

13 March 2020

## Circular on Contingency Planning in light of COVID-19 (coronavirus)

*This circular is addressed to all licensed entities falling within the scope of the Securities & Markets Supervision function.*

The recent outbreak of COVID-19 (Coronavirus) has already had a negative impact on the global financial sector in numerous ways. As a result, the MFSA expects that its licensed holders take into consideration how they may be impacted by such an outbreak and that business continuity and contingency plans are in place to deal with major events such as this.

### **Business Continuity Plan (“BCP”)**

Investment Firms, Custodians, Fund Managers and Collective Investment Schemes (collectively referred to as “Licence Holders”) are required to have in place a Business Continuity Process, specifically a Business Continuity Plan, which is the management process to ensure the continuity of businesses and shall define the advance planning and preparations that are required to minimise loss and guarantee continuity of the fundamental business functions of the Licence Holder in case of a disruption and inability to access the offices physically. In this respect, the Licence Holder shall make sure that the BCP is in place to cover the above and a formal manual which is made available for reference to all the Licence Holder’s personnel.

We trust that Licence Holders already have in place all the necessary processes and procedures to allow for continuity of its business. In this respect, it is strongly recommended that such a BCP is reviewed and properly tested for its preparedness on any possible actions required to be taken to minimise any potential adverse effects of the spread of COVID-19.

In this respect, you are also encouraged to review your BCPs regarding communicating with customers and investors to ensure that communication disruptions are avoided, in particular in the case of significant market disruptions.

In view of the circumstances that we are in and possible changes in operations, it is recommended that BCPs are updated and communicated to stakeholders and employees. As a minimum disclosure on contingencies shall be provided in writing at account opening stage and posted on the Licence Holder’s website. Any Licence Holder which does not have adequate contingency plans in place or discovers issues during testing of such plans is requested to inform the Authority immediately.

### **Requirement to hold physical Board Meetings**

Licence Holders obliged to hold physical Board Meetings in terms of applicable rules and regulations will be expected to convene meetings with the same prescriptive frequency and to conduct such meetings by way of tele or video conferencing, minuting the discussions held during the Board Meeting as well as the rationale for holding the meeting via conference calls.

## Communicating with Clients and Investors

Licence Holders may experience significantly increased customer call volumes or online account usage during a pandemic as a result of market movements. This may cause temporary operational challenges. In the case where services to clients become temporarily unavailable, Licence Holders are encouraged to upload a notice on their website providing alternative contact points and ongoing updates on how clients can access their accounts. Furthermore, the Licence Holder should consider risks that may arise in the case of an inability to communicate with clients in order to mitigate the risk of lack of communication.

In consideration of the recent developments, Investment Firms are still required to comply with the relevant conduct of business requirements in particular to provide investors with comprehensive and factual information on the current scenario in providing investment advice. At all times, Licence Holders are obliged to disclose all possible risks pertaining investments in such a scenario. Due consideration should also be paid prior to offering, recommending, arranging or providing a product. A regulated person must provide a client with information on the potential effects of volatility in price and fluctuation in interest rates, and/or movement in exchange rates on the value of the investment.

## Use of Algorithmic Trading

Any Licence Holders making use of computer-driven algorithmic trading systems and preset orders are expected to have measures and procedures in place to ensure that the computerized automatically executed trades based on pre-programmed instructions are switched-off to prevent unnecessary disruptions to ensure that the market integrity is maintained and to avoid adverse implications on investors.

## Cyber Security

Licence Holders should consider a potential increase in the risk of cyber-attacks due to use of remote working systems and back-up sites. All necessary steps and measures should be taken in order to protect the Licence Holder's contingency work plan from being adversely impacted by such cyber-attacks.

## Unlawful Disclosure of Inside Information and Insider Dealing

In view of the surrounding circumstances explained above, it is imperative that Investment Firms take the necessary measures to prevent unlawful disclosure of inside information and/ or insider dealing. Any inside information should be made public in a manner that enables fast access, is complete and can be properly and timely accessed by the public.

For further guidance in this regard, Licence Holders are also requested to refer to the recent [recommendations made by the European Securities & Markets Authority \("ESMA"\)](#).

Licence Holders are kindly also requested to refer to the announcement made by the Authority regarding [measures to safeguard the well-being of MFSA employees and external stakeholders](#). It is further recommended that Licence Holders keep themselves informed of any further guidance which the Authority may issue in relation to the current matters at hand.