

7 April 2020

## Impact of COVID-19 on the Maltese Securities Market

The Malta Financial Services Authority (MFSA) is continuously engaging with the Malta Stock Exchange and is closely monitoring the impact of the recent outbreak of COVID-19 on the local Regulated Market.

Overall the Malta Stock Exchange, as the local Regulated Market, continues to operate in an orderly fashion, and although securities trading on the Maltese Stock Exchange has not been immune to the global trend of a drop in prices, this has not been to the extent of that registered in foreign markets.

In fact, although, during last month, there has been an increase in trading activity, where a number of investors are actively trying to exit the market, to a certain extent, this was counter-balanced by a number of investors who are viewing the current market as an opportunity to invest in the securities at discounted prices.

Information flow in the market is key for investors to make an informed decision especially in time of uncertainty where markets can be extremely sensitive to any piece of information, swaying market sentiment in both directions.

The Authority understands that the current situation has created new challenges to Issuers and their auditors in preparing and auditing financial information. Issuers, especially those in the hospitality, tourism related and retail businesses, are finding it difficult to predict their financial performance given the unknown extent of duration of the present situation, during which measures taken by governments and health authorities to contain this pandemic, will remain in force. On the other hand, government is introducing measures to support businesses and households to alleviate any interruptions in business. These measures, which have been announced in the past weeks, are evolving rapidly and could evolve further.

In response to these challenges, the Authority has taken the following actions to ensure that information continues to flow to investors without adding extra pressure on Issuers during these difficult times:

a. Publication of Circulars

The Authority has published a number of Circulars covering the following areas:

- i. Publication of [relevant significant information](#) concerning the impacts of COVID-19 on the Issuers fundamentals, prospects or financial situation in accordance with the transparency obligations under the Market Abuse Regulation;
- ii. [Regulatory relief regarding reporting requirements](#) applicable in the area of capital markets, specifically the publication of annual audited financial statements of guarantors and the Financial Analysis Summary;

- iii. [Accounting implications](#) of COVID-19 on the calculation of expected credit losses in accordance with IFRS 9;
- iv. [Actions](#) to mitigate the impact of COVID-19 on the EU financial markets regarding the publication deadlines under the Transparency Directive.

b. Engaging with different stakeholders

The Authority is in regular contact with the Malta Stock Exchange and stockbrokers, Issuers and financial auditors to ensure that information is flowing between different stakeholders who are fundamental to the smooth operations of the Maltese Capital Markets. Issuers are encouraged to maintain an open line of communication with their investors. The Authority is engaging with Issuers, urging them to assess their financial position and publish company announcements in a timely manner to update the market with such an assessment. It is to be noted that a good number of Issuers are releasing company announcements covering the implications of COVID-19 on their business. Company announcements published during March 2020 amounted to around 95 when compared to 46 company announcements published in March 2019. Although some of the company announcements may be considered vague, one has to appreciate that, in certain cases, the full implication of the COVID-19 pandemic on the relevant business may not be straightforward to predict. Some Issuers who are in a position to do so, have confirmed their ability to meet their financial obligations, including the payment of Bond Interest.

In this unprecedented time, it is expected that the content of financial information and the audit work that is done will not be the same as previous years. Auditors are expected to be more attentive to the uncertainty surrounding events or conditions which may cast significant doubt upon a company's ability to continue as a going concern. Changes may also impact schedules for publication of financial information that had been set before the full implications of COVID-19 were clear. Furthermore, one may expect modified audit opinions where auditors have been unable to gather the necessary audit evidence to complete the audit in full. The Authority is engaging with auditors and the Malta Institute of Accountants to discuss the difficulties being encountered and to discuss feasible solutions.

The Authority continues to monitor developments in the local Regulated Market as a result of the COVID-19 situation and is prepared to use its powers to ensure the orderly functioning of markets, financial stability and investor protection.

## About MFSA

The Malta Financial Services Authority (MFSA) is the single regulator of financial services in Malta, covering banks, insurance companies, investment services, trusts and pensions. As of last year, the MFSA became the first European regulator to develop a framework to regulate virtual financial assets. The MFSA's mission, as enshrined in its Vision 2021, is to enhance its position as an independent, proactive and trustworthy supervisory authority with the main purpose of safeguarding the integrity of markets and maintaining stability within the financial sector, for the benefit and protection of consumers. Over 2,300 entities are licensed by the MFSA to operate in the financial services sector, which makes up 11% of the Maltese Gross Domestic Product.



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