

20 August 2019

Conduct of Business Rulebook Revisions

Reference is made to the Conduct of Business Rulebook ('Rulebook') originally issued by the Malta Financial Services Authority ('the Authority') on 20th December 2017. A copy of the revised Rulebook can be found on the Authority's website and accessed [here](#).

The changes carried out to the Rulebook are the following:

[i] Requirements Applicable to the Securities Sector

ESMA's Renewal of its restriction on the Marketing, Distribution or Sale of Contracts for Differences to retail investors

On 13th May 2019, the Authority issued a [Consultation](#) document relating to the product intervention measures the Authority proposed to implement in relation to Contracts for Differences in terms of Article 42(2) of Markets in Financial Instruments Regulation. The measures have been included in Part C, Section 1 of Chapter 4 of the Rulebook (on Sales and Selling Practices) as well as Part C, Section 2 of Chapter 1 of the Rulebook (Disclosures). A definition of 'Contracts for Differences' has also been included in the Glossary. These measures shall be applicable as from 11th August 2019.

[ii] Requirements Applicable to Insurance Undertakings and/or Intermediaries

The Conduct of Business Rulebook has been amended to include certain conduct of business requirements which were previously included in Chapter 12 of the Insurance Rules.

Summary of Amendments

The below table summarises the amendments made:

Definitions/Glossary Section	Definitions of 'Contracts for Differences', 'Excluded Non-Monetary Benefit', 'Initial Margin', 'Margin Close-out Protection', 'Negative Balance Protection' added in the Definitions/Glossary section.
Part C, Section 2, Chapter 1	Rules 1.2.68 to 1.2.77 have been included in Section 2 of Chapter 1 introducing requirements applicable to investment firms who market, distribute or sell contracts for differences to retail clients in or from Malta.

Section 4, Chapter 1	Rule 1.4.27 has been amended to include the disclosure requirement provided in the previous Rule 12.2.10 of Chapter 12 of Insurance Rules.
Part F, Section 4, Chapter 1	New Rules 1.4.112 and 1.4.113 were added and Rule R.1.4.111 amended in order to be in line with the requirements of Solvency II Directive as applicable to the insurance sector.
Part C, Section 1, Chapter 4	Rules 4.1.42 to 4.1.45 added to provide the circumstances where the marketing, distribution or sale of CFDs to retail clients is restricted. The Rules also set the requirements for slippage parameters, use of expert advisors and record keeping.

Contacts

Any queries or requests for clarifications on the contents of this Circular should be addressed to Conduct Supervision on financialpromotion@mfsa.com.mt.