

18 December 2020

Circularisation Exercise - R4-3.2.7 of Part B1 of the Investment Services Rules

Reference is made to our previous Circulars dated 16 March and 6 April 2020 and the Malta Institute of Accountants ('MIA') Technical Release dated March 2020 on the above-mentioned caption.

In order to improve the circularisation process applicable to Investment Firms servicing nominee clients following the circularisation exercise for basis year 2019, the MFSA has established the circularisation process for basis year 2020 and beyond. In this regard, the MFSA is issuing this Circular to highlight the new approved sample sizes to be adopted as from basis year 2020. Industry practitioners should also refer to the [Technical Release](#) issued by the MIA. As opposed to the sample sizes covering basis year 2019, the Authority has introduced three different capping levels and include:

- i) A cap of 200 nominee clients for Licence Holders servicing less than 10,000 nominee clients.
- ii) A cap of 250 nominee clients for Licence Holders servicing less than 100,000 nominee clients.
- iii) A cap of 300 nominee clients for Licence Holders servicing 100,000 nominee clients and more.

The sample sizes as per the respective nominee clients are outlined below.

Sample Table

- a) Population range between 1 and 1,000 nominee clients:

Population Range of Licence Holder Nominee Clients	Number of client nominee accounts to whom a circularisation letter is to be issued	Minimum acceptable response rate
Between 1 and 49 nominee clients	50% of the nominee clients	30% of the clients circularised
Between 50 and 99 nominee clients	24	8
Between 100 and 149 nominee clients	47	14

Between 150 and 199 nominee clients	51	17
Between 200 and 299 nominee clients	73	22
Between 300 and 399 nominee clients	78	23
Between 400 and 499 nominee clients	81	24
Between 500 and 599 nominee clients	83	25
Between 600 and 699 nominee clients	85	26
Between 700 and 799 nominee clients	86	26
Between 800 and 899 nominee clients	87	26
Between 900 and 999 nominee clients	88	26

b) Population range of between 1,000 and 9,999 nominee clients:

Population Range of Licence Holder Nominee Clients	Number of client nominee accounts to whom a circularisation letter is to be issued	Minimum acceptable response rate
1,000 to 1,499 nominee clients	Capped at 200	69
1,500 to 1,999 nominee clients	Capped at 200	72
2,000 to 2,499 nominee clients	Capped at 200	74
2,500 to 4,999 nominee clients	Capped at 200	78
5,000 to 9,999 nominee clients	Capped at 200	80

c) Population range of over 10,000 nominee clients:

Population Range of Licence Holder Nominee Clients	Number of client nominee accounts to whom a circularisation letter is to be issued	Minimum acceptable response rate
10,000 to 29,999 nominee clients	Capped at 250	114
30,000 to 99,999 nominee clients	Capped at 250	115
100,000 nominee clients and over	Capped at 300	115

Licence Holders through their Auditors are required to carry out the circularisation exercise based on the above sample sizes as from the statutory audit for basis 2020. The above sample sizes and minimum acceptable response rates are expected to be adhered to at all times, and Licence Holders and their service providers are required to take the necessary measures to ensure that the required statutory reporting is submitted to the MFSA in line with Rule R4-5.3.1 of Part B of the Investment Services Rules for Investment Services Providers.

Contacts

Should you have any queries regarding the above, please do not hesitate to contact us on InvestmentFirms@mfsa.mt.