (MFSA) and Directors Chambers held a continuing professional development course for directors of investment companies and investment funds on February 16 and 17th.

The MFSA sponsors a rotating series of these courses for directors from the funds, banking, and insurance industries. The funds course included three speakers from the MFSA: Chairman Professor Joe Bannister, Director General Ms. Marianne Scicluna, and Director Authorisation Unit, Ms. Angele Grech.



MFSA Director General addressing participants

The course was arranged in cooperation with Directors Chambers of Malta, a company promoting proper fund governance and professional standards for independent directors.

The course featured international speakers from the funds industry discussing the latest developments about key topics for directors in 2015. Speakers travelled to Malta from London, Dublin, New York and San Francisco.

Dermot Butler, President of Custom House Global Fund Services, and Simon Osborn, Chief Executive Officer of IFI Global, discussed principles of proper corporate governance. Both talks included reviews of historical challenges and current expectations of investors.

Joe Vittoria, Chief Executive Officer of Mirabella Financial Services and Director of Cordium Malta, and Dr. Bob Swarup, author of Money Mania: Booms, Panics, and Busts from Ancient Rome to the Great Meltdown and principal of Camdor Global, discussed risk management. Risk management is an important issue in the European Union since the Alternative Investment Fund Managers Directive (AIFMD) requires managers to have an independent risk management function.

John Donohoe, Chief Executive Officer of Carne Global Financial Services, Peter Astleford, partner at Dechert, and David Larsen, Managing Director of Duff & Phelps, discussed fund administration, custody/depositary, prime brokerage, and valuation issues, mostly regarding the AIFMD.

Steven Huttler, partner at Sadis Goldberg, and Marie Barber, Managing Director of Kinetic Partners, discussed United States issues relevant to directors in Malta. Mr. Huttler talked about the need for certain United States investors to use foreign domiciles and Ms. Barber explained the Foreign Account Tax Compliance Act (FATCA).

The presentations from all international speakers can be viewed on the [MFSA Website](#).

MFSA Chairman Prof. Joe Bannister commented on the event, "We achieved our goal of keeping the director community in Malta up-to-date on important industry issues. Since all of the speakers and some of the attendees represented influential international firms, Malta could see increased interest from international sponsors seeking a safe and competitive investment management and fund domicile from which they can serve both European and non-European clients."

The MFSA has also published a [Corporate Governance Manual](#) for Directors of Investment Companies and Collective Investment Schemes.

Embedding Innovation – A Kaleidoscope of Evolving Regulation

Captive Review's Malta Insurance Report 2015 features an extensive article by Angele Grech, Director, Authorisation Unit, Malta Financial Services Authority, on recent regulatory developments in financial regulation.

Ms Grech argues that financial regulation is designed to achieve key policy goals among which are the safety and soundness of financial institutions, the mitigation of systemic risk, the fairness and efficiency of markets and the protection of the consumer and investor. These goals, which are clearly essential, do not take into account an additional factor that has come to be regarded as critical in any well-functioning regulatory system – achieving regulatory efficiency and cost effectiveness.

The current challenge faced by financial services regulators is to establish and maintain a regulatory framework of high standards and achieve the above mentioned policy goals, and to concurrently create the space for market players to innovate, adjust and flourish to meet changing consumer needs. The approach is geared to positively shape a market that offers consumers alternative choices, products which meet their needs and are delivered in a way which blends in with their lifestyle.

Against this backdrop, the Malta Financial Services Authority (MFSA) is committed to support regulatory innovation. The MFSA operates through a prudent, dynamic and proactive regulatory framework which is based on high standards and promotes sustainable and inclusive growth. The MFSA embraces a culture which values open communication with stakeholders and constantly reviews the delivery of the regulatory framework. The MFSA is responsive to the requirements of existing licence holders, mindful of potential new entrants joining the market and cognisant of new operating models which have transformed established markets.

Regulatory innovation, concludes Dr Grech, is set to continue throughout 2015 and beyond and this will translate into further challenges and opportunities for insurers. The MFSA is committed to enhance sustainability, support stronger governance and promote full transparency. And equally, it will continue to listen and engage with stakeholders to introduce more regulatory innovation to the benefit of market players. The commitment to foster regulatory innovation is continuous.

The full article is available through the [MFSA website](#).

Reactions features Malta as a growing insurance sector location

This month's edition of Reactions, a leading international reinsurance magazine, looked at Malta's main selling points, and discussed with MFSA Chairman Prof Joe Bannister the latest development in the sector.

Reactions notes that Malta hosts around 60 licensed re-insurance companies in Malta. Of these, 10 are captives and 11 protected cell companies (PCCs) which may be used for reinsurance, insurance and captive business. These PCCs between them host 27 cells.

Commenting on impending reforms in this sector, particularly in association with Solvency II, Prof Bannister noted that the Malta Financial Services Authority (MFSA) engages with licence holders on an ongoing basis to assist in the preparation for the implementation of Solvency II through workshops, ad-hoc compliance visits or face to face meetings with directors and senior officials of licensed entities: "Broadly speaking the insurance market in Malta is on track to implement Solvency II by January 2016 and insurers are consistently seeking to improve the effectiveness of their risk management, controls, people and systems. Work to assist in the implementation across all three pillars continues."

Companies in Malta face the same challenges as their European counterparts and are working towards implementing Solvency II interim measures as well as keeping the 2016 deadline in their sights to ensure compliance across all three pillars. Reactions noted that the MFSA has seen an increased interest in PCC structures which provide flexibility, speedier set ups and cost effective solutions while being fully compliant with the Solvency II regulatory regime.

Asked about the strength of the Maltese jurisdiction, MFSA Chairman Prof Joe Bannister noted that "Malta believes in having a robust regulatory regime and a strong due diligence process. There is no policy of numbers and in fact we are quite selective in the licensing process. We believe in being pro-active not only in having regular direct contact with promoters and operators but also in developing innovative regulations compliant with the EU legislative framework. There are certain unique features in our insurance legislation, these include redomiciliation and the cell concept which has been extended from the original Protected Cell Company to include the RSPV and the SCC."

Economic and Market Report

The international economic situation over the last year was dominated by geopolitical tensions, weak economic activity, slow-down in global output, and unfavourable business and consumer confidence. The disinflationary trend continued to persist during the year remaining well below the ECB's target of close to but below two per cent. This called for the activation of unconventional monetary policy measures on the part of the ECB in order to ensure price stability and to stimulate growth over the medium term. Fiscal consolidation within the Euro Area continued in its stride with general government debt expected to diminish over the forecasted horizon. Conversely, general government gross debt continued to accumulate albeit at a slower pace than that registered during previous years. The labour market registered marginal improvements in certain member states nevertheless divergence in this regard continued to widen accompanied by ongoing high levels of unemployment especially amongst youths. The economic and market outlook for 2015 is expected to be significantly influenced by the downward trend in oil prices, the initial effects emanating from the Quantitative Easing programme launched by the ECB, the euro currency depreciation against other currencies, and the mobilisation of investment projects through the EU Investment Plan 2015-2017, amongst other factors.

In Malta, the downward price pressures exerted by the reduction in household utility tariffs and weak price pressures originating from foreign economies continued to push inflation lower. Unemployment remained low in Malta compared to that registered by other member states, and increased female participation continued to be the main driver for employment growth.

As acknowledged in the Concluding Statement of the IMF 2014 Article IV Mission and the European Commission's 2015 Winter Economic Forecast report, Malta remained one of the fastest growing economies in the Euro Area and is expected to register strong economic growth in the forecasted horizon. General government deficit is expected to decline further in conjunction with an anticipated narrowing of the debt-to-GDP ratio.

The financial services sector continued to expand during the year within a robust regulatory regime. Developments in the EU financial services landscape continued to shape the dynamics of the sector in terms of tightened regulatory framework, stronger supervision, additional consumer protection and further supervisory reforms.

Further insights on the economic performance and outlook for Malta and the Euro Area may be found in the seventh issue of the Economic and Market Overview published on the MFSA website. The report also contains an overview of key regulatory and supervisory developments in 2014. These include the banking sector reform, the banking comprehensive assessment and the insurance stress test. An overview of the key elements underlining the performance of the EU financial system is presented in the report. The full version of the Economic and Market Overview may be accessed from the MFSA website www.mfsa.com.mt under Publications.

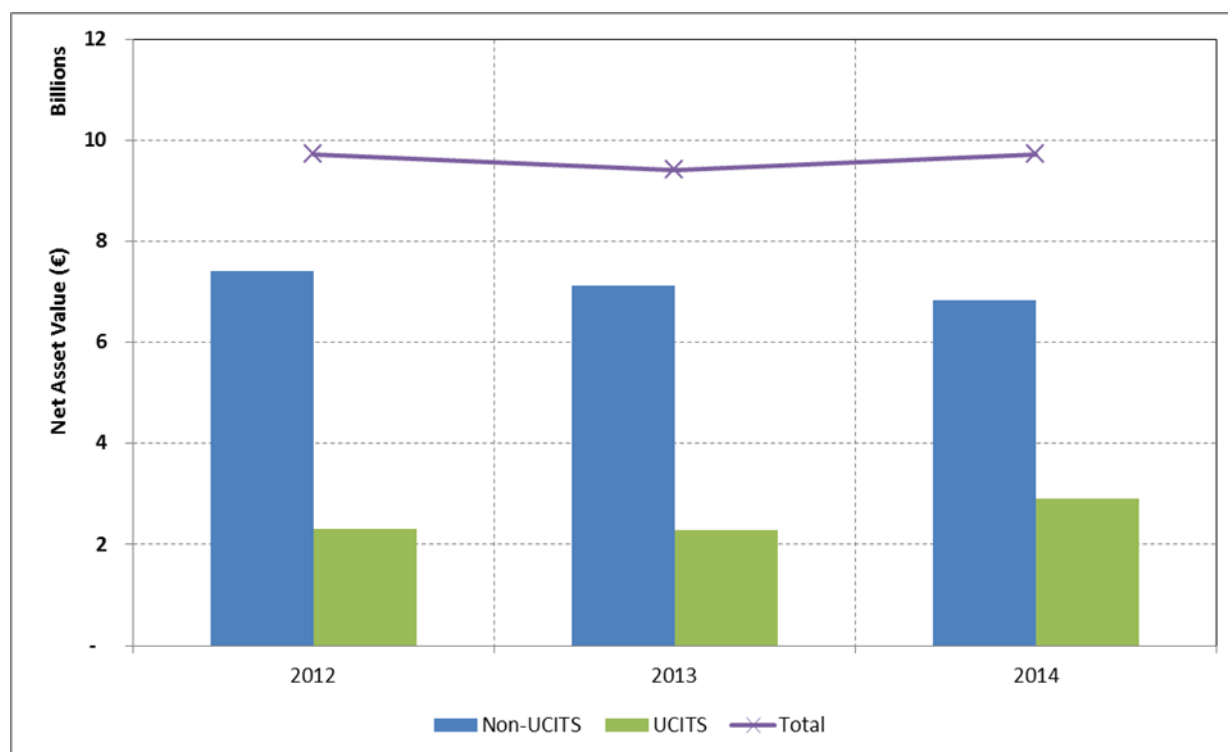
The net asset value of Malta domiciled funds touched €9.7 billion at the end of 2014, up by over €0.3 billion or 3.3 percent from the previous year. This represents almost the same level reached at the end of 2012. Diversified funds remained the most popular with investors, experiencing a share of 46 percent of the total net assets in 2014. Equity funds and bond funds followed at 23.2 percent and 15.9 percent respectively.

Net Asset Value of Malta Domiciled Collective Investment Schemes

In 2014, mixed funds attracted the largest net inflows with almost €122 million, followed by bond funds and diversified funds at €105 million and €101 million respectively. Net assets in equity funds went up by 3.5 percent, or €76 million, when compared to the previous year despite the uncertain economic environment throughout the year.

In contrast, hedge funds and money market funds suffered net outflows of €118.5 million and €23.8 million respectively in 2014.

Net asset value of Malta domiciled funds (2012 – 2014)



Source: Malta Financial Services Authority.

Net assets in Non-UCITS funds totalled €6.8 billion at the end of 2014, 4.2 percent less when compared with the previous end year. In contrast, the net asset value of UCITS funds expanded by 26.6 percent over the period 2013 – 2014, to stand at €2.9 billion at the end of 2014.

The MFSA NAV Report for December 2014 may be accessed through the following link: <http://goo.gl/fdxVb9>

European Supervisory Authorities Press Releases issued during February 2015

European Securities and Markets Authority (ESMA)



25/02/2015 - [ESMA publishes peer review on best execution under MiFID](#)

MFSA Licences - January 2014

NEW LICENCES

Collective Investment Schemes

Professional Investor Funds targeting Qualifying Investors

- Collective Investment Scheme license issued to **Shannonside Capital SICAV plc** in respect of one sub-fund.
- Collective Investment Scheme license issued to **Monte Rosa SICAV plc** in respect of one sub-fund.
- Collective Investment Scheme license issued to **Meridon Funds SICAV plc** in respect of one sub-fund.
- Collective Investment Scheme license issued to **Pilatus SICAV plc** in respect of one sub-fund.

Alternative Investor Funds targeting Professional Investors

- Collective Investment Scheme license issued to **NOVIA Funds SICAV plc** in respect of one sub-fund.

Investment Services

AIFMs

- Category 2 licence issued to **NOVIA Management Limited**.

Company Service Providers

- Registration certificate issued to **GA Corporate Limited**.
- Registration certificate issued to **BTI Management Limited**.
- Registration certificate issued to **Contact Advisory Services Limited**.
- Registration certificate issued to **Osiris Corporate Services Limited**.

SURRENDERED LICENCES

Collective Investment Schemes

Professional Investor Funds targeting Qualifying Investors

- Surrender of licences issued to **Innocap Fund SICAV plc** in respect of nine sub-funds.
- Surrender of licences issued to **NBCG Fund SICAV plc** in respect of fourteen sub-funds.
- Surrender of licences issued to **CAM Fund Series SICAV plc** in respect of three sub-funds.
- Surrender of licence issued to **FMG Funds SICAV plc** in respect of one sub-fund.

Insurance

Insurance Undertaking

- Surrender of licence issued to **Bluebird Reinsurance (Europe) Limited**.

Trustees and Fiduciaries

- Surrender of licence issued to **Medfinco Limited**.

EXTENDED AND REVISED LICENCES**Collective Investment Schemes***AIFs*

- Licence issued to **FK Capital Management SICAV plc** was converted from PIF to AIF scheme.

Insurance*Insurance Undertaking*

- Extension of authorisation issued to **QIC Europe Limited** to carry on business of insurance in two additional classes of the general business.

Investment Services*AIFMs*

- Revision of licence issued to **Prestige Capital Management Limited** to act as a full Alternative Investment Fund Manager.
- Revision of licence issued to **Gamma Capital Markets Limited** to act as a full Alternative Investment Fund Manager.

De Minimis AIFM

- Revision of licence issued to **Alpha Value Management Limited** to act as De Minimis AIFM.

Trustees and Fiduciaries

- Extension issued to **Sovereign Trust (Malta) Limited** to act as an administrator of private foundations.

Registry of Companies - New Registrations - January 2015

Companies	Partnerships	Total
441	6	447

MFSA Announcements

MFSA Circulars

- 04/02/2015 - [Circular to the financial services industry on the issue of the PRIIPS Regulation](#)
- 06/02/2015 - [Circular to the financial services industry on the Third Credit Rating Agencies Legislative Package](#)
- 06/02/2015 - [Update on the Technical Advice Final Paper published by the European Securities and Markets Authority \(ESMA\)](#)
- 16/02/2015 - [Notice to Financial Services Licence Holders - MONEYVAL public statement concerning Bosnia and Herzegovina](#)
- 17/02/2015 - [Circular to Enrolled Persons carrying on Insurance Intermediaries Activities](#)
- 23/02/2015 - [Circular to registered persons, schemes or funds currently registered in terms of the Special Funds \(Regulation\) Act](#)
- 26/02/2015 - [Notice to Financial Services Licence Holders - Amendments to the Prevention of Money Laundering Act](#)

MFSA Consultation

Consultation Papers and Documents

- 12/02/2015 - [Proposals for Amendment of Insurance Rule 32 of 2014](#)

MFSA Warnings

- 16/02/2015 - [Zenith Funds Ltd - http://www.zenithfunds.com/](http://www.zenithfunds.com/)

Foreign warnings received by MFSA can be viewed on [MFSA Website / Announcements / Warnings](#)

Forthcoming Events

**MALTA INTERNATIONAL
RISK CONGRESS 2015****1-2 JUNE, 2015**
HILTON, MALTA**4-7 October 2015 - [FERMA Risk Management Forum 2015](#)**
[\(Venice\)](#)

Training by members of the ECC:

- [Malta International Training Centre](#)
- [Malta Institute of Accountants](#)
- [Institute of Financial Services](#)
- [Institute of Legal Studies](#)
- [Institute of Financial Services Practitioners](#)
- [Malta Institute of Management](#)
- [Castille Institute](#)
- [PricewaterhouseCoopers](#)



You can keep up-to-date on our news and regulatory developments by regularly visiting our [website](#) or by subscribing to our [RSS feeds](#).

Notabile Road, Attard BKR 3000, Malta

Phone: +356 21 44 11 55; Fax: +356 21 44 11 89

www.mfsa.com.mt registry.mfsa.com.mt mymoneybox.mfsa.com.mt www.careersinfinance.mfsa.com.mt