

10 November 2020

## MFSa publishes Revised Loan Funds Rules Framework

- The availability of loan funds in general is increasingly becoming a common part of the funding ecosystem for entities seeking alternative source of financing to traditional banking
- MFSa re-evaluates its regulatory approach to this market and issues restructured Loan Funds Rules framework, aiming for a sound regulatory framework but which is also more pragmatic and accessible to the fund industry
- Revised Loan Fund Rules framework is considered an important milestone as part of the overarching MFSa Asset Management strategy's related initiatives

The Malta Financial Services Authority ('the MFSa') is today publishing an updated version of the Standard Licence Conditions applicable to Collective Investment Schemes authorised to invest through loans.

The objective for the revision of the MFSa Loan Funds regime is for the Authority to achieve a better balance between the need for a sound regulatory framework and to make such regime more pragmatic and accessible to the fund industry given market developments and particularly, the current economic scenario, where certain businesses may be finding it increasingly difficult to gain access to capital through traditional lending sources.

The MFSa also took note of the relevant EU regulatory developments and, notably, the focus being placed on the area of non-bank financing by the European Commission, within the wider context of the Capital Markets Union. Besides, due consideration was given to the feedback provided by the industry to the Authority since the framework was set up.

MFSa's Chief Officer Supervision and Chief Executive Officer Ad Interim Dr Christopher P. Buttigieg commented that "This marks the attainment of one of the first key milestones forming part of the overarching MFSa Asset Management strategy related initiatives. This strategy is aimed at strengthening Malta's position as an asset management jurisdiction, also demonstrating the Authority's commitment to contributing towards the sustained development of this sector".

Clare Farrugia, Head of Strategy, Policy, and Innovation, noted that, "In effecting these amendments, the Authority has carefully re-evaluated its regulatory approach to this market, whilst acknowledging the critical role also played by existing regulation, like the one regulating the alternative investment management sector. The Authority believes that the updated framework should provide the industry with a more pragmatic, but nonetheless, robust regime".

Any authorisations related queries in respect of the revised Loan Funds Rules framework are to be addressed to [ausecurities@mfsa.mt](mailto:ausecurities@mfsa.mt), while supervision queries are to be addressed to [funds@mfsa.mt](mailto:funds@mfsa.mt).

**Note to editors:** The Investment Services Act provides that a "Collective Investment Scheme" means any scheme or arrangement which has as its object or as one of its objects the collective investment of capital acquired by means of an offer of units for subscription, sale or exchange and which has the following characteristics: the scheme or arrangement operates according to the principle of risk spreading; and either the contributions of the participants and the profits or income out of which payments are to be made to them are pooled; or at the request of the holders, units are or are to be re-purchased or redeemed out of the assets of the scheme or arrangement, continuously or in blocks at short intervals; or units are, or have been, or will be issued continuously or in blocks at short intervals.

## 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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