

RULES ON EQUITY RELEASE FINANCIAL PRODUCTS

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Closing Date: 10th September 2019

1.0 Introduction

In April 2019, the Authority had informed the general public that it was working on the regulatory framework that needs to be in place for it to regulate the Equity Release Financial Products ('Equity Release' or 'product'). The MFS A has been appointed as the Competent Authority for the supervision of Equity Release.

The Equity Release Financial Products Regulations, 2019 (L.N. 193 of 2019) has now been published and will be in force as from the 1st of September 2019. The purpose of the Equity Release Financial Products Regulations ('Regulations') is to regulate this product which provides a solution for the elderly enabling them to enjoy their retirement in their own home whilst releasing part of the equity built over the years in such home. These Regulations cover amongst other things, the Obligations of the Creditor towards the Consumer; ex-ante information to be provided by the Creditor to the Consumers and the Rights of the Consumers when entering into an Equity Release transaction. For the purposes of the Regulations, reference to Consumers shall mean any individual who has attained pension age as defined in the Social Security Act.

Given that such product shall target pensioners and these consumers are deemed to be vulnerable people, the Authority shall have specific conduct of business rules ('Rules') on Equity Release with the objective being to protect the interest of these consumers.

These Rules shall be applicable to credit and financial institutions offering this product to Consumers and will include requirements on disclosures; sales practices; complaints handling, record keeping and Registration Requirements.

To note that these Rules are product specific i.e. focus on the Equity Release Financial Products and therefore credit and financial institutions are still required to comply with any other applicable Prudential and Conduct related Rules.

2.0 Scope and purpose of the Consultation

The Authority is hereby issuing this Consultation Document to the public to allow stakeholders especially credit and financial institutions to comment, make suggestions and provide feedback in relation to Chapter 1 of the Rules on Equity Release Financial Products. Furthermore, the Draft Chapters focusing on Ongoing Obligations applicable to credit and financial institutions offering equity release shall be issued for consultation in due course. Furthermore, there is the intention to impose a registration and ongoing supervisory fee for institutions offering this product.

3.0 Chapter 1 of the Rules : Registration requirements

Credit and Financial institutions ['institution'] licensed in terms of the Banking Act, 1994 or Financial Institutions Act, 1994 respectively, providing, or holding itself out as providing, Equity Release Financial Products need to register with the Authority.

Furthermore, the institution shall propose an individual who shall be responsible for the provision of Equity Release and the direct management or supervision of employees who are directly engaged in such activity.

For this purpose, such employees shall report directly to this individual in respect of matters relating to the distribution of Equity Release.

Chapter 1 also goes into the knowledge and experience requirements for staff offering Equity Release to consumers. Once approved, such individual will be included in the relevant list, which shall be made public.

4.0 Amendments to the Banking Act, 1994 and Financial Institutions Act, 1994

In order for the Authority to have the statutory powers to issue Rules in respect of Equity Release Financial Products, a new provision has been included in Article 3 of the Banking Act as well as Article 12 of the Financial Institutions Act.

5.0 Consultation period

This Consultation is open to the public until **10th September 2019**. Industry participants and interested parties are invited to send their responses via email to equityrelease@mfsa.com.mt.