

# MFSA Newsletter

May 2015

MFSA

MALTA FINANCIAL SERVICES AUTHORITY

## MFSA publishes Annual Report for 2014

### Inside this issue:

**MFSA Annual Report 2014**

**MFSA approves Italo SICAV as Loan Fund**

**Consultation Procedure : Conduct of Business Rulebook – Extension of Deadline**

**Industry Updates**

**European Supervisory Authorities Press Releases**

**MFSA Licences - April 2015**

**MFSA Announcements**

**Forthcoming Events**



During 2014 the finance industry in Malta continued to grow and experience high levels of activity and business flow. This emerged from data published by the Malta Financial Services Authority in its Annual Report for 2014, tabled in Parliament yesterday by the Minister for Finance, Professor Edward Scicluna.

Introducing the report, MFSA Chairman Prof Bannister remarked that a key foundation to this renewed success was the Authority's effort towards innovation: "As a country we approach innovation in financial services in a steady, thoughtful, considered and measured way. It is innovation that builds on a sound base of legislation, proven regulation, deep market and product knowledge and well-researched information that gives confidence to consumers, providers and regulators."

Prof Bannister noted how the MFSA's "track record of innovation has helped the industry open up new markets, find more productive ways to utilise capital, widened the range of products available to retail and professional customers and stimulated competition in price, service delivery and product features and benefits."

The Annual Report shows how Malta's financial services sector continued to contribute to economic growth. New licences were issued by the MFSA notably in the payment services, electronic money and in the alternative investment management sectors. New employment opportunities in financial services continued to grow not only within the direct financial intermediation segment but also in other related professionals' services activities. The World Economic Forum's Global Competitive Index 2014-2015 once again gave Malta a high ranking with respect to financial market developments. In this regard, the soundness of banks improved by a further four

points placing Malta in 10th position among 144 countries.

2014 was a very challenging year for the Authority, particularly following the establishment of the Single Supervisory Mechanism (SSM) in November 2014, of which the MFSA is an integral part. The SSM aims to ensure the safety and soundness of the European Banking system, increase financial integration and stability and ensure consistent supervision.

The Authority also led a large range of legislative changes and enhancements for the tabling to Parliament in 2015. The purpose of the changes vary and include competitiveness measures, improving consumer protection, risk management evaluation and the quality of risk management and governance systems. The latter will greatly strengthen the responsibility of individuals and boards for the proper management of financial organisations. Other legislative actions will affect financial markets and instruments and market abuse measures, credit rating agencies and will see the implementation of EU companies' registry requirements.

The MFSA has steadily and carefully been managing the very big changes that the post-crash EU financial regulation and supervision regime has brought. In 2015 the MFSA will embark on yet another series of profound changes in the way the MFSA is organised particularly with the introduction of a Conduct of Business supervisory regime separate from the prudential one.

The Chairman also highlighted the MFSA's efforts at putting the consumer further into the centre of its operations. Consequently, the MFSA will set out to establish five key pillars of consumer protection reform in 2015. These include an enhanced institutional framework, an improved regulatory framework, stronger implementation, strengthened enforcement and support for other structures, such as the Financial Services Arbitrator.

Looking forward, Prof Bannister expressed his belief that the sector will continue to grow. "We can expect further inward investment as Malta consolidates its position as a jurisdiction rooted in the EU and increasingly finds new opportunities in global markets." The Report may be downloaded from: <http://goo.gl/BbS6se>



## MFSA approves Italo SICAV as Loan Fund

A Collective Investment Scheme licence was issued to Italo SICAV plc on 18th May 2015. The licence was issued in respect of the Scheme's first sub-fund, the Sentinel Fund, in accordance with the Standard Licence Conditions applicable to Collective Investment Schemes authorised to Invest through Loans (the "Loan Fund Rules").

The Scheme is the first Loan Fund to be established as an Alternative Investment Fund targeting professional investors in terms of article 6 of the Investment Services Act 1994 and will be managed by Gamma Capital Markets Limited in compliance with Alternative Investment Fund Managers Directive ("AIFMD"). The Fund's Investment Advisor is CNF Finanziaria SpA whilst the Master Servicer is Credit Network & Finance SRL.

Loan Funds are closed ended funds that are subject to special conditions to safeguard against risks to the financial system. They may originate loans to unlisted companies and SMEs and may also acquire loan portfolios but are restricted from lending to financial institutions and individuals. The Loan Fund Rules moreover do not allow leverage or the reuse of collateral while redemptions are only allowed under exceptional circumstances. Loan funds are also subject to specific competence, liquidity and disclosure requirements. The Loan Fund Rules were published by MFSA in April 2014.

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## Consultation Procedure : Conduct of Business Rulebook – Extension of Deadline

Reference is made to the *"Consultation document relating to creation of a proposed Conduct of Business Rulebook"* ([Ref.04/2015](#)) which was issued by the MFSA for consultation on 6<sup>th</sup> May 2015. This consultation procedure follows the previous consultation undertaken by the MFSA regarding the *"Proposed Conduct of Business Rules for the Enhanced Protection of Customers in Investment Services"* ([Ref.03/2014](#)) which was issued by the MFSA for consultation on 27<sup>th</sup> January 2014.

As indicated in the consultation procedure in relation to the proposed Conduct of Business Rulebook, the Rulebook is addressed to persons licensed under the Investment Services Act (excluding custodians) and to persons carrying on insurance activities in terms of the Insurance Business Act or the Insurance Intermediaries Act (insurance undertakings and insurance intermediaries), and individuals who work with or advise such entities, as well as persons licensed as credit institutions under the Banking which sell or advise clients in relation to structured deposits, where applicable. The Rulebook is aimed at setting out the regulatory requirements of regulated persons insofar as their conduct vis-à-vis their clients is concerned.

The proposed Conduct of Business Rulebook will deal with a number of matters, namely the following:

1. Client Disclosures and Reporting
2. Product Governance
3. Conflicts of Interest
4. Selling Process and Practices
5. Contractual Agreement with Retail Clients
6. Execution of clients' orders
7. Governance of Regulated persons

The consultation procedure in relation to the proposed Conduct of Business Rulebook will take place over two phases. Through the issuance of the consultation document on 6 May 2015, the MFSA has entered into the first phase of this consultation procedure which tackles the first three topics:

(1) Client Disclosures and Reporting; (2) Product Governance; and (3) Conflicts of Interest.

This consultation document is aimed at obtaining the industry's views on the regulatory approaches which the MFSA is proposing to adopt in relation to specific areas as well as any comments or feedback in relation to the above-mentioned three topics. The second consultation document addressing the remaining topics, will also be issued by the MFSA in due course.

The attention of the industry is drawn to the deadline for submission of feedback which was originally set to 13 June 2015. In this respect, the Authority wishes to advise that the period of consultation has been extended to 10 July 2015. In this respect,

interested parties are kindly requested to submit any comments which they may have in relation to these proposed amendments, in writing, on [csu@mfsa.com.mt](mailto:csu@mfsa.com.mt).

Furthermore, the MFSa also wishes to inform the industry that in June it shall be organising an Industry Update for industry players in order to provide further guidance and clarifications as may be required. Further details in relation to this Industry Update will be announced in due course. Industry players are strongly encouraged to provide their feedback to this consultation document within the stipulated timeframe.

## Industry Updates

### European Markets Infrastructure Regulation ('EMIR')

#### *Updates on the obligations to report to Trade Repositories and the requirement to clear through CCPs*

#### Question and Answers on the Implementation of EMIR

On the 27<sup>th</sup> April, 2015 the European Securities and Markets Authority ('ESMA') issued an updated Q&A on the implementation of EMIR. This Q&A is the 13<sup>th</sup> version which ESMA has published.

This update relates to the second level of the EMIR validation specifications to be commonly applied by all Trade Repositories ('TRs') to ensure that the Reporting Obligation in terms of Article 9 is performed according to the EMIR regime.

The validation specifications involve verifying that the values reported in the fields comply with the format and content rules set out in the technical standards on reporting<sup>[1]</sup>. Users reporting through TRs are now expected to come across rejection notifications which are triggered when failing to comply with the requirements listed under the aforementioned technical standards. This is a key step for achieving better data quality as a rejected report will indicate which fields need to be corrected because of not being reported in compliance with EMIR, therefore allowing counterparties to improve their reporting.

The validation controls that TRs will put in place are based on the original rules specified in the EMIR technical standards which were published on the 19<sup>th</sup> December, 2012 and entered into force on the 12<sup>th</sup> February, 2014. No additional reporting requirements have been introduced.

In order to allow sufficient lead time to implement the second level validation, ESMA expects the TRs to be able to implement the validation by the end of October 2015.

A copy of the above-mentioned Q&A can be accessed by following this [link](#).

#### Technical Standard N° 4 on Central Clearing of Interest Rate Swaps

On the 11<sup>th</sup> May, ESMA opened a consultation to seek the views from stakeholders on proposed regulatory technical standards on the clearing of certain Interest Rate Swaps ('IRS').

This consultation paper is the fourth from a series of consultations relating to the clearing obligation as specified under EMIR. The prior three consultation papers focused on interest rate derivative classes, credit derivative classes, and foreign-exchange non-deliverable forward classes.

When reviewing this paper one would notice that explanations are provided on the draft regulatory technical standards establishing a clearing obligation on additional classes of OTC interest rate derivatives that were not included in the first RTS on the clearing obligation for interest rate swaps. The addition consists of the following classes:

1. Fixed-to-float interest rate swaps, denominated in:

- Czech Republic Koruna ('CZK')
- Danish Krone ('DKK')
- Hungarian Forint ('HUF')
- Norwegian Krone ('NOK')
- Swedish Krona ('SEK'); and
- Polish Zloty ('PLN').

2. Forward rate agreements, denominated in:

- Norwegian Krone ('NOK');
- Swedish Krona ('SEK'); and
- Polish Zloty ('PLN').

The consultation paper provides:

1. An overview of the clearing obligation procedure;
2. Clarifications on the structure of the classes of OTC interest rate derivatives that are proposed for the clearing obligation;
3. The determination of the classes of OTC derivatives that should be subject to mandatory clearing with an analysis of the relevant criteria;
4. The approach for the definition of the categories of counterparties and the proposals related to the dates from which the clearing obligation should apply per category of counterparties; and
5. Explanations on the definition of the minimum remaining maturities for the application of frontloading.

The input from stakeholders will help ESMA in finalising the relevant technical standards to be drafted and submitted to the European Commission for endorsement in the form of Commission Regulations. All contributions should be submitted online at [www.esma.europa.eu](http://www.esma.europa.eu) under the heading 'Your input - Consultations'. Please follow the instructions given in the document '[Reply form for the Consultation Paper on the Clearing Obligation under EMIR \(no.4\)](#)' also published on the ESMA website.

## Contacts

Should you have any queries on EMIR, please do not hesitate to contact: Mr Edward Grech, Analyst, Securities and Markets Supervision Unit ([egrech@mfsa.com.mt](mailto:egrech@mfsa.com.mt)) or Mr Nathan Fenech, Analyst, Securities and Markets Supervision Unit ([nfenech@mfsa.com.mt](mailto:nfenech@mfsa.com.mt)).

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<sup>[1]</sup> [Commission Delegated Regulation \(EU\) N° 148/2013](#)  
[Commission Implementing Regulation \(EU\) N° 1247/2012](#)

## European Supervisory Authorities Press Releases issued during May 2015

### European Securities and Markets Authority (ESMA)



22/05/2015 - [ESMA calls for modification of UCITS Directive](#)

13/05/2015 - [ESMA publishes updates to Q&As on the AIFMD application](#)

13/05/2015 - [ESAs publish responses to consultation on Guidelines for cross-selling practices](#)

12/05/2015 - [Joint Committee of ESAs publishes its recommendations on securitisation](#)

11/05/2015 - [ESMA consults on technical standard No 4 on central clearing of IRS](#)

06/05/2015 - [ESMA releases final guidelines clarifying the definition of commodity derivatives under MiFID](#)

05/05/2015 - [ESAs - main risks to EU financial market stability have intensified](#)

### European Banking Authority (EBA)



29/05/2015 - [EBA publishes guidelines on contributions and payment commitments to deposit guarantee scheme](#)

29/05/2015 - [EBA outlines its upcoming initiatives for the regulation of retail payments](#)

12/05/2015 - [EBA consults on technical standards on specialised lending exposures](#)

05/05/2015 - [EBA updates its monitoring of Additional Tier 1 capital instruments](#)

### European Insurance and Occupational Pensions Authority (EIOPA)

06/05/2015 - [EIOPA updates on preparation for Solvency II](#)



## MFSa Licences - April 2015

### NEW LICENCES

#### Banking

##### *Financial Institutions*

- Financial institution licence issued to **YSG Safe Processing Limited**.

#### Collective Investment Schemes

##### *Professional Investor Funds targeting Qualifying Investors*

- Collective Investment Scheme licence issued to **TEE Market Fund SICAV plc** in respect of one sub-fund.
- Collective Investment Scheme licence issued to **EICO Funds SICAV plc** in respect of one sub-fund.
- Collective Investment Scheme licence issued to **Open Door SICAV plc** in respect of one sub-fund.
- Collective Investment Scheme licences issued to **Royal Fund SICAV plc** in respect of two sub-funds.
- Collective Investment Scheme licence issued to **Bastion Wealth Strategies SICAV plc** in respect of one sub-funds.

##### *Professional Investor Funds targeting Experienced Investors*

- Collective Investment Scheme licence issued to **Strategica Funds SICAV plc** in respect of one sub-fund.
- Collective Investment Scheme licence issued to **Bastion Wealth Strategies SICAV plc** in respect of one sub-funds.

#### UCITS

- Collective Investment Scheme licence issued to **Provenance SICAV plc** in respect of one sub-fund.

##### *Incorporated Cells*

- Collective Investment Scheme licence issued to **MMG Opportunity Defensive IC SICAV plc**.

#### Investment Services

- Category 4B licence issued to **Alter Domus Fund Services (Malta) Limited**.

#### Insurance

##### *Insurance Undertakings*

- Licence issued to **PSA Insurance Europe Limited** to carry on business of insurance in three classes of the general business.
- Licence issued to **PSA Life Insurance Europe Limited** to carry on business of insurance in one class of the long term business.
- Licence issued to **Standard Re (Malta) Limited** to carry on business of reinsurance in two classes of the general business.

*Enrolment of Insurance Manager*

- **PSA Insurance Manager Limited** has been granted enrolment in the Managers List.

*Cells*

- Approval of **Northern Light Insurance Cell** as a cell of Jatco Insurance Brokers PCC Limited to carry on business of insurance.

**Trustees and Fiduciaries**

- Authorisation issued to **IG Trustee Ltd** to act as Trustee or co-Trustee in terms of Article 43 of the Trusts and Trustees Act.

**Company Service Providers**

- Registration certificate issued to **Valletta Fund Services Limited**.
- Registration certificate issued to **Avanzia Taxand Limited**.
- Registration certificate issued to **Sovereign (Malta) Limited**.
- Registration certificate issued to **Mann Made Malta Limited**.
- Registration certificate issued to **LGA International Limited**.

**SURRENDERED LICENCES****Collective Investment Schemes***Professional Investor funds targeting Qualifying Investors*

- Surrender of licence issued to **The Nascent Fund SICAV plc** in respect of one sub-fund.
- Surrender of licence issued to **Burren Global Arbitrage Opportunities Master Fund SICAV Limited**.

*Incorporated Cells*

- Surrender of licence issued to **Meliora Absolute Return Fund IC SICAV plc**.

**Investment Services**

- Surrender of Category 2 licence issued to **Vitesse Trading Limited**.
- Surrender of Category 2 licence issued to **Union Capital Management Limited**.

**REVISED LICENCES****Collective Investment Schemes**

- Licence issued to **Park Lane Capital SICAV plc** was converted from Professional Investor Fund to Alternative Investment Fund.

**Investment Services**

- Revision of licence issued to **AMAGIS Capital Management Limited** to act also as a UCITS management company.

**Registry of Companies - New Registrations - April 2015**

Companies	Partnerships	Total
538	10	548

## **MFSA Announcements**

### **MFSA Circulars**

- 29/05/2015 - [Circular to investment services licence holders on the Inclusion of Interim or Year-End Profits](#)
- 29/05/2015 - [Circular to the financial services industry on the European Markets Infrastructure Regulation \('EMIR'\) - Updates on the obligations to report to Trade Repositories and the requirement to clear through CCPs](#)
- 22/05/2015 - [Circular to the financial services industry on amendments to the Rules applicable to Collective Investment Schemes authorised to invest through loans](#)
- 19/05/2015 - [Circular on PIFs and AIFs](#)
- 18/05/2015 - [Circular addressed to the Financial Services Industry on the Application of the Calculation Methods of Capital Adequacy Requirements for Financial Conglomerates](#)
- 13/05/2015 - [Circular addressed to Persons Registered in terms of the Company Service Providers Act \(Cap. 529\)](#)
- 13/05/2015 - [Circular on the inclusion of Retained Earnings as part of Own Funds' Computation](#)

### **MFSA Consultation**

#### *Consultation Papers and Documents*

- 29/05/2015 - [Notice of extension of the consultation period in relation to the Proposed Conduct of Business Rulebook](#)
- 06/05/2015 - [Consultation Document relating to the creation of a proposed Conduct of Business Rulebook](#)

### **MFSA Warnings**

- 07/05/2015 - [Bank Invest Capital Ltd](#)
- 07/05/2015 - [GFS Securities Ltd](#)

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)

**24-26 November 2015** - [Commonwealth Business Forum 2015](#)



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](#)



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