



2020

# ANNUAL REPORT

**MFSA** MALTA  
FINANCIAL  
SERVICES  
AUTHORITY

2020

# ANNUAL REPORT

# MFSA\_Our Mission



To be an

**independent,  
proactive and  
trustworthy  
supervisory  
authority**

whose purpose is to  
safeguard the integrity  
of markets and maintain  
stability within the  
financial sector for the  
benefit and protection  
of consumers.

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# 01\_Chairman's Foreword

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# MFSA\_Our Vision



To be a  
**leading,  
forward-looking  
financial  
services  
regulator,**  
having the respect  
and trust of the industry  
and the general public,  
contributing towards  
a strong and dynamic  
financial sector.

## Chairman's Foreword



It is with pleasure that I present the Annual Report for the Malta Financial Services Authority (MFSA) for 2020: a year in which, despite the unprecedented events that characterised it, still meant continued and determined performance for the Authority.

2020 surely had its fair share of challenges, with major developments such as Brexit and the global spread of COVID-19 impacting the economy at large, and inevitably, the financial services sector. Despite the adverse circumstances generated by the pandemic, we are pleased to note that the Maltese financial services sector maintained the growth trends in GVA terms registered over the past few years as well as generated a notable increase in employment opportunities over the previous year.

While the dynamism of the sector always keeps the supervisory authority in a vigilant and forward-looking state, the events that, directly and indirectly, affected the jurisdiction and the financial services industry during the year, also required it to remain agile. It was indeed strategically essential that the MFSA remains on course to achieve its targets, in line with the Strategic Plan, as well as that it deals with the evolving COVID-19 scenario which, thanks to the investments made in 2019 and the coordination and goodwill of all staff, the Authority managed to do exceedingly well.

Within both realms, the Board of Governors in its direction, and the executive team in its day-to-day

operations, focused on resilience in the short term, acting as a channel to support measures which ensured the mitigation of risks brought about by the pandemic restrictions both to the sector itself and the general economy; and on the transformation process and supervisory effectiveness to ensure resilience in the long term for re-energising growth.

While the MFSA, on its part, recognises that some processes are lengthier than others and therefore results may take longer to attain, it also remains committed to continue to work with other institutions in a strong, coherent fashion to ensure that Malta's fight against financial crime is truly systemic, rigorous, and effective. We are encouraged by the international reviews that are recognising the changes which have already been implemented and the improvements made by the Authority, across the board.

Whilst commending all stakeholders for the progress that has been made on various fronts during this trying year, we also acknowledge that the Authority's own transformation process, together with our perseverance for reaching higher levels of compliance performance and enhanced risk management from regulated entities are no walk in the park. It is for this reason that we continue to pursue our strategic goals and improve on our successful endeavours in the past year. As we recognise the significance of aligning our strategic priorities with national and European policy and plans, we remain determined to steer the sector to a higher threshold of long-term sustainability, also through the integration of new areas of supervision and potential growth, such as those related to sustainable finance and digital finance.

It is often said that people reveal their true colours in times of crisis. This definitely holds true for the people making up the MFSA, who have come together to protect the financial stability of our system and to ensure market integrity through a year like no other. As we look forward to reaching more milestones in the year ahead, I would like to extend my gratitude to the Board of Governors and the executive management team and thank all staff members for their valued contribution towards the achievement of the MFSA's goals.

Prof. John Mamo  
Chairman



# 02\_CEO Statement





# Statement by the CEO ad interim



It is a privilege to introduce this Annual Report, providing an overview of the Authority's performance in 2020 – a year during which we continued to augment our capacity and capabilities, producing supervisory performance results.

This builds on the achievements made in 2019, in line with [our Strategic Plan](#) and vision. In 2020, the Authority delivered on commitments made with international standard setters and on projects which had been mapped out in our strategic plan.

The onset of COVID-19, the consequent health restrictions, and the shock that followed as swathes of the economy were closed, ushered unprecedented effects on all sectors of society.

The financial services sector was no exception. In Malta, the sector entered the turbulent period in good shape and well buffered – this helped and continues to help the sector weather the impact. In this respect, the Authority will continue monitoring the effect of COVID-19 on the sector, particularly the post-COVID viability of regulated entities' business models.

Despite these extraneous circumstances, the Authority was successful in maintaining its momentum on supervisory transformation. The commitment and professionalism with which the Authority's staff made the migration to remote working ensured seamless continuity, and the adverse events reinforced our determination to deliver on the strategic priorities, even if these had to be recalibrated. A case in point is the postponement of the revision of the Fees Policy to afford the sector time to adjust to the evolving operating environment. Our resolve emanated from the strong belief that the more challenging the times, the more we need to focus on ensuring stability and business continuity to yield further resilience, sustainable development, and growth for both the Authority and the industry we regulate.

With this aim, the focus on supervision continued throughout the year. Significant progress has been made in the re-engineering of the authorisation process. The various communications that were published in 2020 also set out the Authority's supervisory approach, expectations, and risk appetite. We have kept an open and constructive dialogue with the industry on the various changes that have already been implemented and those which are in the pipeline. Our aim is to ensure that we move forward together with increased risk-awareness and actionable intelligence which will allow both the industry and the Authority to steadily progress towards sustainable growth.

The re-engineering of MFSA processes is not an end in itself but a means to ensure better performance as supervisors and therefore, efficiency and effectiveness. 2020 also saw

“By focusing on the three pillars of stability, continuity and growth, we shall continue achieving positive results.”

an enhancement in the MFSA's supervisory and enforcement effectiveness. The Authority processed 265 applications for authorisation with 25% of these being either withdrawn or refused. We increased the number of inspections to 419, an 84% increase from 2019 and a 149% increase over 2018 figures. Our team also focused on integrating AML/CFT as part of our risk-based supervisory approach. The enforcement team also took 52 enforcement actions again showing our commitment to raising standards within our industry. In this respect, the Authority publishes '[Supervisory Effectiveness Dashboards](#)' monthly to give an indication of our performance. In line with the general aim of strengthening the Authority's supervisory capabilities, we look forward to completing the planned investment in technology. Apart from the time efficiency from which regulated entities will benefit, it also aims to achieve greater resource efficiency, including data and intelligence.

We are encouraged by the fact that as eventful as 2020 was and as ambitious as our strategic targets are, the Authority and the sector have remained steady on course and there are promising signs for the future.

Looking forward to 2021, the Authority shall be focusing on: [i] bringing **stability** – the Authority will focus on bringing stability for the longer-term benefit of the financial services sector; [ii] providing **continuity** – the MFSA will continue with the implementation of its strategic plan and setting the tone for the next strategic period;

and [iii] fostering **growth** – the Authority will be prioritising initiatives for the sustainable growth of the sector. In this respect, one must mention the Authority's initiatives in FinTech, Sustainable Finance, and the MFSA's Capital Markets and Asset Management Strategies. We are confident that by focusing on these three pillars of stability, continuity, growth, we shall continue achieving positive results over the coming period, thereby consolidating financial services as a pillar of the Maltese economy.

In conclusion, I would like to thank the Chairman and Board of Governors as well as, the Executive team for their support, and all the staff of the Authority for their work, unwavering dedication, and commitment. Their efforts are key to any initiative that the Authority undertakes.

Dr Christopher P. Buttigieg  
Chief Officer Supervision &  
Chief Executive Officer ad interim



# 03\_Financial Regulation in Malta





# The MFSA...

## Some Basic Annals<sup>†</sup>



**Dr John A. Consiglio Ph.D.,**  
Former Governor on the MFSA Board, ex-banker, lecturer in the University of Malta's Department of Banking & Finance, and author of "A History of Banking in Malta 1506-2005" (Progress Press, Malta, 2006)

Chroniclers writing about any country's banking and finance history in, say, a couple of decades from now, will be faced with a task which is additional to that of simply recording the vicissitudes of banks and financial institutions, and, of course, of the leaders revolving around them.

This time round, starting from after the turn into the 21st Century (some would insist after 2007 or 2008), the new serious and complicated realities of regulation, and the bodies created both domestically and internationally to ensure that such regulation reflects nations' situations and needs; these new realities of regulation must now inevitably feature prominently. These are needs which would be evolving in different economic, social, and political contexts, and no one country's history of regulation is ever a complete replica of another's. So, factually, regulation has gnarled itself into a vital component of financial services history.

Malta's banking history, evolving from around the first decade after Britain made the country its colony, can be possibly summed up into three periods. These would be the 1800 to the 1880s that is, when

the first banks were created locally; then 1880 to just after independence in 1964 during which several banks from various countries were established here; and then from 1964 to the early 2000s which can be generically described as the period during which much of the country's needed financial-legal infrastructure was put into place. After that we move into modernity and into contemporary developments, possibly another lengthy period which could be validly considered as being outside this short study's remit.<sup>1</sup>

The Central Bank of Malta (1967), the Malta Development Corporation (1967) (which in its original enabling Act had also included provision for the much later created (2017) Malta Development Bank), the Malta Stock Exchange (1990): these and various other important institutions were all created in the early post-independence (1964) context, when the country was not only faced with the great task of getting a now no longer services-based economy moving forward (in many sectors indeed from absolute scratch), but also ensuring that all the new activity and institutions being planned and implemented would exist within the best of contexts, i.e. a formal legal and institutional one.

The origins of the Malta Financial Services Authority (the MFSA) must therefore be seen as existing within

such dual contexts, viz. as an inevitable outcome for not only creating new national economic activity, but also ensuring that such activity would exist and function positively, as well as being governed and regulated by an appropriate government-sponsored institution. When legislation for a totally new institution, the Malta International Business Authority (MIBA) Act, was given birth to by Malta's Parliament in 1988<sup>2</sup>, the underlying motivation was essentially simple: that of the creation, promotion, and presentation of Malta on the international scene as a reputable centre for international business activities.

However, it must also be recognised that there was a highly competitive international context out there. Much used business buzzwords in those times - we speak here of essentially the 1960s and 1970s - in most of the world's leading economies were "offshore activities": a wide-meaning phrase if ever there was one. And the expanses or foci of these activities were indeed very wide: oil and other commodities trading, buying and selling and transporting of all sorts of goods between Far East to Western Europe and Eastern Continental America, a thriving Mediterranean highway, and also, very importantly, the provision of many types of support services. These included financial, insurance, legal (especially new company registration), accountancy, managing consultancy services, and much more. "Offshore" essentially meant that, on both the actually providing and acquisition side of any trading operation, the facilitating (some might say "brokering") intermediary or offering company would be based and incorporated in one centre (Malta in this case), but the actual buying and/or selling side of the operation would be from, or to, non-residents of the intermediary company.

“Malta's banking history can be possibly summed up into three periods.”

"Offshore" as a term in rampant and common usage was indeed all over the place. Africa, Asia, the Caribbean, the British Isles, Continental Europe, even Australia and New Zealand, all had their offshore centres, companies, and activities. It was good business for a very long time, and some countries' operators did well in some types of international business, and less well in others.<sup>3</sup> Even though the MIBA Act spoke generally in terms of "International Business Companies", in the case of Malta, it very soon became noticeable that the brunt of offshore companies registering here under the Act, after their local incorporation and registration (that would actually already have been required to be done in terms of what was then an already existing Commercial Partnership Ordinance (CPO) from 1962),<sup>4</sup> in the case of business in Malta, as, again, naturally always happens in specific economic

<sup>2</sup> Malta International Business Act (Cap 330) 1988.

<sup>3</sup> In financial services in fact, particularly for the holding of offshore bank accounts, the UK's Channel Islands, and several ACP (African, Caribbean, and Pacific) countries quickly made a name for themselves.

<sup>4</sup> The term "Ordinance" in titles of Maltese legislation generally indicates that these pertain to the period when Malta was still a British colony i.e. the period from 1800 to 1964. There is very little such statute law now remaining in Malta's legislation, given particularly that, after Malta's accession to the EU, the pace of both indigenously-created, and transposed EU legal acquis into Malta's laws, increased substantially. In the case of companies, in fact, a totally new Companies Act was enacted in 1995.

<sup>†</sup> The views expressed are the author's own and do not necessarily reflect those of the MFSA.

<sup>1</sup> This period structuring is expanded upon in the Chapter "Crises...and Into Modernity" in our "A History of Banking in Malta" – (Progress Press, Malta, 2006, pp 236 et seq).





Spinola Palace in St. Julian's: the first offices for the Maltese Financial Services Regulator

conjunctures, some parts of such business moved forward much faster than others. Here it soon became evident that the bulk of companies registering and operating from Malta, under the aegis of that original Malta International Business Act (1989), were, in fact, companies providing various elements of the wide *financial services* gamut.

Amongst the first persons to notice this element was Dr Mario Felice, son of the then Minister of Finance in Malta, Dr Giovanni Felice. Felice too was, like his father, a lawyer, mostly involved in commerce and politics, and he eventually readily accepted to recalibrate the focus of Malta's offshore business law into essentially a structure that favoured financial services firms. But, coinciding with this individual's purely local bias and vision, another development started coming to the forefront. Not all offshore activity everywhere was as pure as sunlight, and this development was not long in attracting the attention of international bodies like the World Bank, the International Monetary Fund, the European Union (especially under the auspices of its Basle Committee), the US State Department, the Organisation for Economic Co-operation and Development (OECD) and others.

Our research suggests that full appreciation of these developments, probably even on an international scale, was a gradual process. The Government of Malta, acting no doubt at the behest of Mario Felice and others, eventually managed to get through Parliament an important change in MIBA's focus. The transformation took place in 1994, and its name was changed to Malta Financial Services Centre (MFSC), with Felice still remaining very much at the helm. His total tenure in the driving seat of this new sector in the country's economy in fact lasted from 1989 to 1995. His enthusiasm and involvement were so keen that cruel wags would joke that the acronym "MFSC" actually stood for "Mario Felice's Social Club".

One may be inclined towards thinking, however, that there must have been some sort of consideration

and acceptance that *financial services* would, over time, become the bulk of Malta's international business (offshore) activity right from the start at the MIBA's inception, because highly competent bankers, such as Anthony Curmi, James Bonello, and others, had been roped in for its setting up and all its early operations at the first offices at Spinola Palace in St. Julian's. For the rehabilitation, refurbishing and much needed repairs of this very old historical palace, Government had then, however, only budgeted a miserly Lm30,000 (just under €70,000). If viewed as money spent on giving new life to an old very historical building, then that was money which may be considered as having been well spent, but if considered as investment in a new national economic activity, then that spending was short-lived in terms of pure utility, because in less than six years, around late 1994, the entity moved out of there to its present larger premises in Mriehel.

The main operative structures of the original MIBA, and subsequent MFSC, were in their earlier stages aimed at business development, international tax advice and management, and regulatory operations. Today's MFSA is a very different body from this viewpoint in that - apart from inevitable increases in staff complement - it is now "an authority", operating with a structure of several more, and different, internal divisions, and having to deal with much more activity in the financial services sectors. And that reverts us to our original consideration of the increased predominance of "regulation" as the main, some would insist the '*sole*', *raison d'être* for the continued existence of the MFSA.<sup>5</sup> Two historic developments, one externally based, and the other locally inspired, impacted very heavily on what, from after 1995, the MFSA became.

Taking the external ambience first, the world had become a very different environment for financial services to exist and function in. In the corridors of the World Bank, the word "offshore" had almost become a dirty word, and pressure started to be placed on all member-states' national governments and regulatory bodies to

<sup>5</sup> An example in this context was/is the actual promotion of Malta as a location for FS operators to operate from. This function was later hived away to a separate specific body, viz FinanceMalta.





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control in a manner such that all financial services business, irrespectively of whether domestically or externally focused, would all become not only simply “onshore”, but also *regulated*, business.<sup>6</sup> Developments, such as the removal of all controls on currency convertibility, institutions becoming involved no longer as just “banks”, “securities operators”, and “insurance providers”, but as doing all that, in fact, universal banking allowed under one roof (i.e. a fading of traditional tripartition)<sup>7</sup>, new forms of intermediation, these and other developments implied constant rethinking and revisiting of the operating contexts and styles of regulatory bodies, such as the MFSA, everywhere.<sup>8</sup>

<sup>6</sup> The implication of “regulated” must here also be seen as one of cross-border. During the period between 1980 and 2003, the International Monetary Fund (IMF) recorded no less than 140 countries which had experienced significant banking problems, some 75% of its countries’ membership, and a major concern was the ability of maverick operators to drive coaches and horses through the absence of inter-country controls (*vide e.g.* the classic case of Bank of Commerce and Credit International (BCCI). The original Basle Accord started to plug those big gaps.

<sup>7</sup> The fading of the traditional contours of tripartition is analysed in more detail in “*Regulating finance in a post-sectoral world: setting the scene*” by Colaert V. & Vusch D. in “*European Financial Regulation – Levelling the Cross-Sectoral Playing Field*” by Colaert V. et al (Hart Publishing, Oxford, 2019).

<sup>8</sup> For a full list of current Regulatory Bodies in 24 jurisdictions see Consiglio J.A. (2020) – “*Insights on Financial Services Regulation*” – (Emerald Publishing, UK, pp 89-91).

The locally inspired contexts for regulatory change were possibly an even more complicated kettle of fish. By 1970, only six years after independence, the Central Bank of Malta (CBM) - quickly springing into action in terms of what had, in its original chartering Act<sup>9</sup>, been given to it as an integral part of its role, i.e acting as *supervisor of the country’s banking system* - was already carrying out very active supervisory operations on the major local banks’ operations. But a decision to take banking supervision away from the CBM, and pass it on to the MFSC, was taken in 1994, even if actual implementation became a long-drawn out affair, and only became formally and fully operational as from 1 January 2002.<sup>10</sup> The long delay was much more than a matter of partisan politics or of staff in both organisations fighting out turf wars, but also of various technical elements, such as, for example, issues related to potential absorptive capability of, for example, competent supervision of the insurance and securities selling markets on the island, the creation of deposit protection schemes (e.g. would these have to be totally contributory from their members or not?), and also, in a generic manner, to what extent the MFSA could, at that time, simply cope with all the change that was happening in the country’s economic, political, and social life around it.

So around 1990 MIBA, and then also the MFSC, were certainly operating in a much changing world. The developments elsewhere in the world of both financial events and the structures typology to oversee them, were wide and dynamic. The UK’s Financial Services Authority was disbanded in 2013, and in its wake came not one but two entities: the Prudential Regulation Authority created by the UK’s Financial Services Act 2012, and the Financial Conduct Authority functioning as from April 2013 and charged mainly with ensuring adequate financial resources in firms.<sup>11</sup> The big and much debated issue - whether regulation in a modern economy would be best carried out where countries had only one single regulator, or in what were termed as “twin peak regulation” structures – occupied the energies of both practitioners and academics for long periods. Dr David Fabri, also one of the earliest executives of the MFSC, carried out extensive analysis of the systems created in multi-peak jurisdictions<sup>12</sup>, and his, is the best analysis still subsisting of the legal and regulatory issues involved.

Leadership at the MFSA changed in 1995. A former University of Malta professor of biological sciences, Joseph Bannister, became the new Chairman, and one could possibly conjecture at this becoming the start of some sort

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The whole of the financial world, with Malta being no exception, became both a constant “regulation creator” and an equally constant “regulation receiver”.  
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<sup>9</sup> The Central Bank of Malta Act XXXI of 1967 (Cap 204).

<sup>10</sup> We are here purposely avoiding discussion of the supervision/regulation dichotomy. This evolved strongly, both domestically and internationally, in a much later context, and indeed became the subject of much debate and research.

<sup>11</sup> In the UK of course the most important financial services legislation enacted at the turn of this century was the Financial Services and Markets Act 2000. *Vide* in this context Blair M. et al (2001) – “*Financial Services & Markets Act 2000*” – (Blackstone Press, London).

<sup>12</sup> Pure “Twin peak” regulation countries included Australia and the Netherlands. In Italy, USA, China, Greece and Cyprus there were three regulatory bodies; not to mention of course the classic case of the United States where no less than 18 regulatory bodies were operating at around 2017. *Vide* on this debate Fabri D. (2006) – “*A Single Unified Supervisory Authority for Financial Services in Malta and beyond – some Legal and Regulatory Issues*” – (Id-Dritt, Vol XIX, 2006, pp 251-280). *Vide* also Tham E. & Kang Lim B., (2015) – “*After market crash, China mulls single ‘super-regulator’*” – (Times of Malta, Nov 18).



of silent distant academic shadowing of the MFSA's role and operations from the country's alma mater. As banking and finance grew exponentially within the country's economy, it was very foresighted of the then University of Malta's Rector, Prof. Peter Serracino Inglott, to set up not only an apposite Faculty for Economics, Management, and Accountancy (FEMA) studies within the University's structure, but also include in that a full Department of Banking & Finance. Endlessly, even to this day, this Department has provided many of the MFSA's graduate workers. Bannister initially headed the MFSA from 1995 to 1997 and was followed by economics professor Edward Scicluna (again from the same Faculty), who again stayed in the position for two years up to 1999. Then this time round Bannister returned again, but now for a much longer stay from 1999 up to March 2018, when he was replaced by yet another former university don, the former head of the Department of Commercial Law, Professor John Mamo.

So during a solid chunk of some 21 years, i.e. circa 75 percent of its chronicled lifetime, the MFSA must certainly be seen as having operated in a manner which, in terms both of effective carrying out of its essential legally required role, and also in terms of what was actually happening in the functioning financial markets, discreetly or indiscreetly reflected the leadership style of its Chairman, Professor Bannister. Bannister's period of tenure coincided with an endless sequence of events in both the domestic and international financial scenario. Possibly the best way of describing this sequence is to say that the whole of the financial world, with Malta being no exception, became both a constant "regulation creator" and an equally constant "regulation receiver".

In the concept once so wisely described as "constant re-regulation"<sup>13</sup> Malta's financial services environment became an endless works-in-progress scenario, and the MFSA was constantly at the heart of this. All of its operational processes - licensing, monitoring, supervising (both on and off-site), disciplining - all kept going through change in

terms of legislation coming the Authority's, and the practitioners', way of working life from both the EU and the country's own Government. But local financial services practitioners who had been operating and coping in Malta long before independence, and even many of those who had first come here during the period up to the turn of the century, these can be looked at as having had enough of established roots and familiarity with, first, an only very basic infrastructure-creating scenario (more specifically in terms of pure "regulation"), and then that same market slowly but surely needing to dynamically absorb what increased financial legislation inevitably started to be transposed from the EU's legal acquis into Maltese law. But in the case of several others, who later were the "nouvelles parvenus" on the scene, many of these later effectively started constantly sounding as very much like eternal moaners about "this nonstop pace, and cost, of regulation with which we simply cannot cope".

However, at some levels, a certain sense of awareness was already creeping in that, insofar as concerned at least onsite visits and checking of licensed firms' operations, the MFSA's available human resources were not sufficient in terms of numbers. One particular parliamentary question had elicited information that just under 10% of licensed firms had been subjected to effective

“Unlike some foreign jurisdictions, it was never possible for the MFSA to record much income from disciplining administrative fines.”

<sup>13</sup> American economist Edward Kane (b.1935) is generally accredited with creation of the theory of constant re-regulation and with publishing extensive studies about its inherent incentive conflicts and capture elements.



From left: André Camilleri, Prof. Edward Scicluna (MFSC Chairman 1997-1999), David Pullicino

onsite inspections during one particular year. From 2012 to 2017 the total of onsite visits carried out by MFSA staff, with specific focus on Conduct Supervision went up from only 7 to 46. The scenario changed totally after 2007 and the international financial crisis, and the MFSA was at the heart of this constant, breathless, tiring, pace of change.

In 2014 the MFSA employed only 243 staff, of which 120 were engaged in licensing, regulation, and supervision. They were on constant monitoring of 26 credit institutions, 125 investment services licence holders, 25 fund administrators, and 60 insurance undertakings. At end of 2016 that complement was approaching 318 persons. During the period between 2012 and 2016, the MFSA's authorisation unit had been involved in a rapid increase of licences issued, from 1815 to 2173, an ever-increasing rate with an average of some 4/6% per annum over that period. The range was spread over all categories - banking, insurance and pensions, securities, and others, but during 2015 and 2016 it was highest in the trusts, securitisation vehicles, and corporate services providers categories.

By 2018 the MFSA Statistical Report for the 4th Quarter of 2018 was showing that the country's single financial services regulator had to cope with 24 banks, which included six domestically based core banks and 13 international banks, these latter no doubt originally attracted to establish themselves on the island from various overseas jurisdictions in the wake of what we earlier referred to as the "offshore" era. Besides these, the MFSA had to regulate 665 domestic investment funds, and 66 life and non-life insurance companies.<sup>14</sup> By some assessments these numbers may not sound impressive to readers in large countries, but for a very small jurisdiction (only 17 miles by 9, and with a population of only around half a million), they are important in a context where the annual contribution of the financial services

<sup>14</sup> Malta Financial Services Authority Statistical Report - 4th Quarter 2018



sector to the overall GDP of the nation is given within a range of 8 to 12% by different pundits.

Certainly, the heir of its progeny in terms of most of what has been recorded above, today's MFSA cannot but be considered as having to operate in a much-changed world. Its essential future livelihood posits a serious issue that will no doubt be looked at very attentively by both practitioners and academics. For example, we have earlier referred to the first Maltese Law ever to regulate companies, i.e. the Commercial Partnerships Ordinance (CPO) 1962. That piece of legislation<sup>15</sup> remained under the aegis of the Government's Ministry of Trade up to 1997, and so for a full 35 years, company registration, and regulatory disciplining income, all went to the public coffers. From 1997 the Department of Trade's Registry of Companies was moved under the MFSA tutelage, and that income - even as its growth rate became very exponential with continuous increases in the number of registering and monitored companies - became, in fact, the financial lifeblood of the MFSA. Unlike some foreign jurisdictions it was never

possible (and will likely remain so into the future) for the MFSA to record much income from disciplining administrative fines, and this element further became an important legal issue in the country when a big debate arose as to whether such impositions were constitutionally correct, particularly in the context of a nationally much debated legal difference between administrative and criminal fining. In every financial year after 1997 the MFSA would pass on to Government a substantial chunk from its operating, Registry-of-Companies-pumped, surplus, and the Authority was, in simple fact, comfortably self-sufficient.

All of that changed from after 2018, when Government enacted wide and important changes to the MFSA Act. These, as originally proposed in Bill No. 49, covered a very wide range of topics: from introduction of a new position of CEO in the Authority's restructured governing structure to the removal of the previously statutory Consumer Complaints Manager<sup>16</sup>; from a requirement that the Authority collaborate with all the main and

international EU authorities<sup>17</sup> to introducing new internal directorate and enforcement structures; from redefining ancillary roles in terms of operating as a new market issues Listing Authority or as the responsible body for crisis-hit Bank Recovery and Resolution<sup>18</sup> to the mentioned removal of the former Registry of Partnerships (the old Companies' Register) to a new totally separate and independent government agency, the Malta Business Registry. Certainly, this was historic remaking of a new MFSA, but with much questioning hanging above it about its future. When observing the facts that, in pure financial terms, it had now become greatly dependent on what annual budgetary allocations would be made to it, and that choices for its Board of Governors were the prerogative of the government of the day, some analysts had much reserved views.

In the space of a few years after the 2008 international sub-prime market crisis, all financial market realities, both domestic and international, were never the same again. At the pure legal level, most regulation which had been adopted worldwide during the maelstrom of that crisis had to be re-considered. The EU and the US were perhaps the main protagonists in this still ongoing process<sup>19</sup>. At practical on-the-ground reality this required from the MFSA that it restructures its supervision areas. The main new ones now became financial market activity and general dealing with compliance-related issues, prudential regulation and capital requirements, governance and organizational requirements and conduct of business regulation as applicable to investment services providers, the ongoing obligations applicable to collective investment schemes, the behaviours of fund managers and custodians, and various other areas. Most of this preparing for the future generation of financial markets was condensed in a new MFSA 2019-2021 Strategic Plan which, as always happens

in such reviews, also carried a specific vision, viz. that of the Authority becoming a leading forward-looking financial services regulator, having the always absolutely needed respect and trust of the industry and the general public, and contributing to the country through a strong and dynamic financial sector. What would it entail to see all of this come about? Quite a lot ... for example, the new level of conduct supervision to ensure that all the changes introduced by the EU's 5th Anti Money Laundering and Combatting the Financing of Terrorism Directive (AML and CFT), would entail a role that was hardly what most personnel had originally been trained for, and one where interaction with other bodies in the country was both different and increased.<sup>20</sup>

It may here be observed that as it developed over the years the Authority never followed a human resources development policy that followed those existing elsewhere in the financial services markets in the country, as well as abroad. Whilst leading banks in Malta had long had their own internal staff training centres, as well as going continuously out of their way to encourage staff to develop through following external academic programmes, the MFSA only employed what it considered as the finished product, most of the time, as said earlier, from the local university's graduates. It factually had no structured internal training set-up. At one particular point however - this was around 2007 - the financial education market in Malta started to evolve into its own version of a competitive market through the creation of several professional education bodies and institutes. It was a development which seems to have then been interpreted by the MFSA's leadership as something not to be snubbed or ignored, and cognisance (lip-service, some alleged!) to it took the shape of the creation of an Education Consultative Council (ECC) within the MFSA's structures. The ECC, at one stage



Board of Governors and Executive Committee Members of the Malta Financial Services Centre – September, 1994  
From left Seated: Mr Mario C. Grech, Mr Francis J. Vassallo, Dr Mario Felice (Chairman), Prof. J.V. Bannister, Mr Alfred Mifsud; Standing: Mr Oscar Grech, Mr John P. Bonnet, Dr Andre' Camilleri, Mr Peter Neville, Dr David Fabri

<sup>15</sup> Later morphed into the Companies Act XXV of 1995 (Cap 386).

<sup>16</sup> The role had previously been a statutorily required one in terms of the formerly existing Article 20 of the MFSA Act. Most of its operations were regularly reviewed in an annual Consumer Complaints Review Report, and this must be considered as the main structure within the MFSA where the human element of relationships with the general public (especially small savers) and underlying what finance should really be all about, (i.e. humans), was mostly exercised. See for example its Consumer Compliance Annual Report 2014. Substantial changes in this vital aspect of regulation became effective when a new national Financial Arbitrator's law was introduced.

<sup>17</sup> European Securities and Markets Authority (ESMA), European Banking Authority (EBA), European Insurance and Occupational Pensions Authority (EIOPA), European Systemic Risk Board (ESRB), European Central Bank (ECB). In his article of 8 August 2018 in *"The Business Insider"*, Vittorio Da Rold termed the new European plethora of institutions as "..... la Babele europea dei controlli su banche, mercati e assicurazione" (Europe's House of Babel for control of banks, markets, and insurances).

<sup>18</sup> The MFSA became empowered to function as the country's official Listing Authority for all forms of new investments issued on Maltese markets in terms of Article 14 of the Financial Markets Act XXXIII of 1990 Cap 345. When the EU passed its BRRD (Bank Recovery & Resolution Directive No. 2014/59/EU) this too eventually was transposed into Maltese legislation.

<sup>19</sup> See e.g Buttigieg C.P., Consiglio J.A., & Sapiano G. (2020) – *"A Critical Analysis of the Rationale for financial regulation"* in European Company and Financial Law Review, Vol 17, No 5, pp 419-477.

<sup>20</sup> These include the government's anti-money laundering and terrorism financing authority, the FIAU, the white-collar crime section of the Malta Police Force, and the Office of the national Attorney General, and others.





Event Programme – Inauguration of the Malta Financial Services Centre

having as many as 15 Maltese professional bodies in its membership, engaged in regular meetings and discussions with all providers of financial education training in the country, organised meetings and seminars, invited distinguished speakers to its activities, and also engaged in the necessary research for regular publication of an invaluable document (“Bridging the Gap – National Financial Skills Survey”), assessing what was, in fact, the country’s situation in terms of specific financial skills needs.<sup>21</sup>

Whilst the new century is by no means the only period in the country’s financial history during which Malta has had to face several specific bank problems (including some failures with criminal overhangs), the first two decades of the 21st century saw highly increased media focus on what was going wrong in certain parts of the country’s financial services structures.<sup>22</sup> Column

inches, and coverage in the Maltese and international press of transgressions of both ethical and operational requirements, increased very rapidly from 2010 onwards. Examples of banks which, as they went onto the screens of alleged committed irregularities, came under the MFSA’s scrutiny included Nemea Bank and Pilatus Bank. In September 2016, the MFSA adopted a new anti-fraud policy document. Here again some cruelly inclined sectors of the media were quick to jibe that this was only done because in the subsequent year (2017) the MFSA would be playing an important part during Malta’s Presidency of the EU, and there, like many other local entities and authorities, it would be expected to play a role and make a valid contribution with the handling of several financial services dossiers and priorities,<sup>23</sup> something which, however, it factually did with much credit.

The objective truth was quite a distance from such jibing. Certainly, the Authority was more than conscious that ethical issues, for both regulators and regulated, needed to be given renewed and increased emphasis. Certainly, a new sense of awareness was coming in regarding how financial supervision, and the onboarding into the country of new practitioners coming from overseas, was to be done with new methodologies that gave prominence to the much-increased sense of awareness of many new risk factors. The organisation embarked on a total Business Process Re-engineering (BPR) exercise in March 2016. One observes that when early recommendations were received on that front, within only a few months, the immediate opportunity was taken for codifying a new ethics framework within all parts of the Authority.

Within the “new” MFSA, the much-raised awareness and concern with quality of financial supervision has been supported by substantial activity in the areas of technology and knowledge management. The state of the MFSA, as at around 2018, which was painted in a document intended to draft key objectives and a

strategy for the Authority moving forward into future years,<sup>24</sup> did not make for happy reading. Supervisory gaps, inadequate corporate governance structures, an unclear risk appetite, unsuitable office facilities; these and other shortcomings as seen by the then CEO, who had written and pushed for attention that document; these were all highlighted as co-existing with passionate staff and an organisational culture that only needed small tweaking to enhance the engagement and support of all stakeholders, including those who actually were in constant contact with the Authority from outside its own walls. Certainly, this was nothing short of submitting a new challenge to a body with a rich tradition and history, albeit with not such a long lifetime when compared to other players in Malta’s financial services history... a new challenge that would require... conscience and a lot of plain talking....???

In 2022, the MFSA will be celebrating its 20th year and operating positively in this way will be really an auspicious step into what is always an unknown future.



The last Board of Governors chaired by Prof. Joe V. Bannister, who was MFSC Chairman from 1995-1997, 1999-2002 and MFSA Chairman 2002-2018. Front row left to right: Dr David Fabri, Prof. Joe V. Bannister, Prof. Josef Bonnici. Back row left to right: Mr Frank Xerri de Caro, Dr Louise Ellul Cachia Caruana, Dr Anton Felice, Dr Cynthia Scerri Debono, Mr Albert A. Attard.

<sup>21</sup> The last Annual Report on the activities of the MFSA’s Educational Consultative Council was that presented for the year 2019 when the MFSA had a total staff of around 378. The ECC too became a victim of post-2018 internal MFSA restructuring.

<sup>22</sup> A random exercise carried out by this researcher in just one of the country’s leading daily papers, The Times of Malta, uncovered around 146 coverages and articles regarding MFSA and other public financial institutional matters, during the period February 2018 to December 2020.

<sup>23</sup> Vide “Malta EU Presidency 2017 – MFSA contribution to the Financial Services dossiers and priorities” – Karen Xuereb, 1 June, 2016.

<sup>24</sup> “Current State of the MFSA – Key objectives and strategy going forward” – CEO, MFSA. The main shortcoming of this document was perhaps that the practical totality of all its intended transformational projects was scheduled for within a too short completion date target, ie generally by around the first quarter of 2019.



# 04\_What we Regulate

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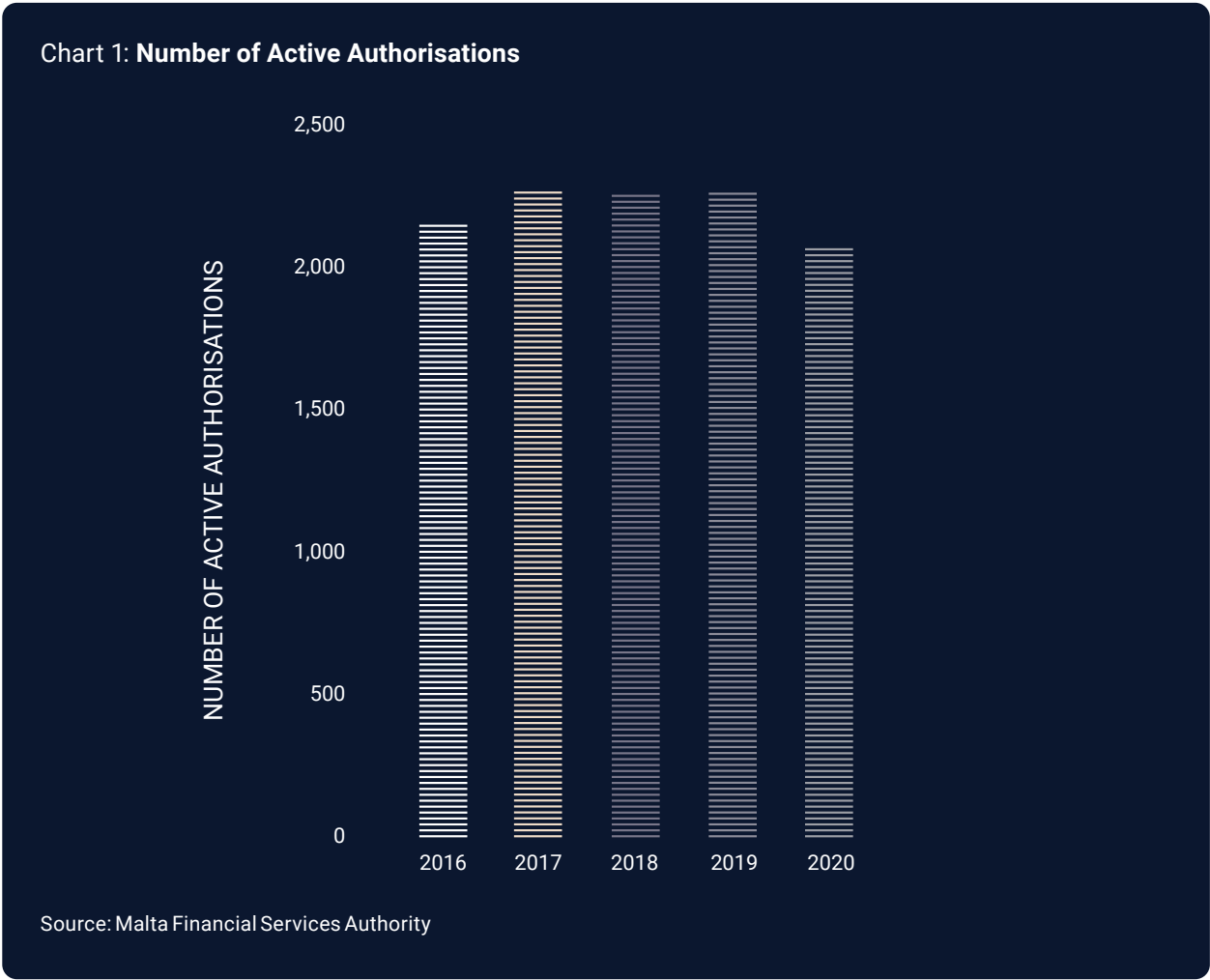
# What we regulate

The Malta Financial Services Authority is the single regulator for financial services in Malta. It was established by law as an autonomous public institution, on the 23 July 2002, taking over the supervisory functions previously carried out by the Central Bank of Malta, the Malta Stock Exchange, and the Malta Financial Services Centre. The MFSA also holds the roles of Listing Authority and Resolution Authority.

As the single regulator of financial services in Malta, the MFSA's remit extends to all areas of financial services activity, including credit institutions, financial and electronic money institutions, securities and investment services companies, trading venues, insurance companies, pension schemes, trustees, and company services providers, as well as persons authorised under the virtual financial assets framework.

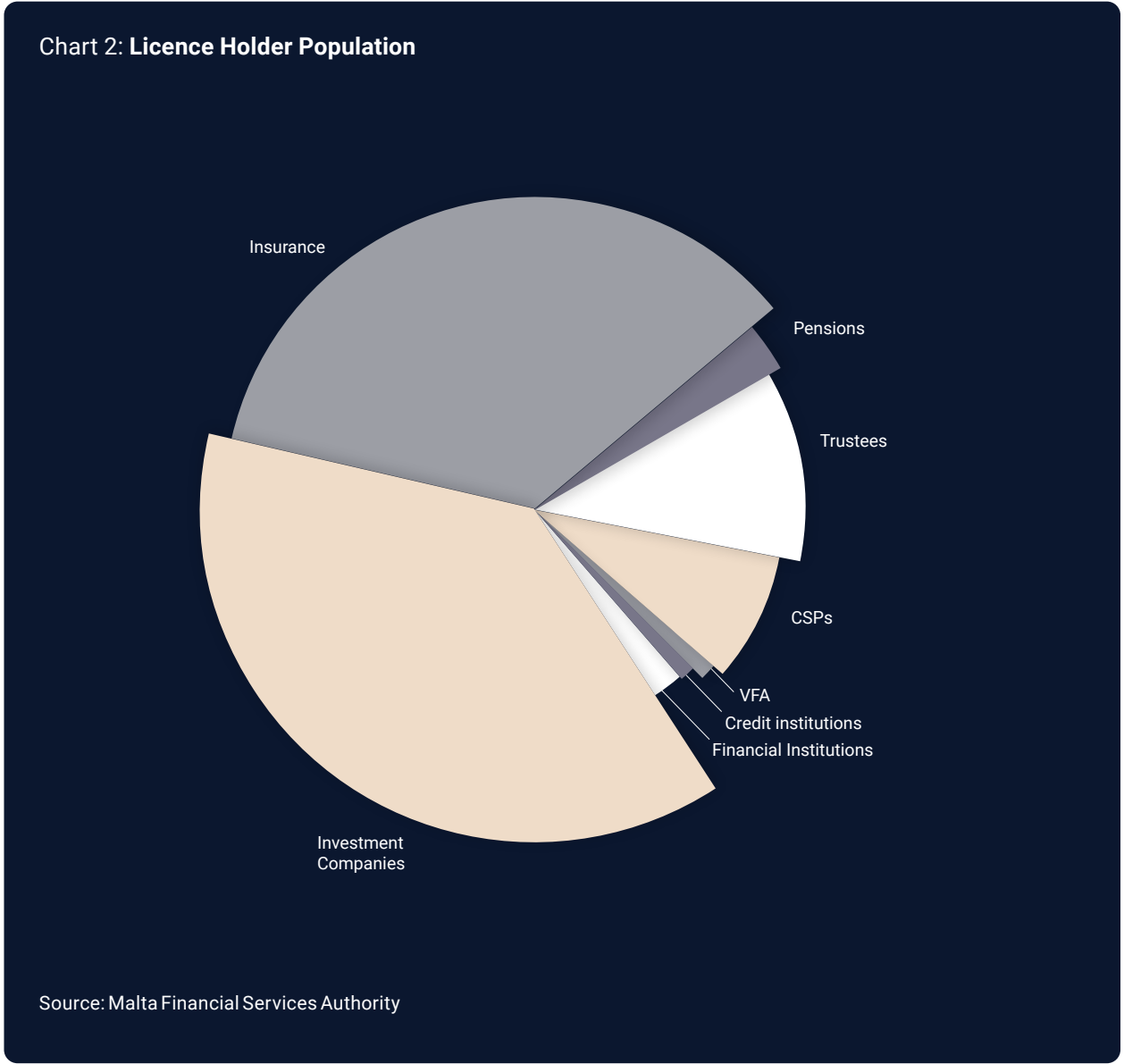
In 2020 the MFSA processed a total of 265 applications, from which 199 (75%) were approved and 66 (25%) were withdrawn or refused.

As at the end of 2020, the MFSA regulated and supervised over 2073 authorised entities in the various sectors falling within its remit.



These include:

- 24 banks doing local and international business with over €42 billion in assets;
- 39 payment services institutions and 17 electronic money issuers with assets of €3.3 billion;
- 68 insurance and re-insurance companies; including a number of Captive Insurers and Protected Cell Companies; Strong Life and Non-Life insurance sectors writing €6.1 billion of annual business in 2020;
- 276 insurance intermediaries (excluding Tied Insurance Intermediaries). Pension sector at 55 retirement schemes with EUR 6.4 billion of assets under management;
- 150 investment services providers and 525 collective investment schemes with a net asset value of over €13.7 billion.
- 166 authorised trustees and fiduciaries servicing clients setting up trusts in Malta;
- 171 registered corporate service providers providing company services; and
- 19 VFA agents and 1 registered VFA service provider





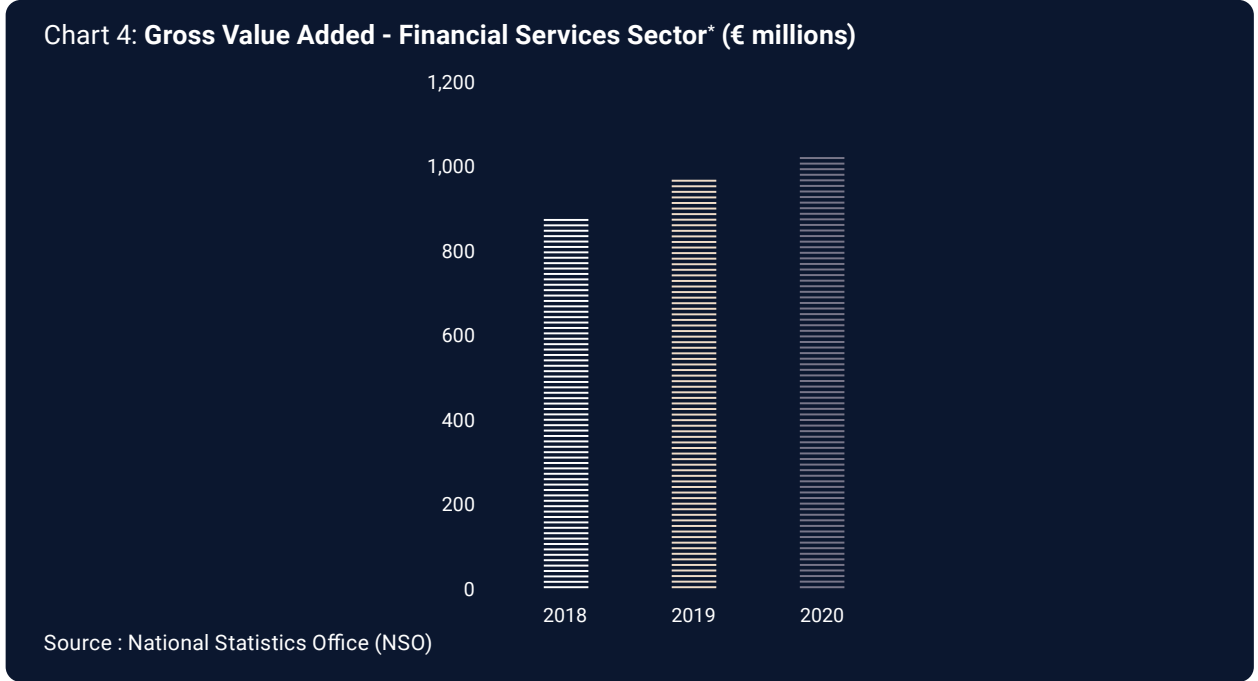
The Economic Context

Several major developments took place in 2020 – inter alia including the official withdrawal of the United Kingdom from the European Union (Brexit), the global spread of COVID-19, which was classified as a pandemic in March, and the US presidential election. The economic developments that characterised 2020 were highly susceptible to these developments, particularly the incidence of the pandemic, which affected all sectors of society - financial services was no exception. In 2020, economic activity in Malta contracted significantly, with real GDP growth rate and unemployment rate deteriorating to -7.0% and 4.3% respectively, as reported by the National Statistics Office (NSO). Looking forward, the European Commission (EC) projects a moderate economic recovery in 2021 with the real GDP growth rate forecast to 4.6%.

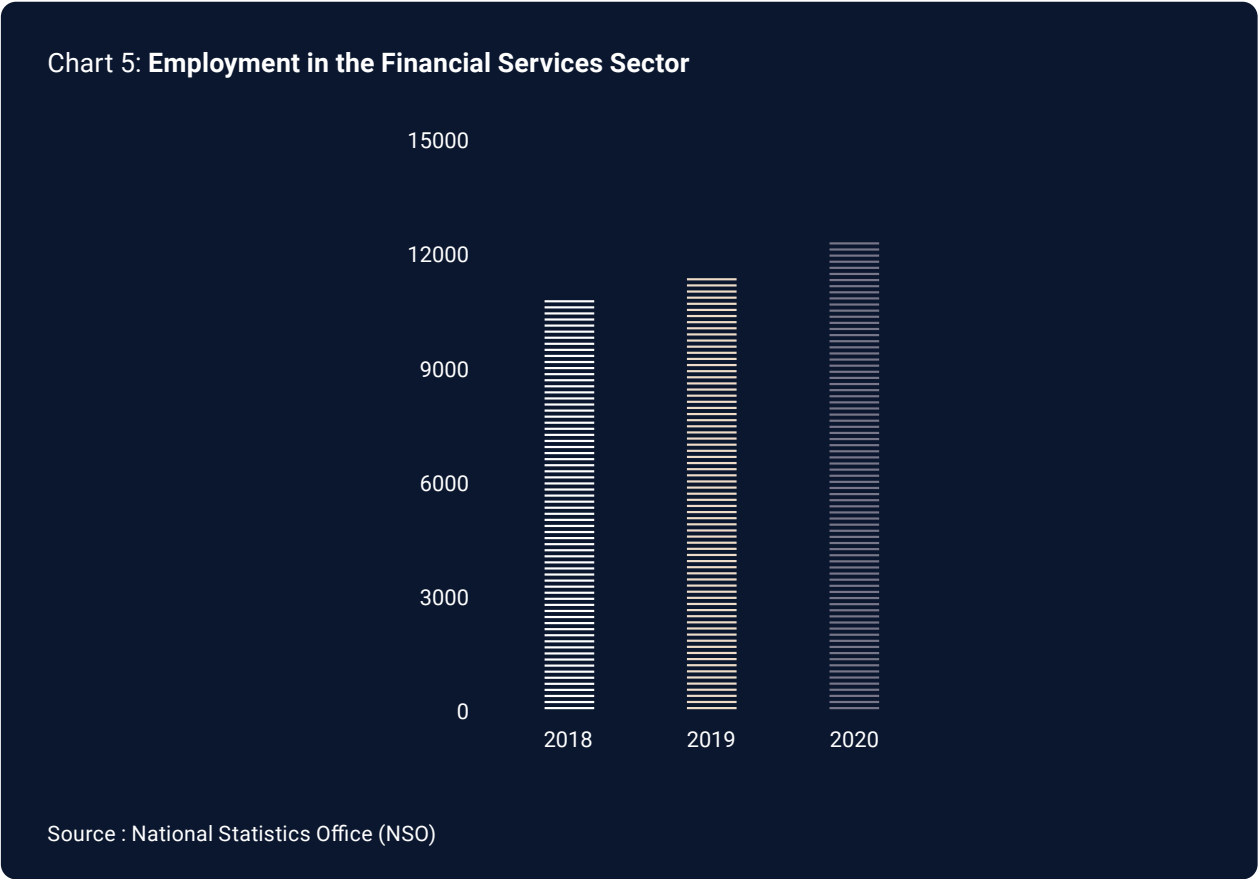
Chart 3: GDP and Employment	2019	2020	2021 [f]
Real GDP growth rate	5.5%	-7.0%	4.6%
Financial Services Sector* real GVA growth rate	5.7%	5.5%	
Unemployment rate	3.6%	4.3%	4.3%
General Government Balance to GDP	0.4%	-10.1%	-11.8%
General Government Gross Debt to GDP	42.0%	54.3%	64.7%
Inflation rate	1.5%	0.8%	1.2%

Source: National Statistics Office [f]: European Commission Spring 2021 Economic Forecast

Despite the adverse circumstances generated by the COVID-19 pandemic, the Maltese financial services sector\* generated an aggregate gross value added of €971 million in 2019, which grew to €1.028 billion in 2020.



Employment in the sector also grew from an average of 11,292 in 2019 to an average of 12,233 by October 2020 – an increase of 7.6%.



Amidst the challenges encountered, domestic credit institutions continued to provide a steady flow of funding which was fundamental in providing market confidence and the necessary support for the functioning of the economy. The debt servicing constraints that inflicted households and businesses during the pandemic led to the roll-out of various incentives and support measures. Specifically, the moratorium on credit facilities aims to alleviate financial pressures on borrowers whose employment income was affected by the pandemic, by providing a temporary suspension on their repayment obligations. Additionally, through the Malta Development Bank, a loan guarantee scheme was set up to ensure steady access to bank financing for businesses in fulfilling their working capital requirements. These measures eased the burden inflicted by the pandemic, with such measures being extended to 2021 seeking to ensure a smooth transition of support measures.

Notwithstanding the adverse economic circumstances experienced over the past months, the MFSA has continued building on the achievements made in 2019, in line with its strategic plan and vision and momentum on supervisory transformation was maintained.

While 2019 and 2020 were largely dominated by the Authority’s internal transformation - which was necessary to build capacity and capability for the future sustainability of the industry and the Authority itself – 2021, and the subsequent strategic term, is expected to be characterised by more outward looking initiatives that will build on the Authority’s evolving position, capabilities and strengths and the policy initiatives at national and international level.

\* The financial services sector captures financial service activities, including insurance, reinsurance and pension funding activities, as well as other activities supporting financial services. It also includes the activities of holding assets, such as those of holding companies and the activities of trusts, funds and similar financial entities. (Source: NACE Rev.2, Eurostat)



# 05\_How we are structured





# How we are structured

## Organisation

The Malta Financial Services Authority (MFSA) was established in 2002 by the Malta Financial Services Authority Act (Cap 330). The Authority is the single regulator for the financial services sector, which includes credit and financial institutions, securities and investment services companies, recognised investment exchanges, insurance companies, insurance intermediaries, pension schemes, corporate service providers, trustees, and virtual financial assets. The MFSA is also responsible for the admissibility to listing on recognised investment exchanges and for the resolution of banks in terms of the MFSA Act. The Registry of Companies demerged from the MFSA in 2018, and is now an independent Government agency, operating as the Malta Business Registry.

## Board of Governors

The Board of Governors is responsible for establishing the Authority's policies, risk parameters and strategic direction, in line with guidelines set out by Government and the MFSA Act. The Board also advises Government on all matters relating to the development and regulation of the financial services sector. The Board of Governors is the Listing Authority for the purpose of the Financial Markets Act (Cap 345). The Listing Authority may delegate any of its functions and powers to the Executive Committee.

### Chairman

Prof. John Mamo

### Chief Executive Officer

Christopher P. Buttigieg - Chief Officer Supervision & CEO ad interim (appointed in October 2020)

Joseph Cuschieri (resigned in November 2020)

### Current members\*

Dr Carmel Cascun  
Mr Mark Galea  
Prof. Edward Scicluna  
Dr Stephanie Vella  
Dr Philip von Brockdorff  
Mr Charles Zammit

### Secretary

Mr John Sammut

### As at end of 2020\*\*

Dr Ernest Azzopardi  
Mr Mario Borg  
Dr Joseph Brincat  
Dr Lauren Ellul  
Mr André Psaila  
Dr Mario Vella

### Secretary

Notary Jean Pierre Attard  
(up to 4 November)

Ms Sephora Scerri  
(6 November to end December)

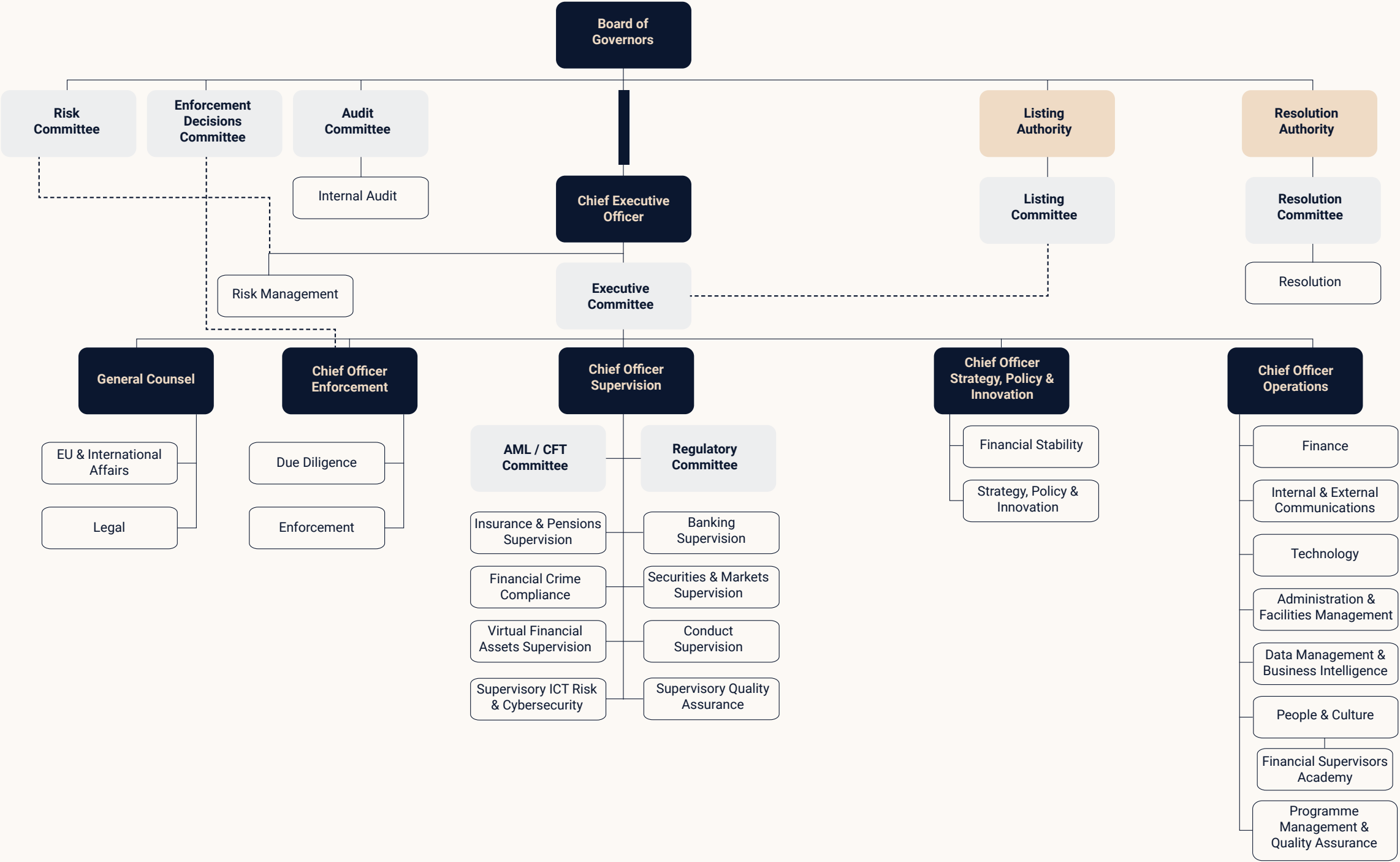
\* The Board was reconstituted on 4 February 2021 with Professor Mamo continuing to serve as Chairman for a second term.

\*\* The Board convened 18 times during the year. The term of office of the Board of Governors was for a period of one year, which expired in December 2020.





MFSA Organisation Chart





# Committees

## Executive Committee

The Executive Committee, appointed in terms of Article 9 of the MFSA Act, is the main organ of the Authority and is responsible for the implementation and execution of the strategy and policies of the MFSA. The Executive Committee is responsible for the authorisation and supervision of all licensed entities and persons operating in the financial services sector, including the enforcement of the MFSA’s regulatory framework. The Executive Committee also meets as the Listing Committee and makes recommendations to, and otherwise assists, the Listing Authority in the admissibility to listing of financial instruments.

The Executive Committee is responsible for the overall performance and day-to-day management of the Authority including its financial affairs, human resources, programme management and technology planning.



- Members:
- Mr Joseph Cuschieri  
– Chief Executive Officer  
(until October 2020)
  - Dr Christopher P. Buttigieg  
– Chief Officer Supervision  
(from March 2020) and Chief Executive Officer ad interim  
(from October 2020)  
– Chief Officer Strategy, Policy & Innovation  
(until March 2020)
  - Dr Edwina Licari  
– General Counsel
  - Dr Michelle Mizzi Buontempo  
– Chief Officer Enforcement  
(from March 2020)
  - Ms Marianne Scicluna  
– Chief Officer Supervision  
(until March 2020)
  - Dr Michael Xuereb  
– Chief Officer Strategy, Policy & Innovation  
(from March 2020)
  - Ing. Ivan Zammit  
– Chief Operations Officer
  - Ms Rosalie Tanti  
– Secretary

The Executive Committee convened 51 times during the year under review.

Regulatory Committee

The Regulatory Committee (RegCo) co-ordinates regulatory, authorisation and supervisory matters. In this respect, RegCo acts as a consultative and advisory forum to the Chief Officer Supervision. The Committee is composed of the Chief Officer responsible for Supervision as its Chair, and the Heads of the Supervisory functions. The Chief Officer Supervision updates the Executive Committee, on an ongoing basis, regarding discussions and decisions made at the level of the RegCo.

Members\*:

- Dr Christopher P. Buttigieg –  
Chief Officer Supervision - Chairperson  
Ms Doreen Balzan –  
Head, Securities & Markets Supervision  
Ms Emily Benson –  
Head, Conduct Supervision  
Mr Herman Ciappara –  
Head, Virtual Financial Assets  
Mr Alan Decelis\*\* –  
Deputy Head, Supervisory ICT Risk &  
Cybersecurity

Mr David Eacott –  
Head, Banking Supervision  
Mr Anthony Eddington –  
Head, Financial Crime Compliance  
Mr Ray Schembri –  
Head, Insurance & Pensions Supervision  
Dr Gerd Sapiano – Secretary  
  
\* as at 31 December 2020  
\*\* attending as alternate

AML/CFT Committee

The AML/CFT Committee, which was set up in June 2020, acts as a forum for the alignment and coordination of anti-money laundering and countering of terrorism financing investigations and processes, providing advice to the Executive Committee on process improvements relating to AML/CFT procedures and oversight.

Members\*:

- Dr Christopher P. Buttigieg - Chairperson  
Dr Michael Xuereb  
Mr Franco Borg

Mr Paul Caruana  
Mr Anthony Eddington  
Dr Michele Magro - Secretary  
  
\* as at 31 December 2020

Resolution Committee

The Resolution Committee is appointed by the Resolution Authority, whose composition, powers and functions are governed by provisions set out in the First Schedule to the MFSA Act and the Recovery and Resolution Regulations (RRR). The Resolution Authority has assigned all its powers to the Resolution Committee for the Committee to carry out its functions. The Committee is ultimately responsible for taking resolution decisions pursuant to the MFSA Act and the RRR. It also interacts and collaborates closely with the Single Resolution Board (SRB) which is responsible for resolution matters at Banking Union level as established in the Single Resolution Mechanism Regulation.

Resolution Committee (cont.)

The Resolution Authority and the Resolution Committee operate independently from each other, and from the supervisory arm of the MFSA, to ensure that statutory responsibilities are achieved in a transparent and credible manner and are in line with the provisions of the Bank Recovery and Resolution Directive (BRRD).

Members\*:

- Ms Paulanne Mamo - Chairperson  
Mr Emanuel Ellul  
Dr Philip Magri  
Dr Charlotte Gauci - Secretary

All three members were appointed on the 7 August 2018 for a term of three years in accordance with paragraph 2(3) of the First Schedule of the MFSA Act, Chapter 330 of the Laws of Malta.  
  
\* as at 31 December 2020

Audit Committee

The Audit Committee assists the Board of Governors in its oversight responsibilities with respect to internal governance and controls, financial statements, risk management and internal audit functions of the Authority. In line with the Audit Committee Charter, the Head of Internal Audit liaises directly with the Chairperson of the Audit Committee on the agenda of the Audit Committee, and any requests for information and audits.

Members\*:

- Dr Lauren Ellul - Chairperson  
Mr Mario Borg  
Mr André Psaila

Dr Jean Pierre Attard - Secretary (up to November 2020)  
Ms Sera Farrugia - Secretary (from November 2020)  
  
\* as at 31 December 2020

Risk Committee

The purpose of the Risk Committee is to assist the Board of Governors and the Executive Committee in the establishment and calibration of the Authority’s risk appetite and the development of a dynamic risk management framework. To this effect, through its risk management policy, this Committee sets the tone for the Authority’s risk management function and risk appetite in the organisation and indicates how the policy will support the Authority’s strategy.

Members\*:

- Mr Herbert Zammit LaFerla - Chairperson  
Ing. Ivan Zammit (from 18 March)  
Mr Franco Borg

Dr Christopher P. Buttigieg  
Ms Sephora Scerri - Secretary  
  
\* as at 31 December 2020



# Directorates

MFSA delivers its supervisory mandate through the concerted effort of a team of professionals which, as at end 2020, amounted to 419.5 full-time equivalent employees (FTEs). The Authority operates through five Directorates. The Directorates each address a core functional area, and comprise:



## 1. Supervision Directorate



### 1.1 Banking Supervision

Banking Supervision is the function responsible for the authorisation and supervision of banks and payment and e-money providers based in Malta. The objective of the function is to ensure that these firms meet minimum regulatory requirements, are financially and operationally resilient and operate with appropriate due care.

The function operates within the Single Supervisory Mechanism under the auspices of the European Central Bank (ECB) and represents Malta in ECB and European Banking Authority (EBA) committees. The Authority's risk-based approach to banks and financial institutions includes transparent articulation of standards required, offsite monitoring of financial and operational data, onsite inspections to evaluate compliance and competence interviews with Board members.



### 1.2 Conduct Supervision

The Conduct Supervision function ensures that clients of financial services are treated fairly, honestly, and professionally by regulated entities, by setting up a regulatory framework that secures appropriate customer protection. The team also enacts a pre-emptive supervisory regime which addresses potential or emerging risks for financial services consumers, together with an operational regime to strengthen the responsibilities of regulated persons in treating customers fairly. The Conduct Supervision function is also responsible for authorising and subsequently overseeing the conduct of trustees and corporate service providers (CSPs).



### 1.3 Supervisory ICT Risk & Cybersecurity

The Supervisory ICT Risk & Cybersecurity function is responsible for the supervision of licence holders in the areas of ICT Risk & Cybersecurity and the management of risks associated with ICT outsourcing, collectively the area of digital operational resilience.

The function also contributes to local and foreign working groups at national and European level and works closely with the Ministry for Finance and Employment on activities related to legislative proposals on digital operational resilience.



### 1.4 Financial Crime Compliance

Financial Crime Compliance (FCC) is a dedicated AML/CFT supervisory function established to strengthen the MFSA's role in preventing the use and involvement of authorised persons in money laundering and financing of terrorism. The function is entrusted with the supervision of the Authority's licence holders to verify that they comply with AML/CFT legislation and procedures. It monitors international sanctions and other restrictive measures whilst providing regulated entities with relevant information and guidance. In fulfilling its remit, it also coordinates closely with the prudential and conduct functions of the MFSA and collaborates externally with the Financial Intelligence Analysis Unit (FIAU), the National Coordinating Committee on Combatting Money Laundering and Funding of Terrorism (NCC) for AML/CFT, the Sanctions Monitoring Board and other national and international stakeholders. By virtue of the Memorandum of Understanding (MoU) with FIAU, the FCC conducts certain inspections of regulated entities on behalf of the FIAU, and/or jointly in others.



### 1.5 Insurance & Pensions Supervision

Insurance & Pensions Supervision is responsible for the prudential oversight of authorised re-insurance undertakings & intermediaries and retirement schemes, funds & plan service providers, including business carried out in an EU Member State or European Economic Area (EEA) State. The team aims to protect policyholders and beneficiaries in accordance with the regulatory obligations.



### 1.6 Securities & Markets Supervision

The Securities & Markets Supervision (SMS) function is responsible for supervising investment services licence holders, trading venues, central securities depositories, recognised private collective investment schemes, regulation, and oversight of activities in capital markets. SMS also processes the applications for Collective Investment Schemes as well as Investment Services Licence Holders and handles applications for the admissibility to listing of securities on regulated markets. SMS is also responsible for markets oversight and ensuring that companies having securities listed on regulated markets comply with the respective rules.



1.7 Supervisory Quality Assurance

The Supervisory Quality Assurance (SQA) function was formally established in March 2020 by the Authority as an additional second line of defence within the MFSA. SQA was set up with the main objective of developing a quality-focused culture within the supervisory functions and to provide assurance to management regarding the quality of supervisory activities and deliverables, specifically in terms of consistency, effectiveness, efficiency, and timeliness. SQA is involved in new projects and whenever there are changes in supervisory procedures in order to assess and ensure that the required quality is present immediately at inception.



1.8 Virtual Financial Assets

The Virtual Financial Assets (VFA) function is responsible for the oversight of the VFA sector in Malta. This includes receiving applications, granting authorisations and supervising VFA service providers, issuers and VFA Agents operating under the VFA regulatory framework. The function is also mandated with the upkeep of the VFA framework which includes the VFA Act, the VFA Regulation and the Rulebook ensuring that the framework remains updated with latest developments in this evolving sector, as well as promoting investor protection, market integrity and financial stability.

2. Enforcement Directorate



2.1 Enforcement

The Enforcement Function is responsible for investigating any possible breaches of financial services laws and regulations in relation to persons or entities authorised and supervised by the MFSA. When regulatory action is undertaken by the Authority in respect of such breaches, [such action](#) is published on the MFSA website in order to promote market integrity and ensure high standards of conduct and management throughout the financial system.

In addition, the Enforcement function investigates the actions of persons or entities providing financial services activities without having the necessary licence or authorisation, or carrying out fraudulent activities and scams. In this respect, the MFSA also issues a number of [warnings](#), notices, and public guidelines to protect investors and raise consumer awareness.



2.2 Due Diligence

The Due Diligence function set up in 2020, is responsible for carrying out due diligence checks on persons proposed to take on approved positions within entities licensed by the MFSA. This necessitates a close collaboration between the different functions of the MFSA both of a supervisory and regulatory capacity in order to carry out its work more effectively. Amongst its responsibilities, the function also oversees ongoing due diligence to ensure continued integrity, name screening of all functionaries and other tasks such as the vetting of prospective Highly Qualified Persons. The function acts as a control which is essential to safeguard the continued integrity of the financial services sector and acts a safety net for continued consumer protection and trust.

3. Strategy, Policy & Innovation Directorate



3.1 Financial Stability

The role of the Financial Stability function is to safeguard the financial sector's resilience through the identification and mitigation of risks, which have the potential to cause significant strain on the sector itself and the general economy. Through its own research and analysis of the financial sector and its active participation in international organisations, the function contributes to policy formulation. The function also assists stakeholders such as Credit Rating Agencies, supporting them in the publication of their reports.



3.2 Strategy, Policy & Innovation

The Strategy, Policy & Innovation function is responsible for providing advice, analysis and reviews on strategies and policies, as well as identifying new areas of development to strengthen Malta's financial services regulatory framework, whilst playing an active role in further positioning Malta as a jurisdiction of choice and thought leader. In formulating and proposing policies, the function seeks to ensure that the Authority is proactive in the face of new opportunities, perceived risks and changing international standards which may impact the industry, whilst fostering innovation and enhancing access to financial products.

4. Operations Directorate



4.1 Administration & Facilities Management

The Administration & Facilities Management function oversees and manages the Authority's building management services, hospitality and transport services and the Reception front desk. Its mission is to support MFSA staff by maintaining a safe and operational working environment. This is achieved through regular preventive maintenance programmes and implementation of renovation/refurbishment projects.



4.2 Communications

Acting as the central point of contact for the Authority, Communications handles all internal and external communications with the aim of maintaining positive relationships with stakeholders and keeping its own employees, licence holders and/or the public at large up to date. The function is also the designated brand guardian of the MFSA, managing its reputation and image on the various digital and offline platforms, through B2B and consumer education campaigns and events.





4.3 Data Management & Business Intelligence

The Data Management & Business Intelligence (BI) function is the team tasked with ensuring that the MFSA's data is handled as an important asset in enabling risk-based supervision. The aim of this function is to support timely and effective decision-making across the Authority, in line with the overall business strategy. The team is responsible for driving data governance, data quality management and integrity, as well as the data architecture across the whole organisation, whilst working closely with business stakeholders, process owners and the Technology team. As part of its remit, the function is also responsible for automating and managing data-related supervisory workflows, as well as managing a centralised data warehouse and BI analytics platform to provide ongoing insights, analyses, and dashboards for end users.



4.4 Finance

The Finance function oversees and manages the finances of the Authority, supporting other functions in all financial matters, including the preparation of management information, revenue collection, payments to suppliers and service providers, payroll and financial control and budgetary control. The function also administers the operation of the MFSA's financial control framework ensuring compliance with established policies and controls. Furthermore, the team is also responsible for the submission of statutorily required financial information to Parliament.



4.5 People & Culture

Placing employees and other stakeholders at the very heart of the Authority's mission, the People & Culture function provides the Authority with the capabilities that are essential for the fulfilment of its mission. The Financial Supervisors Academy which is part of the function provides internal training programmes to employees, ensuring they have the required competencies. The Academy extends most of its training programmes to other regulators, supervisors, policymakers and academics outside of the MFSA. The P&C team implements other staff-related provisions, including the MFSA Ethics Framework and Occupational Health & Safety.



4.6 Programme Management & Quality Assurance

The Programme Management & Quality Assurance (PMQ) function is responsible for the setting up of a single, centralised framework, designed to ensure the implementation and delivery of key organisational projects and other change initiatives within the Authority. The Programme Management team is key for ensuring the completion of projects within budget and within the established timeframes.



4.7 Technology

Technology is at the core of the MFSA as a knowledge-based organisation. It enables MFSA's strategic and operational objectives to be achieved efficiently and effectively. The Technology team leverages cutting-edge technology, industry standards and methodologies to provide reliable services to the rest of the organisation and the financial services sectors interacting with the Authority electronically. It is responsible for technology design, information security, development, integration and delivery of all information and communications infrastructure, platforms, and services. The Technology team is made up of professionals specialised in relevant areas that include governance and planning, infrastructure and service management, information systems, and security. Officials from Technology also participate and give their contribution in several European committees, expert groups and industry fora.



5. Legal & International Affairs Directorate

5.1 Legal Affairs

The Legal Affairs function provides legal advice across the organisation. It is responsible for the drafting and/or vetting of legal documents which the Authority may enter into. The Legal Affairs function is also responsible for the coordination and oversight of the legislative process falling under the administration of the MFSA, including such legislative amendments or new laws as may be required for the purposes of transposing EU Directives or implementing EU Regulations.



5.2 EU & International Affairs

The EU & International Affairs function is responsible for the coordination of relations with international organizations and memoranda of understanding with other foreign regulators, as well as the exchange of information requests. The function provides advice to Government on the formulation of financial services policy, mainly relating to upcoming legislative and non-legislative proposals issued by the European Commission. The function is also actively engaged in policy dialogue, negotiations and follow up of EU institutional affairs and dossiers. The function also works in close collaboration with other foreign regulators (bilaterally and multilaterally) and international organisations, ensuring that the MFSA is positioned at international fora.

## 6. Other MFSA Functions



### 6.1 Internal Audit

The Internal Audit function is established through the provisions of Article 12B of the Malta Financial Services Authority Act (Cap 330) which further establishes the structure, objectives, and authority of the Internal Audit function. The Internal Audit Function is acknowledged as an independent, objective assurance and consulting activity, designed to add value to and improve the operations of the Authority. The Board of Governors acknowledges that the Internal Audit function helps the Authority to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of the internal risk management, control, and governance processes.



### 6.2 Resolution

Resolution is primarily responsible for resolution planning activities for all credit institutions and certain investment services firms, and to construct the necessary policies and legislation for the Resolution Framework. It operates independently from the Supervisory function and other functions within the MFSA. Resolution advises the Resolution Committee on whether an institution should go into liquidation or resolution, and the application of resolution tools, as necessary.



### 6.3 Risk Management

Risk Management is responsible for risk oversight. It acts as the second line of defence and is responsible for the organisation and development of work processes for the identification, management, and reporting of risk within the Authority. The team is responsible for keeping the risk control framework under review, providing strategic input and direction with regard to the Authority's risk appetite, ensuring compliance with European Supervisory Authorities' (ESAs') standards.

# MFSA\_Our Values



## Integrity

an integral part of our mission, guiding our actions and decisions



## Trustworthiness

to act with fairness, objectivity and respect when dealing with consumers and licence holders



## Dependability

to act in a reliable, transparent and accountable manner at all times



## Excellence

to have the right competencies to combine quality with efficiency to demonstrate professionalism and to contribute to the setting of high standards



## Independence

refers to performing the Authority's duties without external influence



# 06\_Our Priorities





# Introduction

Despite the challenges faced with the onset of health restrictions brought about by COVID-19, the Authority’s work during 2020 remained steadily guided by the [Strategic Plan 2019-2021](#), in line with the MFSA’s [Vision](#) to strengthen the Authority and prepare for the next generation of financial services.

This Chapter is presented in a manner which gives an account of the Authority’s activities, both internal and external. Against this backdrop, apart from this introductory section, this Chapter is composed of three Sections, as follows: [i] Section I - the MFSA as a forward-looking regulator, detailing the Authority’s intra- MFSA activity; [ii] Section II – Our Cross-Sectoral areas of focus; and [iii] Section III - Our Sector Specific areas of focus, setting out the priorities for the areas of banking, insurance and pensions, securities and markets, Trustees and company services providers, virtual financial assets and resolution.

## 1. Section I - A forward-looking financial services regulator

This part of the Chapter outlines the developments and internal initiatives undertaken during 2020 to continue strengthening the MFSA’s organisational capacity, governance, institutional architecture, and approach. The Authority’s activities in this regard follow, in part, the implementation of the MFSA’s Strategic Plan 2019-2021, and other priorities deemed relevant during the course of the year.

### 1.1 Internal Governance and Controls

A number of measures and initiatives have already been implemented in 2019, as included in last year’s Report, and continued in earnest in 2020 to enhance internal governance, risk management framework and organisational structure.

#### 1.1.1. Internal Audit

Internal Audit constitutes the highest and third line of defence within the Authority’s Risk Management Framework. During 2020, the Internal Audit Function conducted a series of audits including European System of Central Banks (ESCB) wide audits in line with the 2020 internal audit plan. The function also submitted regular reports to the Board of Governors, Audit Committee, and Executive Committee detailing audit findings and providing an update on the actions taken by Management based on recommendations to address those findings.

#### 1.1.2. Risk Management

The Authority recognises adequate Risk Management as a core and an important tool to attain its strategic objectives and to implement effective controls through its governance structures. It is the second line of defence (together with Supervisory Quality Assurance, vide Section 1.1.3) that encompasses the process by which the Authority systematically identifies, evaluates and manages the potential risks and opportunities attached to its activities and objectives.

The objectives of having a structured Risk Management process, operated through the Risk Management function, are to:

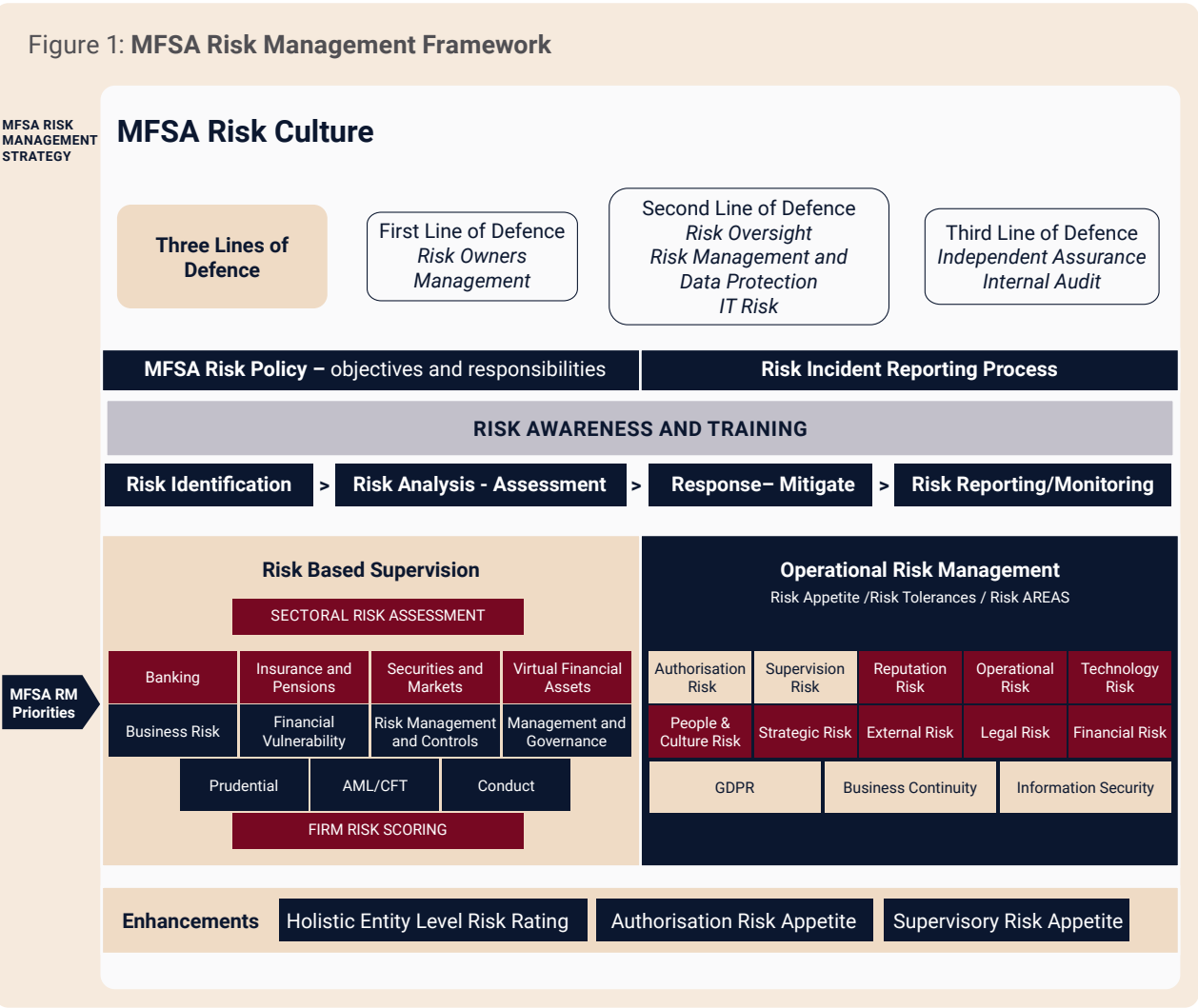
- provide the Board of Governors and other Governing Councils with a regular and consistent overview of risks and related responses;
- enhance corporate governance;
- align risk appetite between the Board of Governors, the Management and the staff;
- enhance risk response based on agreed risk appetite;
- reduce operational surprises and associated exposures;
- align, integrate, and rationalise Risk Management, governance and compliance;
- build confidence of regulatory authorities, community, and stakeholders;
- successfully respond to a changing business environment; and
- align strategic processes with corporate culture.

“

In 2020, the MFSA continued its work to embed its Risk Management Operational Model within all the activities of the Authority.

”





1.1.2.1. Operational Risk Management

The Authority maintains an Operational Risk Management Framework. Operational Risk Management is an integral part of its governance and management processes and contributes to the overall risk management within the Authority. It aims at increasing risk awareness and improving the effectiveness of the risk assessment process.

- During the year, the Authority continued to enhance its operational risk control measures by:
- providing the Governing Committees with a regular and consistent overview of operational risks and related responses;
  - building and maintaining resilience into the MFSA’s organisation, processes, and governance;
  - fostering a risk management culture;
  - improving the consistency, quality and transparency of risk information; and
  - embedding first line of defence responsibilities by appointing Risk Officers for each Function.

1.1.2.2. Risk Management Culture

One of the focus areas for 2020 from a Risk Management perspective was to build cultural awareness, predominantly through communication and education. This adopted approach of raising this risk culture awareness included:

- communication from top management;
- clarified risk management responsibilities and accountabilities; and
- risk management general education in conjunction with Internal Audit and the Data Protection Officer.

1.1.2.3. Risk Incident Reporting Process

In 2020, the MFSA developed a Risk Incident Reporting Process to enable all risk incidents to be escalated with confidence. The Authority follows a “no-blame” approach to reporting risk incidents to avoid situations where staff are reluctant to report risks. As part of this reporting process, a root cause analysis is carried out for all incidents, identifying actions to mitigate any risks and improve the control environment with the objective of minimising the probability of incidents reoccurring.

The Authority’s work on, and approach to, Risk Management were communicated with stakeholders by means of various publications, namely:

- Risk Appetite [Statement](#)
- Risk Culture [Statement](#)
- Risk Committee [Charter](#)
- Risk Management [Policy](#)
- Risk-Based Supervision – [Strengthening our Supervisory Approach](#)

1.1.3. Supervisory Quality Assurance

Ensuring quality assurance in the Authority’s supervisory operations and decisions is an important facet to enhance effectiveness and accountability. In this respect, during the first quarter of 2020, a cross-sectoral Supervisory Quality Assurance Function (SQA) was set up.

The SQA Function is, in effect, an additional second line of defence in the governance structure of the Authority. Its main aim is to provide senior management with assurance that supervision is being carried out in the most efficient and effective manner, consistently and in line with statutory obligations and best practice. In order to do this, SQA carries out independent horizontal quality reviews on ongoing procedures, assessing and providing recommendations for new projects in the pipeline. The SQA works closely with the Risk Management team, as the other second line of defence mechanism within the Authority and aligns and coordinates its objectives and annual plans using the same risk-based prioritisation framework. Assessments and output of both SQA and Risk Management may then be subject to audit by the Internal Audit team.

1.2. Technology and Digital Transformation

2020 was a very intensive year for the MFSA from a Technology and digital transformation perspective.

1.2.1. Business Continuity

In 2020 the Authority's Business Continuity structures, in the form of an Action Plan, came into effect in response to the operating challenges brought about by the COVID-19 pandemic. The operating model had to be adapted, and the Authority's earlier investment in Enterprise Mobility, as an intrinsic part of its strategic plan, came to fruition. Through its technology-enabled Enterprise Mobility and Disaster Recovery capabilities, the Technology function was able to ensure continuity of the Authority's critical supervisory activities in the context of country-wide measures introduced to curtail the pandemic.

2020 will be remembered as a highly technologically progressive year, particularly with regard to collaborative technology. The investment made in technology by the Authority has highly paid off. This was evidenced through the expeditious mobilisation from a brick-and-mortar to a remote workforce. Consequently, in line with the Authority's Technology strategy, a 'new way of working' was provided to all employees, comprising of a set of technologies and digital processes, modernisation of current working methods with mobility, collaboration, and an improved security posture. The ambitious targets that had been set a year before the pandemic, when the Authority had initiated investment in cutting-edge technologies, together with process re-engineering as well as training that was provided to the workforce, ensured an extremely high level of business continuity across the whole organisation. A thorough plan was executed to get everyone on board in the least time and with minimum inconvenience.

2020 will be remembered as a highly technologically progressive year, particularly with regard to collaborative technology.

1.2.1.1. Remote Supervisory Inspections

The year brought about a major change in the way supervision was carried out, particularly when it comes to supervisory inspections. Due to the pandemic, physical presence at the premises of authorised persons was very limited and therefore, in line with [supervisory practices adopted in other EU member states](#), with the technological capabilities in place, such inspections were still carried out remotely.

The results can be quantitatively verified from the increase in supervisory inspections carried out, which required the additional deployment of the necessary infrastructure. Consequently, this transformation called for an increased vigilance in cybersecurity and IT governance.

Numerous updates to Licence Holder Management and other enhancements on FinHub and Licence Holders' (LH) Portal were developed.

1.2.1. Other work carried out by Technology

During the year, the Technology team extended its activities to include other mainstream areas of interest such as vulnerability and penetration testing, to assess risks of the underlying technological infrastructure, while also making use of threat intelligence and cybersecurity Artificial Intelligence platforms to mitigate harmful events in cyberspace.

1.2.2. Continuing the digital transformation whilst reaping the results of recent investment

The implementation of the Authority's Technology Strategy is instrumental to strengthen the Authority so that it can successfully meet present day regulatory and supervisory challenges and to position the MFSA to be future-ready.

The Authority is in the process of investing in strategic platforms, information systems, and third-party services that will enable it to enhance its data driven supervision approach through end-to-end digitisation and digitalisation supporting full process orchestration and automation.

1.2.2.1. Business Readiness for Technology Platforms and Management System

Preparatory work in anticipation of the implementation of Technology Platforms and a Management System across the MFSA, which is now forecast to commence implementation in 2022, started in earnest during 2020.

A dedicated Business Readiness Team was set up with internal operational and business specialists to identify, map, harmonise, standardise, and, where necessary, re-engineer process and data flows. The results derived from this exercise forming part of the wider digital transformation journey, are leading to interim outputs, with long term projected gains.

1.2.2.2. FinHub and Licence Holders' Portal Enhancements

Numerous updates to Licence Holder Management and other enhancements on FinHub and Licence Holders' (LH) Portal were developed in addition to several microservices. These changes provided a platform for the Authority to federate its data.



The Authority has carried out several enhancements to its current LH Portal with the aim of increasing efficiency in its supervisory processes and increasing data quality by consolidating its databases. One such enhancement was the LH Corporate Profile being updated automatically once an assessment is concluded and an approval from the Authority is issued. There were also several enhancements to the digitalised Personal Questionnaire form.

A wide range of activities were carried out in 2020 in order to facilitate the finalisation of the European Single Electronic Format (ESEF) implementation, by which Issuers' annual financial reports would be presented in an electronic format in terms of Commission Delegated Regulation (EU) 2019/815. In this regard, one of the main efforts in 2020 related to the inclusion of ESEF as a project on FinHub. The objective of this project is to provide Listed Entities with the facility to submit their respective ESEF-compliant Annual Financial Reports through the LH Portal for validation prior to publication.

Allocated persons acting as Sponsors and/or Listing Agents can now also upload a prospectus and the respective accompanying XML data via the LH Portal.

Through another enhancement to the Authority's Licence Holders' Portal, authorised persons are now able to submit resignation requests for all approved positions online through the Licence Holder Corporate Profile.

Authorised persons are now able to submit qualitative and quantitative information through the LH Portal which improves efficiency as well as auditability. In 2020 additional enhancements were carried out to the updating of the Licence Holder Corporate Profile, linking the Personal Questionnaire submission to the automatic involvement updates on the licensed entity's profile.

1.2.2.3. Records Management, Data Management & Business Intelligence

The Records Management, Data Management & Business Intelligence functional team was set up to oversee the implementation of a Data Governance Programme (DGP). Through this programme a formal DG framework has now been established and is required to support decision-making by management at all levels and applies to all processes and systems that collect, analyse, disseminate, and store data.

The three-year objectives of the Data Governance Programme are to:

- 1. Enable centralised decision making and alignment on all data lifecycle related matters.
- 2. Develop and align sets of standards and policies with defined decision rights and data-related "rules".
- 3. Establish a single source of truth – for all data, particularly critical data.
- 4. Oversee the building of standard, repeatable data with reusable definitions, flows, rules and artefacts.
- 5. Monitor, track and ensure data quality for critical data elements within a well-defined data quality framework.
- 6. Train management/staff and ensure the right resourcing & prioritisation in all data-related policies, procedures, skills, and technologies.
- 7. Enable and lead the development of an MFSA Management Information Framework through quality-controlled dashboards.

1.3. Organisational and Operational Capacity

The Authority believes that the achievement of all other strategic priorities depends to a large extent on organisational and operational capacity to deliver in an efficient and effective manner. Very significant enhancements and investment were made in the human resource of the Authority in 2020, to ensure that the Authority's people have the required experience, skills, and competencies required to carry out its mandate.

“The incorporation of the Authorisations function within the supervisory functions seeks to bring about enhanced coordination.”

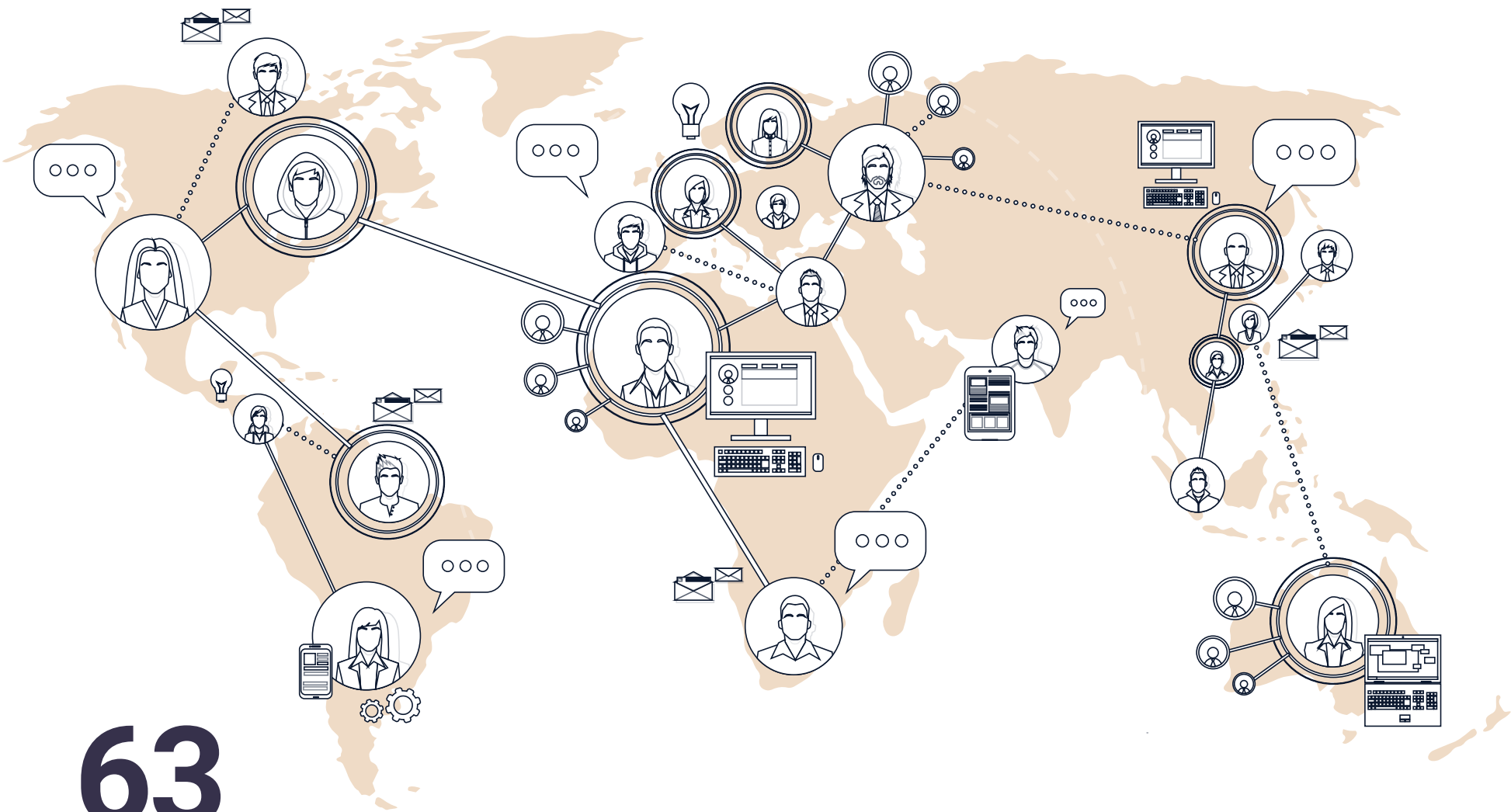
1.3.1. A growing workforce

The Authority continued to increase its workforce albeit at a slower rate in 2020. Full-time equivalent employees at the end of 2020 stood at 420 (307 in Compliance functions and 113 in Support functions).

The reconfiguration of the organisation was further enhanced to follow its strategic and operational trajectories, such as with the incorporation of the Authorisations function within the supervisory functions, which seeks to bring about enhanced coordination between team members working in authorisation with their counterparts undertaking supervisory work and their relevant processes which are being streamlined.



1.3.2. Diversity in the workforce



**63**  
Non-Maltese from  
21 countries  
employed at the Authority  
As at end December 2020

Figure 2: Employee Diversity

1.3.3. Capacity Building

The disruptions caused by COVID-19 did not hinder the Authority from continuing to provide its staff members with the opportunity to attend training courses and conferences, both locally as well as internationally, which invariably migrated to virtual media. During the year, such opportunities were made available through online platforms.

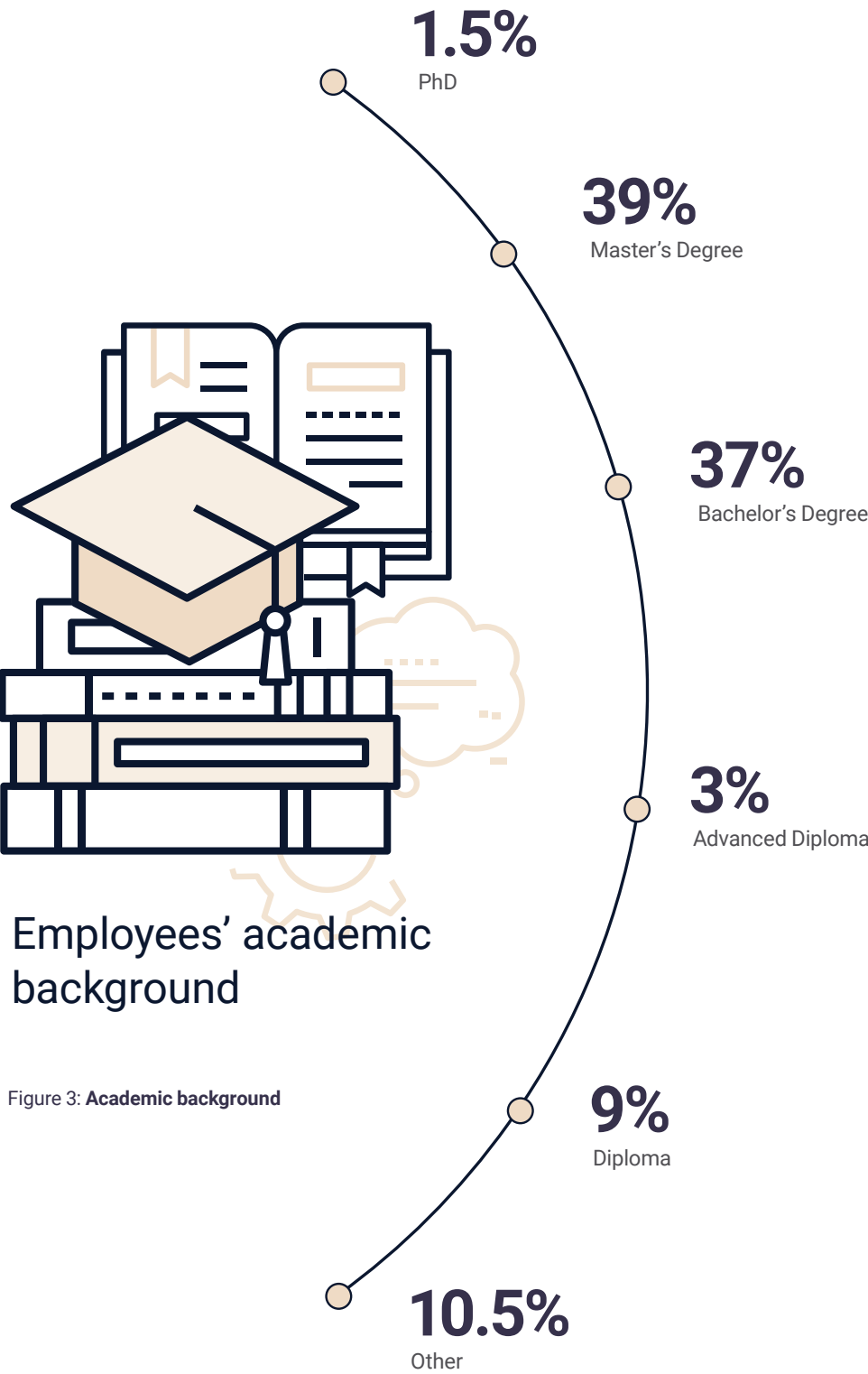


Figure 3: Academic background



Chart 6: Training hours

	Internal	Local (External)	Overseas (External)	TOTALS
2020	10,227	4,227	1,929	16,383
2019	N/A *	8,175	2,102	10,277

\* Up to end 2019, no distinction was made between 'local' and 'internal' training. This distinction was introduced from 2020.

In 2020, MFSA staff members completed a total of 16,383 hours of training internally, locally, and internationally. The commitment to training, upskilling and reskilling of its team is reinforced by the launch of the Financial Supervisors Academy.

The Financial Supervisors Academy

The Financial Supervisors Academy (FSA) was set up at the MFSA to identify training needs specific to the financial services industry and to deliver a yearly curriculum to train young and upcoming financial supervisors. Since the launch of the Academy internally in the latter part of the year under review, 30+ courses were organised and held for staff members based on the need and skill gaps identified by the People & Culture function. Despite COVID-19 and the restrictions on in-class and in-person training, the Academy adapted its approach and utilised the internal tech infrastructure to fully maximise the time dedicated to training.

Further to the internal training activities, the Academy successfully expanded its training outreach by providing a series of webinars focused on supervisory topics involving high-profile speakers from EU institutions such as ESMA, the EU Commission, central banks and regulatory authorities, such as Commissione Nazionale per le Società e la Borsa (CONSOB), Comisión Nacional del Mercado de Valores (CNMV), and Hellenic Capital Markets Commission (HCMC), amongst others. Besides giving experienced supervisors the opportunity to contribute and share their experience, the Academy is also set on including an academic perspective to its content, by partnering and providing exposure to academic representatives internationally. In 2021, the Academy is planning to host a University-led Webinar on Blockchain and Cybersecurity in collaboration with the University of Pavia. Connections and relationships with foreign educational bodies are essential to address the ever-changing requirement of the financial services sector.

The Authority's vision is to open the Academy to the industry in the future, providing stakeholders with an opportunity to keep abreast with the latest trends in financial regulation.

1.3.3.1. AML/CFT Training

In 2020, the Authority invested a total of 743 training hours across its entire workforce, specifically on world-class anti-bribery, anti-corruption and international sanctions training, aimed at augmenting the technical capability of its staff.

In addition to this, through the newly established Financial Supervisors Academy (FSA), the Authority also provided its employees a number of masterclasses on Anti-money Laundering (AML) Risk Assessment, Trade-Based Money Laundering, and Sanctions and Sanction Risk Assessment.

The Authority also supported eight employees in their studies to obtain certification in AML-related matters from internationally recognised accredited institutions, through the Authority's employee self-development programme.

This area remains a key priority with a planned investment in time and resources earmarked for 2021.

1.3.3.2. Cybersecurity Awareness campaigns

The launch of cybersecurity awareness campaigns and training initiatives for MFSA employees continued to promote the aspect of constant vigilance aimed at restraining incidents relating to proliferating phishing scams, which can cause substantial reputational and financial damage to the organisation. This is also sustained with the participation and initiatives which are promoted by the European Central Bank's Security and Risk Management Working Group.

1.4. Our Supervisory Approach

1.4.1. The MFSA's Supervisory Risk-Based Approach

To increase its supervisory effectiveness, the Authority adopts a risk-based approach to financial supervision that considers the potential macro and micro-prudential, conduct, and financial crime risks associated with the firms it oversees. Allocating resources in a risk-driven manner is a more effective way to safeguard the stability of the Maltese financial markets, since the various regulated firms pose different risks to the local financial services sector. Reference is hereby made to the Authority's [Risk-Based Supervision – Strengthening our Supervisory Approach](#) document.

The Authority's risk assessment framework originally largely addressed prudential and conduct risks. During 2020, the Authority worked to enhance the risk assessment of authorised persons by incorporating a Money Laundering and Financing of Terrorism risk score element within the Sectoral Risk Models. Anti-money laundering (AML) and Combatting the Funding of Terrorism (CFT) have been integrated at the core of the Authority's risk assessment and supervisory frameworks.

In conjunction with improving the existing Sectoral Risk Models, the Authority continues to develop its holistic entity-level risk ranking methodology throughout the whole supervisory

“Allocating resources in a risk-driven manner is a more effective way to safeguard the stability of the Maltese financial markets.”

lifecycle, allowing for further consistency and systemisation in harmonised, cross-sectoral risk management. Once completed, this model will allow the Authority to score firms both upon their authorisation as well as on an ongoing basis in line with its supervisory work. This will allow further consistency and systemisation in risk management across the various supervisory areas.

1.4.2. Authorisation Process and Artefacts Enhancements

The authorisation process is the first stage of the Authority’s supervisory cycle through which the Authority ensures that applicants meet the required standard criteria and will be able to continue meeting them on an ongoing basis during their lifecycle.

As part of the re-engineering of processes in preparation for the digital transformation, and as part of the ongoing initiatives to raise its service standards to the industry, the Authority has dedicated considerable time and effort in 2020 and is in the final stages of publishing an Authorisation Process-Service Charter which is underpinned by a revised and improved process flow. While originally planned to be published in 2020, this was postponed to the second half of 2021 due to the exceptional developments in our operating environment and also in view of the ongoing process re-engineering being undertaken by the Authority.

The Service Charter is aimed to be a starting point when an applicant is considering applying for authorisation. The document will: (i) explain and provide guidance on the MFSA’s revised authorisation process; (ii) identify the Authority’s expectations in terms of regulatory standards on prospective applicants; and (iii) set out the timeframes applicable to the MFSA and the applicant for the effective conclusion of the authorisation process.

New application forms will complement the updated authorisation framework referenced in the Charter. These new forms complement the revamped processes, and the Authority’s objective to simplify authorisations across all sectors through standardisation, where possible, to drive efficiency.

The Authority’s objective is to simplify authorisations across all sectors through standardisation, where possible, to drive efficiency.

1.4.3. Due Diligence Process Enhancements

The Due Diligence (DD) function set up in 2020 is responsible for carrying out due diligence checks on persons proposed to take on approved positions within entities licensed by the MFSA. This necessitates a close collaboration between the different functions of the MFSA, both of a supervisory and regulatory capacity, in order to carry out its work more effectively.

The main achievements for 2020 include:

- provision of quality DD reports with research carried out externally as well as internally through liaison with foreign regulators, supervisory functions as well as intelligence obtained;
- onboarding of new resources with DD expertise and the setting up of a training plan;
- continuous engagement with the supervisory functions on DD-related matters and working together to enhance turnaround time;
- continuous improvement of the internal due diligence procedures through continued consultation with stakeholders as well as within the DD function.

2021 will be a year of consolidation, seeing continued upscaling in terms of investment in resources, fully developed Management Information and applying lessons learnt from 2020 to streamline processes.

1.5. The MFSA’s Supervisory and Enforcement Effectiveness

Aside from transformational and organisational projects and workstreams targeting efficiency and architectural improvements, the MFSA has, during 2020, also worked on communicating the effectiveness of its supervisory and enforcement actions. 2021 will see a continued effort on this area and focus on how the Authority analyses and measures the effectiveness of its work.

1.5.1. MFSA’s Supervisory and Enforcement Effectiveness Dashboard

A new [Supervisory and Enforcement Effectiveness Dashboard](#) published on the Authority’s website highlights the key performance indicators concerning regulatory oversight and enforcement effectiveness, focusing on the key supervisory priorities.

The Dashboard underscores the progress made in capacity building and resourcing, increase in training and educational activities, enforcement actions and supervisory inspections. The Dashboard also focuses on the targets set for 2020 which are in line with the Authority’s strategic objectives but also the commitments made with international institutions in addressing key recommendations. The Authority’s transformational journey is geared towards raising compliance and supervisory standards across the board enabled by a more data-driven and risk-based supervisory framework as part of a wider technology strategy.

The Dashboard underscores the progress made in capacity building and resourcing, increase in training and educational activities, enforcement actions and supervisory inspections.



Complementing these figures is a list of measures that the Authority is taking to strengthen supervisory effectiveness and improve risk mitigation. These will enable it to prepare for the next generation of financial services and fulfil its mandate of safeguarding the integrity of financial markets whilst maintaining stability within the sector and protecting consumers. Through this Dashboard, the Authority highlights its key priorities for the next three years with a commitment to deliver a more agile, dynamic and safe environment for the benefit of both consumers and regulated firms. The Dashboard is a summary of a much wider supervisory engagement programme that dovetails into a number of projects and reform initiatives all targeted towards enhanced efficacy.

1.5.2. Authorisations

Chart 7: Applications processed

Years	2019	2020
Total Applications Processed	213	265
Approved	184	199
Withdrawn/Refused	29	66
% Withdrawn/Refused	13%	25%

Chart 8: Authorisations by type or sector (2020)

Type/Sector	Banking Supervision	Conduct Supervision	Insurance & Pensions Supervision	Securities & Markets Supervision	Virtual Financial Assets	Total
Total Processed	15	23	151	45	31	265
Total Issued/In Principle	9	10	120	41	19	199
Total Withdrawn	6	13	31	4	12	66

1.5.3. Supervisory Inspections

Breakdown of 419 inspections by sector and AML/CFT Focus/ Integration

Chart 9: Breakdown of inspections by sector and AML/CFT Focus (2020)

FUNCTION	Sector	TOTAL	OF WHICH AML/CFT	AML/ CFT Focus
Securities & Markets Supervision	Marked Abuse Regulation	20	4	
	European Market Infrastructure Regulation	33	0	
	Trading Venues	2		
	Investment Firms & Funds	37	30	
	Central securities depositories	1		
Insurance & Pensions Supervision		64	47	
Financial Crime Compliance				81
Cybersecurity and ICT Risk		8	3	
Banking Supervision		55	28	
Conduct Supervision	Insurance	22	2	
	Investment Funds	21	4	
	Banking	14	8	
Trusts & Corporate Service Providers		49	46	
Virtual Financial Assets		12	12	
		338	184	81
TOTAL INDIVIDUAL INSPECTIONS		419		

1.5.4. Enforcement

As foreseen in the organisational restructuring outline included in the Strategic Plan, the Enforcement Directorate was set up in March 2019. The Directorate that is led by Chief Officer, Dr Michelle Mizzi Buontempo, is vested with two important functions: the Enforcement function which has an investigative and an enforcement role and the introduction of a Due Diligence function with the responsibility of ensuring that there is consistency in the application of the due diligence process across all sectors regulated by the Authority.

The Enforcement team is tasked with conducting investigations of authorised persons who have or are suspected of having committed serious compliance failures, serious misconduct, market abuse or any other serious breaches of the financial services law. It furthermore investigates the actions of persons carrying out financial services activities without having the necessary licence or authorisation. In performing enforcement functions, the enforcement team adheres to principles that ensure that all investigations are conducted in a manner which is fair, transparent, and proportionate and that investigations are conducted in the most efficient way through a risk-based methodology. Where breaches are identified, the recommendations for action are made to the decision-making body of the Authority responsible for taking enforcement action.

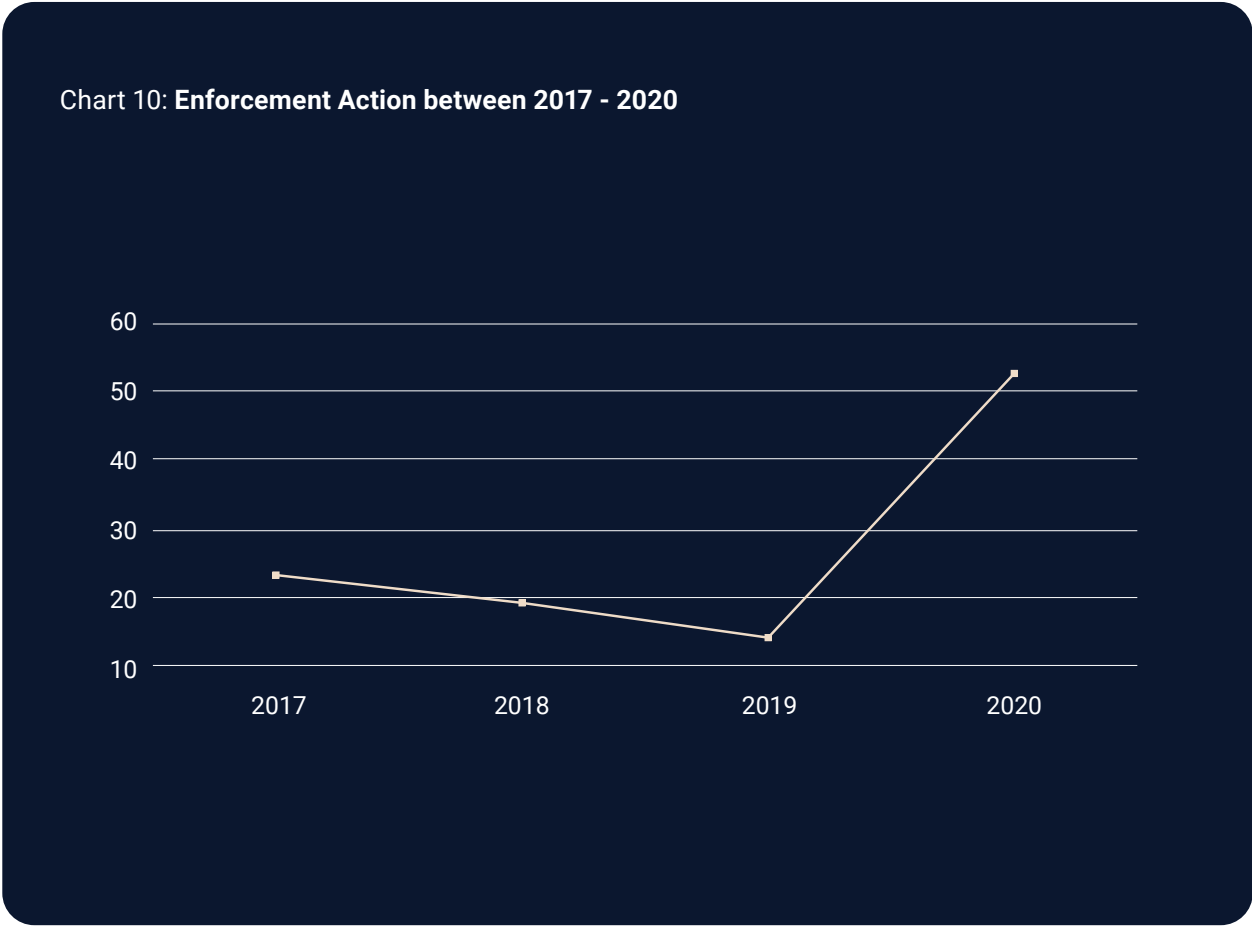
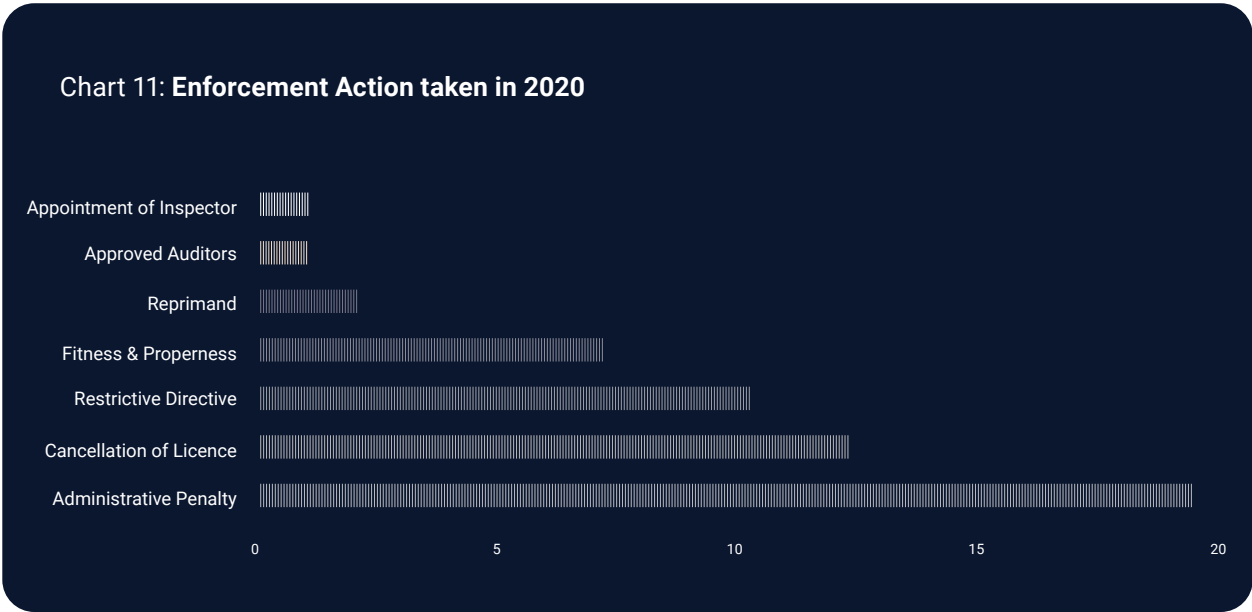


Figure 4: Enforcement work in 2020



\* Investigations into breaches conducted by licence holders which are concluded following Committee decisions.  
\*\* Investigations into breaches may be resolved at Function level. These include consumer complaints, scams, and other miscellaneous investigations.





2. Section II - Our Cross-Sectoral Focus Areas

One of the Authority’s mission critical and strategic priorities is to ensure that the highest standards of governance, risk management, culture and conduct are applied within the financial services market, contributing towards enhanced accountability, market trust and transparency. During 2020, the Authority continued providing for measures which are aimed at engaging with supervised firms to ensure effective governance structures, promoting the right culture and raising the standards in the financial services market. This Section outlines our key cross-sectoral 2020 areas of focus for our supervisory activity, and regulatory and policy developments.

2.1. Combatting financial crime, money laundering and terrorism financing

Combatting financial crime, money laundering and the financing of terrorism remains a key strategic priority of the Authority, where such criminal activities pose threats to the stability of the industry and the country at large. The commitment to focus on training and awareness, whilst further strengthening the coordination and cooperation with other relevant local and international bodies remains, as AML/CFT measures are normalised as an integral part of all supervisory work conducted by the Authority.

The Financial Crime Compliance (FCC) function, which was established in 2019, continued growing in 2020, with headcount increasing from 17 in 2019 to 20 in 2020. At the same time, as the capacity and capability of the function continued to be augmented, the involvement of external consultants was phased out.

In addition, in March 2020, Anthony Eddington was recruited to head the FCC function. Throughout his career, he served in various senior roles in Financial Crime Compliance for key financial institutions and also held a senior regulatory role within the UK’s Financial Services Authority (FSA) Enforcement division and other senior compliance roles with significant commercial banks.

2.1.1. Supervisory Inspections

As illustrated under Section 1.5.3, AML/CFT has been an integral part of MFSA’s Supervisory Inspections programme during 2020.

**AML supervisory inspections:** The MFSA conducted 81 supervisory inspections on behalf of the FIAU, both as full-scope (comprehensive) and focused (targeted) inspections.

**Integration of AML in Prudential and Conduct Supervision:** The AML/CFT element has been embedded into most prudential and conduct-related inspections. Specific focus is given to the AML Governance, the effectiveness of the Money Laundering Reporting Officer (MLRO) function, including the continued fitness and propriety of the MLRO and any systemic risks arising from flawed policies and procedures, and the assessment of any ML & FT risks emanating from their business model. Throughout 2020 there have been 184 AML/CFT integrated inspections, across sectors.

For Trust or Company Service Providers (TCSPs), all supervisory inspections also included interviews with the relevant entity’s MLRO. Also, in recognition of the higher ML & FT risks associated with TCSPs and the structures which they service, throughout 2020, the MFSA carried out further inspections focusing on business and client risk assessment and client onboarding.

“AML/CFT has been an integral part of MFSA’s Supervisory Inspections programme during 2020.”

2.1.2. Other Initiatives

**Risk-Analysis & Key Risk Indicators Exercise:** An analysis of the AML control framework by sector, through a dedicated risk dashboard containing data in respect to key sectoral risks authorised persons are exposed to, was carried out. Information was submitted by authorised persons via a new Key-Risk Indicator Questionnaire.

**Interaction with the Authorisation teams:** FCC increased its collaboration with other functions, especially with respect to the review of proposed and new authorisations and proposed amendments to existing authorisations. Focus was directed towards the analysis of the business and operational model and interaction concerning proposed MLROs regarding their fitness and propriety and experience and suitable qualifications to effectively perform the role. Applicants were required to submit more information on their AML/CFT practices at application stage.

**Court Orders and Requests for Information:** The Authority continued processing the ongoing requests for information received concerning individuals and entities subject to Investigation and Freezing orders issued by the Courts of Justice.

**Industry Outreach:** Guidance papers and notices were issued to keep the industry informed of developments in the AML/CFT world. The MFSA delivered presentations during various outreach events to practitioners in the sector aimed at raising awareness in this area. During a webinar organised for the purpose, with the participation of the FIAU and the Malta Business Registry (MBR), ML & FT risks and red flags in the TCSP sector were addressed, whilst also communicating best practices and expectations in this regard.

**Data-driven dashboards:** Dashboards have also been created to help the Authority monitor local transactions, improve the quality of data being reported, and flag suspicious activities to combat financial crime. These dashboards also monitor the exposure to foreign high-risk jurisdictions and currencies, as well as categorise investors in accordance with their relevant risks.

## 2.2. FinTech and Innovation

The Authority's [FinTech Strategy](#), which was published in May 2019, established six strategic pillars through which it aims to create a holistic long-term approach to catalyse innovation, growth and competition in the financial services sector. Subsequently, the Authority commenced implementation of the Strategy in January 2020.

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In July 2020, the Authority developed and launched the Regulatory Sandbox.

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### 2.2.1. FinTech Regulatory Sandbox – Pillar 1

In January 2020, following a public consultation, the Authority issued Pillar 1 – Regulations: Feedback Statement which proposed the framework governing the FinTech Regulatory Sandbox. The proposed framework was subject to a consultation period. In July 2020, the Authority developed and launched the Regulatory Sandbox with the publication of Rule 3 under the Malta Financial Services Act.

The FinTech Regulatory Sandbox provides for a regulatory environment where FinTech operators may test their innovation for a specific period of time within the financial services under certain prescribed conditions. The regulatory environment aims to foster sustainable financial innovation, ensure regulatory certainty and promote knowledge sharing, whilst ensuring effective investor protection, market integrity and financial soundness within the financial services environment.

Since its launch the Authority has seen increased interest and received a number of proposals. The proposals received, to date, present a diverse range of innovative technologies used within financial services from investment services products and markets infrastructures to RegTech solutions. Moreover, the Sandbox ensures synergies with our innovation office in providing guidance and access to discussion with the regulator on matters of innovation and supervision.

### 2.2.2. Improving Regulatory Efficiency – Pillar 1

The FinTech & Innovation team is leading the team of business specialists set up in 2020 responsible for the preparation of MFSA's core business for the Authority's digital transformation brought about by the implementation of the Authority's internal technology strategy. This is aligned with the MFSA's commitment outlined in the FinTech Strategy to adopt regulatory and supervisory initiatives to support innovation and improve regulatory efficiency.

### 2.2.3. Participation in international fora – Pillar 4

Another pillar which the Authority has been actively engaged in is Pillar 4 – International Links. During the year, the Authority has been actively participating in EU and other international fora and, in the process, became a member of the Global Financial Innovation Network (GFIN). The aim of the GFIN, an initiative led by the Financial Conduct Authority (FCA), is to bring together competent authorities from across different jurisdictions to collaborate and support financial innovation to shape a regulatory environment that is conducive towards innovation.

The Authority also contributed directly to EU discussions leading to the development of the Digital Finance Package which was launched by the European Commission in September 2020. The package includes: (i) the Digital Finance Strategy (ii) Markets in Crypto-Assets Regulation (MiCA) (iii) Digital Operations Resilience Act (DORA) and (iv) the Retail Payments Strategy.

The Authority will also continue to actively contribute to the discussions at international level whilst engaging with other EU Member States to develop a regulatory environment that fosters and enhances the European digital single market for financial services.

## 2.3. ICT Risk, Cybersecurity and Operational Resilience

The importance of having a proper cybersecurity framework has increased due to the widespread use of technology, which has seen an increase in the frequency and extent of cyber-attacks on a global basis. This risk was considered to be higher as dependency on technology increased due to the shift to virtual operations as a result of the imposed COVID-19 health restrictions. Information and Communications Technology (ICT) has become a critical dependency for organisations and people alike. Inevitably, there needs to be increased vigilance on ICT risk and Cybersecurity by standards organisations, policymakers, and regulators worldwide including within the financial services industry.

ICT Risk and Cybersecurity continue to present significant challenges to, and potential severe consequences on, the resilience, performance and stability of financial systems and economies. There is also an increased relevance of third-party dependencies and risks associated with ICT outsourcing as part of ICT risk management.

The Authority, through its [Vision 2021](#) and [Strategic Plan 2019-2021](#) placed substantial importance on ICT risk and Cybersecurity, classifying Cybersecurity and resilience as a “Cross-sector Priority”. ICT Risk and Cybersecurity continues to remain a cross-sectoral priority, as outlined within the [MFSA Supervision Priorities 2021](#).



Following a comprehensive consultation process, the MFSA published a principle-based cross-sectoral [Guidance on Technology Arrangements, ICT and Security Risk Management, and Outsourcing Arrangements](#). The document sets out the Authority's expectations on Technology Arrangements, ICT and Security Risk Management, and Outsourcing Arrangements for all the Authority's licensed entities across all sectors.

**2.3.1. Other cybersecurity related initiatives**

In the year under review, the Supervisory ICT Risk and Cybersecurity team supported the supervisory functions in reviewing applications and requests for authorisation from an ICT risk and Cybersecurity perspective. The team also supported supervisory inspections carried out by other supervisory functions and conducted its own thematic supervisory inspections focusing on ICT risk and Cybersecurity. Furthermore, the function conducted its own Thematic Reviews as part of its desk-based supervision and supported desk-based supervision undertaken by other functions. This was carried out in the form of self-assessments and/or questionnaires circulated to the relevant authorised persons. The function is the Authority's contact point for reporting ICT operational and cyber incidents by authorised persons.

The MFSA also participated and contributed to local and foreign working groups, particularly, the National Cybersecurity Strategy Steering Committee, expert groups organised by the European Central Bank (ECB) and other working groups organised by the European Supervisory Authorities (ESAs). Together with other organisations, it also collaborates with the Ministry for Finance and Employment in working parties and other activities related to the legislative proposals on digital operational resilience issued by the European Commission in September 2020.

**2.4. Conduct Supervision and Retail Investor Protection**

Adding public value and protecting consumer interests are critical objectives of the Authority. For this purpose, the enhancement of the Authority's conduct supervisory framework and operations have been identified as areas of focus for the current and foreseeable strategic periods, to ensure that the interests of consumers of financial services are placed at the centre of supervised firms' operations.

A new Head of Function for Conduct Supervision, Emily Benson, a UK regulatory lawyer with over 30 years of experience in the financial services sector, was appointed in March 2020. The work of this function is wide and cross sectoral in scope. The Conduct Supervision function is also responsible for raising consumer awareness of both financial services products and markets in order to reduce information asymmetry and risks that may be associated with it.

**2.4.1. Supervisory Inspections**

As illustrated under Section 1.5.3, Conduct-related Supervisory Inspections amounted to 57, across the Insurance, Investments and Banking Sectors. Detail relating to this work can be found under the sectoral focus areas in the forthcoming part of this Chapter.

**2.4.2. Desk-based Supervisory Reviews and related work**

Off-site compliance work generally includes regular and ad-hoc monitoring such as the collection of data from MiFID firms and credit institutions which are licensed to provide investment services. These include the Financial Innovation Survey, with the aim of collecting information on innovative products and/or processes that are coming to the market, passporting, in which the company is requested to report on the extent of business generated on a cross-border basis, the Retail Investor Trends Survey, aimed at looking at recent trends in the local retail investment market, and the identification of the top 10 Complex products offered to retail clients. Additionally, data regarding complaints received by an entity is also collected on a quarterly basis as well as data concerning financial instruments relating to investment services provided by MiFID firms, which is collected bi-annually. This data assists the MFSA in identifying market trends as well as any consumer protection issues that may arise due to, for example, the sale of complex products to retail clients without carrying out the appropriateness assessment.

**2.4.3. COVID-19 related Consumer Complaints**

During the year under review, a COVID-19 Survey was also carried out to collect information regarding the number of complaints received during the reporting period related to COVID-19. The survey analysed the approach taken by entities in relation to consumers' expectations on COVID-19 related issues, the initiatives taken by entities in order to avoid business disruptions, delays and operational risks during the pandemic, information on the change in the risks' level and product reviews during the COVID-19 outbreak, and positive initiatives observed in relation to the pandemic during the reporting period.

**2.4.4. Monitoring of the promotional efforts of Regulated Entities**

The Authority also continued to monitor the promotional efforts of regulated entities (including insurance undertakings; insurance intermediaries; MiFID firms and credit institutions with marketing deposit related accounts) to verify and ensure that these regulated persons are fully compliant with the applicable requirements.

The review of promotional material issued by regulated persons is supported through the use of a specific monitoring tool through 'alerts' received from such tool once a regulated person circulates and/or issues any marketing material on social media platforms. Once such alert is received, MFSA officials carry out a review of such post to determine whether such marketing material is in line with the applicable requirements of the Conduct of Business Rulebook.

“The review of promotional material issued by regulated persons is supported through the use of a specific monitoring tool.”

In light of the aforementioned supervisory activities, the MFSA corresponded with various regulated entities in order to ascertain that their promotional efforts are in line with the established regulatory requirements. If warranted, regulated entities were requested to amend the respective promotional material in order for the latter to become compliant with the existing legal provisions, regulating the relevant areas of financial services providing activities.

The main shortcomings identified during 2020 were the following:

- Lack of regulatory disclaimers and/or the wording used for the regulatory disclaimer, was not in line with the requirements as set out in Chapter 1 of the Conduct of Business Rulebook;
- Misleading marketing material in respect of certain banking products, promoting 'free' services offered to clients even though such services are offered for free to all clients irrespective of the account held and/or product bought by consumers;
- The font used in the respective promotional material was not sufficient in terms of size and/or the transparency for the consumer to be able to read the applicable disclaimers;
- Promotional material and website content were not in line with the requirements set out in the Conduct of Business Rulebook in relation to the marketing, distribution or sale of contracts for differences, including obligations related to disclaimers, information provided to clients, required leverage, account type comparison for retail and professional clients, and incentivisation to become a professional investor.

“The MFSA continued to focus on retail investor protection to ensure that the interests of consumers of financial services are protected.”

2.4.5. Revision of the Conduct of Business Rulebook

In June 2020, the Authority published an updated version of the Conduct of Business Rulebook (originally issued in 2017). The main amendments carried out to the Rulebook relate to the criteria for the assessment of knowledge and competence of staff providing investment advice or information about financial instruments, structured deposits, investment services or ancillary services to clients, in line with the requirements under the Article 25(1) of MiFID II.

2.4.6. Outreach and Consumer Education

During the year, the MFSA continued to focus on retail investor protection to ensure that the interests of consumers of financial services are protected and are placed at the centre of supervised firms' operations. To further strengthen consumer awareness, various educational campaigns were organised including:

- i. organising a number of educational presentations and talks for students from local schools visiting the Authority and also visiting schools and giving similar sessions providing information on the basic concepts of banking, insurance and investments during the first three months of the year;

- ii. hosting post-secondary education students at the Authority during the first three months of 2020 and discussing the sales process and selling practices adopted by investment firms, the insurance sector as well as banks when selling a financial product and/or provide a service and the information which needs to be provided to customers before they purchase a financial product or service;
- iii. launching two consumer educational campaigns: one concerning the different types of [home insurance cover](#) available to consumers highlighting the options in purchasing home insurance which might cover either 'buildings' only; or it may include the 'contents' and the possibility to take out such policies separately. Another [campaign](#), launched in October 2020, concerned the trading venues and the difference between regulated markets and unregulated markets with the aim of enhancing consumer confidence in financial markets and demystifying certain investment jargon such as 'trading venue', 'regulated market' and 'multilateral trading facility (MTF)'.

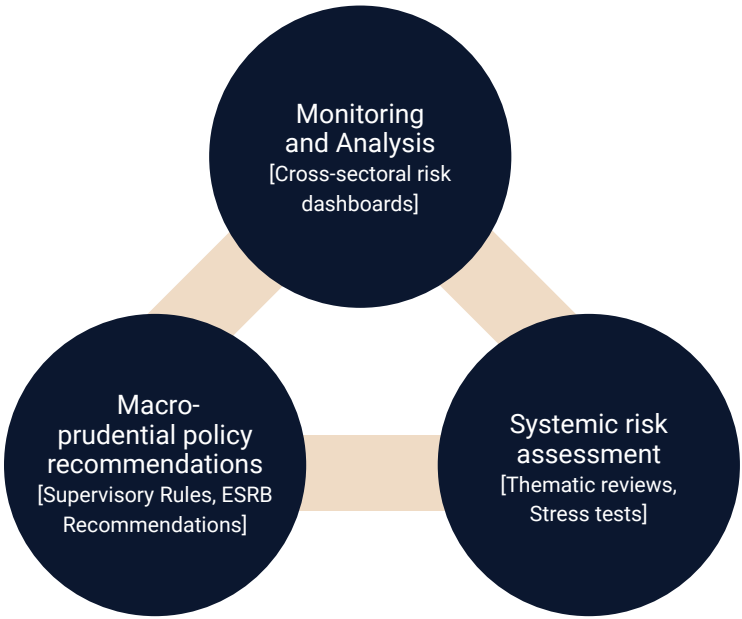
2.5. Financial Stability and Sustainability

2.5.1. Financial Stability

The Authority is formally mandated by Article 4(b) of the Malta Financial Services Authority Act to safeguard financial stability in collaboration with the Central Bank of Malta. Effective cooperation between the two authorities is ensured through the Joint Financial Stability Board (JFSB), established in terms of ESRB Recommendation (ESRB/2011/13), enabling engagement in risk identification and policy decisions. Financial stability is safeguarded through our macroprudential policy, as well as through our collaboration and cooperation with international institutions.

In 2020, the Authority continued to further develop its risk identification metrics. Apart from identifying and analysing risks and vulnerabilities from a broad financial system perspective, which during 2020 also extended into emerging risks in line with developments taking place internationally, the analyses conducted and the identified risks are fed to other supervisory processes. These support and assist the risk identification processes both on a company and on sectoral levels.

Figure 5: Components of the Financial Stability Risk Assessment process





### 2.5.1.1. Financial stability monitoring during the COVID-19 pandemic

At the onset of the COVID-19 pandemic and subsequently on an ongoing basis throughout the year, assessments were carried out to identify any pockets of vulnerabilities in the financial sector as well as the economy as a whole. This included a thorough assessment on the exposures of licensed entities towards the economic sectors that were adversely impacted by the pandemic. This was accompanied by monitoring for contagion effects that could arise during the pandemic, through simulation tests set on institutions mostly exposed to the worst-hit economic sectors. Analysis carried out also included monitoring the efficacy of policy measures being designed to mitigate pandemic-led disruptions. Specific attention was also given to [developments within Malta's real estate and rental market during the pandemic](#), given its importance for the banking sector. This assessment was published within the Authority's dedicated webpage.

During the year, the Authority's Financial Stability Function took an active role in the analysis and implementation of various support measures introduced by the government and other authorities in relation to the COVID-19 pandemic as well as other regulatory measures, evaluating such measures from a financial stability perspective.

Since support measures were channelled through banks, the Banking Supervision team supported the Malta Development Bank (MDB) to set up the lending scheme to support businesses. This was delivered through the banks and required a significant amount of policy work.

Listing applicants seeking to issue securities on the capital markets during COVID-19 were asked additional questions to determine the consideration afforded to the pandemic impact on the timing of the proposed issuance; the financial soundness of the issuer and the terms governing the proposed issuance.

The analysis conducted on Malta Stock Exchange (MSE) corporates during COVID-19 involved three phases of analysis, utilising the latest available information at the respective time of execution.

Phase 1 focused on the capacity of MSE corporates to meet debt servicing obligations emanating from a range of potential adverse scenarios including stressed liquidity and financial performance resulting from the COVID-19 impact.

Following the issuance of 2020 interim financial statements, Phase 2 focused on establishing the financial resilience of MSE corporates to withstand COVID-ridden operating periods, the duration of COVID-19 impacted performance until further action being required and identifying the higher risk issuers.

Phase 3 then involved an in-depth analysis of the identified higher risk issuers based on published financial analysis summaries including: business model analysis, financial forecasts and reasonableness of underlying assumptions, availability of support, identified need, and proposed course of action.

The planned Phase 4 would be the analysis of 2020 audited financial statements upon publication to assess audited financial information capturing the COVID-19 impact on a full financial year. During 2020, market volatility negatively impacted the profitability and solvency ratios of local life insurance companies. The actuarial team was closely following these developments through

purposely developed tools that enabled the Financial Stability team to monitor specific issues and trends and to enhance the accessibility and modelling of Solvency II data. The team has also assessed the impact of the very low level of interest rates on the non-life insurance licensed entities.

### 2.5.1.2. Ongoing monitoring of threats to financial stability

The risk assessment process is formalised through an internal financial stability risk assessment report. Key risks and vulnerabilities are highlighted following in-depth assessments on the soundness and stability of banks, insurance undertakings and investment funds. Emerging risks that could have a potential systemic impact on the stability of the financial system are also considered within the risk assessment. In 2020, special focus was given to monitoring emerging risks related to the COVID-19 pandemic. Recommendations were also raised on possible areas which may require specific supervisory attention or policy corrective action.

Throughout the risk assessment process, a bilateral communication channel between supervisory teams is maintained. This forms part of the risk assessment process, which encompasses supervisors' expertise and experiences in observing synchronous individual patterns that can potentially threaten the system. On the quantitative side, risk dashboards remain central to gauging risks in the most systemically relevant areas of the banking, insurance and investment fund industries. The tool extracts microdata from relevant returns to calculate key indicators, which assist in conducting ongoing identification, monitoring, and assessments of trends, potential risks, and vulnerabilities within and across sectors.

Risk oversight is bolstered through supporting and standalone models, together with thematic reviews, which strengthen financial soundness appraisals from a system-wide perspective. Of note is the application of the inhouse network model which assists in monitoring [contagion risk](#) within the Maltese financial sector. The model provides an understanding as to how a failure of an institution could impact other institutions through the equity, credit and funding channel mechanisms. Moreover, the views of the main players within the Maltese financial system on current and emerging systemic risks are also captured, and utilised within the risk oversight work, the findings of which are obtained through an annual survey prepared jointly with the Central Bank of Malta. Additional assessments pertain to [Alternative Investment Fund Managers](#) (AIFMs), which includes a statistical overview of the Maltese AIFM industry together with a risk analysis on the historical values of different indicators reported by the AIFMs.

The MFSA liaises with the European Central Bank to assess the impact of credit risk on business models of banks. Business model viability and sustainability is a key component of the Supervisory Review and Evaluation Process (SREP) assessment of banks which were completed this year. The Authority also monitors the impact on business volumes in financial institutions.

The Authority has continued to monitor the prudential requirements relating to capital adequacy as well as general financial soundness of regulated entities through the review of financial documentation to identify warning signals determining authorised persons which may pose a risk on financial stability. Building upon work initiated in 2019, the MFSA has also continued work in the liquidity risk management field in 2020. This entailed a Common Supervisory Action coordinated by ESMA, whereby Undertakings in collective Investments in Transferable Securities (UCITS) Management Companies and self-managed UCITS were surveyed through questionnaires and

inspections on the subject. In addition, continuous engagement was held with Domestic Funds to determine whether their liquidity, redemption levels, and ability to meet redemptions was impacted by COVID-19.

### 2.5.1.3. Enhancement and development of new risk oversight metrics

In line with the [Authority's 2019-2021 Strategic Plan](#) and the IMF's Financial Sector Assessment Programme's (FSAP) recommendations, the Financial Stability function continued to enhance the risk identification analysis as well as delve into new areas of research.

A [Liquidity Stress Testing Framework for Maltese Retail Investment Funds](#) was developed, both at micro and macro levels. The micro-level stress test assesses the resilience of the individual investment funds to extreme but plausible weekly redemption shocks. On the other hand, the macro-level stress test is used to obtain a deeper insight as to how the macro-economic environment can affect the liquidity profile of the Maltese fund industry and identify the types of funds which are most exposed to macro-economic shocks.

Further to the assessment carried out on [contagion risk](#), the function also analysed the interconnectedness between the domestic fund industry, the local bond and equity markets, and the global financial markets. This led to the estimation of a long-run relationship between the correlations within the Maltese domestic investment funds and the number of spill-overs which they could transmit and receive.

Apart from risk oversight being performed on the traditional financial services activities, the Authority also continued to assess [non-bank financial intermediation \(NBFI\)](#) in Malta. This analysis covers non-bank financial entities that generate bank-like risks while typically being subject to less stringent regulation than the banking regulation. An estimate of the size of NBFI in Malta was undertaken by adopting the narrowing-down approach introduced by the Financial Stability Board. In conjunction, a thorough assessment of the benefits, challenges and evolving dynamics of this sector was carried out.

The extent of cyber resilience within the Maltese financial services sector was also analysed. Information was obtained from all Maltese licensed banks, insurance undertakings and investment services providers (Categories 2 and 3), in relation to cybersecurity measures in place to prevent and detect potential cyber-attacks and subsequently respond and recover following an incident.

The growing relevance of climate change from a financial stability perspective led to the assessment on the potential effect that could arise on the domestic financial system following the introduction of policies aimed to achieve a greener economy. To this end, the exposure of Maltese financial institutions to the Climate Policy Relevant Sectors (CPRS), also referred to as climate sensitive sectors, was examined.

### 2.5.1.4. Enhanced communication with the financial market

Tying in with the continued assessment of NBFIs in Malta from a financial stability perspective, the Authority, through its Financial Supervisors Academy (FSA), organised a conference which delved into Non-Bank Financial Intermediation. The online event brought together representatives from EU institutions, Central Banks and supervisory and regulatory authorities. The Academy will

continue to have an active role in the training of regulators and sharing of information with the financial community in matters concerning financial stability.

### 2.5.1.5. Technical Collaboration with international institutions

The Authority actively participates in EU financial services' sector working groups. Within the European System of Financial Supervision, the Authority directly contributes to the work carried out by the European Systemic Risk Board (ESRB), which focuses on systemic risk identification and macro-prudential measures. During the year under review, closer links with ESRB expert groups were established, with representatives from the function attending specialised collaboration groups on Non-Bank Financial Intermediation and the Financial Sector Interconnectedness.

In addition, technical representation takes place at the European Central Bank's Macro-Prudential Policy, Macro-Prudential Analysis, and Risk Analysis working groups. Similarly, the Authority participated in the European Securities and Markets Authority (ESMA) namely through the Committee of Economic and Markets' Analysis (CEMA) and Alternative Investment Fund Managers Directive Task Force. The Financial Stability team was also involved within the European Insurance and Occupational Pensions Authority (EIOPA) through the Insurance financial stability expert group, work on climate change and sustainable finance from a macro perspective as well as actively participating in the Network for Greening the Financial System (NGFS) and the ESRB Task Force on Climate Change.

### 2.5.2. Sustainability and Sustainable Finance

Sustainability and sustainable finance are increasingly taking centre stage in key financial policy fora, and sustainable finance, in particular, is considered a key catalyst for economic recovery at EU and national levels.

The Authority's Strategic Plan had already recognised the increasing importance of sustainability aspects in finance and the [EU Commission's work stream](#) in this area launched in 2018. During 2019, the three EU proposals for regulations that were published in 2018 were adopted, namely: the [Taxonomy Regulation](#); the revision of the [Benchmarking Regulation](#); and the [Disclosure Regulation](#).

The Authority, as the competent national entity to implement and enforce these three EU Regulations, conducted preparatory work in this regard during 2020. A cross-sectoral internal working group was set up and tasked with the overall coordination, providing policy input on the ongoing European debate, implementation work and compliance approach ensuring consistency, coherence and setting the right founding elements for such an important shift in finance which is bound to be long term. The implementation of these three Regulations will continue in 2021 and thereafter.

[Circulars](#) were issued to the industry to raise awareness and generally to facilitate implementation of requirements that have become applicable as from March 2021. The Authority also actively participated in a number of fora, both at EU and international level and submitted its views to the European Commission in consultation exercises on the renewed Sustainable Finance Strategy (foreseen to be adopted in mid-2021); an EU Green Bond Standard (GBS) on which targeted consultation closed October 2020 and others of a more technical nature conducted by the ESAs.



From a macro, financial stability perspective, the Authority has included sustainability, and particularly, climate-related risks, in its regular stability assessments. Firstly, efforts have been channelled to analyse financial institutions' exposure to companies operating in climate sensitive sectors, also referred to as the Climate Policy Relevant Sectors (CPRS). Subsequently, analysis was carried out on both banking and non-bank financial institutions' securities holdings data and CO<sub>2</sub> emissions for foreign listed companies, respectively based on Securities-by-Securities data (SbSA) available at the Authority and from third party sources. The granular data on CO<sub>2</sub> emission for target investments (issuers of instruments in which the Maltese financial institutions are investing) allows the Authority to identify companies' carbon footprints by utilising information on CO<sub>2</sub> emissions data to assess the carbon intensity of each institution. Using published financial statements and balance sheets figures, the impact of a new carbon tax on asset prices is assessed on equities, bonds, loans and Collective Investment Schemes. The methodologies adopted to assess financial losses due to climate policy interventions are ratio analysis for equities, Merton model for bonds and sensitivity analysis for Collective Investment Schemes.

Sustainability and Sustainable Finance was also the chosen theme for a training event organised by the Authority's Financial Supervisors Academy in July 2020. This was attended by over 300 employees which was organised to increase awareness, touching specifically on areas relating to the overlap between supervision and sustainability.

## 2.6. Corporate Governance Framework

In February 2020, following an internal review of existent applicable rules and guidance, the Authority published a [Consultation document](#) detailing a proposed revision of the Corporate Governance Framework. It set out several proposals for the promulgation of a comprehensive principles-based Corporate Governance Code which is being proposed to be applicable to all entities authorised by the Authority and Listed Companies. The List of Principles are expected to be then supplemented by sector specific Rules and/or complementing guidance notes.

The responses received from a wide range of stakeholders have been reviewed and taken into account by the Authority in the adoption of its position and feedback statement issued in the first half of 2021. The Authority will continue engaging with all relevant stakeholders before the final adoption of the Revised Code.

## 2.7. Shareholding Policy for Credit Institutions and Insurance Companies

The Authority believes that a robust regulatory assessment process of shareholding structures is critical in ensuring that qualifying shareholders are, and remain, in a position to carry out their responsibilities and contribute to the effective governance of licensed institutions and their decision making.

In this respect, as part of the Authority's ongoing efforts to raise the overall governance standards of authorised entities and in view of regulatory developments that affect credit institutions and insurance companies, the Authority has re-assessed the requirements, which were set out in two Policy Papers applicable to such entities. In this respect, the Authority has implemented a [Shareholding Policy applicable to Credit Institutions and Insurance Companies](#). The Policy sets out the assessment of shareholding structures of credit institutions and insurance companies and also the Authority's risk appetite in relation to the assessment of shareholding structures

of such entities. The key changes brought about by this Policy include the repealing and superseding of the Policy dated 13 February 2012 applicable to 'Applicants for Authorisation as Credit Institutions and Insurance Companies', communicating that going forward the 'Contingency Contribution requirement' applicable to certain applicant credit institutions will no longer apply. The new Policy also specified that credit institutions subject to the Contingency Contribution requirement (in terms of the May 2012 Policy) would still be subject thereto, until notified otherwise. It also provides an overview of the MFSA's assessment process of shareholding structures of credit institutions and insurance companies, and communicates the Authority's risk appetite, in relation to the assessment of shareholding structures of these institutions (which are expected to be reasonably diversified and balanced).

This Policy paper repealed and superseded the MFSA Policy (dated 13 February 2012) applicable to Applicants for authorisation as Credit Institutions and Insurance Companies.

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The Authority has continued its efforts in strengthening the due diligence process.

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## 2.8. Source of Wealth and Source of Funds (SOW/SOF)

Building on the Authority's prior work with respect to the fitness and propriety guidance, the Authority has continued its efforts in strengthening the due diligence process. In this regard, it issued a Guidance Note on the submission of the SOW/SOF, aimed at providing individuals with guidance on the Authority's expectations when they are requested by the MFSA to provide the SOW/SOF declarations as part of the AML/CFT screening of applicants. The [Guidance Note](#) sets out the specific contents, the level of detail and additional documentation that these documents should include.

Such declaration is requested by the Authority, both as part of the application process, or else because of subsequent changes effected by the authorised entity, which require a fitness and propriety assessment of a given individual.

## 2.9. Brexit

The withdrawal agreement between the UK and the EU27, which entered into force on 1 February 2020, ensured an orderly withdrawal supported by a transition period until 31 December 2020. During this transition period, the UK continued to apply Union law without being represented in the EU institutions. This gave more time for citizens, consumers, and businesses to adapt.

During 2020, and building on work done in the previous years, the MFSA has continued its dialogue with stakeholders to ensure that all necessary actions for readiness are taken by the end of 2020. As part of its supervision, it followed the contingency plans of the entities

under its supervision and monitored their readiness taking into account the guidance and public communications issued by the European Commission and the ESAs. Maltese licence holders were encouraged to finalise and implement their preparatory measures by 31 December 2020 at the latest and be ready for the change that will happen in all scenarios, including wherein their area of work, there is no equivalence decision taken by the EU or the UK. UK entities passporting in Malta were informed that upon the expiry of the transition period, the MFSA did not intend to grant additional temporary permission for the provision of services to Maltese clients and therefore they should ensure that they have obtained the necessary authorisation from an EU competent authority and have effectively established themselves before the end of the transition period. Maltese licence holders passporting in the UK were reminded that should they wish to continue servicing UK clients, they should reach out to the UK authorities in a timely manner and seek an appropriate authorisation.

In addition, the MFSA actively encouraged licensed entities to continue providing timely and accurate information about the potential impact of Brexit on services and 'business as usual'. Local clients (customers, policyholders, investors) were informed of the MFSA's position with respect to UK entities servicing Maltese clients and were made aware of the need to ensure that any UK entity providing them with a licensable service, is authorised to do so.

With just days until the deadline, the UK and European Union agreed to a post-Brexit trade deal in December effectively making the UK a non-EU country outside the EU legislative and regulatory framework. With very few references to financial services, the contingency plans that were drawn up for the risk of the UK's withdrawal from the Union without a withdrawal agreement were crucial for the changes at the end of the transition period. This was particularly with respect to the termination of passporting rights to and from the UK. Nevertheless, the Memoranda of Understanding ( MoUs) to which the MFSA is party will enable continued dialogue with UK regulators on matters of supervision and regulation.

### 3. Section III – Our Sector Specific Focus Areas

#### 3.1. Banking

The banking sector contributes significantly to the local economy and the proper functioning of the banking system is key to maintaining a strong financial system. In this respect, the MFSA's areas of focus as set out in the strategic plan and the [supervisory priorities](#) are aligned to the supervisory priorities of the ECB and the EBA.

##### 3.1.1. Credit Institutions Supervision

With respect to credit institutions the Authority undertook several key priority actions as follows:

- *Ensuring the proper management of credit risk*

During the year, the Authority monitored the actions taken by the Board of Directors and senior management of these institutions to reduce their level of non-performing loans and manage their credit risk profiles. This is particularly important as the effects of COVID-19 are expected to lead to increased credit risk and other potential financial and operational management challenges in 2021.

- *Focusing on the business model and profitability risk*

Profitability has declined as business volumes and recognition of credit losses arising from COVID-19 have started to emerge during the year. Banks are also facing pressure to improve the quality of their IT systems to enhance service efficiency but also resilience and efficacy of controls. They are also being required to improve the quality of their general control environments. This means that business model viability challenges will be more significant in 2021.

- *Supervisory Review and Evaluation Process (SREP)*

The SREP evaluation of each bank means that each of them has an individually set capital requirement based on the Authority's assessment of the risks embedded in the business model and the quality of oversight and control. The Authority's review of the Internal Capital Adequacy Assessment Processes (ICAAPs) and the Internal Liquidity Adequacy Assessment Processes (ILAAPs) in 2020 identified that banks and the firms that support them need to enhance their understanding of, and capability to, perform stress testing. Boards also need to ensure there is appropriate challenge and understanding. The Authority is communicating its findings to the banks so they can evolve their approaches for 2021.

- *Cybersecurity*

As part of the SREP assessments of banks, the Authority reviewed and benchmarked the banks' assessment of their IT arrangements including cybersecurity. Assessments of applicant firms and thematic reviews of financial institutions were also carried out.

- *Correspondent Banking*

During 2020, banks have continued to face difficulties arising from some international correspondent banks terminating their relationship with the banks in Malta. Banking Supervision has monitored bank-specific developments, with a particular focus on the contingency plans the banks have in place, through the collection of data, and meetings with all the affected banks.

- *The Impact of COVID-19*

The operating environment for banks became challenging as the pandemic and related restrictions were extended. The Authority maintained substantial and continuous engagement with banks, to ensure continuity of daily services which became a challenge whilst safeguarding the well-being of both staff and consumers. In this respect, Banks had to adopt different measures to ensure business continuity but, at the same time, to adhere to the changes in different laws and regulations. In this respect, the Authority constantly engaged with the industry to discuss these challenges and to ensure that consumers were given adequate information and assistance during this period.

- *Regulatory/Enforcement Action*

Apart from continuing its work to oversee the position of legacy banks, during 2020, the MFSA continued following through with the due process in relation to authorised persons who were in breach of financial services legislation.



- *Residual Balances Fund*

The Authority also assisted with the work required to set up a Residual Balances Fund which is a new tool that Malta can use as part of the liquidation of previous banking entities. This was published in August 2020.

- *AML/CFT Focus*

The Authority conducted a thematic review of AML and CFT Governance across credit institutions during the year, using the findings as part of SREP interviews with Board Chairs and other Board members. Results were also presented to the Chairs of Board Risk Committees of banks to ensure they are aware of the Authority's expectations.

The Authority also introduced a mandatory interview for all MLRO applicants to assess the competence and personal resilience of those proposed for these roles. Moreover, the Authority also participated in work to examine the controls over account opening at banks and collaborated with the FIAU and industry participants to review the approach taken to implement regulatory requirements. This work will continue into 2021.

### 3.1.2. Financial Institutions Supervision

Financial institutions fall in two broad categories: [i] Institutions undertaking payment services and/or the issuance of electronic money (more commonly known as 'payment institutions' or 'electronic money institutions', respectively); and [ii] Institutions undertaking other activities such as lending, financial leasing, the provision of guarantees and commitments, foreign exchange services and money brokering.

From a regulatory perspective, this sector is required to adopt higher and better-quality internal controls and the Authority is pleased to note that a number of firms are taking the initiative to do this. This notwithstanding, around half of the supervised firms required regulatory intervention to ensure that the required standards are met.

Deep dives reviewing the AML and CFT governance of financial institutions were also conducted. In this respect, a number of firms were requested to take action to improve their oversight and controls.

The Authority has also noted that these firms find it harder to recruit and retain appropriate talent to ensure effective governance and is therefore taking all necessary measures throughout the supervisory cycle to ensure appropriate and adequate governance structures and processes are established and retained by these firms.

### 3.1.3. Conduct Supervision

- *The Assessment of Digital Platforms*

In 2020, the Authority engaged directly with the industry by virtue of a survey regarding digital platforms. The purpose of this questionnaire was to assess the use of digital platforms as a means to market and conclude contracts for banking, payments, and e-money services with customers, in

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The MFSA conducted an extensive exercise on Product Oversight and Governance to better understand how licence holders structure and manage this process.

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order to obtain a better understanding of any possible conduct risk. Through this exercise, the whole customer journey – from the product design stage through to the sales process and post sales handling – was reviewed. The MFSA also evaluated the documentation being requested as part of the customer onboarding process on the review of customer files.

- *Product Oversight and Governance*

The process by which financial products are designed, manufactured, and then distributed has an impact on consumers. Institutions should bring to the market products that safeguard the interests of consumers and are appropriate for the identified target market. During 2020, the MFSA conducted an extensive exercise on Product Oversight and Governance to better understand how licence holders structure and manage this process. This was done by means of a self-assessment questionnaire sent to all institutions which was then reviewed and followed up by supervisory inspections. A publication highlighting the findings, good practices and the Authority's expectations will be issued in the first half of 2021.

- *Follow up on mystery shopping exercises conducted in 2018 and 2019*

Supervisory inspections have been conducted at the head office of four credit institutions and some of their branches with the intention of following up on the [mystery shopping exercises conducted in 2018 and 2019](#) with particular focus on staff training and adherence to the Payment Account Directive.

### 3.1.4. Resolution

The Authority, through its Resolution function, continued to take an active part in resolution planning activities for Significant Institutions (SIs). The function effectively collaborated with the Single Resolution Board (SRB) through its direct participation in the Internal Resolution teams responsible for the resolution planning process of SIs which ultimately fall under the responsibility of the SRB as the Resolution Authority for this category of banks. Besides being engaged in the actual update of the Resolution Plan, the involvement of the Resolution function with the SRB includes implementation of SRB decisions as well as the coordination of verification and analysis of resolution reporting data collected from SIs. In 2020 communication and coordination with the SRB and the banks concerned was intensive throughout the year, particularly amid the COVID-19 pandemic.

With regard to LSIs (less significant banks) operating in Malta that fall under the remit of the Authority as the Maltese Resolution Authority, in 2020, the Resolution function formally completed the first iteration of the resolution plans for all these banks. Whilst the responsibility for these non-

systemic banks resides with the Maltese Resolution Authority, the SRB was consulted on these plans due to their oversight function. During the period under review, one-to-one bilateral meetings were conducted in the form of workshops with all credit institutions classified as LSIs. The main aim of these informative workshops was to communicate progress made in resolution planning for each bank and the setting of a Minimum Requirement of Own Funds and Eligible Liabilities (MREL) for these entities.

The Authority also provided input to the International Monetary Fund (IMF) - Financial Sector Assessment Programme (FSAP) on the Crisis Management and Safety Net regime. Such feedback was communicated as part of the IMF's follow-up to its 2018 main mission. Moreover, during the year, it further analysed the recommendations stemming from the FSAP and initiated the implementation of these recommendations. In this respect, the Resolution function has embarked on a project initiating the shift of responsibility of bank insolvency from Banking Supervision to the Resolution function which stems from the IMF FSAP technical note on Bank Resolution and Crisis Management. A number of legislative instruments requiring amendment have been earmarked during 2020, and in close cooperation with banking supervision, work was commenced and continues in 2021 to effect these changes.

During the year, the Bank Recovery and Resolution Directive (BRRD2) transposition exercise continued and was finalised. This required internal coordination with other supervisory functions and external coordination with the European Commission. The Authority also participated in discussions with EBA for the adoption of guidelines as mandated by the Directive itself.

Another legislative amendment to the Malta Financial Services Authority Act was passed through Parliament during the last quarter of 2020 with the aim of further clarifying the right of appeal of aggrieved persons following a decision of the Resolution Committee. Another two transposition exercises have also commenced in relation to the Covered Bonds Directive and the Investment Firms Directive.

In 2020, the Minimum Requirement for own funds and Eligible Liabilities (MREL) setting has been aligned with the 2020 SRB MREL Policy amid the new regulatory framework of the EU Banking Package. The latest MREL policy introduces a series of new features to strengthen the MREL approach and the entities' resolvability within the Banking Union. The aim of this policy is to accompany the BRRD2. An extensive section of the resolution planning process and the setting of MREL comprises of the resolution reporting data collection exercise required by one of the Commission's implementing regulations. This was rolled out to all authorised banks in Malta during the year.

The Resolution function also successfully completed the annual process to collect ex-ante contributions from banks operating in Malta for the Single Resolution Fund (SRF). Since a number of institutions fall out of scope of the SRF but within the scope of the BRRD, the Authority collected an annual contribution from these institutions for the National Resolution Fund which is administered locally.

In 2020, the same function embarked on a 12-month project in collaboration with a top-tier consulting firm engaged by the European Commission Directorate-General for Structural Reform Support (DG REFORM). The project targets the provision of advisory and technical assistance of experts to initiate and complete the drafting of pending resolution-execution related policies and legislative arrangements and improving the design and structure of existing frameworks. This

initiative also foresees the involvement of other key stakeholders, including other supervisory functions, the Depositor Compensation Scheme, the Central Bank of Malta, the Ministry for Finance and Employment and the Malta Stock Exchange.

## 3.2. Insurance and Pensions

### 3.2.1. Insurance and Pensions Supervision

The local insurance sector comprises of domestic life and non-life insurers as well as an increasing number of international investors seeking to establish insurance companies, Protected Cell Companies (PCCs) and Incorporated Cell Companies (ICCs). Furthermore, Retirement Pensions schemes (both personal and occupational) and pension service providers are also regulated by the MFSA.

The Insurance and Pensions sector plays a central role in enabling economic activity in a wide array of sectors, protecting both individuals and firms against uncertainty. The Authority's priority for this sector is to ensure that the market functions well and is proactive in meeting new needs, developments, and the changing circumstances of the diverse sectors they service.

In general, 2020 was not an easy year for the sector which was already facing a number of challenges brought about by lower margins emanating from stronger competition, uncertainties around Brexit and the lower interest rates that persisted. Throughout the year, the supervisory approach adopted for this sector was adjusted to focus on authorised persons rather than on operational processes. The Authority also increased the intensity and coverage of the Supervisory Inspection programme and strived to address key risk areas through a combination of supervisory inspections, supervisory meetings with senior management of licensed entities and desktop reviews.

“The Authority also increased the intensity and coverage of the Supervisory Inspection programme.”

For the Insurance Undertakings/Intermediaries sector, supervisory inspections focused on:

- i. the effectiveness of the system of governance, the tone set at the top; the compliance and risk management cultures; and the effectiveness of key and critical/important functions.
- ii. the knowledge, ability and competencies of the board and senior management primarily regarding the specificities of the market(s) the licensed entities operate in and their understanding of the material risks related to the company's strategy and business model.
- iii. the due diligence process adopted and implemented, including the onboarding and ongoing fit and proper assessments being carried out.



- iv. the effectiveness of the internal control system, including but not limited to the oversight, reporting lines and information flows in relation to distribution, underwriting and claims as well as how the undertaking is ensuring that it monitors its operations at all times, its compliance with the applicable general good provisions and ensuring that any changes are immediately triggered, and actions taken.
- v. the Own Risk and Solvency Assessment (ORSA) process of selected licensed entities adopting a risk-based approach including how the ORSA is embedded within the entity's strategic process.
- vi. Management Information Systems used by licensed entities, the granularity of the information/data available and how such information flows within the organisational structure.
- vii. the effective implementation of the Prudent Person Principle.

In the pensions sector a number of supervisory inspections on Retirement Scheme Administrators (RSAs) were carried out. These inspections primarily focused on areas concerning the effective implementation of the compliance, finance and MLRO functions. Additionally, supervisory meetings were held with RSAs. The MFSA have also continued to follow up on findings from previous inspections and has spent a significant proportion of the year conducting detailed and complex analysis as part of its investigative work and feeding in sectoral risk assessment processes.

The Authority has also been actively involved in EU sectoral supervisory development work at EIOPA level which included the effective supervision of the Prudent Person Rule, the Pan-European Personal Pension Product and the Institutions for Occupational Retirement Provision (IORP) governance and risk management.

During 2020, the Authority also undertook several initiatives from a conduct supervision perspective. In this regard the Authority inter alia undertook the following key actions:

- *Assessment of Complaints handling structures and procedures*

The Authority performed a number of supervisory inspections to local insurance licensed entities which focused on their complaints handling structures and procedures. This exercise enabled the Authority to assess whether entities have the necessary procedures and oversight structures in place to ensure that complaints by their policyholders are treated in a fair and timely manner. It also ensures, through root cause analysis of such complaints, that entities review and assess their products and services in order to ensure that these continue to be provided in the best interest of their clients.

- *Product Oversight and Governance*

The sector was also the subject of a thematic review assessing adherence of regulated entities to [Product Oversight and Governance Requirements](#). As part of this thematic review, a number of entities and intermediaries were inspected and their product oversight and governance policies and procedures were reviewed to assess how sufficiently robust, fair and well governed these were.

- *Thematic review on sales practices*

During 2020 insurance brokers providing services to retail clients were required to complete a questionnaire providing details of the policies and procedures they have in place to satisfy the requirements relating to, inter alia, pre-contractual disclosure, fair analysis, demands and needs assessment and the assessment of suitability and appropriateness where this was required in terms

of the applicable rules. In 2021, supervisory inspections to a number of brokers will be carried out with a view of delving into further detail into the policies and procedures which they have in place to satisfy their regulatory obligations in this area.

- *Collection of Information*

As of 2020, the Authority started collecting information from Insurance Undertakings in relation to:

- i. Complaints - information on the complaints received directly by Insurance Undertakings and those referred by the distributors during the observed period, with a specific tab to report the complaints referred to the Office of the Arbiter for Financial Services.
- ii. Sales - information regarding the insurance products sold by the Insurance Undertakings during the reporting period, including information on the number of policies sold, identifying sales trends, gathering information on the distribution channels used and any change in the demand from clients.
- iii. Passporting - Insurance Undertakings were requested to report on the extent of business generated on a cross-border basis, distinguishing between life and non-life insurance products sold to their clients.

- *Other Conduct Supervision related work*

The Authority has, in February 2020, published a [report on consumer attitudes and behaviours in the context of motor insurance](#) resulting from a consumer survey that had been carried out by the Authority.

In March 2020, a Consultation Document was issued to allow stakeholders to comment, make suggestions and provide feedback in relation to the surveys included in the Conduct-Related Data Return for Insurance Undertakings. Feedback received was taken into account with the launch of the Conduct Related Data Return applicable to Insurance Undertakings.

In November 2020, another consumer survey was launched, this time relating to consumer attitudes and behaviours with respect to home insurance. This research was intended to assist the Authority in enhancing its insight into consumers' understanding of the identity and location of their home insurer, establish consumers' purchase decisions and assess consumer satisfaction on the service received. It was based on initial interviews with a representative sample of consumers holding a home insurance policy and who have had experience in dealing with insurance intermediaries and undertakings. During 2021 the [responses and findings](#) will be analysed with a view to decide whether any changes to the Conduct of Business Rulebook are necessary in order to further ensure that regulated persons act in the best interest of the client when providing home insurance.

### 3.2.2. Brexit

As outlined under Section 2.9 of this Chapter, the Authority continued to step up its efforts to ensure that its licensed entities are prepared for any Brexit scenario. In the case of the insurance sector, two Circulars were issued in this respect:

The first addressed the implications of Member States' rights under Directive 2000/31/EC as a result of the United Kingdom withdrawing from the European Union. The [Circular](#) applied to authorised

persons who provide information society services within the meaning of the Directive on Electronic Commerce. The Authority clarified that in view of the UK withdrawing from the EU, the provisions of this Directive can no longer be enforced in the UK, and the said licensed entities can no longer continue operating in line with the provisions of this Directive. Licensed entities which would like to continue accessing the UK market via this route following the UK's withdrawal from the EU, were required to immediately contact the Financial Conduct Authority (FCA) and seek authorisation to continue to carry on new business in the UK in this manner.

The second was entitled Operational Readiness of Insurance Undertakings and Intermediaries in light of the United Kingdom's withdrawal from the European Union and indicated the Authority's expectations for UK and Gibraltar entities passporting in Malta. The Authority's expectations were based on EIOPA's recommendations for the insurance sector in light of the UK withdrawing from the European Union. The [Circular](#) also provided further guidance to Maltese insurance licensed entities conducting business by way of freedom of establishment and freedom to provide services in the UK.

3.2.3. The Impact of COVID-19

As the year progressed and the impact on the financial services sector became more visible, the Authority requested insurers to take all necessary steps to continue to ensure that they maintain a robust level of own funds to be able to protect policyholders and absorb potential losses.

The situation compelled insurers to make changes to their products (mainly including a COVID-19 exemption to their policies) at the outset of the pandemic mostly due to re-insurance pressures. They also had to ensure that there would be no retroactive application of such exclusions for persons who purchased their policies prior to the introduction of the exclusion from cover. The Authority monitored and, will continue to monitor, closely the processes and application of such product adaptations to ensure fair and proportionate outcomes for consumers. Some policy holders may have also experienced delays in claims handling by the sector, in particular, due to delays in processes that required physical inspections and certifications.

Following the recommendations issued by EIOPA on supervisory flexibility concerning the deadline of supervisory reporting and public disclosure to mitigate the impact of COVID-19, as indicated in the Appendices Section of this Report, the Authority amended Chapter 8 of the Insurance Rules entitled Financial Statements and Supervisory Reporting Requirements, to adopt the said recommendations and to provide clarity to the market. The aim of these amendments was to provide flexibility for supervisory reporting and public disclosure of insurance and reinsurance licensed entities, in a consistent manner, across member states.

Furthermore, following [EIOPA's statement on the 17 July 2020](#), EIOPA issued a report on the impact of ultra-low yields on the insurance sector, including first effects of the COVID-19 crisis. The report confirms EIOPA's position published on 2 April 2020 regarding prudence on all discretionary dividend distributions and share buy backs. In addition, on 23 July 2020, the Authority issued a supplementary Circular to provide further clarification to the market on the matter. The ultimate aim of the recommendation was to ensure that insurers maintain sufficient levels of capital and loss absorbing capacity to mitigate the impact of this ongoing crisis and thereby contribute to a smoother recovery for the pan-European economy as a whole.

3.3. Securities and Markets

The Securities and Markets sector comprises investment services companies, collective investment schemes, fund management and related fund services operations, and the capital markets.

3.3.1. Investment Firms, Investment Funds and Market Infrastructures Supervision

With respect to Investment Firms and Investment Funds, the Authority focused its supervisory efforts as follows:

- Governance and compliance

In line with the Authority's priorities, the Authority sought to strengthen its oversight of regulated entities' governance and compliance processes. This work was not only performed as part of ongoing supervisory work, but also at authorisation stage. This meant that a number of applicants' proposals were challenged, particularly where individuals with multiple involvements did not provide satisfactory evidence that they would be able to dedicate enough time and resources to carry out their roles effectively. Likewise, interviews with proposed MLROs and Compliance Officers were held to assess their competence and ability to take the proposed role. Governance was also assessed through the desk-based reviews carried out on the applications and change requests in staff and board compositions received throughout the year.

As part of its continuous prudential supervision, the Authority conducted a number of thematic supervisory inspections, targeting more specifically the governance culture and operations of market infrastructures within the local market and the ecosystem related thereto. In addition to the thematic supervisory inspections, a number of ad hoc bilateral meetings with the respective stakeholders were also held and proposals for the possibility of new markets which contributed to the formulation of the Security Token Offerings consultation document were reviewed. Additionally, meetings were set with prospective applicants and their legal advisors to assess various proposals and the added value to the local market.

During the year, a number of in-depth inspections were also carried out on authorised Investment firms and funds to verify the adequacy of the governance and compliance set-up and controls in place. Particular attention was given to the role of the non-executive Director/s to challenge recommendations and decisions taken at board level, as well as an assessment of the compliance resources dedicated by authorised persons to ensure that compliance reviews cover the operations and activities of the authorised persons comprehensively and in accordance with the nature, scale, and complexity of operations of the entity. In addition, interviews were conducted with risk managers to determine whether the actual risks that the entity was exposed to were identified, monitored, and mitigated effectively and whether these processes were duly documented in the Risk Management Policy and Risk Management Internal Capital Adequacy Assessment Process (RMICAAP), as applicable, to ensure that mitigating factors were introduced to alleviate these risks.

In addition, governance was also assessed through desk-based reviews of authorised entities, from the financial documentation submitted and ongoing exchanges of correspondence. Governance culture was also assessed and considered as a critical element of the risk monitoring system exercise for fund management companies, collective investment schemes and investment firms.



- *Common Supervisory Action (CSA) on UCITS Liquidity Management*

Following ESMA's CSA exercise in relation to UCITS liquidity risk management of which the Authority was part, and building on the thematic exercise undertaken in 2019, further quantitative and qualitative data was collected from UCITS Management Companies and self-managed UCITS schemes through questionnaires. A number of supervisory inspections were also carried out and the Authority will publish its findings and guidance on these issues in the form of a circular during 2021. In the meantime, follow-ups on deficiencies identified will be conducted to ensure that the liquidity risk UCITS are exposed to is mitigated and that there are no mismatches between redemptions and the liquidity buckets of the assets within the portfolio.

- *Outsourcing*

A greater supervisory focus in the area of outsourcing was applied to ensure that there is proper management of the risks arising from the increasing reliance of authorised entities on outsourcing to service providers. This was mainly done through supervisory inspections. Additional focus on this area will continue in 2021 to ensure that adequate due diligence and vigilance is exercised on outsourced functions both prior to engagement as well as on an on-going basis.

- *Local Firms*

The Authority has conducted in-depth comparative assessment of the local regime applicable to firms with other EU jurisdictions to assess the implementation, application, and supervision approaches. This also included an assessment of the treatment of local firms under the IFRD. Following this exercise, Part BI of the Investment Services Rules was updated to introduce and generally update the Local Firms Regime.

- *Conduct Thematic Supervisory Inspections*

Supervisory inspections in the investments sector focused on Governance, Compliance, and Internal Controls. The principal aim of these inspections was to obtain a better understanding of investment firms' business procedures and operations and to ensure compliance with the requirements set out in Part BI of the Investment Services Rules for Investment Services Providers and the [Conduct of Business Rulebook](#) in relation to [a] Governance; [b] Compliance; and [c] General Anti-Money Laundering aspects

- *Enhanced Supervision*

Supervisory work can lead to more in-depth investigations and enhanced supervision or indeed regulatory action of licensed entities. During the year, the focus areas of such actions included breaches, fraud and misappropriation of funds and weak governance.

- *Product Oversight and Governance*

The sector was also covered by the thematic review conducted in 2020, assessing firms' adherence to their Product Oversight and Governance Requirements. Through this thematic review, a number of Investment Firms were inspected to assess whether their governance structures and procedures were sufficiently robust, ensuring that the relevant persons were involved in the product approval process and that the Board of Directors actually take responsibility for these processes and procedures.

- *Monitoring the implementation of National Product Intervention Measures*

During 2020, the Authority continued to monitor the implementation of the National Product Intervention Measures in relation to Contracts for Differences and Binary Options. This monitoring was conducted from both an onsite and off-site perspective.

- *Business models reliant on cross-border provision of services*

Conduct supervision also focused on business models that rely heavily on cross-border provision of services. In the first quarter of 2020, it specifically also participated in the ESMA data collection exercise regarding the cross-border activities of MiFID Firms. A questionnaire was sent to MiFID Firms passporting their activities outside Malta which have more than 300+ active clients. The information assists to: [i] report to ESMA (through its Financial Innovation Standing Committee (FISC) the information relating to complaints, retail investor trends and market monitoring and financial innovation of the MiFID firms and credit institutions which are licensed to provide investment services; [ii] report to EIOPA (through its Committee on Consumer Protection and Financial Innovation) the information relating to complaints of the Insurance Undertakings; [iii] analyse local investment and insurance trends and consider whether any preventive action is warranted by the MFSA to avoid customer detriment; and [iv] analyse products being mainly sold to retail clients with a view to assess whether intervention by the MFSA may be necessary in terms of the powers given to it to protect consumers from detriment.

- *Follow-up on the supervisory inspections carried out in 2019*

These were continued in relation to the ESMA Common Supervisory Action on the MiFID II appropriateness assessment. In 2020, ESMA also launched its second Common Supervisory Approach, this time focusing on the MiFID II Suitability Assessment. In this regard, several deep dive inspections were carried out, with the objective of assessing the procedures undertaken by the sampled Investment Firms, in relation to the MiFID II Suitability Rules. The deep dives also aimed to ensure that the sampled Investment Firms' policies and procedures were correctly applied when carrying out the MiFID II Suitability assessment. These deep dive assessments also included the review of a sample of retail clients' advisory transactions with the objective of reviewing concrete cases of suitability assessments.

- *Enhancing resilience to cyber-attacks*

The Investment Firms and Funds team has collaborated with the Supervisory ICT Risk and Cybersecurity function to foster cyber-risk awareness and responsiveness. In this regard, supervisory inspections were carried out jointly with the ICT function and several IT-related documents submitted by authorised persons were analysed throughout the year.

- *Performance Fees*

During the year the Authority implemented the Guidelines issued by ESMA on Performance Fees in UCITS and certain types of Alternative Investment Funds (AIFs). It also undertook an assessment, through the collection of data, on the level of performance fees (and other fees) charged by UCITS in Malta. This was done in preparation for an upcoming CSA review in 2021 in which the Authority will be assessing the compliance of UCITS with the relevant cost-related provisions in the UCITS framework and determining whether investors are charged any undue costs.

### - *Benchmark Regulation*

In February 2020, the Authority launched a fact-finding questionnaire to ascertain the use of benchmarks that are provided by benchmark administrators listed in the ESMA Benchmarks Register, [including the EU Climate Transition Benchmarks and the EU Paris-aligned Benchmarks](#) (referred to below as the Green Benchmarks). It transpired that Collective Investment Schemes and Investment Firms licensed by the MFSA do not make use of any Green Benchmarks.

### 3.3.2. Investment Firms and Investment Funds Regulatory and Policy Developments

#### - *The Investment Firms Supervision Directive and Regulation*

The transposition work of the new Investment Firms Directive and Regulation framework (IFD package) is at an advanced stage and amendments to the Investment Services Act and the respective Subsidiary Legislation have been drafted. During 2021 a number of changes will be introduced to Part BI of the Investment Services Rules for Investment Services Providers to finalise the implementation process. A number of circulars and guidance to the industry have also been issued throughout 2020 and further engagement will continue during 2021 until the effective date of the implementation (June 2021) to inform the industry of the impact of the IFD package. The MFSA has also conducted an impact assessment and developed an implementation plan to ensure that the new regulation will be implemented in a timely manner and has consistently participated in meetings, questionnaires and consultations issued at European level.

#### - *The Asset Management Strategy*

Over the last decade, Malta's success in attracting international entities has been driven by key pull factors that have enabled the sector to grow from a largely domestic one, to an industry featuring international operators and an established funds base. Over recent years, the overall growth of the sector has however been impacted by various developments. In this respect, the MFSA is committed to strengthen Malta's position as an asset management jurisdiction of choice and has placed asset management as a key strategic priority. In line with this priority, the Authority started working on the drafting of a strategy, which consists of proposed initiatives for both asset managers and fund structures. The Authority is, in this respect, aiming to address critical issues encountered by practitioners when dealing with existing regulatory frameworks for asset managers and funds, as well as improving on issues arising from the Authority's internal processes.

Amongst these initiatives, and also as part of the efforts that are being made by the Authority in streamlining and enhancing the efficiency of the authorisation process, the Authority is steadily increasing onus on the important role of the governing body of authorised entities when appointing key members. Within this context, the Authority has reassessed the current approval

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The MFSA is committed to strengthen Malta's position as an asset management jurisdiction of choice.  
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process of persons being proposed to hold Committee positions with certain authorised entities and converted it into a notification process, subject to requirements being met. This change was communicated in the Circular issued on [the Fitness and Propriety Assessment of Committee Members](#) involved with Investment Services Licence Holders and Collective Investment Schemes.

Work has also been carried out to revise the Loan Fund Regime. The framework has been restructured, aiming to achieve a better balance between the need for a sound Rulebook and to make such regime more pragmatic and accessible to the fund industry. This initiative is particularly beneficial in light of the multiple efforts, at EU level, to promote a Capital Markets Union and facilitate access for business and in particular SMEs to alternative sources of funding for businesses. It is also a very timely measure considering the current economic scenario, where certain businesses may be finding it increasingly difficult to gain access to capital through traditional lending sources.

On the same lines, the Authority is also reassessing the Notified AIF Regime with an aim to broaden the scope of the applicable framework and offer a more flexible yet robust regulatory tool to the fund management industry.

Work on the drafting of a Discussion Paper will be completed in 2021 and will be published to seek stakeholder feedback on the identified proposals.

### 3.3.3. Capital Markets

The MFSA's activities include the reviewing of applications for admissibility to listing on Regulated Markets and Initial Public Offerings, processing notices received by the MFSA as submitted in terms of the Securitisation Act, supervision of listed companies, securities exchanges and trading venues and undertaking general market oversight to ensure market integrity. Work in the area focused on:

#### - *Market Oversight*

One of the main objectives for this sector is to ensure fair and transparent financial markets in order to create an environment that strengthens the trust of investors whilst enabling entities operating within such markets to grow and prosper. In 2020 the Authority carried out specific compliance inspections to assess the industry's compliance to the requirements contained in the Market Abuse Regulation. These inspections, held with investment firms and issuers whose financial instruments are admitted to trading on a trading venue, sought to ensure transparency of transactions in financial instruments, including amongst others, equity, debt instruments and derivative transactions, and that securities financing transactions, are of utmost quality. Prior to these compliance inspections, the Authority published two detailed Circulars explaining the generic findings of previous compliance meetings, setting the expectations of the Authority in this area.

#### - *Securities Financing Transactions Regulation*

During the year, work has also commenced in the area of Securities Financing Transactions Regulation (SFTR). The Authority engaged bilaterally with several market participants to assess their level of preparedness to comply with the requirements of the SFTR. Additionally, a number of Circulars to the industry were issued in order to ensure the timely implementation of the reporting obligation.





## The Authority carried out specific compliance inspections to assess the industry's compliance to the requirements contained in the Market Abuse Regulation.



### - Enhanced transparency by Listed Entities

Enhanced market governance requires greater transparency which is further underscored during the challenging times of the pandemic. On its part, the Authority continued to build supervisory capacity to engage more frequently, monitor and assess the market. The Authority engaged with market participants in order to ensure that the market is kept up to date with useful and relevant facts and that financial and non-financial information, and required disclosures are made by listed entities adequately and in a timely manner.

### - Implementation of the European Single Electronic Format (ESEF)

ESEF is the electronic reporting format which issuers on EU regulated markets must use to prepare their Annual Financial Report in terms of Commission Delegated Regulation (EU) 2019/815. The implementation of ESEF is designed to facilitate submissions made by issuers whilst also easing accessibility, analysis and comparability by analysts, investors and regulators. In 2020, the focus of the Authority was to build upon the previous years' work and finalise implementation of ESEF in Malta. The Authority's efforts involved continued engagement with issuers and other stakeholders, including the Accountancy Board and the Malta Institute of Accountants. Furthermore, work was also carried out from a technological perspective as significant advancements took place, particularly regarding the development of the relevant tools that would facilitate preparedness for the submission of ESEF-compliant Annual Financial Reports. In order to facilitate this transition, the Authority published a number of circulars and made amendments to the Listing Rules in order to better clarify the applicability of ESEF requirements. The ESEF requirements apply to financial years beginning on or after 1 January 2020, with the possibility for Member States to postpone the respective requirements by one year as a result of the COVID-19 pandemic.

### - The Capital Markets Strategy

In line with our Strategic Plan, the Authority continued its work on the formulation of a Capital Markets Strategy. In the course of 2020 this work has progressed significantly in relation to Pillar I – establishing the Authority's Risk Appetite in relation to applications for admissibility to listing on a Regulated Market, and Pillar II – enhancing the legal framework to improve efficiency and effectiveness. The Capital Markets Strategy has been published for consultation in the first quarter of 2021.

### 3.3.4. The Impact of COVID-19

The Securities and Markets sector has also been deeply affected by the COVID-19 related disruptions.

Issuers had to ensure appropriate and timely action was taken, while, at the same time, safeguarding stakeholders' interests, observing requirements as communicated by the Authorities and keeping investors informed at all times. Working capital requirements increased at a time when financial performance reduced inflows over an extended period of time.

On the investments side, some licensed entities faced problems in submitting financial statements and other regulatory reports due to disruptions in obtaining valuations of underlying investment instruments. In order to address this, the Authority, after consultation with ESMA and the EBA, extended the submission deadlines of a number of financial reports. The extreme market conditions called for more frequent liquidity stress-testing by funds and fund managers as well as ongoing follow-up by the Authority. In the case of collective investment schemes, liquidity levels remained stable, and the local industry was not forced to employ liquidity management techniques.

The Authority noted that the majority of licensed entities had the necessary business continuity arrangements in place which allowed them to continue operating seamlessly. A number of firms warned investors (especially those investors trading in derivative financial instruments) of the extreme volatility being experienced, especially within the currency and commodities' markets. The investment firms sampled did not experience any particular trend relating to the abnormal redemption of investments. On the other hand, investment firms observed an increase in client interaction concerning the investors' portfolios and how COVID-19 was impacting their investment positions.

The Authority also monitored the impact on consumers: whether there were any abnormal trends in redemption of investments and/or withdrawal of funds as well as whether there were any complaints. Investment firms were also required to update the Authority on whether there were any concerns or disruptions in the provision of investment services to customers. Investment firms were required to take note and comply with the [ESMA Public Statement on the clarification of issues relating to the application of MiFID II requirements on the recording of telephone conversations](#)

## 3.4. Trustees and Company Service Providers

The Authority is responsible for the supervision of Company Service Providers (CSPs) and Trustees. Trustees are persons holding property, or in whom property is vested, for the benefit of particular persons and who are effectively the beneficiaries of the said property, which is administered by the Trustee. CSPs are entities or individuals providing corporate services, by way of business, including formation of companies, directorship/company secretary services and the provision of registered office, business, or correspondence address for businesses.

### 3.4.1. TCSPs Supervision

During 2020, the Authority focused its supervisory efforts in this area on:

#### - Governance and Compliance

The Authority's supervisory priorities for this sector in 2020 mainly focused on corporate governance and culture, particularly the effectiveness of the board, as well as the effectiveness of the compliance function within a licensed TCSP. Focused supervisory inspections were carried out at Trustees and CSPs, including a number of deep dive assessments into corporate governance and effectiveness of the board, and compliance function and its effectiveness. The governance structures of all TCSPs continued to be scrutinised as part of the offsite supervision work carried

out by the Authority, particularly through the review of data provided by such persons in their Annual Compliance Returns. In some instances, this enhanced supervision led to a remediation plan for the TCSP in question to strengthen its governance structures. Certain cases were even referred to the Enforcement Directorate for further investigation and enforcement action was in fact taken in some instances.

- *Verification of Cybersecurity measures*

During supervisory inspections, the MFSA is including an element of verification of measures put in place by the relevant licensed entity with respect to Cybersecurity in order to determine whether authorised persons are giving it sufficient attention and engaging in training relating to cybersecurity awareness. Authorised persons are also being informed during such supervisory inspections of their obligation to notify the MFSA if they are subject to any form of cyber-attack.

- *The Trusts Ultimate Beneficial Ownership Register (TUBOR)*

For Trustees, additional supervisory inspections were carried out to conduct in-depth analyses and verification of reported beneficial ownership information of trusts in the Trusts Ultimate Beneficial Ownership Register (TUBOR).

In view of the increased focus on the availability of beneficial ownership information which is accurate and up to date, the Authority dedicated resources to the vetting and verification of each submission of a declaration of beneficial ownership information of a trust. This consists in desktop reviews and checks to ensure that the reported data is consistent and accurate. It also included reviewing of changes to reported beneficial ownership information and also processing annual declarations submitted by Trustees attesting to the accuracy of the reported data.

A number of outreach initiatives aimed at raising awareness relating to reporting of beneficial ownership information and the Authority's expectations in this regard were also held.

Furthermore, throughout 2020, the MFSA developed an 'Application to Application' system for the Trusts Ultimate Beneficial Ownership Register (TUBOR) to enable Trustees to submit beneficial ownership data of trusts in bulk. This project is aimed to be launched in 2021.

- *Review of Annual Compliance Returns and Financial Statements for all Trustees & CSPs*

The Authority also processed and reviewed annual compliance returns and financial statements for all Trustees and CSPs. Such information feeds into the risk monitoring tool utilised for licensed Trustees and CSPs and enables the team to plan its supervisory work and concentrate its resources on a risk-based approach. Through such offsite reviews, the MFSA ensures that there is supervisory engagement with, and coverage of, all the licensed entities. Data and information gathered is also fed into the FIAU's risk scoring system.

### 3.4.2. Implementation of 5th AML Directive in relation to Trusts Beneficial Ownership Register

The Authority was also actively involved in the transposition and implementation of the provisions of the 5th AML Directive in relation to the Trusts Beneficial Ownership Register. By virtue of the legislative amendments introduced in 2020, all Trusts under the administration of Trustees licensed in Malta became subject to the reporting requirements of trusts beneficial ownership

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More than 3000 declarations of beneficial ownership of trusts were registered. This marked a tenfold increase in the number of registered beneficial owners of trusts.

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information, further to which more than 3000 declarations of beneficial ownership of trusts were registered. This marked a tenfold increase in the number of registered beneficial owners of trusts. The MFSA also continued to carry out a significant number of inspections focusing on verification of reported trusts' beneficial ownership information. All these actions were also key contributions to address some key MONEYVAL recommendations.

### 3.4.3. Revamping the CSP framework

The reform of the regulatory framework for CSPs was a key milestone for 2020. The Authority's position was formulated following a consultation process and the subsequent review of the numerous responses received from stakeholders. The [Company Service Providers \(Amendment\) Act, 2020](#) was published on 13 November 2020. With the coming into force of this Act, in 2021, the requirement for MFSA authorisation to provide company services has been extended to those previously exempt from MFSA authorisation and supervision, namely warranted professionals, as well as persons operating under the De Minimis Rule.

The aims of the Authority remain the same, that is, the risk-based supervision of Company Service Providers and their level of compliance with the applicable legislative framework and thereby the protection of the reputation and the future of the sector in Malta. The regime has been built on the principle of proportionality, as well as on the adoption of a risk-based approach.

The Authority has ensured that the legislative framework set in place is well-supplemented with Guidance Notes, Rules and the [Exemption Regulations](#), to support the sector in understanding its regulatory obligations and to ensure that the regime is sufficiently robust. The Authority will be further addressing the information requirements of applicants through further publications and outreach.

## 3.5. The VFA Sector

### 3.5.1. Supervision of VFA Agents and Service Providers

In 2020, the MFSA carried out supervisory interactions, in the form of remote supervisory inspections, covering over half of the operational VFA Agents. Cognisant of the fact that VFA Agents serve as the first line of defence in terms of AML/CFT, the supervisory inspections sought to assess primarily the VFA Agents' compliance with the VFA rules and regulations, particularly in areas of client onboarding, due diligence, governance and the carrying out of fitness and propriety assessments.



Notwithstanding that VFA service providers operating under the transitory period were not yet licensed, these operators were still expected, in so far as is applicable, to comply with the Rulebook on a best effort basis, in terms of R3-3.6.2.1 of the VFA Rulebook, and therefore subject to the Authority's supervision.

A data collection exercise was also carried out in August 2020 on all VFA service providers operating under the transitory provisions through a Compliance and Supervisory Questionnaire. Through this exercise the Authority gained further information on activity levels, as well as to AML/CFT controls being implemented, which gave better visibility on the operational extent of these entities. This Compliance and Supervisory Questionnaire also served as a form of offsite review on all VFA Service Providers (VASPs) operating under the transitory period. Data collected was also used to risk rate the VASPs, thus strengthening the authorisation assessment. This also triggered supervisory inspections to those VASPs which were rated as high risk.

Following a risk-based approach, the MFSA also conducted supervisory inspections focusing primarily on AML/CFT to VASPs whose risk rating was determined to be high. These inspections were conducted with the support of the FIAU. Such inspections included scheduled meetings with the Board of Directors, the MLRO and the Compliance Officer, covering topics including the operation; Business Risk Assessment; Customer Risk Assessment; client onboarding procedures, AML/CFT risk and internal controls; transaction monitoring; client categorisation; and implementation of the Travel Rule. In view of the unprecedented transitory period, which enabled VFA Service Providers to operate whilst undergoing the authorisation process, the said supervisory inspections also contributed to this process, with the inclusion of the mandatory Compliance Officer and MLRO competence interviews during such inspections.

### 3.5.2. Combatting ML/FT risks

In view of higher risks presented in the Virtual Financial Assets (VFA) sector, and as part of the Authority's commitment to continuously strengthen its authorisation and supervisory frameworks, the VFA framework was amended to adopt a more stringent approach than the 5th Anti-Money Laundering Directive, whereby Issuers, VFA Agents and VFA Service Providers all fall under the definitional scope of a 'subject person' in terms of Regulation 2 of the Prevention of Money Laundering and the Financing of Terrorism Regulations (PMLFTR).

Moreover, VFA provisions have been extended in scope to also include crypto-to-crypto transactions. The approach taken by Malta and by the Authority in relation to AML/CFT with regard to crypto assets clearly demonstrates the will to safeguard financial market integrity and to ensure that gaps in the current European framework applicable in this regard are properly addressed at national level.

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The VFA framework was amended to adopt a more stringent approach than the 5th Anti-Money Laundering Directive.

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Furthermore, during the authorisation process of prospective applicants for a VFA licence, the Authority is applying high standards of due diligence when assessing applications. This includes verification that applicants have the necessary policies, procedures and systems in place to comply with anti-money laundering standards set by the Financial Action Task Force (FATF) as well as having the required levels of governance to ensure proper conduct of business. In this regard the Authority works very closely with the FIAU, and the latter conducts mandatory interviews of the persons nominated as MLROs both for VFA Agents, as well as for VFA Service Providers. Such interviews are meant to establish their competency, both in terms of overall knowledge of the PMLFTR and regarding the risks inherent to the VFA sector.

In 2020, the MFSA in collaboration with the FIAU, held over 30 mandatory MLRO competence interviews. Moreover, it worked very closely with the FIAU on the drafting of the Consultation on the FATF Recommendation 16 to the VFA Sector which was issued in August 2020. This document set out a proposal for subsidiary legislation providing for the application of FATF Recommendation 16, more commonly known as the “Travel Rule”, to transfers of VFAs. It is expected that following the analysis of the feedback received from this consultative process, the subsidiary legislation will be issued, effectively bringing into scope the transfers of VFAs.

The Authority also uses a blockchain analysis tool which enables it to trace the origin of crypto assets, monitor inflows and outflows of VFA Service Providers, and hence assist in establishing the risk profile of, as well as supervising, prospective VFA applicants and licence holders. Due to the fact that technology functions as an enabler for ML/FT in this field (e.g. ransomware), the Authority has also imposed Systems/IT audit requirements on service providers under the VFA framework.

### 3.5.3. Cybersecurity and resilience

Since service providers operating within the VFA space have a high exposure to cybersecurity and resilience risks, the VFA framework has been specifically designed to include a strong element of technological assurance. As part of the assessment and licensing requirements, VFA Service Providers must provide the Authority with reports submitted by a Systems Auditor duly registered with the Malta Digital Innovation Authority (MDIA), or an IT Auditor, depending on the specific Technological Arrangements being employed by the respective service provider. Such reports, which are to be submitted on an annual basis, include an assessment of the cybersecurity framework as well as the robustness of the IT systems. The reports are reviewed internally by the Supervisory ICT Risk and Cybersecurity function.

Cognisant of the fact that reliance on DLT-based systems increase certain technological risks, the MFSA has collaborated with the MDIA to explore how ITA certification can be used within the VFA framework in order to maximise technological assurances. Such certification would reduce the risks to investors by providing an additional level of regulatory certainty, user trust and oversight by relying on MDIA as the Authority responsible for the certification of ITAs based on Systems Audits. The Authority has issued a consultation document in this regard to get feedback from industry participants and interested parties on the way forward.



# 07\_Financial Statements





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# Board of Governors' report

The Governors present their report and the audited financial statements for the year ended 31 December 2020.

## Principal activities

The Malta Financial Services Authority (the 'MFSA' or 'the Authority') is the single regulator for financial services in Malta, which incorporates credit institutions, financial and electronic money institutions, securities and investment services companies, regulated markets, insurance companies, pension schemes, trustees, VFA agents and VFA service providers. The MFSA also acts as the Resolution Authority and has been appointed as the Listing Authority. The MFSA is a fully autonomous public institution and reports to Parliament on an annual basis. Prior to April 2018, the MFSA also managed the Registrar of Companies ('the Registrar').

## Review of the business

The Governors hereby report a surplus of €2,730,191 for the financial year 2020 (2019: surplus of €749,361). Income generated from application fees, supervision fees and listing fees increased by 11.5% as compared with 2019. During 2020, the Authority continued to invest in its human resources and capacity building, together with a heavy investment in technology and business intelligence (BI), all in line with the MFSA's long term Strategic Plan. On the other hand, there was a decrease in the regulatory costs, mainly related to enforcement and compliance, due to less extraordinary events when compared to 2019. The COVID-19 pandemic has also brought about savings in expenditure due to less operational activities, such as reduced costs associated with travelling and cancellation of events.

Despite the challenges brought about by the pandemic, throughout 2020, the MFSA continued with its regulatory outreach by conducting seminars, workshops and participating in industry education programmes. As a result of its robust business continuity plans the MFSA also played a key role in disseminating timely and relevant information to consumers and the media through the issuing of notices and educational campaigns, amongst other initiatives. An unprecedented number of virtual meetings were also held with other national regulatory and supervisory bodies, addressing legal, technical, and regulatory developments. Through these exchanges and knowledge-sharing opportunities, during the year under review the MFSA remained a valid contributor to the framing of national and EU-wide technical policy development.

## Results and surplus funds

The statement of comprehensive income is set out on page 117. During 2020 and 2019, no surplus funds for the financial year were payable to Government, in terms of the Malta Financial Services Authority Act.

## Governors

The Governors of the Authority who held office during the year were:

Prof. John Mamo, LL.D., BLitt. (Oxol), BA – Chairman  
 Dr Christopher Buttigieg, B.Com. (Melit.), B. Accty. (Hons) (Melit.), M.A. Fin. Ser (Melit.), M.A. EU Law and Soc (Sussex), D.Phil Law Studies (Sussex), CPA (appointed as Chief Executive Officer ad interim on 30 October 2020)  
 Mr Joseph Cuschieri, FIA, CPA, M.B.A. (Henley UK), CIMA Adv. Dip MA – Chief Executive Officer (resigned on 25 November 2020)  
 Dr Ernest Azzopardi, BA (Hons) (Melit.), PG Cert, PG Dip, M.A. Finance, M.Phil. (Maastricht), Ph.D (RGU Aberdeen)  
 Mr Mario Borg, B.Com., M.A. (ISSS), M.Sc. Public Economics (York)  
 Dr Joseph Brincat, B.A. (Lond), B.Sc. (Econ.) Lond, LL.D.  
 Dr Lauren Ellul, B.Accty (Hons), Executive M.B.A. (Edinburgh & ENPC), Ph.D (Birm), FIA, CPA  
 Mr André Psaila, B.Com. (Econ.) (Hons), M.Sc. Banking and Finance  
 Dr Mario Vella, B.A., M.Sc. (LSE), Dr. Sc. Oec (Berlin Humboldt)

# Board of Governors' report

## - continued

## Statement of Governors' responsibilities

With effect from 4 February 2021, the following persons have been appointed as members of the Board of Governors replacing the Board members who held office during the year ended 31 December 2020 and whose term recently expired:

Dr Carmel Cascun, B.A. (Gen), B.A. (Socio-Legal), LP, FCII, MJur (European & Comparative Law), NP, LL.D  
 Mr Mark Galea, B.Com. (Hons) Banking & Finance  
 Prof. Edward Scicluna, B.A. (Hons) Econ., M.A. (Toronto), Ph.D (Toronto), DSS (Oxon)  
 Dr Stephanie Vella, B.Com. (Hons) (Econ.) (Melit.), M.A. (Econ.) (Melit.), Ph.D (Melit.)  
 Dr Philip von Brockdorff, B.A. (Hons) (Melit.), M.Sc. (Econ.) (Wales), D.Phil. (York), Grad. CIPD (UK)  
 Mr Charles Zammit, FAIA, FFA, FCMI, Dip. BA

In preparing the financial statements the Governors are responsible for:

- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU and the Malta Financial Services Authority Act;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances;
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Authority will continue in operation as a going concern.

The Governors are also responsible for designing, implementing and maintaining internal control as the Governors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Malta Financial Services Authority Act. They are also responsible for safeguarding the assets of the Authority and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements of the Authority for the year ended 31 December 2020 are included in the Annual Report 2020, which is being made available on the Authority's website. The Governors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the Authority's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

On behalf of the Board



Prof. John Mamo  
 LL.D., BLitt. (Oxol), BA  
 Chairman



Dr Christopher P. Buttigieg  
 B.Com. (Melit.) B.Accty (Hons) (Melit.), MA Fin. Ser (Melit.),  
 MA EU Law and Soc (Sussex), D.Phil Law  
 Studies (Sussex), CPA  
 Chief Officer Supervision & Chief Executive Officer ad interim

Malta Financial Services Authority,  
 Triq l-Imdina, Zone 1,  
 Central Business District,  
 Birkirkara, Malta, CBD 1010

1 April 2021





## Independent auditor's report

To the Stakeholders of the Malta Financial Services Authority

### Report on the audit of the financial statements

#### Our opinion

In our opinion:

- The financial statements give a true and fair view of the financial position of the Malta Financial Services Authority (the Authority) as at 31 December 2020, and of the Authority's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Malta Financial Services Act.

#### What we have audited

The Malta Financial Services Authority's financial statements, set out on pages 116 to 139, comprise:

- the statement of financial position as at 31 December 2020;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We are independent of the Authority in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards



## Independent auditor's report - continued

To the Stakeholders of the Malta Financial Services Authority

Board for Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

#### Other information

The Board members are responsible for the other information. The other information comprises the Board of Governors' statement report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of the Board members for the financial statements

The Board members are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU and the requirements of the Malta Financial Services Authority Act, and for such internal control as the Board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board members are responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board members either intend to liquidate the Authority or to cease operations, or have no realistic alternative but to do so.

#### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.



### *Independent auditor's report - continued*

To the Stakeholders of the Malta Financial Services Authority

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board members.
- Conclude on the appropriateness of the Board members' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Authority's ability to continue as a going concern. In particular, it is difficult to evaluate all of the potential implications that COVID-19 will have on the Authority's trade, customers, suppliers and the disruption to its business and the overall economy.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



### *Independent auditor's report - continued*

To the Stakeholders of the Malta Financial Services Authority

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have nothing to report to you in respect of these responsibilities.

#### *Other matters – use of this report*

Our report, including the opinions, has been prepared for and only for the Authority's stakeholders as a body in accordance with Public Administration Act and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior written consent.

#### **PricewaterhouseCoopers**

78, Mill Street  
Zone 5, Central Business District  
Qormi  
Malta

Stephen Mamo  
Partner

1 April 2021

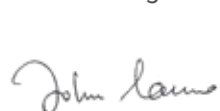


# Statement of financial position

		As at 31 December	
	Notes	2020 €	2019 €
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	17,307,628	17,034,074
Right-of-use assets	13	963,317	410,670
Intangible assets	6	93,411	91,544
Financial assets at amortised cost	7	1,337,440	1,667,454
Total non-current assets		19,701,796	19,203,742
<b>Current assets</b>			
Financial assets at amortised cost	7	328,209	500,039
Trade and other receivables	9	1,727,384	1,616,398
Amounts due from Government	10	-	4,944,000
Cash and cash equivalents	11	6,641,883	7,460,724
Total current assets		8,697,476	14,521,161
<b>Total assets</b>		<b>28,399,272</b>	<b>33,724,903</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Capital fund	14	1,164,687	1,164,687
Revaluation reserve	15	5,220,690	5,220,690
Employee pension fund reserve	16	1,150,002	1,075,002
Reserve fund		10,681,139	8,025,948
<b>Total equity</b>		<b>18,216,518</b>	<b>15,486,327</b>
<b>Non-current liabilities</b>			
Lease liabilities	13	567,978	205,864
<b>Current liabilities</b>			
Trade and other payables	12	9,197,505	17,819,133
Lease liabilities	13	417,271	213,579
<b>Total current liabilities</b>		<b>9,614,776</b>	<b>18,032,712</b>
<b>Total liabilities</b>		<b>10,182,754</b>	<b>18,238,576</b>
<b>Total equity and liabilities</b>		<b>28,399,272</b>	<b>33,724,903</b>

The notes on pages 119 to 139 are an integral part of these financial statements.

The financial statements on pages 116 to 139 were authorised for issue by the Board of Governors on 1 April 2021 and were signed on its behalf by:



Prof. John Mamo  
LL.D., BLitt. (Oxol), BA  
Chairman



Dr Christopher P. Buttigieg  
B.Com. (Melit.) B.Accty (Hons) (Melit.), MA Fin. Ser (Melit.),  
MA EU Law and Soc (Sussex), D.Phil Law Studies (Sussex), CPA  
Chief Officer Supervision & Chief Executive Officer ad interim

# Statement of comprehensive income

		Year ended 31 December	
	Notes	2020 €	2019 €
Income	20	12,565,238	11,169,046
Government subvention	21	21,558,152	24,764,770
Operating expenses	17	(31,440,258)	(35,260,234)
<b>Operating surplus for the year</b>		<b>2,683,132</b>	<b>673,582</b>
Loss on sale of investment in subsidiary	8	-	(17,230)
Finance income	19	47,059	81,680
Other income	22	-	11,329
<b>Surplus for the year – total comprehensive income</b>		<b>2,730,191</b>	<b>749,361</b>

The notes on pages 119 to 139 are an integral part of these financial statements.

# Statement of changes in equity

		Capital fund	Revaluation reserve	Employee pension fund reserve	Reserve fund	Total
Notes		€	€	€	€	€
	Balance at 1 January 2019	1,164,687	5,220,690	1,000,002	7,351,587	14,736,966
<b>Comprehensive income</b>						
	Appropriation from income statement	-	-	-	749,361	749,361
	Transfer to pension fund reserve	-	-	75,000	(75,000)	-
16	Total comprehensive income for the year	-	-	75,000	674,361	749,361
	<b>As at 31 December 2019</b>	<b>1,164,687</b>	<b>5,220,690</b>	<b>1,075,002</b>	<b>8,025,948</b>	<b>15,486,327</b>
	Balance at 1 January 2020	1,164,687	5,220,690	1,075,002	8,025,948	15,486,327
<b>Comprehensive income</b>						
	Appropriation from income statement	-	-	-	2,730,191	2,730,191
	Transfer to pension fund reserve	-	-	75,000	(75,000)	-
16	Total comprehensive income for the year	-	-	75,000	2,655,191	2,730,191
	<b>As at 31 December 2020</b>	<b>1,164,687</b>	<b>5,220,690</b>	<b>1,150,002</b>	<b>10,681,139</b>	<b>18,216,518</b>

The notes on pages 119 to 139 are an integral part of these financial statements.

# Statement of cash flows

Year ended 31 December			
	Notes	2020 €	2019 €
<b>Cash flows from operating activities</b>			
Cash generated from operations	24	529,848	4,694,822
Interest received	19	91,324	107,825
Other income	22	-	11,329
Net cash generated from operating activities		621,172	4,813,976
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	5	(1,418,590)	(1,791,490)
Purchase of intangible assets	6	(40,477)	(122,059)
Redemption of investments	7	500,000	-
Net cash used in investing activities		(959,067)	(1,913,549)
<b>Cash flows from financing activities</b>			
Capital repayments of lease liabilities		(480,946)	(490,565)
Net cash used in financing activities		(480,946)	(490,565)
Net movement in cash and cash equivalents		(818,841)	2,409,862
Cash and cash equivalents at beginning of year		7,460,724	5,050,862
Cash and cash equivalents at end of year	11	6,641,883	7,460,724

The notes on pages 119 to 139 are an integral part of these financial statements.

# Notes to the financial statements

## 1. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 1.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Malta Financial Services Authority Act. They have been prepared under the historical cost convention as modified by the fair valuation of the land and buildings class of property. The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires the Governors to exercise judgement in the process of applying the Authority’s accounting policies (see Note 3 – Critical accounting estimates and judgements).

During 2020, the Authority reported a surplus of €2,730,191 and a net current liability position of €917,300. The Governors have taken cognisance of the overall performance and cash flow position of the Authority and to that effect, a system of pre-approval of the annual subvention as approved by the House of Representatives has been agreed and established. This will be based on annual and five-year forecasts of revenues and expenditure. On this understanding, the Board of Governors have determined that there is a reasonable expectation that the Authority will have adequate resources to continue its operations for the foreseeable future. For this reason, these accounts have been prepared on a going concern basis.

*New standards and interpretations not yet adopted*

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Authority. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

### 1.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (‘the functional currency’). The financial statements are presented in Euro, which is the Authority’s functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

All foreign exchange gains or losses are presented in the income statement.



1. Summary of significant accounting policies - continued

1.3 Property, plant and equipment

All property, plant and equipment is initially recorded at historical cost. Land and buildings, comprising mainly the Authority’s offices, are shown at fair value based on periodic valuation, less subsequent depreciation of buildings. Valuations are carried out on a regular basis such that the carrying amount of property does not differ materially from that which would be determined using fair values at the end of the reporting period. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Authority and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against the revaluation reserve directly in equity; all other decreases are charged to profit or loss.

Items of property, plant and equipment comprise land and buildings, furniture, fixtures and fittings and equipment and are initially recognised at acquisition cost. Subsequently, they are carried at acquisition cost less subsequent depreciation and impairment losses.

Land is not depreciated as it is deemed to have an indefinite life. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amount to their residual values over their estimated useful lives, as follows:

	%
Furniture, fixtures and fittings	20
Equipment	20

Buildings are depreciated over an estimated useful life of 75 years whilst improvements carried out on leased property are depreciated over the lease period, which is three years.

The assets’ residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period.

An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are recognised in the income statement. When re-valued assets are sold, the amounts included in the revaluation reserve relating to the assets are transferred to retained earnings.

1. Summary of significant accounting policies - continued

1.4 Intangible assets

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of four years. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

1.5 Financial assets

1.5.1 Classification

From 1 January 2018, the Authority classifies its financial assets in the following measurement categories;

- those to be measured subsequently at fair value (either through Other Comprehensive Income (OCI) or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity’s business model for managing the financial assets and the contractual terms of the cash flows. The Authority’s financial assets are classified at amortised cost.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held-for-trading, this will depend on whether the Authority has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). The Authority reclassifies debt instruments when and only when its business model for managing those assets changes.

1.5.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Authority commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Authority has transferred substantially all the risks and rewards of ownership.

1.5.3 Measurement

Subsequent measurement of debt instruments depends on the Authority’s business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Authority classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss.

## 1. Summary of significant accounting policies - continued

### 1.5.3 Measurement - continued

- Fair Value through Other Comprehensive Income (FVOCI): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as a separate line item in the statement of profit or loss.
- Fair Value Profit and Loss (FVPL): Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

From 1 January 2018, the Authority assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Authority applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 1.6 for further details.

### 1.6 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less loss allowance.

#### *IFRS 9 Financial Instruments – impairment of financial assets*

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements.

#### *Impairment*

From 1 January 2018, the Authority assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Authority applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

## 1. Summary of significant accounting policies - continued

### 1.7 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at face value. In the statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call together with short-term, highly liquid investments that are readily convertible into known amounts of cash, and which are subject to an insignificant risk of changes in value.

### 1.8 Trade and other payables

Trade payables comprise obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### 1.9 Provisions

Provisions for legal claims are recognised when the Authority has a present legal or constructive obligation as a result of past events. It is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

### 1.10 Revenue recognition

The Authority recognises revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity, and when specific criteria for each of the Authority's activities have been met, as described below:

- Income from application fees is recognised upon receipt of the application.
- Income from annual supervisory fees is recognised by reference to the stage of completion of the transaction, which equates to a systematic recognition of revenue as it accrues over time.
- Interest income from investments is reported on an accrual basis using the effective interest method.

### 1.11 Leases

As explained in Note 1.1 above, the Authority has changed its accounting policy for leases where the Authority is the lessee. The new policy is described below and the impact of the change is described in Note 2.

#### *Accounting policy as from 1 January 2019*

The Authority leases various vehicles and office spaces. Rental contracts are typically made for fixed periods ranging from two to three years. Lease terms are negotiated on an individual basis and contain



## 1. Summary of significant accounting policies - continued

### 1.11 Leases - continued

a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Authority.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities comprise the net present value of the fixed lease payments (including in-substance fixed payments), less any lease incentives receivable.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Authority, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Authority, where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third-party financing was received.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Lease payments due within 12 months are classified as current, if not they are presented as non-current liabilities.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability.

Right-of-use assets are generally depreciated over the lease term on a straight-line basis.

Payments associated with short-term leases of vehicles and land are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

#### *Accounting policy as at 31 December 2018*

Until 31 December 2018, leases in which a significant portion of the risks and rewards of ownership were not transferred to the Authority as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

### 1.12 Government subvention and EU grants

Grants from the Government, including national Government and EU, are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Authority will comply with all attached conditions.

## 1. Summary of significant accounting policies - continued

### 1.12 Government subvention and EU grants - continued

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

## 2. Change in accounting policies

This Note explains the impact of the adoption of IFRS 16 Leases on the Authority's financial statements.

As indicated in Note 1.1 above, the Authority has adopted IFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in Note 1.11.

On adoption of IFRS 16, the Authority recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4%.

#### *(i) Practical expedients applied*

In applying IFRS 16 for the first time, the Authority has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019; and
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases.

The Authority has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Authority relied on its assessment made applying IAS 17 and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

2. Change in accounting policies - continued

(ii) Measurement of liabilities

	2019 €
Operating lease commitments as at 31 December 2018	1,061,970
Discounted using the lessee's incremental borrowing rate at the date of initial application	(178,107)
<b>Lease liability as at 1 January 2019</b>	<b>883,863</b>
Of which are:	
Current lease liabilities	568,558
Non-current lease liabilities	315,305
	<b>883,863</b>

(iii) Measurement of right-of-use assets

The associated right-of-use assets for vehicle leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

(iv) Adjustments recognised in the balance sheet on 1 January 2019

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- (a) right-of-use assets - increase by €883,863
- (b) lease liabilities - increase by €883,863

There is no net impact on retained earnings on 1 January 2019.

3. Financial risk management

3.1 Financial risk factors

The Authority's activities potentially expose it to a variety of financial risks namely market risk, credit risk and liquidity risk. The Authority's risk management is coordinated by the Board of Governors and focuses on actively securing the Authority's short to medium term cash flows by minimising the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Authority does not actively engage in trading of financial assets for speculative purposes nor does it write options. The most significant financial risks that the Authority is exposed to are described overleaf.

3. Financial risk management - continued

3.1 Financial risk factors - continued

(a) Market risk

In view that the investments in Malta Government Bonds (see Note 7) are accounted for at amortised cost, the Governors do not consider that the Authority is exposed to significant market risk.

(b) Credit risk

The Authority's exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below. The Authority's exposures to credit risk as at the end of the reporting periods are analysed as follows:

	Notes	2020 €	2019 €
Financial assets at amortised cost	7	1,665,649	2,167,493
Trade and other receivables	9	552,703	686,924
Amounts due from government	10	-	4,944,000
Cash and cash equivalents	11	6,641,883	7,460,724
		<b>8,860,235</b>	15,259,141

The Authority assesses the credit quality of its customers taking into account financial position, past experience and other factors. It has policies in place to ensure that sales of services are effected to customers with an appropriate credit history. The Authority monitors the performance of its receivables on a regular basis to identify incurred collection losses, which are inherent in the Authority's receivables, taking into account historical experience.

The Authority's receivables, which are not impaired financial assets, are principally in respect of transactions with customers for whom there is no recent history of default. Management does not expect any losses from non-performance by these customers. None of the Authority's financial assets are secured by collateral.

As at 31 December 2020, trade receivables of €1,340,488 (2019: €990,537) were impaired, and the amount of the provisions in this respect are equivalent to these amounts. Reversal of provisions for impairment arises in those situations where customers recover from unfavourable circumstances and accordingly start meeting repayment obligations. The Authority does not hold any collateral as security in respect of the impaired assets.



3. Financial risk management - continued

3.1 Financial risk factors - continued

(b) Credit risk - continued

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2020 €	2019 €
Balance at beginning of year	990,537	1,108,000
Increase/(decrease) in loss allowance on trade receivables	429,193	(117,463)
Balance at end of year	1,419,730	990,537

Credit risk in relation to cash and cash equivalents and held-to-maturity investments is considered to be limited, since the counterparts and issuer are reputable banks, and the Government of Malta respectively.

(c) Liquidity risk

The Authority is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise trade and other payables (Note 12). Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the Authority’s obligations.

The Authority monitors liquidity risk by reviewing expected cash flows and ensures that no additional financing facilities are expected to be required over the coming year. The Authority’s liquidity risk is not deemed material in view of the matching of cash inflows and outflows arising from expected maturities of financial instruments.

3.2 Capital risk management

The Authority’s equity, as disclosed in the statement of financial position, constitutes its capital. The Authority’s objectives when managing capital are to safeguard the respective entity’s ability to continue as a going concern in order to provide returns and benefits for stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. The Authority’s equity is maintained in line with the provisions set within the MFSA Act Cap 330.

In view of the nature of the Authority’s activities and its financial position, the capital level as at the end of the reporting period is deemed adequate by the Governors.

3.3 Fair values of financial instruments

The table overleaf analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as Level 1 in view of the Quoted prices (unadjusted) in active markets for identical assets or liabilities.

3. Financial risk management - continued

3.3 Fair values of financial instruments - continued

The following table presents the Authority’s assets and liabilities that are measured at fair value at the respective dates:

	Level 1 €
<b>31 December 2020</b>	
Financial assets at amortised cost	1,655,649
<b>31 December 2019</b>	
Financial assets at amortised cost	2,167,493

At 31 December 2020 and 2019 the carrying amounts of cash at bank, receivables, payables and accrued expenses reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the Governors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

## 5. Property, plant and equipment

	Land and Buildings €	Furniture, fixtures and fittings €	Equipment €	Total €
<b>Year ended 31 December 2019</b>				
Opening net book amount	14,712,264	416,364	1,225,571	16,354,199
Additions	368,405	278,080	1,145,005	1,791,490
Disposals	-	-	(32,853)	(32,853)
Depreciation charge	(310,360)	(131,756)	(653,936)	(1,096,052)
Depreciation released on disposal	-	-	17,290	17,290
Closing net book amount	<b>14,770,309</b>	<b>562,688</b>	<b>1,701,077</b>	<b>17,034,074</b>
<b>At 31 December 2019</b>				
Cost or valuation	15,927,631	2,710,258	7,072,496	25,710,385
Accumulated depreciation	(1,157,322)	(2,147,570)	(5,371,419)	(8,676,311)
Net book amount	<b>14,770,309</b>	<b>562,688</b>	<b>1,701,077</b>	<b>17,034,074</b>
<b>Year ended 31 December 2020</b>				
Opening net book amount	14,770,309	562,688	1,701,077	17,034,074
Additions	73,318	92,682	1,252,590	1,418,590
Disposals	-	-	(1,179)	(1,179)
Depreciation charge	(166,185)	(141,354)	(836,790)	(1,144,329)
Depreciation released on disposal	-	-	472	472
Closing net book amount	<b>14,677,442</b>	<b>514,016</b>	<b>2,116,170</b>	<b>17,307,628</b>
<b>At 31 December 2020</b>				
Cost or valuation	16,000,948	2,802,940	8,323,907	27,128,742
Accumulated depreciation	(1,323,505)	(2,288,924)	(6,207,737)	(9,821,114)
Net book amount	<b>14,677,442</b>	<b>514,016</b>	<b>2,116,170</b>	<b>17,307,628</b>

## 5. Property, plant and equipment - continued

### Fair value of land and buildings

The Authority's office building was revalued on 31 December 2017 by independent professionally qualified valuers. The valuation was conducted by DeMicoli & Associates (a firm of architects). The book value of the property was adjusted to the revaluation and the resultant surplus, was credited to the revaluation reserve (refer to Note 15). The Board of Governors has reviewed the carrying amount of the property as at 31 December 2020 and no adjustments to the carrying amount were deemed necessary as at that date taking cognisance of developments that occurred during the current financial year.

The Authority is required to analyse non-financial assets carried at fair value by level of the fair value hierarchy within which the recurring fair value measurements are categorised in their entirety (Level 1, 2 or 3). The different levels of the fair value hierarchy have been defined as fair value measurements using:

- Quoted prices (unadjusted) in active markets for identical assets (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2);
- Inputs for the asset that are not based on observable market data (that is, unobservable inputs) (Level 3).

The recurring property fair value measurement at 31 December 2020 uses significant unobservable inputs and is accordingly categorised within Level 3 of the fair valuation hierarchy.

The Authority's policy is to recognise transfers into and out of fair value hierarchy levels as of the beginning of the reporting period. There were no transfers between different levels of the fair value hierarchy during the year ended 31 December 2020.

A reconciliation from the opening balance to the closing balance of non-financial assets for recurring fair value measurements categorised within Level 3 of the value hierarchy, is reflected in the table above.

### Valuation processes

The valuation of the property is performed regularly on the basis of valuation reports prepared by independent and qualified valuers. At the end of every reporting period, management assesses whether any significant changes in the major inputs have been experienced since the last external valuation. Management reports to the Board of Governors on the outcome of this assessment.

When an external valuation report is prepared, the information provided by the valuers – and the assumptions and the valuation models used by the valuers – are reviewed by the Chief of Operations (COO). This includes a review of fair value movements over the period. When the COO considers that the valuation report is appropriate, the valuation report is recommended to the Board of Governors. The Board of Governors considers the valuation report as part of its overall responsibilities.

### Valuation techniques

The Level 3 fair valuation of the Authority's land and buildings was determined by using a comparative approach whereby the current selling prices and rental values of similar developments were compared in order to obtain an equitable rental value of the property. The significant unobservable inputs in the valuation include:

Equivalent rental values	based on the actual location, type and quality of property supported by current market rents for similar properties.
Capitalisation rates	based on actual location, size and quality of the property and taking into account market data at the valuation date.



## 5. Property, plant and equipment - continued

Information about fair value measurements using significant unobservable inputs (Level 3)

Description	Fair value at 31 December 2020 and 2019 €	Significant unobservable inputs		
		Valuation technique	Equivalent rental value €	Capitalisation Rate %
Office building	14.375m	Comparative and Investment method	0.89m	6.25

The higher the rental yield and the lower the capitalisation rate, the higher the fair value. Conversely, the lower the rental value and the higher the capitalisation rate, the lower the fair value.

Historical cost of land and buildings

If the land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2020 €	2019 €
Cost	10,780,258	10,706,941
Accumulated depreciation	(1,194,672)	(907,492)
Net book amount	9,585,586	9,799,449

## 6. Intangible assets

	Computer Software €
<b>At 31 December 2019</b>	
Cost	122,059
Accumulated depreciation	(30,515)
	<b>91,544</b>
<b>Year ended 31 December 2020</b>	
Opening net book amount	91,544
Depreciation charge	(38,610)
Additions	40,477
Closing net book amount	<b>93,411</b>
<b>At 31 December 2020</b>	
Cost	162,536
Accumulated depreciation	(69,125)
Net book amount	<b>93,411</b>

## 7. Financial assets at amortised cost

Financial assets include the following investments:

	2020 €	2019 €
<b>Non-current</b>		
Financial assets at amortised cost	1,337,440	1,667,454
<b>Current</b>		
Financial assets at amortised cost	328,209	500,039
As at 31 December	<b>1,665,649</b>	<b>2,167,493</b>

The movements during the year in financial assets at amortised cost, which comprise Malta Government Bonds, were as follows:

	2020 €	2019 €
Opening net book amount	2,167,493	2,169,418
Redemptions	(500,000)	-
Amortisation	(1,844)	(1,925)
Closing net book amount	<b>1,665,649</b>	<b>2,167,493</b>

## 8. Investment in subsidiary

The Authority's investment in Malta International Training Centre Limited, in which it owned 99.9% of the company's shares, was sold on 1 April 2019 on a going concern basis.

## 9. Trade and other receivables

	2020 €	2019 €
<b>Current</b>		
Trade receivables – gross	1,972,433	1,677,461
Less: Loss allowance on trade receivables	(1,419,730)	(990,537)
Trade receivables – net	<b>552,703</b>	<b>686,924</b>
Prepayments	1,143,843	870,733
Accrued income	30,838	58,741
	<b>1,727,384</b>	<b>1,616,398</b>

## 10. Amounts due from Government

	2020	2019
	€	€
Funds committed by Government	-	4,944,000

## 11. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

	2020	2019
	€	€
Cash and cash equivalents	6,641,883	5,289,134
Technical account held at the Central Bank of Malta (Note 12)	-	2,171,590
	<b>6,641,883</b>	<b>7,460,724</b>

## 12. Trade and other payables

	2020	2019
	€	€
<b>Current</b>		
Trade payables	1,705,546	1,406,303
Amount due to Malta Business Registry	1,151,518	1,406,479
Other creditors	-	2,171,590
Indirect taxation	409,711	371,177
Accruals	2,246,158	8,163,628
Deferred government subvention	2,445,684	3,119,223
Deferred income	1,238,888	1,180,733
	<b>9,197,505</b>	<b>17,819,133</b>

The Authority provisionally holds on deposit with the Central Bank of Malta an amount of €Nil (2019: €2,171,590), included within other creditors, as part of its duty as a regulatory body.

## 13. Lease liabilities

This note provides information for leases where the Authority is a lessee.

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	2020	2019
	€	€
<b>Right-of-use assets</b>		
Vehicles	73,707	153,943
Offices	889,610	256,727
	<b>963,317</b>	<b>410,670</b>
<b>Lease liabilities</b>		
Current	417,271	213,579
Non-current	567,978	205,864
	<b>985,249</b>	<b>419,443</b>

(ii) Amounts recognised in the income statement.

The statement of profit or loss shows the following amounts relating to leases:

	2020	2019
	€	€
<b>Depreciation charge of right of-use of assets</b>		
Vehicles	102,973	93,271
Offices	346,867	379,922
	<b>449,840</b>	<b>473,193</b>
Interest expense (included in finance income/cost)	<b>44,625</b>	<b>26,145</b>

## 14. Capital fund

The capital fund of €1,164,687 represents the initial contribution by the Government to the Authority in 1989 upon its establishment.

## 15. Revaluation reserve

	2020	2019
	€	€
As at 31 December	<b>5,220,690</b>	<b>5,220,690</b>

The revaluation reserve is not distributable and represents the accumulated fair value movements on the Authority's land and buildings.



**16. Employee pension fund**

	2020	2019
	€	€
Balance as at 1 January	1,075,002	1,000,002
Transfer for the year	75,000	75,000
As at 31 December	1,150,002	1,075,002

The employee pension fund reserve has been created to set aside reserves to prepare for the potential employee pension fund that may be set up for the benefit of the employees at the opportune time.

**17. Expenses by nature**

	2020	2019
	€	€
Depreciation of property, plant and equipment (Note 5)	1,144,329	1,096,052
Depreciation of intangible assets (Note 6)	38,610	30,515
Employee costs (Note 18)	18,157,636	15,486,700
Professional fees	674,507	2,462,280
Regulatory support fees	2,321,965	2,306,761
Enforcement and compliance fees	3,674,991	8,879,278
Increase/(decrease) on loss allowance on trade receivables	429,193	(117,463)
Communications and events	245,819	659,788
Governors' emoluments	90,767	151,233
Other administrative expenses	4,662,441	4,305,090
Total operating expenses	31,440,258	35,260,234

Auditor's fees

Fees charged by the auditor for the statutory audit amount to €15,000 (2019: €7,000).

**18. Employee costs**

	2020	2019
	€	€
Wages and salaries	16,354,337	12,738,216
Social security costs	948,363	766,484
Other staff costs	854,936	1,982,000
	18,157,636	15,486,700

**18. Employee costs - continued**

Average number of persons employed by the Authority during the year:

	2020	2019
Managerial	340	281
Administration	42	41
	382	322

During 2019, the Authority offered its employees a Voluntary Severance Scheme for which the expense was included within other staff costs amounted to €681,585. No Voluntary Severance Scheme was offered during 2020.

**19. Finance income**

	2020	2019
	€	€
Interest income from demand deposits	97	834
Interest income from Government bonds	91,227	106,991
Interest charges for lease liabilities	(44,265)	(26,145)
	47,059	81,680

**20. Income**

	2020	2019
	€	€
Authorisations	894,200	770,262
Securities and markets supervision	2,750,443	2,614,104
Insurance and pensions supervision	2,548,837	2,216,164
Conduct	586,986	564,467
Banking supervision	4,913,702	4,291,149
Listing Authority income	587,775	559,150
Fintech	283,295	153,750
Total income	12,565,238	11,169,046

**21. Government subvention**

The Government subvention represents a contribution by Government towards the Authority to ensure that it has adequate resources to continue its operations and meet its obligations as the single regulator for financial services in Malta.

**22. Other income**

	2020	2019
	€	€
EU grants designated for specific purposes	-	7,428
Other	-	3,901
	-	11,329

EU funds designated for specific purposes amounting to €Nil at 31 December 2020 (2019: €7,428) are amortised to profit or loss over the term of the service concession.

**23. Tax expense**

Section 30 of the Malta Financial Services Authority Act, Cap 330 exempts the Authority from any liability to pay income taxes.

**24. Cash generated from / (used in) Operations**

	2020	2019
	€	€
Operating surplus for the year	2,683,132	673,582
Adjustments for:		
Depreciation of property, plant and equipment (Note 5)	1,144,329	1,096,052
Depreciation of intangible assets (Note 6)	38,610	30,515
Depreciation of right-of-use assets (Note 13)	449,840	473,193
Loss on sale of property, plant and equipment (Note 5)	707	15,563
Amortisation of investment (Note 7)	1,844	1,925
Increase/(decrease) in loss allowance on trade receivables (Note 9)	429,193	(117,463)
Changes in working capital:		
Trade and other receivables	(540,179)	(381,530)
Amounts due from government	4,944,000	(4,944,000)
Trade and other payables	(8,621,628)	7,846,985
Cash generated from/(used in) operations	529,848	(1,035,007)

**25. Commitments**

	2020	2019
	€	€
<b>Capital expenditure</b>		
Capital expenditure that has been contracted for but not yet accounted for in the financial statements	139,821	961,381
Capital expenditure that has been authorised by the Board of Governors but has not yet been contracted for	2,222,047	5,990,002

**26. Contingencies**

The Authority has not provided for claims instituted against it by a number of persons on the basis that the proceedings are still at an early stage and the potential financial impact and probable outcome of these claims has as yet not been quantified.

**27. Related party transactions**

Except for transactions disclosed or referred to previously, the following significant transactions, which were carried out principally with related entities, have a material effect on the operating results and financial position of the Authority:

	2020	2019
	€	€
Funds committed by Government (Note 10)	-	4,944,000
Amounts due to Malta Business Registry (Note 12)	1,151,518	1,406,779

Key management personnel compensation, consisting of Governors' remuneration is disclosed in Note 18.

**28. Statutory information**

The Malta Financial Services Authority (MFSA) ('the Authority') is the single regulator for financial services in Malta enacted by virtue of the MFSA Act Cap 330. and reports to the Maltese Parliament.

On 20 March 2018, by virtue of Act No. VI of 2018, Articles 2(2) and 6, it had been established that the Registrar of Companies shall no longer form part of the Malta Financial Services Authority.



# 08\_Statistical Compendium





# Banking

Table 1: Branches and ATMs (2018 – 2020)



Branches

2018	2019	2020
118	112	102



ATMs

2018	2019	2020
218	211	201

Table 2: Capital Requirements Ratio and Tier 1 Capital Ratio (2018 – 2020)

		2018	2019	2020
Capital Requirements Ratio (%)	Core Domestic Banks	18.1	19.7	20.4
	Non-Core Domestic Banks	19.1	17.9	19.6
	Other Banks	52.0	47.1	52.2
	Aggregate Banking Sector	22.8	23.3	24.5
Tier 1 Capital Ratio (%)	Core Domestic Banks	16.0	17.3	17.5
	Non-Core Domestic Banks	18.7	17.9	19.6
	Other Banks	49.6	46.8	52.0
	Aggregate Banking Sector	20.8	21.5	22.3

The sum of figures shown in the tables may not exactly add up due to rounding.  
Source of all Charts in the Statistical Compendium: Malta Financial Services Authority

Table 3: Assets (€m) (2018 – 2020)

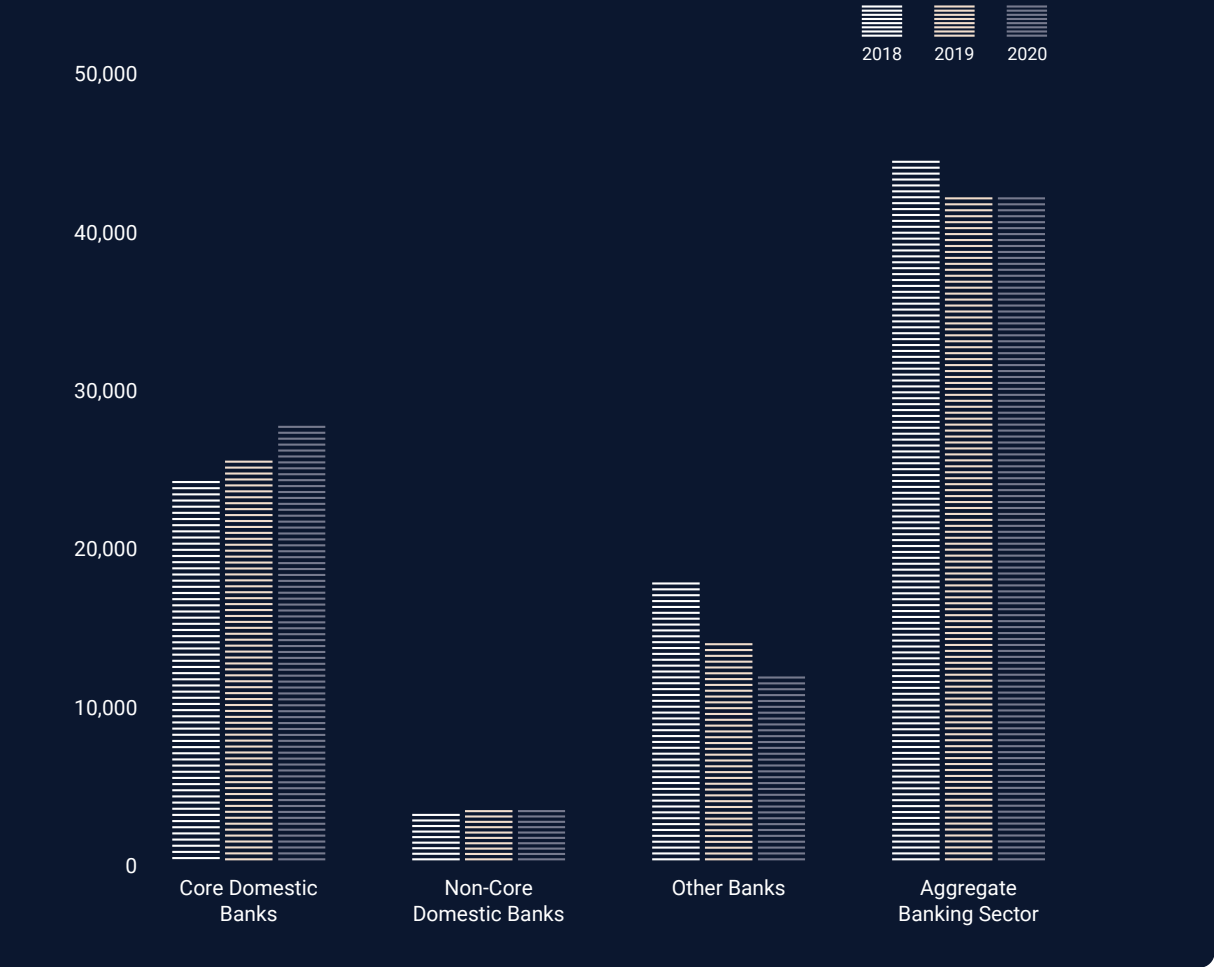


Table 4: Distribution of Assets (€m) (2020)

	Cash, cash balances at central banks and other demand deposits	Loans and Receivables	Debt Instruments	Equity Instruments	Other Assets
Core Domestic Banks	5,802.5	14,165.2	6,347.1	125.0	864.4
Non-Core Domestic banks	938.2	978.0	953.0	47.7	124.7
Other Banks	1,167.2	5,977.3	2,955.7	63.9	1,314.0
Aggregate Banking Sector	7,907.9	21,120.5	10,255.8	236.6	2,303.1

Table 5: Loans and Advances (€m) (2018 – 2020)

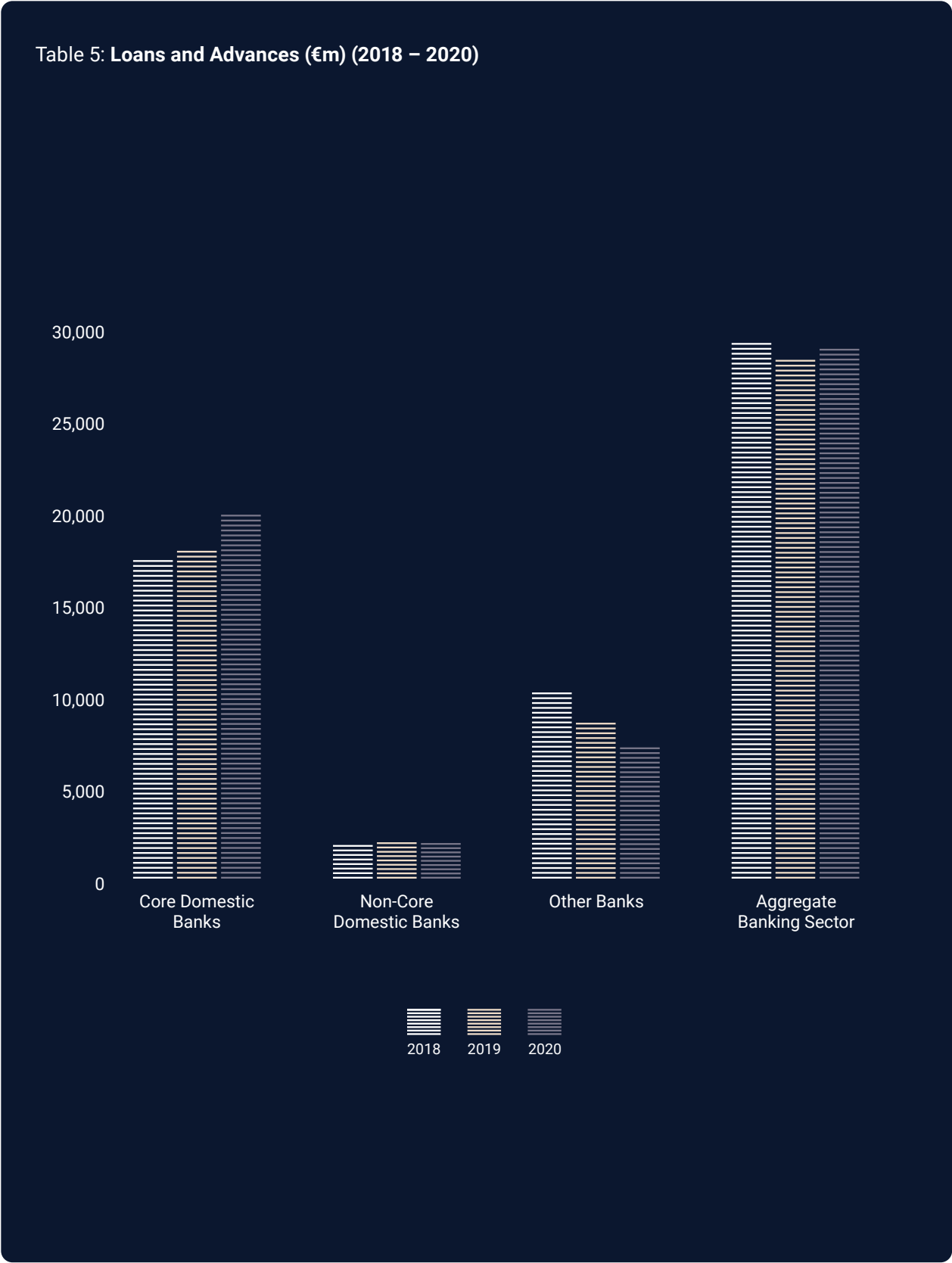






Table 6: Loans and Advances – top eight sectors (€m) (2020)

				
	Households and individuals	Credit institutions	Transportation and storage	Real estate
Core Domestic Banks	7,725.8	1,499.4	207.1	904.7
Non-Core Domestic Banks	60.7	275.7	26.9	53.7
Other Banks	268.5	1,441.5	1,696.7	127.4
Aggregate Banking Sector	8,055.0	3,216.6	1,930.7	1,085.8





				
	Manufacturing	Construction	Wholesale and retail trade	Electricity, gas and AC supply
Core Domestic Banks	308.0	420.0	577.6	210.2
Non-Core Domestic Banks	166.2	85.7	216.1	6.3
Other Banks	606.4	493.5	196.0	121.6
Aggregate Banking Sector	1,080.6	999.2	989.7	338.1

Table 7: Deposits (€m) (2018 – 2020)

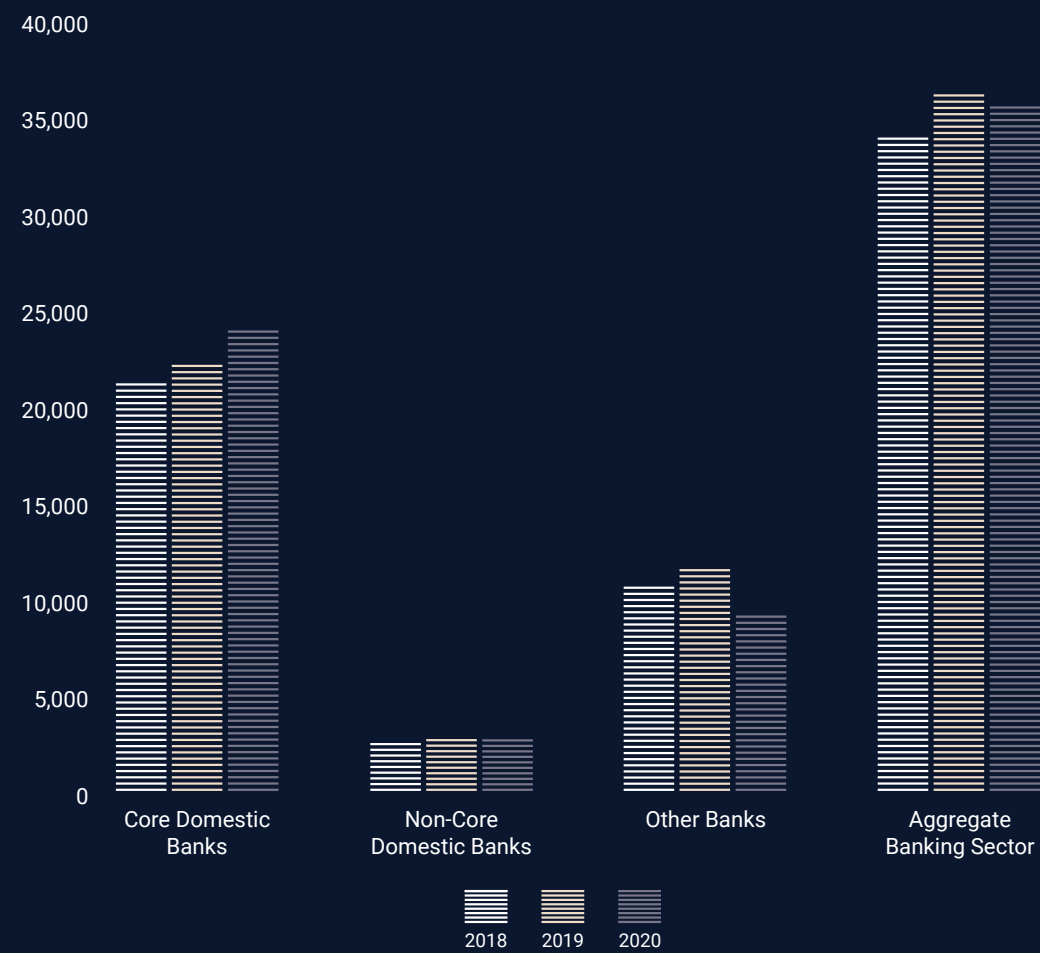




Table 8: Distribution of Deposits (2020)

	Current accounts / overnight deposits	Deposits with agreed maturity	Deposits redeemable at notice	Repurchase agreements
Core Domestic Banks (%)	76.5	18.4	3.4	1.7
Non-Core Domestic Banks (%)	46.5	48.4	0.0	5.1
Other Banks (%)	8.5	73.7	0.0	17.8
Aggregate Banking Sector (%)	57.0	34.7	2.3	6.0

Table 9: Geographical Distribution of Banking Sector Activities (2020)

	 Loans (%)	 Deposits (%)
Residents	61.6	61.4
Non-residents	38.4	38.6



# Securities and Investment Services

Table 10: New issues on the Malta Stock Exchange

New Issuances	2019	2020
Corporate Bonds	16	6
Malta Government Stocks (MGS)	8	17
Shares (Equity)	3	0
Total	27	23
Aggregate Nominal Value €m	845.7	1,511

Table 11: Market Turnover on the Malta Stock Exchange (€m)

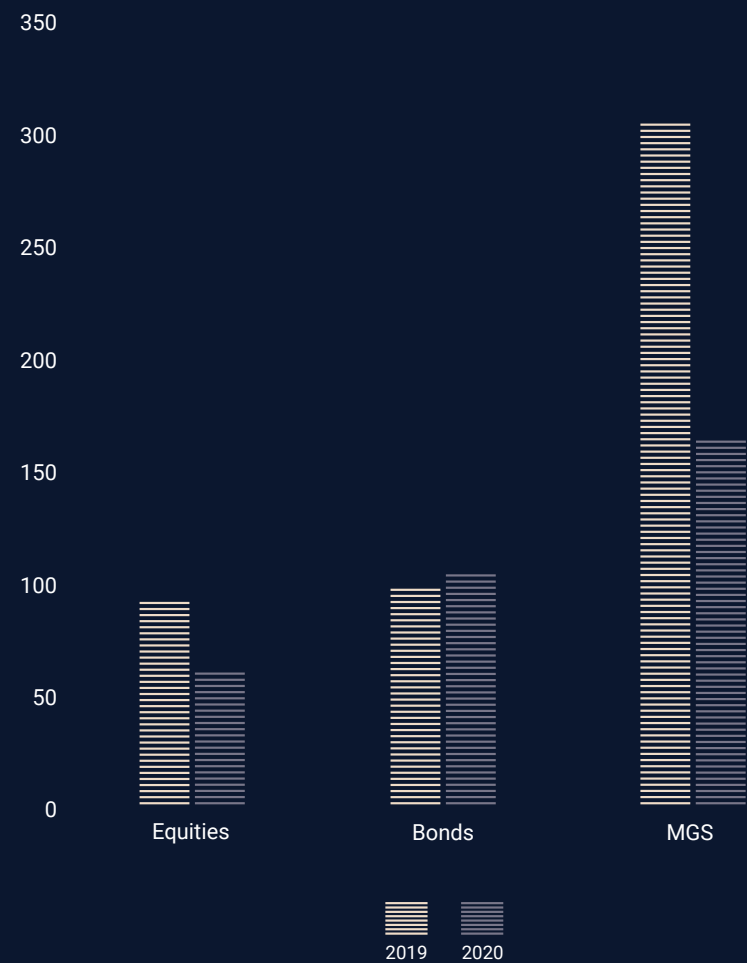


Table 12: Net Asset Value of Malta Domiciled Funds (€m)

	2018	2019	2020
UCITS	2,672.8	3,113.7	2,605.8
Non-UCITS	11,569.9	12,800.0	11,113.7
Total	14,242.7	15,913.7	13,719.5

Table 13: Net Asset Value by Asset Allocation – 2020 (€m and % share)

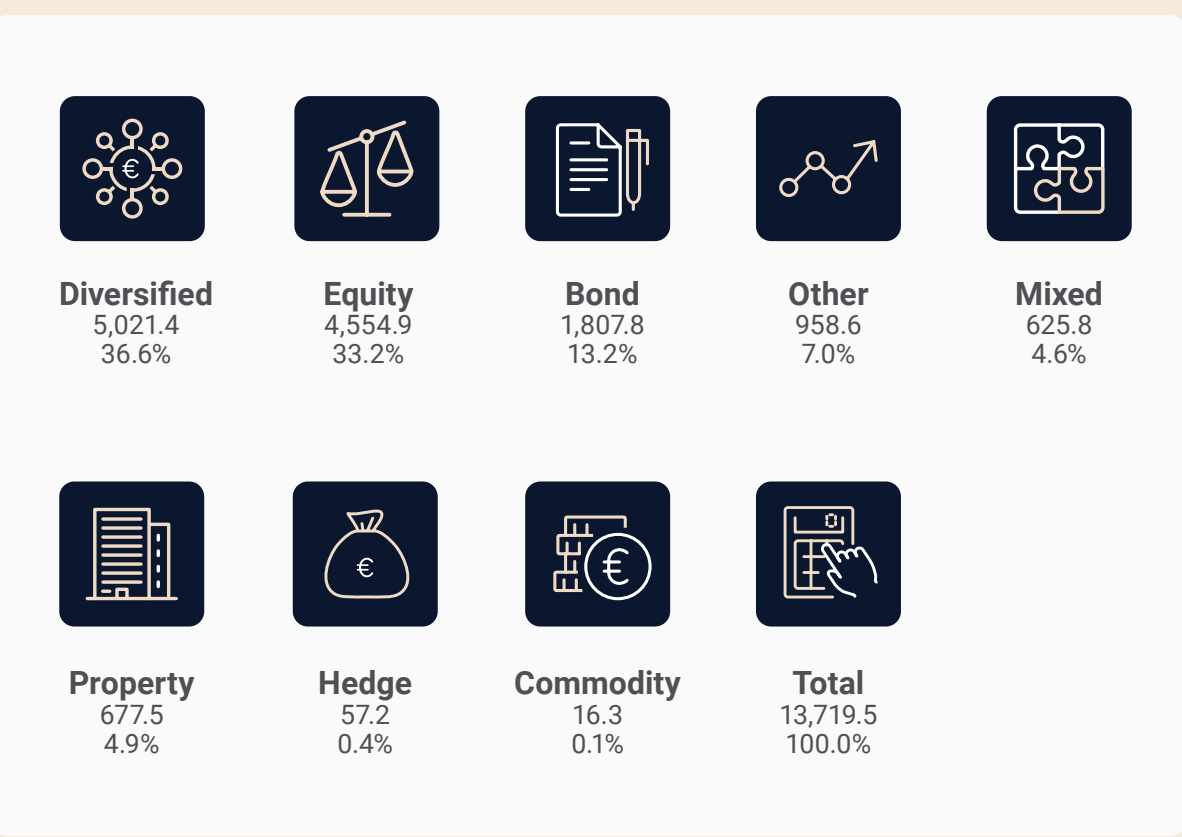


Table 14: Management of Malta Domiciled Funds

	% of funds (incl. sub-funds) at end 2019	% of funds (incl. sub-funds) at end 2020
Self-managed	38.3	39.0
Managed in Malta	37.1	40.5
Managed from Outside Malta	24.6	20.5
Total	100.0	100.0

Table 15: Administration of Malta Domiciled Funds

	% of funds (incl. sub-funds) at end 2019	% of funds (incl. sub-funds) at end 2020
Administered in Malta	87.3	89.5
Administered from outside Malta	12.7	10.5
Total	100.0	100.0

Table 16: Non-Malta Domiciled Funds

	Funds (incl. sub-funds) at end 2019	Funds (incl. sub-funds) at end 2020
Non-Malta domiciled funds administered in Malta	175	199
Non-Malta domiciled funds managed in Malta	131	99

Table 17: Net Asset Value of Non-Malta Domiciled Funds (€m)

	NAV at end 2019	NAV at end 2020
Non-Malta domiciled funds administered in Malta	4,008.7	3,980.0
Non-Malta domiciled funds managed in Malta	20,032.9	12,436.3

# Insurance and Pensions

Table 18: Insurance Undertakings authorised in Malta

	2019	2020
Non-Life	55	54
Life	8	8
Composite	2	2
Reinsurance	5	4
Total net licences	70	68
of which:		
Affiliated	7	7
Protected Cell Companies (and Cells)	15 (60)	16 63
Insurance of domestic origin	8	8

Table 19: Solvency Capital Requirement (SCR) Ratio and Minimum Capital Requirement (MCR) Ratio (%)

	SCR Ratio			MCR Ratio		
	Life	Non-Life	Reinsurance	Life	Non-Life	Reinsurance
2018	237.5	210.4	414.8	595.8	555.5	940.5
2019	240.1	187.7	411.5	606.7	512.0	934.7
2020	208.0	193.0	364.0	531.0	527.0	780.0

Table 20: Gross Written Premiums of the General Business Sector (€m)

	2018	2019	2020
Risks in Malta	170.2	201.6	202.5
Risks outside Malta	2,890.2	3,564.5	4,525.9

Table 21: Gross Written Premiums of the Long-Term Business Sector (€m)

	2018	2019	2020
Risks in Malta	398.9	362.6	344.8
Risks outside Malta	1,288.4	1,059.8	1,072.9

Table 22: Gross Claims Paid of the General Business Sector (€m)

	2018	2019	2020
Risks in Malta	75.2	95.8	95.5
Risks outside Malta	1,427.9	1,616.9	2,324.1



Table 23: Gross Claims Paid of the Long-Term Business Sector (€m)

	2018	2019	2020
Risks in Malta	231.2	261.3	317.4
Risks outside Malta	469.4	500.4	524.1

Table 24: Loss ratios for general business undertakings writing direct and reinsurance business (other than that written by pure reinsurance) and pure reinsurance (%)

Licence Type	Direct			Reinsurance		
	Loss Ratio B	Expense Ratio	Combined Ratio	Loss Ratio B	Expense Ratio	Combined Ratio
2018	40.4	30.9	71.3	81.3	6.8	88.1
2019	40.6	29.1	69.7	87.2	5.3	92.5
2020	45.9	23.1	69.1	85.8	7.6	93.4

Table 25: Insurance Penetration<sup>1 2</sup> (%)

Year	General Business - HO Malta	General Business - HO outside Malta	Long-term Business - HO Malta	Long-term Business - HO outside Malta
2017	1.3	1.0	3.3	1.5
2018	1.4	2.8	3.2	1.4
2019	1.5	3.6	2.7	1.1

Table 26: Insurance Density<sup>3 4</sup> (€)

Year	General Business - HO Malta	General Business - HO outside Malta	Long-term Business - HO Malta	Long-term Business - HO outside Malta
2017	316.3	238.0	806.0	357.3
2018	345.9	700.0	810.7	365.6
2019	393.1	940.0	707.1	294.0

<sup>1</sup> The insurance penetration rate is expressed as the gross written premiums in respect of risks and commitments in Malta to gross domestic product.

<sup>2</sup> Figures for undertakings with Head Office outside Malta writing general and long-term business in relation to risks in Malta during 2020 were unavailable at the time of preparation of this report.

<sup>3</sup> The insurance density is expressed as the gross written premiums in respect of risks and commitments based in Malta to population size.

<sup>4</sup> Figures for undertakings with Head Office outside Malta writing general and long-term business in relation to risks in Malta during 2020 were unavailable at the time of preparation of this report.

Table 27: Pensions Schemes

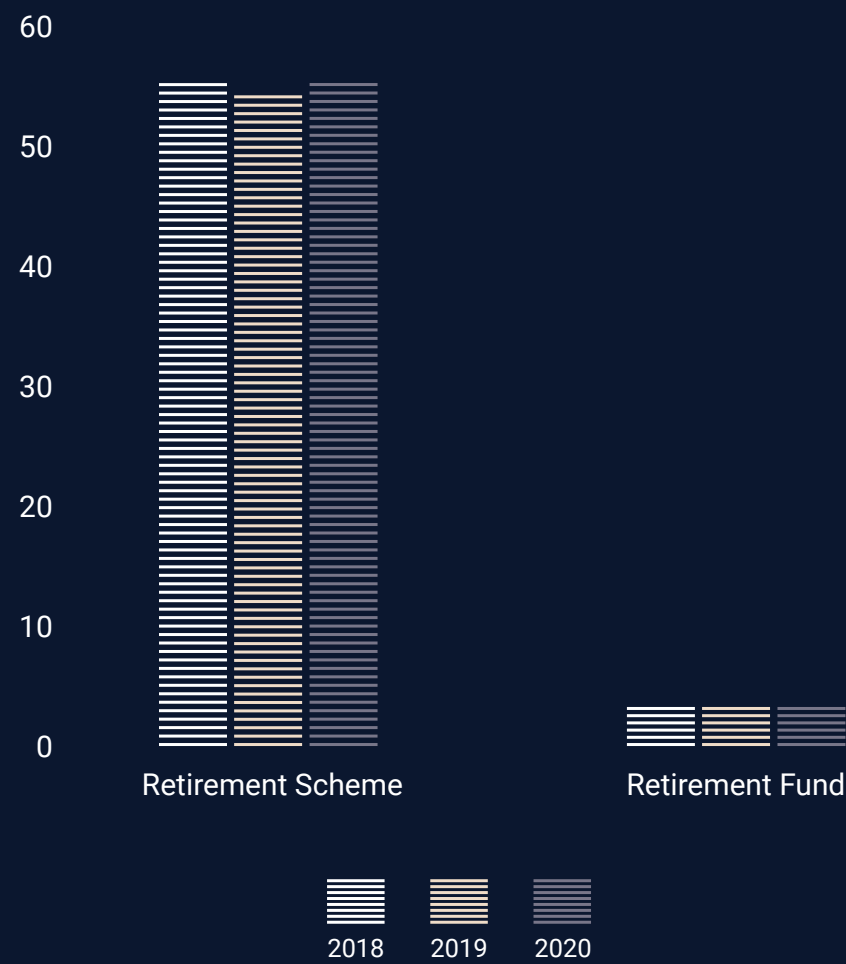
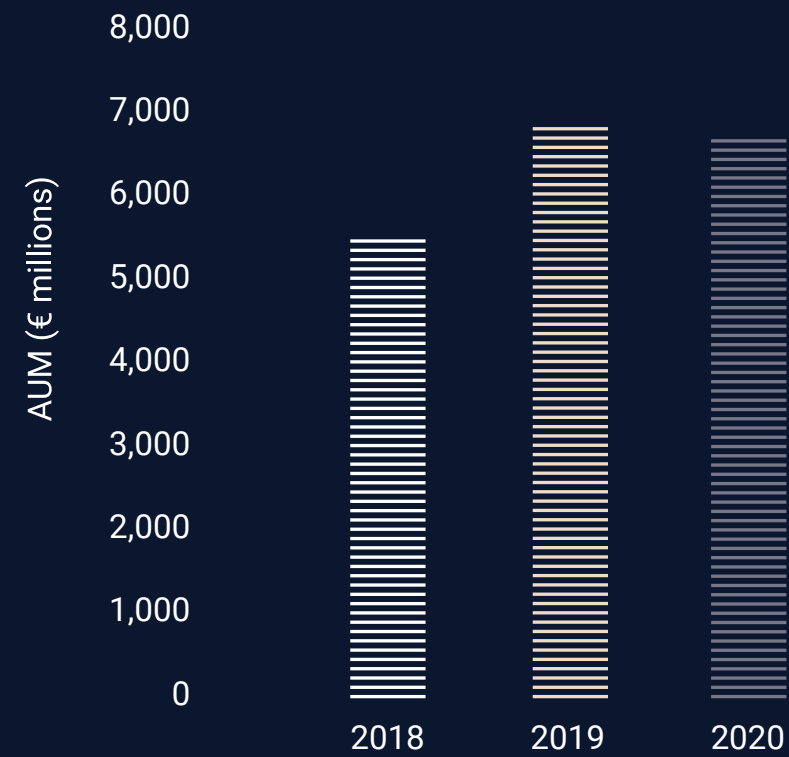


Table 28: Assets of Pension Schemes Under Management (AUM) (€m)



<sup>5</sup> Figures are provisional subject to closure



# 09\_Appendices





# APPENDIX 1 – Financial Services Legislation published in 2020

## Primary Legislation

- 1) Various Financial Services Laws (Amendment) Act, 2020
  - Published as Act V of 2020 on 03.03.2020
- 2) Part III of the Voluntary Organisations and other Laws (Amendment) Act, 2020
  - Published as Act XXXIX of 2020 on 04.08.2020
- 3) Residual Balances Fund Act, 2020
  - Published as Act XLVIII of 2020 on 11.08.2020
- 4) Company Service Providers (Amendment) Act, 2020
  - Published as Act L of 2020 on 13.11.2020
- 5) Malta Financial Services Authority (Amendment) Act, 2020
  - Published as Act LXII of 2020 on 22.12.2020

## Secondary Legislation

- 1) Distance Selling (Retail Financial Services) (Amendment) Regulations, 2020
  - Published as LN 2 of 2020 on 07.01.2020
- 2) Trusts and Trustees Act (Register of Beneficial Owners) (Amendment) Regulations, 2020
  - Published as LN 27 of 2020 on 20.02.2020
- 3) Retirement Pensions (Defined Benefit Retirement Schemes) (Amendment) Regulations, 2020
  - Published as LN 45 of 2020 on 13.03.2020
- 4) Retirement Pensions (Transitional Provisions on Back-Office Administrators) Regulations, 2020
  - Published as LN 46 of 2020 on 13.03.2020
- 5) Retirement Pensions (Control of Assets) (Amendment) Regulations, 2020
  - Published as LN 47 of 2020 on 13.03.2020
- 6) Retirement Pensions (Cross-Border Activities and Cross-Border Transfers) Regulations, 2020
  - Published as LN 48 of 2020 on 13.03.2020
- 7) Retirement Pensions (Exemption) (Amendment) Regulations, 2020
  - Published as LN 49 of 2020 on 13.03.2020
- 8) Retirement Pensions (General Provisions of Supervision) Regulations, 2020
  - Published as LN 50 of 2020 on 13.03.2020

- 9) Retirement Pensions (Transitional Provisions) (Revocation) Regulations, 2020
  - Published as LN 51 of 2020 on 13.03.2020
- 10) Retirement Pensions (Control of Assets) (Amendment) Regulations, 2020 (LN 47 of 2020) - Commencement Notice
  - Published as LN 52 of 2020 on 13.03.2020
- 11) Retirement Pensions (Transitional Provisions on Back-Office Administrators) Regulations, 2020 (LN 46 of 2020) - Commencement Notice
  - Published as LN 53 of 2020 on 13.03.2020
- 12) Retirement Pensions (Cross-Border Activities And Cross-Border Transfers) Regulations, 2020 (LN 48 of 2020) - Commencement Notice
  - Published as LN 54 of 2020 on 13.03.2020
- 13) Retirement Pensions (General Provisions Of Supervision) Regulations, 2020 (LN 50 of 2020) - Commencement Notice
  - Published as LN 55 of 2020 on 13.03.2020
- 14) Retirement Pensions (Exemption) (Amendment) Regulations, 2020 (LN 49 of 2020) - Commencement Notice
  - Published as LN 56 of 2020 on 13.03.2020
- 15) Retirement Pensions (Defined Benefit Retirement Schemes) (Amendment) Regulations, 2020 (LN 45 of 2020) - Commencement Notice
  - Published as LN 57 of 2020 on 13.03.2020
- 16) Retirement Pensions (Transitional Provisions) (Revocation) Regulations, 2020 (LN 45 of 2020) - Commencement Notice
  - Published as LN 58 of 2020 on 13.03.2020
- 17) Various Financial Services Laws (Amendment) Act, 2020 (Act V of 2020) - Commencement Notice
  - Published as LN 59 of 2020 on 13.03.2020
- 18) Financial Institutions Act (Safeguarding of Funds) (Amendment) Regulations, 2020
  - Published as LN 71 of 2020 on 17.03.2020
- 19) Moratorium on Credit Facilities in Exceptional Circumstances Regulations, 2020
  - Published as LN 142 of 2020 on 13.04.2020
- 20) European Passport Rights for Financial Institutions Regulations, 2020
  - Published as LN 165 of 2020 on 30.04.2020
- 21) Malta Financial Services Authority Act (Transparency of securities financing transactions and of reuse) (Amendment) Regulations, 2020
  - Published as LN 166 of 2020 on 30.04.2020
- 22) Moratorium on Credit Facilities in Exceptional Circumstances (Extension) Regulations, 2020
  - Published as LN 278 of 2020 on 30.06.2020
- 23) Declaration of Bank Holidays Order, 2020
  - Published as LN 486 of 2020 on 31.12.2020

# APPENDIX 2 - Rules Issued or Amended in 2020

## Banking

### Banking Rule BR/22

This new Banking Rule on *Complaints-Handling Procedures for Credit Institutions authorised under the Banking Act 1994* was published on 5 March 2020, and is aimed at implementing the [Joint Guidelines of the European Securities and Markets Authority \(ESMA\) and European Banking Authority \(EBA\) on complaints-handling for the securities and banking sectors \(JC/2018/35\)](#).

The Rule is applicable to credit institutions licensed in terms of the Banking Act, credit institutions authorised in another Member State and exercising their right to provide services or establish a branch in Malta, and branches in Malta of credit institutions authorised in a third country, insofar as such branches take deposits from the retail sector. The Rule establishes an easily accessible platform for consumers of such credit institutions to lodge complaints prior to resorting to other judicial fora. In this regard, credit institutions are required to establish a complaint management policy and a complaints management function in order to investigate complaints.

Furthermore, the new Rule introduces an obligation on credit institutions to establish an adequate register which shall include necessary information as specified in the Rule. A reporting requirement is also established for credit institutions to submit to the Authority information on complaints received upon request. Other requirements are laid down in the Rule, including the disclosure of details related to complaints on the credit institutions' website, together with the requirement to establish a mechanism on the internal follow-up of complaints-handling.

### Banking Rule BR/14

A revised version of this Rule was issued on 4 June 2020, and was aimed at implementing the [EBA Guidelines on Outsourcing Arrangements \(EBA/GL/2019/02\)](#), whilst introducing a procedure to be followed by credit institutions in their notifications to the Authority with respect to intended outsourcing of material services or activities.

The revised Rule includes amendments to the set of criteria to be considered by credit institutions to determine whether an arrangement falls within the definition of outsourcing, and whether the services or activities to be outsourced are material.

Pursuant to Article 19A(1) of the Banking Act (Cap.371), where credit institutions intend to conclude outsourcing agreements related to activities or services which are considered to be material, they are obliged to notify the Authority. In this respect, the revisions to the Rule introduce a notification procedure, requiring credit institutions to notify the Authority at least 60 days prior to conferring the outsourcing activity or service. The revised Rule requires such notification to be accompanied by the information listed in the Rule together with any other information as the Authority may deem necessary.

From an internal governance perspective, the revised Rule particularly prohibits credit institutions from delegating the responsibilities of the board of directors through the outsourcing of services or activities. Credit institutions retain full responsibility and accountability for compliance with all the regulatory obligations. In line with the EBA Guidelines, the Rule sets out requirements on the credit institutions' framework in relation to outsourced activities and on the outsourcing policy. Credit institutions are also obliged to appropriately assess the relevant risks and conduct due diligence on the service provider. Pursuant to the EBA Guidelines, credit institutions are also now obliged to adhere to the documentation requirements laid down in the Rule, including the establishment of maintenance of a register of all outsourcing arrangements. Additionally, the Rule sets out requirements in relation to the termination of the outsourcing arrangement and the documentation of an exit strategy by credit institutions.

Although the Rule is addressed to credit institutions, its requirements are also to be taken into consideration by financial institutions licensed in terms of the Financial Institutions Act. This applies in terms of paragraph 51A of the Financial Institutions Rule FIR/01 on Application Procedures and Requirements for Authorisation of Licences under the Financial Institutions Act 1994, which requires financial institutions to be guided by Banking Rule BR/14.

### Banking Rule BR/01

Pursuant to the [MFSA Shareholding Policy for Credit Institutions and Insurance Companies](#), issued by the Authority on 24 June 2020, a minor amendment was carried out to Banking Rule BR/01 on Application Procedures and Requirements for Authorisation of Licences for Banking Activities under the Banking Act 1994. This amendment, consisting of the introduction of paragraph 24D of the Rule, provides that, in determining the licence application submitted by applicants which are not authorised as credit institutions in Malta or in their respective jurisdictions, the Authority shall take into consideration the MFSA Shareholding Policy.

### Banking Rule BR/23

On 6 July 2020, the Authority issued a new Banking Rule on Reporting and Disclosure of Exposures subject to measures applied in response to the COVID-19 Crisis. This Rule was introduced pursuant to measures that were taken at European Union level and at national level to address the negative consequences of the COVID-19 pandemic on the Maltese economy. In this respect, the Rule implements the [EBA Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis \(EBA/GL/2020/07\)](#).

The new Rule establishes additional reporting and disclosure requirements for credit institutions in relation to the following:

- exposures that are subject to payment moratoria in accordance with the Moratorium on Credit Facilities in Exceptional Circumstances Regulations, 2020 (L.N. 142 of 2020) and the Central Bank of Malta (CBM) Directive No. 18 on Moratoria on Credit Facilities in Exceptional Circumstances;
- exposures subject to other forbearance measures introduced in light of the COVID-19 crisis; and
- newly originated exposures subject to the Malta Development Bank COVID-19 Guarantee Scheme.

The reporting requirement is applicable on a monthly basis, whereas the disclosure requirement shall be complied with on a bi-annual basis. Annexes 1 to 3 to the Rule provide credit institutions with the reporting and disclosure templates, together with reporting instructions and submission guidance.

### Banking Rule BR/16

This Rule was wholly revised on 21 December 2020 in order to implement the [EBA Guidelines on harmonised definitions and templates for funding plans of credit institutions under Recommendation A4 of ESRB/2012/2 \(EBA/GL/2019/05\)](#). BR/16 provides for a reporting requirement relating to funding plans. However, only credit institutions which fall within the scope of the criteria set out in the Rule are required to submit such reporting.

The revised Rule in fact incorporated amendments to the set of criteria determining the credit institutions falling within the scope of the Rule, in line with the [Decision of the EBA on supervisory reporting by competent authorities to the EBA \(EBA/DC/2020/334\)](#). In this respect, branches of EU/EEA credit institutions established locally under the freedom of establishment and non-EU credit institutions licensed to establish a branch in Malta, do not fall within the scope of the Rule.

The revised Rule also includes changes to the reporting requirements, more specifically the reporting templates and instructions to the templates as presented in Annex 1 and 2 to the Rule. The previously existing Annexes to the Rule were therefore repealed and replaced by the newly applicable Annexes 1 and 2.

Further to the amendments to the Rule, the reporting requirements apply to credit institutions on an individual and consolidated basis, as applicable. In order to ensure completeness, the reporting framework laid down in this Rule should be read in conjunction with the respective Capital Requirements Regulation (CRR) provisions, the Implementing Technical Standards (ITS) on Supervisory Reporting, other applicable regulation and the Annexes with all relevant instructions.

The revisions to the Rule require credit institutions to report their funding plans by 15 March with a reference date of 31 December of the previous year, with the exception of credit institutions which report their financial information based on their accounting year-end which deviates from the calendar year-end. In the latter case, credit institutions are required to use the latest available accounting year-end as the reference date.

### Financial Institutions Rule FIR/01

The amendments to FIR/01 on *Application Procedures and Requirements for Authorisation of Licences under the Financial Institutions Act 1994* were published on 4 June 2020 and were undertaken in order to further transpose Article 10 of Directive (EU) 2015/2355 of the European Parliament and of the Council (the PSD2), on safeguarding requirements. The amendments to the Rule also follow the publication of amendments to the Financial Institutions Act (Safeguarding of Funds).

Regulation 7 of the Financial Institutions Act (Safeguarding of Funds) Regulations provides for different methods which financial institutions may utilise in order to safeguard funds. One of the methods that may be used by financial institutions is that of investing the funds in secure liquid low-risk assets. For this purpose, an amendment was made to paragraph 63 of FIR/01 in order to stipulate the criteria for assets to be classified as liquid in line with regulation 7. This paragraph states that secure low-risk assets are deemed to be liquid if they are, *inter alia*, cash, listed debt securities issued by the Government of Malta or the Central Bank of Malta, and short-term deposits in credit institutions licensed in Malta where the term is no longer than six months. Other amendments were also inserted for clarification purposes.

## **Other amendments to Banking Rules and Financial Institutions Rules**

### Banking Rules BR/12 (Annex 2B), BR/14 and Financial Institutions Rule FIR/02

Minor amendments were carried out to these three Rules in order to introduce a reference within such Rules to the MFSA [Guidance on Technology Arrangements, ICT and Security Risk Management, and Outsourcing Arrangements](#), which was issued on 11 December 2020. This document is aimed at harmonising the prudential approach on technology arrangements, ICT risk management and outsourcing arrangements and providing for the supervisory expectations for ongoing compliance by licence holders in such areas.

#### 1. Annex 2B to Banking Rule BR/12:

Since the Guidance Document is addressed to credit institutions, as per clause 1.1.9 thereof, and since it is based on the premise that licence holders are expected to establish and maintain an operational governance framework, paragraph 17 was introduced in Annex 2B of Banking Rule BR/12. This Annex, entitled “Technical Criteria on Governance Arrangements and Treatment of Risks”, provides for the requirements related to the internal governance set-up of credit institutions. Therefore, paragraph 17 was included to require credit institutions to refer to the Guidance document and to comply with the provisions of the [EBA Guidelines on ICT and security risk management \(EBA/GL/2019/04\)](#).

#### 2. Banking Rule BR/14

Furthermore, and in view of Title 5 of the Guidance document on Outsourcing Arrangements, paragraph 5A was inserted in Banking Rule BR/14 on *Outsourcing by Credit Institutions authorised under the Banking Act 1994*. This paragraph requires credit institutions to refer to the MFSA Guidance Document on a best effort basis.

#### 3. Financial Institutions Rule FIR/02

Since Financial Institutions licensed in terms of the Financial Institutions Act (Cap. 376) also fall within the scope of the MFSA Guidance Document, a minor amendment was carried out to Financial Institutions Rule FIR/02 on *Supervisory and Regulatory Requirements of Institutions Authorised under the Financial Institutions Act 1994*. Paragraph 48 of this Rule, which is related to outsourcing by financial institutions, was amended to refer financial institutions to the MFSA Guidance Document, since Title 5 thereof specifically addresses outsourcing arrangements. Additionally, paragraph 48A was introduced in order to require payment service providers to comply with the provisions of the EBA Guidelines on ICT and security risk management (EBA/GL/2019/04) and to require financial institutions to refer to the MFSA Guidance Document.

## **Insurance and Pensions**

### New Pension Rules for Occupational Retirement Schemes

The Pension Rules for Occupational Retirement Schemes were issued under the Retirement Pensions Act (Cap. 514) on 18 March 2020. This was done following the transposition of the IORP II Directive. The IORP II Directive introduced a new regulatory framework for occupational retirement schemes with the objective to provide for the adequate protection of members and beneficiaries of occupational retirement schemes. Following the issuance of a consultation to the market where no feedback from the market was received, the MFSA updated and published the Pension Rules for Occupational Retirement Schemes since to complete the transposition of the IORP II Directive, various amendments were made to the Pension Rules for Occupational Retirement Schemes.

### Amended Chapter 8 of the Insurance Rules

In view of the COVID-19 outbreak and in line with the Recommendations (Recommendations on Supervisory flexibility regarding the deadline of supervisory reporting and public disclosure Coronavirus/COVID-19 issued by EIOPA on 20 March 2021), the MFSA amended Chapter 8 and introduced a new Annex VI to offer operational relief and support business continuity of insurance and reinsurance undertakings. A new proviso to paragraph 8.6.8 of Chapter 8 of the Insurance Rules was introduced. The detail as to how the SFCR, the annual and the quarterly templates are to be submitted was included in a new Annex, Annex VI of the said Chapter.

### Amended Chapter 1 & 2 of the Insurance Distribution Rules on Application Forms

Chapter 1 & 2 of the Insurance Distribution Rules were amended so that instead of referring to the “MFSA’s website”, the term “MFSA LH Portal” was added. These words were hyperlinked to the LH Portal so that applicants would have the facility to compile and submit applications through the said portal.

### Amended Chapter 1 of the Insurance Distribution Rules regarding Professional Indemnity Limits

Section 1.9 on Professional Indemnity Insurance Guidelines was amended to bring Chapter 1 of the Insurance Distribution Rules in line with the Commission Delegated Regulation (EU) 2019/1935 of 13 May 2019 amending Directive (EU) 2016/97 of the European Parliament and of the Council with regard to regulatory technical standards adapting the base euro amounts for professional indemnity insurance and for financial capacity of insurance and reinsurance intermediaries.



### Amended Chapter 1 and 2 of the Insurance Business Rules

Chapter 1 of the Insurance Rules provides for the requirements which applicants intended to apply for authorisation need to establish whereas Chapter 2 of the Insurance Rules deals with the Fit and Proper Criteria, Notification and Assessment.

With regard to Chapter 1, the Schedules pertaining to this Chapter were restructured and downsized from six schedules to four and the application process was reconstructed and updated accordingly.

As for Chapter 2, the Competency Form has been integrated in the Personal Questionnaire Form and in the Entity's Assessment. As a result, any reference to the Competency Form was removed from Chapter 2.

### Amended Chapter 5 of the Insurance Rules in relation to volatility adjustment

Chapter 5 was amended to reflect the provisions of Article 77(4) of the Solvency II Directive that were transposed in Chapter 5 of the Insurance Rules. This saw the volatility adjustment to the risk-free interest rates referred to in paragraphs 5.3.28 and 5.3.29 of Chapter 5, for the currency of that country, before the application of the 65% factor, be increased by the difference between the risk-corrected country spread and twice the risk-corrected currency spread, whenever that difference is positive and the risk-corrected country spread is higher than 85 basis points as opposed to 100 basis points.

### Amended Chapter 7 of the Insurance Distribution Rules regarding in-house training.

Chapter 7 of the Insurance Distribution Rules was amended to include an additional criterion to the effect that a person who satisfies one of the requirements of paragraph 6.3.1 of Chapter 6 of the Insurance Distribution Rules may now conduct in-house training to persons registered in the Agents Register, Managers Register or Brokers Register and their relevant employees. Therefore, the person who can provide such training will have to fulfil the same requirement which a person registered in the Agents Register, Managers Register or Brokers Register is required to fulfil in order to provide such training.

### Amended Chapter 6 of the Insurance Rules

Chapter 6 of the Insurance Rules was amended in order to align its requirements with Banking Rule B4/14 on Outsourcing by Credit Institutions Authorised under the Banking Act and to address issues observed during onsite and off-site supervisory work.

An authorised undertaking will now be required to notify the competent authority of its intention to outsource any critical or important outsourcing functions and activities sixty (60) days prior to the outsourcing of critical or important functions. The MFSA will be required to review the information submitted by the authorised undertaking within sixty (60) days. The sixty (60) days will start running from the day such authorised undertaking notifies the MFSA of its intention to outsource any critical or important functions and activities. The MFSA will be required to provide its written 'no objection' to authorised undertaking's intention to outsource any critical or important functions or activities, upon the lapse of the sixty (60) days.

Where the MFSA does not inform the authorised undertaking within the stipulated time frame, whether it opposes the intended outsourcing arrangement, such agreement is deemed as tacitly accepted. However, it is to be noted that this shall be without prejudice to the authorised undertaking's full responsibility and accountability for complying with its regulatory obligations pursuant to the Act, Regulations and Insurance Rules issued thereunder.

### Amended the Annexes to Chapter 16 of the Insurance Distribution Rules and the Annexes to Chapter 9 of the Insurance Rules

In order to better reflect the Insurance Distribution Directive (IDD) requirements relating to the imposition of general good requirements and which reserve the matters relating to professional and organisational requirements under Article 10 of the IDD to the home Member State, the MFSA will be removing the general good requirement of Chapter 8 of the Insurance Distribution Rules from Chapter 16 of the Insurance Distribution Rules. Therefore, the content of Chapter 8 will no longer apply to European insurance intermediaries establishing a branch in Malta in terms of Chapter 16 on the Freedom of Establishment and Freedom to Provide Services by a European Intermediary issued under the Insurance Distribution Rules. Following the amendments carried out to the Conduct of Business Rulebook, which involved a renumbering exercise, and in view of the fact that Annexes 1 and 2 of Chapter 16 of the Insurance Distribution Rules and Annexes 1 and Annex 2 of Chapter 9 of the Insurance Rules contain cross references to the Conduct of Business Rulebook, the Annexes were amended to be brought in line with the Conduct of Business Rulebook, as renumbered.

### Amended Chapter 5 and 11 of the Insurance Distribution Rules, Chapter 6 of the Insurance Rules, the Pension Rules for Service Providers, for Personal Retirement Schemes and for Occupational Retirement Schemes

Amendments were carried out following the publication of the [Guidance on Technology Arrangements, ICT and Security Risk Management, and Outsourcing Arrangements](#) published by the Authority in December 2020. The cross-sectoral Guidance Document draws primarily from guidelines, considers technology as a core component, innovation enabler and a major determinant for operational efficiency whilst underlining the importance of resilience and regulatory compliance. This has seen for a number of amendments to be made to the Chapters mentioned above and across other functions within the MFSA.

## **Securities and Markets**

### Collective Investment Schemes & Fund Managers

#### **Changes relating to MFSA powers enabling the Authority to also require suspension on subscriptions**

- Amended SLC 12.6(iii) of Part BII of the Rules for retail Collective Investment Schemes
- Amended SLC 1.22 and 1.23 of Part B of the Rules for Alternative Investment Funds
- Amended SLC 1.1, 1.73 and 1.75 of Part BI, BII and BIII of the PIF rules respectively

#### **Changes made to include Liquidity stress testing guidelines in rules**

- New rules SLC 2.3(d)(vi), SLC 2.32(e) and SLC 2.36(c) added in Part BII of Rules for UCITS Management Companies
- New rules SLC 2.03(d)(iv), SLC 2.03(g) and SLC 3.03(c) added in Appendix VII to Rules for Retail Collective Investment Schemes
- Amended SLC 2.12 of Part BII of Rules for Alternative Investment Fund Managers
- Amended SLC 8.44 of Part B of Rules for Alternative Investment Funds

#### **Changes made by Strategy and Policy regarding the removal of the approval process for valuation committees and Investment committees (replaced by a notification)**

- Amendment of definition of "Key Function Holder" in Glossary to Rules for Investment Services Providers and in Section 3, Chapter 1 of Part BI of the same rules
- A substantial amount of changes to various rules within:

- Part A of the Collective Investment Scheme Rulebooks
- Part BI, BII and BIII of the Rules for Investment Services Providers
- Part B of the Rules for Investment Funds
- Appendix 1 to Part B of the Rules for Professional Investor Funds
- Appendix VIII to Part B of the Rules for Retail Collective Investment Schemes
- SLCs applicable to Loan Funds

**Changes to implement the Commission Implementing Regulation (EU) 2018/1212 of 3 September 2018 (the 'Implementing Regulation'), which came into force on 3 September 2020 and to align certain provisions emanating from Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 (the 'SRD II')**

- [Part BII: Standard Licence Conditions applicable to UCITS Management Companies](#) (the "UCITS ManCo Rules")  
Section 6 of the UCITS ManCo Rules has been amended by inserting a new Rule 6.10 introducing the requirement for UCITS ManCos to abide by the Implementing Regulation.
- [Part BIII: Standard Licence Conditions \(SLCs\) applicable to Alternative Investment Fund Managers](#) (the "AIFM Rules")  
Section 12: Supplementary SLCs for Licence Holders which Invest in Shares Traded on a Regulated Market has been amended by inserting a new Rule 12.10 introducing the requirement for AIFMs to comply with the Implementing Regulation.
- [Part BIV: Standard Licence Conditions Applicable to Investment Services Licence Holders, which qualify as Custodians of Collective Investment Schemes](#) (the "Custodians Rules")  
New sub-sections under the headings "Transparency Provisions", "Identification of shareholders", "Transmission of Information", "Facilitation of the exercise of shareholder rights" and "Non-discrimination, proportionality and transparency of costs" have been introduced to Section 2: Financial Resources Requirements, Accounting and Record Keeping of the Custodians Rules to clarify the applicability of the SRD II and the Implementing Regulation to Custodians.
- [Part BII: Standard Licence Conditions applicable to Malta Based UCITS Collective Investment Schemes](#) (the "UCITS Rules")  
Section 16: Supplementary Conditions for Self-Managed Schemes of the UCITS Rules have been amended by introducing a new sub-section under the heading "Supplementary Conditions for Self-Managed Schemes Investing in Shares Traded on a Regulated Market" to clarify the applicability of the SRD II and Implementing Regulation to self-managed UCITS.
- [PART B: Standard Licence Conditions Applicable to Alternative Investment Funds](#) (the "AIF Rules")  
Section 8: Supplementary Licence Conditions Applicable to Self-Managed AIFs of the AIF Rules has been amended by introducing a new sub-section under the heading "Supplementary Requirements for Self-managed AIFs Investing in Shares Traded on a Regulated Market" to ensure a consistent approach of the applicability of the relevant provisions emanating from SRD II and the Implementing Regulation.

**Amendments to Rulebooks**

- Introduction of a new sub-section 6.3 and a new section 27 to Part BII of the Investment Services Rules for Retail Collective Investment Schemes ("the UCITS Rules");
- [Appendix I - Contents of the Prospectus to the UCITS Rules](#), and particularly sections 1.18 and 2.19 of Annex I and section 1.18 of Annex II have also been amended to align the disclosures requirements with the provisions of new sections 6.3 and 27 of the UCITS Rules;

- Addition of Section 9 to Part B of the Investment Services Rules for Alternative Investment Funds ("the AIF Rules");
- [Appendix 4 to Part B of AIFs Rules](#) has also been amended to introduce a new section 7 under the heading "Additional Disclosures to investors of the AIFs which are sold exclusively to retail investors" to align the disclosures requirements of the AIFs with the provisions of the Guideline 5;
- Addition of SLC 1.24 to Part BII of the Investment Services Rules for Investment Services Providers ("the UCITS Manco Rules"); and
- Hyperlink which makes reference to the new ESMA Guidelines on certain aspects of the MiFID II compliance function requirements was included in SLC 2.19 of the UCITS Manco Rules; and
- Amendment to Section 10 by way of introducing SLC 10.19 to [Part BIII of the Investment Services Rules for Investment Services Providers](#) (the "AIFM Rules"); and
- Hyperlink which makes reference to the new ESMA Guidelines on certain aspects of the MiFID II compliance function requirements was included in SLC 1.28 of the UCITS Manco Rules.

**Changes applicable to Fund Managers and Collective Investment Schemes licensed as Money Market Funds in view of Regulation (EU) 2017/1131 of the European Parliament and of the Council ("the MMF Regulation")**

- [Part BIII of the Investment Services Rules for ISPs which qualify as Alternative Investment Fund Managers](#)  
A new Section 13, entitled Supplementary Licence conditions applicable to AIFMs managing MMFs has been introduced to make reference to the above developments;
- [Part BII of the Investment Services Rules for Investment Services Providers which qualify as UCITS Management Companies](#)  
A new Section 7 entitled Supplementary Licence conditions applicable to UCITS Managers managing MMFs has been introduced in relation to MMF Stress Testing Guidelines and MMF Reporting Guidelines.
- [Part B of the Investment Services Rules for Alternative Investor Funds](#)  
Similarly to the Rules applicable to Investment Services Providers, SLC 8.41 and SLC 8.42 have been introduced to capture the applicability of the MMF Stress Testing Guidelines and MMF Reporting Guidelines.
- [Part BII of the Investment Services Rules for Retail Collective Investment Schemes](#)  
In view of the above developments, two additional rules, namely SLC 25.2 and SLC 25.3 have been introduced in Section 25 of the Rulebook.

**Changes in relation to reporting of breaches in the Annual Report and Audited Financial Statements**

- SLC 1.15A in Part B of the Investment Services Rules for Alternative Investor Funds;
- SLC 1.98A in Part BI/SLC 1.71A in Part BII/SLC 1.73A in Part BIII of the Investment Services Rules for Professional Investor Funds; and
- SLC 12.21A in Part BII of the Investment Services Rules for Malta based Retail UCITS Collective Investment Schemes.

Investment Firms:

- Overview of general changes made to Part BI: Rules applicable to Investment Services Licence Holders which qualify as MiFID Firms (“the MiFID Rules”)
  - a. **Chapter 1 Title 2 – General Obligations**  
Rule R1-2.2.2 of the MiFID Rules has been amended to oblige Licence Holders to inform the MFSA in writing of such situation within six months of such expiration, the reasons behind it, and a proposed way forward.
  - b. **Chapter 3 Title 2 – Risk Management**  
Rule R3-2.3.2.6.5 of the MiFID Rules was revised through the deletion of the words “*applicable to Category 3 investment services licence holders*” thereby requiring all Licence Holders which are subject to the Risk Management and the Internal Capital Adequacy Assessment Process (RMICAAP) to take into consideration Operational Risk in their risk management assessment.
  - c. **Chapter 3 Title 6 – Supplementary Organisational Requirements**  
A new Section 6, titled “ICT and Security Risk Management” is introduced to implement the [Guidelines on ICT and security risk management](#) applicable to all Investment Firms, which came into force on 30 June 2020.
  - d. **Chapter 4 Title 1 – Notifications and Approvals Requirements**  
Rule R4-1.2.1 was redrafted to provide further clarity and better instructions to officials authorised or approved by the MFSA when terminating their employment with the Licence Holder. In their communication to the MFSA, the officials shall use their personal email and/or letterhead and state the reason(s) for their departure. Such communication is to be provided to the MFSA on the dedicated e-mail [iffnotifications@mfsa.mt](mailto:iffnotifications@mfsa.mt). These documents may be possibly submitted through the LH Portal. Rule R4-1.3.1 (iii), which regulates contractual agreements governing capital instruments was amended to capture all relevant instruments, thereby ensuring better supervision, and protection of the interests of all stakeholders within the industry.
  - e. **Chapter 4 Title 4 – Reporting Requirements Applicable to Category 1 Licence Holders**  
In Rule R4-4.6. the words “carried out” were substituted for the word “met” for further clarity as to the expectations from the Licence Holders and alleviate any and all concerns raised to the Authority in previous occasions.
  - f. **Chapter 4 Title 5 – Reporting Requirements Applicable to Category 2 and Category 3 Licence Holders**  
Rule R4-5.3.1 was amended in order for Licence Holders to submit a report of the circularisation exercise conducted as part of the Audit Pack. In Rule R4-5.8.1 the words “carried out” were substituted for the word “met” for further clarity.
  - g. **New Section 11 Systematic Internalisers**  
Section 11, Systematic Internalisers was introduced to reflect the [EBA’s Regulatory Technical Standard on Systematic Internalisers \[2017/565\]](#).

Amendments to the MFSA Rulebooks

- R1-1.3.1(56) of Part BI of the Investment Services Rules for Investment Services Providers - The definition of “Key Function Holder” has been amended to include specific reference to committee members.
- R-3-3.2.6 of Part BI of the Investment Services Licence Holders which qualify as MiFID Firms - The hyperlink was amended to make reference to the new ESMA Guidelines on certain aspects of the MiFID II compliance function requirements.

- R4-1.2.1 of Part BI of the Investment Services Rules for Investment Services Licence Holders (ii) (new) Inclusion of instances requiring a notification to the MFSA, including the appointment or the departure of any Key Function Holders, whose appointment is not subject to MFSA approval, have been included.
- Section 3 -specifically Part BI of the Investment Services Rules for Investment Services Providers.
- Changes on Technology Arrangements, ICT and Security Risk Management, and Outsourcing Arrangements - Title 2 of Chapter I of Part BI of the Investment Services Rules for Investment Services Providers.
- Changes to implement the Commission Implementing Regulation (EU) 2018/1212 of 3 September 2018 (the ‘Implementing Regulation’), which came into force on 3 September 2020 and to align certain provisions emanating from Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 (the ‘SRD II’).
  - [Part BI: Rules applicable to Investment Services Licence Holders which qualify as MiFID Firms](#) (“the MiFID Rules”)

Sub-section R4-7.9.1 “General provisions” of Section 9 of the MiFID Rules has been amended by inserting a new Rule R4-7.9.1.3 as follows:

When the Licence Holder is engaged in shareholder identification and/or is involved in the transmission of information, including the transmission of information along the chain of intermediaries and/or facilitate the exercise of shareholders rights, the Licence Holder shall comply with the provisions of the [Commission Implementing Regulation](#) (EU) 2018/1212 in its entirety.

- R4-1.2.1 of Part BI of the Investment Services Rules for Investment Services Licence Holders (ii) (new) Inclusion of instances requiring a notification to the MFSA, including the appointment or the departure of any Key Function Holders, whose appointment is not subject to MFSA approval, have been included.



# APPENDIX 3 – Circulars issued in 2020

## Anti Money Laundering

04.06.2020	Risk-Based Supervision – Strengthening Our Supervisory Approach
08.06.2020	Circular to Licence Holders on MFSA's Licence Holder Portal Corporate Profile
30.06.2020	Regulatory Reporting following the Outbreak of COVID-19
15.07.2020	Circular addressed to all Licence Holders regarding their obligations in relation to record keeping
21.07.2020	Guidance Paper on What is a Money Laundering Reporting Officer
11.08.2020	The New EU Sustainable Finance Model
18.09.2020	Circular on the Guidance Note on the submission of the Source of Wealth and Source of Funds
25.09.2020	ESAs Launch Survey on Environmental and/or Social Financial Product Templates
01.10.2020	Digital Finance Package
14.10.2020	Circular to Licence Holders on the MFSA's Licence Holder Corporate Profile – An Update
11.12.2020	MFSA Releases its Guidance on Technology Arrangements, ICT and Security Risk Management, and Outsourcing Arrangements

## Banking Supervision

05.03.2020	Circular to Credit Institutions on the Issuance of a New Banking Rule
13.03.2020	Circular to Credit Institutions on Temporary Capital and Operational Relief in Reaction to Coronavirus (COVID-19)
13.03.2020	Circular to Financial Institutions authorised in terms of the Financial Institutions Act on Contingency Preparedness in the Context of Coronavirus (COVID-19)
21.03.2020	Timing of regulatory reporting due to the Outbreak of COVID-19
24.03.2020	Notification regarding Malta Development Bank
25.03.2020	Circular to credit and financial institutions on the EBA's clarity on the application of the prudential framework in light of Coronavirus (COVID-19) measures
02.04.2020	Circular to Credit Institutions on Dividend Distributions or Share Buybacks
06.04.2020	Circular to Less Significant and Financial Institutions on timing of Regulatory Reporting
06.04.2020	Circular to Credit Institutions on IFRS9 in the context of the Coronavirus (COVID-19) pandemic
06.04.2020	Circular to Financial Institutions outlining COVID-19 measures on Timing of Statutory Reporting
15.04.2020	Circular to Credit Institutions and Foreign Branches outlining COVID-19 measures on timing of Supervisory Reporting
17.04.2020	Circular on the provision of services to the public by Credit Institutions during the COVID-19 period
04.06.2020	Risk-Based Supervision – Strengthening Our Supervisory Approach
04.06.2020	Circular to Credit and Financial Institutions on amendments to Banking Rule BR/14
04.06.2020	Circular to Financial Institutions on amendments to the FIR/01
08.06.2020	Circular to Licence Holders on MFSA's Licence Holder Portal Corporate Profile
24.06.2020	Circular on the Shareholding Policy for Credit Institutions and Insurance Companies
30.06.2020	Regulatory Reporting following the Outbreak of COVID-19
06.07.2020	Circular to Credit Institutions on the issuance of a new Banking Rule
15.07.2020	Circular addressed to all Licence Holders regarding their obligations in relation to record keeping
28.07.2020	Circular to Credit Institutions on the Extension to the Restriction on Dividend Distributions or Share Buybacks and Variable Remuneration
11.08.2020	The New EU Sustainable Finance Model

27.08.2020	Circular to Credit Institutions and Foreign Branches outlining updates on submissions of ITS on Supervisory Reporting Data
18.09.2020	Circular on the Guidance Note on the submission of the Source of Wealth and Source of Funds
25.09.2020	ESAs Launch Survey on Environmental and/or Social Financial Product Templates
30.09.2020	Circular to Credit Institutions on Developments in Supervisory Reporting, mainly on Reporting Pursuant to Banking Rule 23
01.10.2020	Digital Finance Package
14.10.2020	Circular to Licence Holders on the MFSA's Licence Holder Corporate Profile – An Update
22.10.2020	Circular to Credit Institutions on the EBA Guidelines on Supervisory Reporting and Disclosure Requirements in Compliance with the CRR 'Quick-Fix' in response to the COVID-19 Pandemic (EBA/GL/2020/11)
28.10.2020	Circular to Credit Institutions on the EBA Guidelines on uniform disclosures under Article 473a of Regulation (EU) No 575/2013 as regards transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds, and the amendments thereto
13.11.2020	The Nature and Art of Financial Supervision – Banking – Credit Institutions
18.11.2020	Circular to the Industry on Brexit Readiness
11.12.2020	MFSA Releases its Guidance on Technology Arrangements, ICT and Security Risk Management, and Outsourcing Arrangements
22.12.2020	Circular to Credit Institutions on amendments to Banking Rule BR/16
24.12.2020	Circular to Credit Institutions on the Restriction on Dividend Distributions or Share Buybacks and Variable Remuneration
24.12.2020	Circular to Credit Institutions on the materiality threshold for assessing credit obligations past due

## Brexit

02.09.2020	Circular on the implications of Member State's rights under Directive 2000/31/EC as a result of the United Kingdom withdrawing from the European Union
18.11.2020	Circular to the Industry on Brexit Readiness
04.12.2020	Derivatives Reporting following the end of the UK Transition Period on 31 December 2020
04.12.2020	Operational Readiness of Insurance Undertakings and Intermediaries in light of the United Kingdom's withdrawal from the European Union
04.12.2020	Derivatives Reporting following the end of the UK Transition Period on 31 December 2020
09.12.2020	Securities Financing Transactions Reporting following the end of UK Transition Period on 31 December 2020

## Company Service Providers

21.03.2020	Timing of regulatory reporting due to the Outbreak of COVID-19
01.04.2020	Circular addressed to Companies and individuals registered to act as a company service provider in terms of the Company Service Providers Act
04.06.2020	Risk-Based Supervision – Strengthening Our Supervisory Approach
08.06.2020	Circular to Licence Holders on MFSA's Licence Holder Portal Corporate Profile
10.06.2020	Circular addressed to all Company Service Providers: Sectoral Risk Assessment & Action Plan – Key Results on Legal Entities, Legal Arrangements and Voluntary Organisations
30.06.2020	Regulatory Reporting following the Outbreak of COVID-19
15.07.2020	Circular addressed to all Licence Holders regarding their obligations in relation to record keeping
11.08.2020	The New EU Sustainable Finance Model
16.09.2020	Circular addressed to Companies and Individuals providing Directorship Services
18.09.2020	Circular on the Guidance Note on the submission of the Source of Wealth and Source of Funds

25.09.2020	ESAs Launch Survey on Environmental and/or Social Financial Product Templates
01.10.2020	Digital Finance Package
14.10.2020	Circular to Licence Holders on the MFSA's Licence Holder Corporate Profile – An Update
11.12.2020	MFSA Releases its Guidance on Technology Arrangements, ICT and Security Risk Management, and Outsourcing Arrangements

Conduct of Business

02.01.2020	ESMA MiFID II / MiFIR Investor Protection & Intermediaries Q&As
06.01.2020	Submission of Complaints related data by Insurance Undertakings
07.02.2020	Common Supervisory Action in relation to MiFID II Suitability Rules
18.02.2020	Motor Insurance: Consumer Research on Attitudes and Behaviour
27.02.2020	Notice of coming into force of Regulations – Trusts and Trustees Act (Register of Beneficial Owners) (Amendment) Regulations, 2020
03.03.2020	ESMA Consultation & Other Updates
12.03.2020	Notification about Interim Supervisory Measures
13.03.2020	Circular on Contingency Planning in light of COVID-19
21.03.2020	Timing of regulatory reporting due to the Outbreak of COVID-19
23.03.2020	COVID-19: Clarification of issues related to the application of MiFID II requirements on the recording of telephone conversations
26.03.2020	ESMA Extends Consultation Response Dates
01.04.2020	Circular addressed to Companies authorised to act as a Trustee of Family Trusts in terms of article 43B of the Trusts and Trustees Act
01.04.2020	Circular addressed to Companies and individuals authorised as Administrators of Private Foundations in terms of article 43(12)(b) of the Trusts and Trustees Act
01.04.2020	Circular addressed to Trustees and other fiduciaries authorised in terms of article 43 of the Trusts and Trustees Act
01.04.2020	Circular addressed to Companies and individuals registered to act as a company service provider in terms of the Company Service Providers Act
01.04.2020	COVID-19: Clarification of issues related to the publication of reports by execution venues and firms as required under RTS 27 and RTS 28
08.04.2020	Final Report: ESMA's Technical Advice to the Commission on the impact of the inducements and costs and charges disclosure requirements under MiFID II
08.05.2020	COVID-19: Firms' MiFID II Conduct of Business Obligations
26.05.2020	Submission of the Conduct-Related Data Return for Insurance Undertakings
04.06.2020	Risk-Based Supervision – Strengthening Our Supervisory Approach
08.06.2020	Circular to Licence Holders on the MFSA's Licence Holder Portal Corporate Profile
09.06.2020	European Securities and Markets Authority – Questions and Answers regarding Market in Financial Instruments Directive and Regulation Investor Protection and Intermediaries Topics
10.06.2020	Circular addressed to all trustees and other fiduciaries: Sectoral Risk Assessment & Action Plan Key Results on Legal Entities, Legal Arrangements and Voluntary Organisations
10.06.2020	Circular addressed to all Company Service Providers: Sectoral Risk Assessment & Action Plan – Key Results on Legal Entities, Legal Arrangements and Voluntary Organisations
30.06.2020	Regulatory Reporting following the Outbreak of COVID-19
03.07.2020	MFSA's Expectations with respect to Product Approval and Oversight Requirements in the Context of Coverage Under Insurance Policies for Claims Arising Out of COVID-19
10.07.2020	EIOPA issues a statement on supervisory expectations on Product Oversight and Governance requirements in the context of COVID-19
15.07.2020	Circular addressed to all Licence Holders regarding their obligations in relation to record keeping
11.08.2020	The New EU Sustainable Finance Model

18.09.2020	Circular on the Guidance Note on the submission of the Source of Wealth and Source of Funds
25.09.2020	ESAs Launch Survey on Environmental and/or Social Financial Product Templates
01.10.2020	Digital Finance Package
14.10.2020	Circular to Licence Holders on the MFSA's Licence Holder Corporate Profile – An Update
15.10.2020	EIOPA Issues Document regarding its Approach to the Supervision of Product Oversight and Governance
09.11.2020	ESMA Q&A on MiFID II and MiFIR Investor Protection and Intermediaries Topics
11.12.2020	MFSA Releases its Guidance on Technology Arrangements, ICT and Security Risk Management, and Outsourcing Arrangements
18.12.2020	Submission of the Conduct-Related Data Return
22.12.2020	Submission of the Conduct-Related Data Return for Insurance Undertakings covering H2 2020
23.12.2020	European Securities and Markets Authority – Questions and Answers regarding Market in Financial Instruments Directive and Regulation Investor Protection and Intermediaries Topics

FinTech

14.01.2020	Circular to VFA Agents in relation to the Application Process for VFA Service Providers
25.03.2020	Circular to the Industry in relation to updates to the FAQs
04.06.2020	Risk-Based Supervision – Strengthening Our Supervisory Approach
08.06.2020	Circular to Licence Holders on the MFSA's Licence Holder Portal Corporate Profile
17.06.2020	European Commission Consultation on a new Digital Finance Strategy for Europe / FinTech Action Plan
17.06.2020	EIOPA issues Discussion Paper on (Re)Insurance Value Chain and New Business Models arising from Digitalisation for public consultation
17.06.2020	Circular to VFA Agents in relation to Annual Supervisory Fees
30.06.2020	Regulatory Reporting following the Outbreak of COVID-19
15.07.2020	Circular addressed to all Licence Holders regarding their obligations in relation to record keeping
06.08.2020	Circular to VFA Agents in relation to the authorisation process of VFA Service Providers
11.08.2020	The New EU Sustainable Finance Model
13.08.2020	Circular to VFA Agents in relation to Reporting Obligations
18.09.2020	Circular on the Guidance Note on the submission of the Source of Wealth and Source of Funds
25.09.2020	ESAs Launch Survey on Environmental and/or Social Financial Product Templates
01.10.2020	Digital Finance Package
14.10.2020	Circular to Licence Holders on the MFSA's Licence Holder Corporate Profile – An Update
11.12.2020	MFSA Releases its Guidance on Technology Arrangements, ICT and Security Risk Management, and Outsourcing Arrangements
23.12.2020	The Nature and Art of Financial Supervision – Virtual Financial Assets – VFA Agents, VFASPS and IVFAOS

Insurance and Pensions

11.03.2020	Circular for Insurance and Reinsurance Undertakings – Measures in the light of COVID-19 Outbreak
20.03.2020	Circular for Insurance – MFSA's Expectations in the Context of Coverage Under Insurance Policies for Claims Arising Out of COVID-19
21.03.2020	Timing of regulatory reporting due to the outbreak of COVID-19
23.03.2020	Circular on the publication of the new Pension Rules for Occupational Retirement Schemes

08.04.2020	Circular to Insurance and Reinsurance Undertakings – EIOPA statement on dividends distribution and variable remuneration policies in the context of COVID-19
21.04.2020	Note for Information regarding Amendments to the Insurance Rules in light of the Recommendations on supervisory flexibility regarding the deadline of supervisory reporting and public disclosure – Coronavirus/COVID-19 issued by EIOPA
23.04.2020	Note for Information regarding Application forms in terms of the Insurance Distribution Act
05.05.2020	Circular for Authorised Insurance and Reinsurance Undertakings on Regulatory Submissions
07.05.2020	Circular on the Amendments on Application Forms in Terms of the Insurance Distribution Act (Cap. 487 of the Laws of Malta)
11.05.2020	Circular on the Implementation of the IORP II Directive
13.05.2020	Note for Information on the Amendment to the Insurance Distribution Rules in Relation to Professional Indemnity Limits
04.06.2020	Risk-Based Supervision – Strengthening Our Supervisory Approach
08.06.2020	Circular to Licence Holders on the MFSA's Licence Holder Portal Corporate Profile
12.06.2020	Circular on the Amendments in relation to Chapter 1 and Chapter 2 of the Insurance Business Rules issued under the Insurance Business Act (Cap. 403 of the Laws of Malta)
24.06.2020	Circular on the Shareholding Policy for Credit Institutions and Insurance Companies
25.06.2020	Circular on the amendments of Chapter 5 of Part B of the Insurance Rules
30.06.2020	Regulatory Reporting following the Outbreak of COVID-19
15.07.2020	Circular addressed to all Licence Holders regarding their obligations in relation to record keeping
23.07.2020	Circular on the Recommendation of the European Systemic Risk Board of 27 May 2020 on restriction of distributions during the COVID-19 pandemic
24.07.2020	Circular for the Retirement Scheme Administrator to Categorise Members as Professional Members
10.08.2020	Circular on the amendments of Chapter 7 in Part B of the Insurance Distribution Rules
11.08.2020	The New EU Sustainable Finance Model
12.08.2020	Circular on the amendments to Chapter 6 on System of Governance of Part B of the Insurance Rules
31.08.2020	Circular in relation to the annual information to be provided by the Retirement Scheme Administrator to its Members in line with the Pension Rules for Personal Retirement Schemes issued in terms of the Retirement Pensions Act, 2011
02.09.2020	Circular on the implications of Member States' rights under Directive 2000/31/EC as a result of the United Kingdom withdrawing from the European Union
18.09.2020	Circular on the Guidance Note on the submission of the Source of Wealth and Source of Funds
25.09.2020	ESAs Launch Survey on Environmental and/or Social Financial Product Templates
01.10.2020	Digital Finance Package
14.10.2020	Circular on the amendments to the Annexes to Chapter 16 of the Insurance Distribution Rules and in the Annexes to Chapter 9 of the Insurance Rules
14.10.2020	Circular to Licence Holders on the MFSA's Licence Holder Corporate Profile – An Update
09.11.2020	Circular for Insurance and Reinsurance Undertakings – Regulatory Submissions Reporting Deadlines
18.11.2020	Circular to the Industry on Brexit Readiness
04.12.2020	Operational Readiness of Insurance Undertakings and Intermediaries in light of the United Kingdom's withdrawal from the European Union
11.12.2020	MFSA Releases its Guidance on Technology Arrangements, ICT and Security Risk Management, and Outsourcing Arrangements
22.12.2020	Circular to Insurance and Reinsurance Undertakings – EIOPA outlines key financial stability risks and vulnerabilities for insurance and pension sector and recommends that any dividend distributions should not exceed thresholds of prudence

## Solvency II

04.06.2020	Risk-Based Supervision – Strengthening Our Supervisory Approach
08.06.2020	Circular to Licence Holders on the MFSA's Licence Holder Portal Corporate Profile
30.06.2020	Regulatory Reporting following the Outbreak of COVID-19
15.07.2020	Circular addressed to all Licence Holders regarding their obligations in relation to record keeping
11.08.2020	The New EU Sustainable Finance Model
12.08.2020	Note for Information on the European Commission Public Consultation Document on the Review of Prudential Rules for Insurance and Reinsurance Companies (Solvency II)
18.09.2020	Circular on the Guidance Note on the submission of the Source of Wealth and Source of Funds
25.09.2020	ESAs Launch Survey on Environmental and/or Social Financial Product Templates
01.10.2020	Digital Finance Package
14.10.2020	Circular to Licence Holders on the MFSA's Licence Holder Corporate Profile – An Update
18.10.2020	Circular to the Industry on Brexit Readiness
11.12.2020	MFSA Releases its Guidance on Technology Arrangements, ICT and Security Risk Management, and Outsourcing Arrangements

## Resolution

04.06.2020	Risk-Based Supervision – Strengthening Our Supervisory Approach
08.06.2020	Circular to Licence Holders on the MFSA's Licence Holder Portal Corporate Profile
30.06.2020	Regulatory Reporting following the Outbreak of COVID-19
15.07.2020	Circular addressed to all Licence Holders regarding their obligations in relation to record keeping
11.08.2020	The New EU Sustainable Finance Model
25.09.2020	ESAs Launch Survey on Environmental and/or Social Financial Product Templates
01.10.2020	Digital Finance Package
14.10.2020	Circular for Credit Institutions on Resolution Reporting Submissions
14.10.2020	Circular to Licence Holders on the MFSA's Licence Holder Corporate Profile – An Update
11.12.2020	MFSA Releases its Guidance on Technology Arrangements, ICT and Security Risk Management, and Outsourcing Arrangements

## Securities & Markets Supervision

### AIFMD

18.02.2020	Users of Benchmarks in terms of the European Benchmarks Regulation
26.03.2020	ESMA Extends Consultation Response Dates
03.04.2020	ESMA Publishes Consultation Paper on Guidelines on Article 25 of Directive 2011/61/EU
30.04.2020	Extension in relation to the Circular of the Users of Benchmarks in terms of the European Benchmarks Regulation response date
04.06.2020	Risk-Based Supervision – Strengthening Our Supervisory Approach
08.06.2020	Circular to Licence Holders on the MFSA's Licence Holder Portal Corporate Profile
25.06.2020	European Securities and Markets Authority: Guidelines on certain aspects of the MiFID II compliance function requirements
30.06.2020	Regulatory Reporting following the Outbreak of COVID-19
03.07.2020	Circular on the Fitness and Properness Assessment of Committee Members involved with Investment Services Licence Holders and Collective Investment Schemes
03.07.2020	Circular on the updates made to the Investment Services Rules for Investment Services Providers and Collective Investment Schemes



15.07.2020	Circular addressed to all Licence Holders regarding their obligations in relation to record keeping
11.08.2020	The New EU Sustainable Finance Model
18.09.2020	Circular on the Guidance Note on the submission of the Source of Wealth and Source of Funds
25.09.2020	ESAs Launch Survey on Environmental and/or Social Financial Product Templates
01.10.2020	Digital Finance Package
05.10.2020	Circular to Investment Services Licence Holders and Collective Investment Schemes on the MFSA's Licence Holder Portal
14.10.2020	Circular to Licence Holders on the MFSA's Licence Holder Corporate Profile – An Update
10.11.2020	Circular on the Restructuring of the MFSA Loan Funds Regime
18.11.2020	Circular to the Industry on Brexit Readiness
11.12.2020	MFSA Releases its Guidance on Technology Arrangements, ICT and Security Risk Management, and Outsourcing Arrangements

BRRD

26.03.2020	ESMA Extends Consultation Response Dates
04.06.2020	Risk-Based Supervision – Strengthening Our Supervisory Approach
08.06.2020	Circular to Licence Holders on the MFSA's Licence Holder Portal Corporate Profile
30.06.2020	Regulatory Reporting following the Outbreak of COVID-19
15.07.2020	Circular addressed to all Licence Holders regarding their obligations in relation to record keeping
11.08.2020	The New EU Sustainable Finance Model
18.09.2020	Circular on the Guidance Note on the submission of the Source of Wealth and Source of Funds
25.09.2020	ESAs Launch Survey on Environmental and/or Social Financial Product Templates
01.10.2020	Digital Finance Package
14.10.2020	Circular to Licence Holders on the MFSA's Licence Holder Corporate Profile – An Update
18.11.2020	Circular to the Industry on Brexit Readiness
11.12.2020	MFSA Releases its Guidance on Technology Arrangements, ICT and Security Risk Management, and Outsourcing Arrangements

Collective Investment Schemes

09.01.2020	Circular to Collective Investment Schemes on the appointment of Service Providers
05.02.2020	Circular on Market Infrastructure Matters in relation to Brexit
18.02.2020	Users of Benchmarks in terms of the European Benchmarks Regulation
13.03.2020	Circular on Contingency Planning in light of COVID-19
26.03.2020	ESMA Extends Consultation Response Dates
03.04.2020	ESMA Publishes Consultation Paper on Guidelines on Article 25 of Directive 2011/61/EU
17.04.2020	Circular to Recognised Fund Administrators on the submission of regulatory reporting in relation to Non-Malta domiciled funds administered in Malta
17.04.2020	ESMA Publishes Guidelines on Performance Fees in UCITS and Certain Types of AIFs
30.04.2020	Extension in relation to the Circular of the Users of Benchmarks in terms of the European Benchmarks Regulation response date
04.05.2020	Updated Investment Services Rules applicable to Fund Managers and Collective Investment Schemes licensed as Money Market Funds in view of Regulation (EU) 2017/1131 of the European Parliament and of the Council ("the MMF Regulation")
04.06.2020	Risk-Based Supervision – Strengthening Our Supervisory Approach
08.06.2020	Circular to Licence Holders on the MFSA's Licence Holder Portal Corporate Profile
30.06.2020	Regulatory Reporting following the Outbreak of COVID-19
03.07.2020	Circular on the Fitness and Propriety Assessment of Committee Members involved with

03.07.2020	Investment Services Licence Holders and Collective Investment Schemes
15.07.2020	Circular on the updates made to the Investment Services Rules for Investment Services Providers and Collective Investment Schemes
11.08.2020	Circular addressed to all Licence Holders regarding their obligations in relation to record keeping
25.08.2020	The New EU Sustainable Finance Model
18.09.2020	Circular on the updates made to the Investment Services Rules applicable to Collective Investment Schemes in relation to Reporting of Breaches in the Annual Report and Audited Financial Statements
25.09.2020	Circular on the Guidance Note on the submission of the Source of Wealth and Source of Funds
01.10.2020	ESAs Launch Survey on Environmental and/or Social Financial Product Templates
05.10.2020	Digital Finance Package
12.10.2020	Circular to Investment Services Licence Holders and Collective Investment Schemes on the MFSA's Licence Holder Portal
14.10.2020	Update to Investment Services Rulebooks
04.11.2020	Circular to Licence Holders on the MFSA's Licence Holder Corporate Profile – An Update
10.11.2020	Review of the Alternative Investment Fund Managers Directive (AIFMD)
18.11.2020	Circular on the Restructuring of the MFSA Loan Funds Regime
11.12.2020	Circular to the Industry on Brexit Readiness
	MFSA Releases its Guidance on Technology Arrangements, ICT and Security Risk Management, and Outsourcing Arrangements

CRD IV Package

06.02.2020	Change in the Prudential Regulation of Investment Firms – The Investment Firm Regulation and Directive
26.03.2020	ESMA Extends Consultation Response Dates
04.06.2020	Risk-Based Supervision – Strengthening Our Supervisory Approach
08.06.2020	Circular to Licence Holders on the MFSA's Licence Holder Portal Corporate Profile
30.06.2020	Regulatory Reporting following the Outbreak of COVID-19
15.07.2020	Circular addressed to all Licence Holders regarding their obligations in relation to record keeping
11.08.2020	The New EU Sustainable Finance Model
18.09.2020	Circular on the Guidance Note on the submission of the Source of Wealth and Source of Funds
25.09.2020	ESAs Launch Survey on Environmental and/or Social Financial Product Templates
01.10.2020	Digital Finance Package
14.10.2020	Circular to Licence Holders on the MFSA's Licence Holder Corporate Profile – An Update
18.11.2020	Circular to the Industry on Brexit Readiness
10.12.2020	The Investment Firms Regulation and Directive – 1st Briefing
11.12.2020	MFSA Releases its Guidance on Technology Arrangements, ICT and Security Risk Management, and Outsourcing Arrangements

EMIR

05.02.2020	Circular on Market Infrastructure Matters in relation to Brexit
26.03.2020	ESMA Extends Consultation Response Dates
02.04.2020	Circular on Regulation (EU) No 2019834 on the European Market Infrastructure Regulation ('EMIR') REFIT – Consultation on draft Regulatory and Implementing Technical Standards (RTS and ITS)
04.06.2020	Risk-Based Supervision – Strengthening Our Supervisory Approach
08.06.2020	Circular to Licence Holders on MFSA's Licence Holder Portal Corporate Profile

30.06.2020	Regulatory Reporting following the Outbreak of COVID-19
14.07.2020	Circular on Updates to the Q&As on Regulation (EU) No 648/2012 – the European Market Infrastructure Regulation ('EMIR' / the 'Regulation')
15.07.2020	Circular addressed to all Licence Holders regarding their obligations in relation to record keeping
11.08.2020	The New EU Sustainable Finance Model
18.09.2020	Circular on the Guidance Note on the submission of the Source of Wealth and Source of Funds
25.09.2020	ESAs Launch Survey on Environmental and/or Social Financial Product Templates
01.10.2020	Digital Finance Package
14.10.2020	Circular on Regulation NO 648/2012 – The European Markets Infrastructure Regulation ('EMIR'/the 'Regulation') – 2020 Compliance Inspections: General Findings
14.10.2020	Circular to Licence Holders on the MFSA's Licence Holder Corporate Profile – An Update
18.11.2020	Circular to the Industry on Brexit Readiness
02.12.2020	New proposed Regulatory Technical Standards on various amendments to bilateral margin requirements and on the clearing obligation regarding intragroup transactions, as well as on novations from UK to EU counterparties
04.12.2020	Derivatives Reporting following the end of the UK Transition Period on 31 December 2020
11.12.2020	MFSA Releases its Guidance on Technology Arrangements, ICT and Security Risk Management, and Outsourcing Arrangements

#### European Single Electronic Format (ESEF)

26.03.2020	ESMA Extends Consultation Response Dates
14.04.2020	ESMA publishes the ESEF Conformance Suite
04.06.2020	Risk-Based Supervision – Strengthening Our Supervisory Approach
08.06.2020	Circular to Licence Holders on the MFSA's Licence Holder Portal Corporate Profile
22.06.2020	ESMA integrates the 2020 IFRS taxonomy into ESEF RTS
25.06.2020	ESMA publishes an example of an Annual Report in ESEF
30.06.2020	Regulatory Reporting following the Outbreak of COVID-19
10.07.2020	ESMA Updates the ESEF Reporting Manual
15.07.2020	Circular addressed to all Licence Holders regarding their obligations in relation to record keeping
11.08.2020	The New EU Sustainable Finance Model
18.09.2020	Circular on the Guidance Note on the submission of the Source of Wealth and Source of Funds
25.09.2020	ESAs Launch Survey on Environmental and/or Social Financial Product Templates
01.10.2020	Digital Finance Package
14.10.2020	Circular to Licence Holders on the MFSA's Licence Holder Corporate Profile – An Update
11.11.2020	European Commission publishes an Interpretative Communication on the European Single Electronic Format
18.11.2020	Circular to the Industry on Brexit Readiness
10.12.2020	ESMA publishes the 2020 XBRL Taxonomy Files and ESEF Conformance Suite
11.12.2020	MFSA Releases its Guidance on Technology Arrangements, ICT and Security Risk Management, and Outsourcing Arrangements
24.12.2020	Amendments to Chapter 5 and Chapter 8 of the Listing Rules – Implementation of ESEF requirements

#### Financial and Non-Financial Enforcement

07.02.2020	Amendments to the Guidelines on Enforcement of Financial Information
02.03.2020	Enforcement of Non-Financial Information Main Findings for 2018 Annual Financial Statements
03.03.2020	Main Findings in relation to 2019 Alternative Performance Measures

12.03.2020	ESMA recommends action by financial market participants for COVID-19 impact
25.03.2020	ESMA Public Statement – Accounting implications of COVID-19 on the calculation of expected credit losses in accordance with IFRS 9
26.03.2020	ESMA Extends Consultation Response Dates
03.04.2020	Enforcement and Regulatory Activities of European Enforcers in 2019 and the 24th Extract from the EECS's Database of Enforcement
17.04.2020	ESMA Guidelines on Alternative Performance Measures (APMs)
17.04.2020	Accounting for COVID-19 related rent concessions applying IFRS 16 – Leases Exposure Draft: Interest Rate Benchmark Reform – Phase 2
04.06.2020	Risk-Based Supervision – Strengthening Our Supervisory Approach
08.06.2020	Circular to Licence Holders on MFSA's Licence Holder Portal Corporate Profile
15.06.2020	ESMA's response to the EC's consultation on the revision of the NFRD
30.06.2020	Regulatory Reporting following the Outbreak of COVID-19
15.07.2020	Circular addressed to all Licence Holders regarding their obligations in relation to record keeping
11.08.2020	The New EU Sustainable Finance Model
18.09.2020	Circular on the Guidance Note on the submission of the Source of Wealth and Source of Funds
25.09.2020	ESAs Launch Survey on Environmental and/or Social Financial Product Templates
01.10.2020	Digital Finance Package
14.10.2020	Circular to Licence Holders on the MFSA's Licence Holder Corporate Profile – An Update
01.11.2020	ESMA Public Statement – European Common Enforcement Priorities for 2020 Annual Financial Reports
18.11.2020	Circular to the Industry on Brexit Readiness
11.12.2020	MFSA Releases its Guidance on Technology Arrangements, ICT and Security Risk Management, and Outsourcing Arrangements

#### Financial Markets

05.02.2020	Circular on Market Infrastructure Matters in relation to Brexit
26.03.2020	ESMA Extends Consultation Response Dates
27.03.2020	ESMA Public Statement – Actions to mitigate the impact of COVID-19 on the EU financial markets regarding publication deadlines under the Transparency Directive
17.04.2020	ESMA Public Statement – Actions to mitigate the impact of COVID-19 on the EU financial markets regarding publication deadlines under the Transparency Directive – Part 2
04.06.2020	Risk-Based Supervision – Strengthening Our Supervisory Approach
08.06.2020	Circular to Licence Holders on MFSA's Licence Holder Portal Corporate Profile
30.06.2020	Regulatory Reporting following the Outbreak of COVID-19
15.07.2020	Circular addressed to all Licence Holders regarding their obligations in relation to record keeping
11.08.2020	The New EU Sustainable Finance Model
18.09.2020	Circular on the Guidance Note on the submission of the Source of Wealth and Source of Funds
25.09.2020	ESAs Launch Survey on Environmental and/or Social Financial Product Templates
01.10.2020	Digital Finance Package
05.10.2020	Circular to Investment Services Licence Holders and Collective Investment Schemes on MFSA's Licence Holder Portal
14.10.2020	Circular to Licence Holders on the MFSA's Licence Holder Corporate Profile – An Update
18.11.2020	Circular to the Industry on Brexit Readiness
11.12.2020	MFSA Releases its Guidance on Technology Arrangements, ICT and Security Risk Management, and Outsourcing Arrangements

IFD Package

06.02.2020	Change in the Prudential Regulation of Investment Firms – The Investment Firm Regulation and Directive
10.07.2020	European Banking Authority Consultation Papers on the new Investment Firms Framework
10.12.2020	The Investment Firms Regulation and Directive – 1st Briefing
11.12.2020	MFSA Releases its Guidance on Technology Arrangements, ICT and Security Risk Management, and Outsourcing Arrangements

Investment Services

05.02.2020	Circular on Market Infrastructure Matters in relation to Brexit
06.02.2020	Change in the Prudential Regulation of Investment Firms – The Investment Firm Regulation and Directive
18.02.2020	Users of Benchmarks in terms of the European Benchmarks Regulation
13.03.2020	Circular on Contingency Planning in light of COVID-19
16.03.2020	Circularisation Exercise – R4-3.2.7 of Part B1 of the Investment Services Rules
21.03.2020	Timing of regulatory reporting due to the outbreak of COVID-19
26.03.2020	ESMA Extends Consultation Response Dates
03.04.2020	ESMA Publishes Consultation Paper on Guidelines on Article 25 of Directive 2011/61/EU
06.04.2020	Update on Circularisation Exercise – R4-3.2.7 of Part B1 of the Investment Services Rules
17.04.2020	ESMA Publishes Guidelines on Performance Fees in UCITS and Certain Types of AIFs
30.04.2020	Extension in relation to the Circular of the Users of Benchmarks in terms of the European Benchmarks Regulation response date
04.06.2020	Risk-Based Supervision – Strengthening Our Supervisory Approach
08.06.2020	Circular to Licence Holders on the MFSA's Licence Holder Portal Corporate Profile
25.06.2020	European Securities and Markets Authority: Guidelines on certain aspects of the MiFID II compliance function requirements
30.06.2020	Regulatory Reporting following the Outbreak of COVID-19
03.07.2020	Circular on the Fitness and Properness Assessment of Committee Members involved with Investment Services Licence Holders and Collective Investment Schemes
03.07.2020	Circular on the updates made to the Investment Services Rules for Investment Services Providers and Collective Investment Schemes
10.07.2020	European Banking Authority Consultation Papers on the new Investment Firms Framework
15.07.2020	Circular addressed to all Licence Holders regarding their obligations in relation to record keeping
28.07.2020	Circular on the Recommendation of the European Systemic Risk Board of 27 May 2020 on restriction of distributions during the COVID-19 pandemic
11.08.2020	The New EU Sustainable Finance Model
13.08.2020	European Securities and Markets Authority: Guidelines on certain aspects of the MiFID II compliance function requirements
18.09.2020	Circular on the Guidance Note on the submission of the Source of Wealth and Source of Funds
25.09.2020	ESAs Launch Survey on Environmental and/or Social Financial Product Templates
01.10.2020	Digital Finance Package
05.10.2020	Circular to Investment Services Licence Holders and Collective Investment Schemes on MFSA's Licence Holder Portal
12.10.2020	Update to Investment Services Rulebooks
14.10.2020	Circular to Licence Holders on the MFSA's Licence Holder Corporate Profile – An Update
04.11.2020	Review of the Alternative Investment Fund Managers Directive (AIFMD)
10.11.2020	Circular on the Restructuring of the MFSA Loan Funds Regime
13.11.2020	ESMA Consultation Paper on Article 8 of the Taxonomy Regulation
18.11.2020	Circular to the Industry on Brexit Readiness

24.11.2020	Opinion of the European Banking Authority ("The EBA") on the Prudential Treatment of Legacy Instruments
10.12.2020	The Investment Firms Regulation and Directive – 1st Briefing
11.12.2020	MFSA Releases its Guidance on Technology Arrangements, ICT and Security Risk Management, and Outsourcing Arrangements
18.12.2020	Circularisation Exercise – R4-3.2.7 of Part B1 of the Investment Services Rules
23.12.2020	Circular on the Recommendation of the European Systemic Risk Board of 15 December 2020 on Restriction of Distributions during the COVID-19 Pandemic

MiFID and MiFIR

05.03.2020	Public Consultation on the MiFID II and MiFIR Regulatory Framework for Investment Firms and Market Operators
26.03.2020	ESMA Extends Consultation Response Dates
04.06.2020	Risk-Based Supervision – Strengthening Our Supervisory Approach
08.06.2020	Circular to Licence Holders on the MFSA's Licence Holder Portal Corporate Profile
25.06.2020	European Securities and Markets Authority: Guidelines on certain aspects of the MiFID II compliance function requirements
30.06.2020	Regulatory Reporting following the Outbreak of COVID-19
15.07.2020	Circular addressed to all Licence Holders regarding their obligations in relation to record keeping
11.08.2020	The New EU Sustainable Finance Model
18.09.2020	Circular on the Guidance Note on the submission of the Source of Wealth and Source of Funds
25.09.2020	ESAs Launch Survey on Environmental and/or Social Financial Product Templates
01.10.2020	Digital Finance Package
05.10.2020	Circular to Investment Services Licence Holders and Collective Investment Schemes on MFSA's Licence Holder Portal
14.10.2020	Circular to Licence Holders on the MFSA's Licence Holder Corporate Profile – An Update
18.11.2020	Circular to the Industry on Brexit Readiness
11.12.2020	MFSA Releases its Guidance on Technology Arrangements, ICT and Security Risk Management, and Outsourcing Arrangements

Prevention of Market Abuse

13.03.2020	Circular to Listed Entities in Reaction to Coronavirus (COVID-19)
16.03.2020	Market Abuse Regulation – Onsite Compliance Meetings With Issuers
26.03.2020	ESMA Extends Consultation Response Dates
27.03.2020	ESMA Public Statement – Actions to mitigate the impact of COVID-19 on the EU financial markets regarding publication deadlines under the Transparency Directive
17.04.2020	Circular on the Market Abuse Regulation (EU) 596/2014 ('MAR' or the 'Regulation') – Preventing Insider Offences in light of the COVID-19 Pandemic
29.04.2020	Market Abuse Regulation – Onsite Compliance Meetings With Investment Firms
04.06.2020	Risk-Based Supervision – Strengthening Our Supervisory Approach
08.06.2020	Circular to Licence Holders on MFSA's Licence Holder Portal Corporate Profile
19.06.2020	Market Abuse Regulation – PDMR notifications: A Follow Up
30.06.2020	Regulatory Reporting following the Outbreak of COVID-19
15.07.2020	Circular addressed to all Licence Holders regarding their obligations in relation to record keeping
11.08.2020	The New EU Sustainable Finance Model
18.09.2020	Circular on the Guidance Note on the submission of the Source of Wealth and Source of Funds



25.09.2020	ESAs Launch Survey on Environmental and/or Social Financial Product Templates
28.09.2020	ESMA Publishes Outcomes of Market Abuse Regulation ('MAR') Review
01.10.2020	Digital Finance Package
14.10.2020	Circular to Licence Holders on the MFSA's Licence Holder Corporate Profile – An Update
18.11.2020	Circular to the Industry on Brexit Readiness
11.12.2020	MFSA Releases its Guidance on Technology Arrangements, ICT and Security Risk Management, and Outsourcing Arrangements

SFTR

14.01.2020	Circular to the Financial Services Industry on the Securities Financing Transactions Regulation No 2015/2365 ('SFTR' or 'the Regulation') – Updates on SFTR Reporting
20.01.2020	Understanding the implications of the Securities Financing Transactions Regulation on Maltese Counterparties
20.03.2020	Circular on Regulation (EU) No 2015/2365 on Securities Financing Transactions ('SFTR') – Postponement of the reporting obligations in reaction to the COVID-19 pandemic
26.03.2020	ESMA Extends Consultation Response Dates
27.03.2020	Clarification of Position by ESMA on SFTR Backloading
04.06.2020	Risk-Based Supervision – Strengthening Our Supervisory Approach
08.06.2020	Circular to Licence Holders on the MFSA's Licence Holder Portal Corporate Profile
30.06.2020	Regulatory Reporting following the Outbreak of COVID-19
08.07.2020	Reporting Obligation under Article 4 of SFTR applicable from 13 July 2020
14.07.2020	Circular on Regulation (EU) No 2015/2365 on Securities Financing Transactions ('SFTR'/'the Regulation') – SFTR Reporting Regime sees successful first day
15.07.2020	Circular addressed to all Licence Holders regarding their obligations in relation to record keeping
11.08.2020	The New EU Sustainable Finance Model
18.09.2020	Circular on the Guidance Note on the submission of the Source of Wealth and Source of Funds
25.09.2020	ESAs Launch Survey on Environmental and/or Social Financial Product Templates
01.10.2020	Digital Finance Package
14.10.2020	Circular to Licence Holders on the MFSA's Licence Holder Corporate Profile – An Update
19.10.2020	Transaction Reporting by Non-Financial Counterparties under the Securities Financing Transactions Regulation (EU) No 2015/2365 ('SFTR')
09.11.2020	Publication of Q&As on SFTR Reporting
18.11.2020	Circular to the Industry on Brexit Readiness
19.11.2020	Transaction reporting by Non-Financial Counterparties under the Securities Financing Transactions Regulation (EU) No 2015/2365 ('SFTR')
09.12.2020	Securities Financing Transactions Reporting following the end of the UK Transition Period on 31 December 2020
11.12.2020	MFSA Releases its Guidance on Technology Arrangements, ICT and Security Risk Management, and Outsourcing Arrangements

Short Selling Regulation

16.03.2020	ESMA requires net short position holders to report positions of 0.1% and above, in reaction to the COVID-19 pandemic
26.03.2020	ESMA Extends Consultation Response Dates
04.06.2020	Risk-Based Supervision – Strengthening Our Supervisory Approach
30.06.2020	Regulatory Reporting following the Outbreak of COVID-19
15.07.2020	Circular addressed to all Licence Holders regarding their obligations in relation to record keeping
11.08.2020	The New EU Sustainable Finance Model

18.09.2020	Circular on the Guidance Note on the submission of the Source of Wealth and Source of Funds
25.09.2020	ESAs Launch Survey on Environmental and/or Social Financial Product Templates
01.10.2020	Digital Finance Package
14.10.2020	Circular to Licence Holders on the MFSA's Licence Holder Corporate Profile – An Update
18.11.2020	Circular to the Industry on Brexit Readiness
11.12.2020	MFSA Releases its Guidance on Technology Arrangements, ICT and Security Risk Management, and Outsourcing Arrangements

UCITS

18.02.2020	Users of Benchmarks in terms of the European Benchmarks Regulation
26.03.2020	ESMA Extends Consultation Response Dates
17.04.2020	ESMA Publishes Guidelines on Performance Fees in UCITS and Certain Types of AIFs
30.04.2020	Extension in relation to the Circular of the Users of Benchmarks in terms of the European Benchmarks Regulation response date
04.06.2020	Risk-Based Supervision – Strengthening Our Supervisory Approach
08.06.2020	Circular to Licence Holders on the MFSA's Licence Holder Portal Corporate Profile
25.06.2020	European Securities and Markets Authority: Guidelines on certain aspects of the MiFID II compliance function requirements
30.06.2020	Regulatory Reporting following the Outbreak of COVID-19
03.07.2020	Circular on the updates made to the Investment Services Rules for Investment Services Providers and Collective Investment Schemes
03.07.2020	Circular on the Fitness and Properness Assessment of Committee Members involved with Investment Services Licence Holders and Collective Investment Schemes
15.07.2020	Circular addressed to all Licence Holders regarding their obligations in relation to record keeping
11.08.2020	The New EU Sustainable Finance Model
18.09.2020	Circular on the Guidance Note on the submission of the Source of Wealth and Source of Funds
25.09.2020	ESAs Launch Survey on Environmental and/or Social Financial Product Templates
01.10.2020	Digital Finance Package
05.10.2020	Circular to Investment Services Licence Holders and Collective Investment Schemes on the MFSA's Licence Holder Portal
14.10.2020	Circular to Licence Holders on the MFSA's Licence Holder Corporate Profile – An Update
18.11.2020	Circular to the Industry on Brexit Readiness
11.12.2020	MFSA Releases its Guidance on Technology Arrangements, ICT and Security Risk Management, and Outsourcing Arrangements

**Trust and Fiduciaries Circulars**

30.01.2020	Online Submission of the Annual Declaration in terms of Regulation 5(2) of the Trusts and Trustees Act (Register of Beneficial Owners) Regulations 2017
27.02.2020	Notice of coming into force of Regulations – Trusts and Trustees Act (Register of Beneficial Owners) (Amendment) Regulations, 2020
21.03.2020	Timing of regulatory reporting due to the Outbreak of COVID-19
01.04.2020	Circular addressed to Companies authorised to act as a Trustee of Family Trusts in terms of Article 43B of the Trusts and Trustees Act
01.04.2020	Circular addressed to Companies and individuals authorised as Administrators of Private Foundations in terms of Article 43(12)(b) of the Trusts and Trustees Act
01.04.2020	Circular addressed to Trustees and other fiduciaries authorised in terms of Article 43 of the Trusts and Trustees Act

04.06.2020	Risk-Based Supervision – Strengthening Our Supervisory Approach
08.06.2020	Circular to Licence Holders on the MFSA's Licence Holder Portal Corporate Profile
10.06.2020	Circular addressed to all trustees and other fiduciaries: Sectoral Risk Assessment & Action Plan – Key Results on Legal Entities, Legal Arrangements and Voluntary Organisations
30.06.2020	Regulatory Reporting following the Outbreak of COVID-19
15.07.2020	Circular addressed to all Licence Holders regarding their obligations in relation to record keeping
11.08.2020	The New EU Sustainable Finance Model
16.09.2020	Circular addressed to Companies and Individuals providing Directorship Services
18.09.2020	Circular on the Guidance Note on the submission of the Source of Wealth and Source of Funds
25.09.2020	ESAs Launch Survey on Environmental and/or Social Financial Product Templates
01.10.2020	Digital Finance Package
14.10.2020	Circular to Licence Holders on the MFSA's Licence Holder Corporate Profile – An Update
11.12.2020	MFSA Releases its Guidance on Technology Arrangements, ICT and Security Risk Management, and Outsourcing Arrangements
23.12.2020	Revised Frequently Asked Questions in relation to the Trusts Ultimate Beneficial Ownership Register

Virtual Financial Assets

14.01.2020	Circular to VFA Agents in relation to the Application Process for VFA Service Providers
25.03.2020	Circular to the Industry in relation to updates to the FAQs
17.06.2020	Circular to VFA Agents in relation to Annual Supervisory Fees
06.08.2020	Circular to VFA Agents in relation to the authorisation process of VFA Service Providers
13.08.2020	Circular to VFA Agents in relation to Reporting Obligations

# APPENDIX 4 – Consultation Papers Issued in 2020

05.02.2020	Stakeholder Consultation on Revisiting the Corporate Governance Framework for Entities Authorised by the MFSA and Listed Companies
07.02.2020	Consultation on the Rule Establishing the MFSA FinTech Regulatory Sandbox – Note regarding an Extension of Consultation Period
11.02.2020	Stakeholder Consultation on Revisiting the Corporate Governance Framework for Entities Authorised by the MFSA and Listed Companies – Note regarding an Extension of Consultation Period
13.03.2020	Stakeholder Consultation on Revisiting the Corporate Governance Framework for Entities Authorised by the MFSA and Listed Companies – Note regarding an Extension of Consultation Period
18.03.2020	Consultation Document regarding Conduct-Related Data Return for Insurance Undertakings
12.06.2020	Consultation Document on the Amendments to Chapter 5 of the Insurance Rules
30.06.2020	Consultation Document on the Guidance on Technology Arrangements, ICT and Security Risk Management, and Outsourcing Arrangements
01.12.2020	Consultation Document on the Updated CSP Rules

# APPENDIX 5 – Licensing in Numbers

Source of all Charts in this Appendix: Malta Financial Services Authority

## Banking

Table 1: Credit and Financial Institutions

	Total licences		
	at end 2018	at end 2019	at end 2020
Credit Institutions	24	25	24
Financial Institutions	49	52	49
of which:			
authorised to provide payment services	38	41	39
authorised to issue electronic money	15	15	17

## Insurance

Table 2: Insurance Undertakings

	Total licences		
	at end 2018	at end 2019	at end 2020
Non-Life	51	55	54
Life	8	8	8
Composite	2	2	2
Reinsurance	5	5	4
<b>TOTAL</b>	<b>66</b>	<b>70</b>	<b>68</b>
of which:			
Affiliated	7	7	7
Protected Cell Companies (and cells)	16 (36 Cells)	15 (60 Cells)	16 (71 Cells)
Insurers of Domestic Origin	8	8	8

Table 3: Insurance Intermediaries: Companies

	Total licences		
	at end 2018	at end 2019	at end 2020
Enrolled Insurance Managers	11	11	11
of which PCCs (and Cells)	3 (2 Cells)	3 (2 Cells)	3 (2 Cells)
Enrolled Insurance Agents	16	19	20
Enrolled Insurance Brokers	32	33	35
of which PCCs (and Cells)	2 (3 Cells)	4 (10 Cells)	4 (12 Cells)

Table 4: Insurance Intermediaries: Individuals

	Total licences		
	at end 2018	at end 2019	at end 2020
Registered Insurance Managers	23	26	27
Registered Insurance Agents	25	31	35
Registered Insurance Brokers	101	115	148
Tied Insurance Intermediaries <sup>1</sup>	435	409	390

## Pensions

Table 5: Authorisations and registrations in terms of Retirement Pensions Act

	Total registrations		
	at end 2018	at end 2019	at end 2020
Retirement Schemes	55	54	55
Retirement Funds	3	3	3
Retirement Scheme Administrators	15	17	17
Investment Managers (Registered)	6	6	6
Investment Managers (Exempted)	6	6	6
Back-Office Administrators (Recognised)	4	4	1
Back-Office Administrators (Exempted)	4	4	4
Custodian (Registered)	1	3	3
Custodian (Exempted)	1	1	1

<sup>1</sup> Includes both individuals and companies.



Securities

Table 6: Investment Services

	2019			2020		
	New licences	Surrendered licences	Total licences at end 2019	New licences	Surrendered licences	Total licences at end 2020
Category 1a	1	4	10	0	0	10
Category 1b	1	1	8	1	1	8
Category 2	5	7	110	7	11	106
Category 2 & 4a	0	0	6	0	0	6
Category 3	2	1	13	1	0	14
Category 3 & 4a	0	0	3	0	0	3
Category 4a	1	0	2	0	0	2
Category 4b	0	0	1	0	0	1
Total	10	13	153	9	12	150

Table 7: Recognised Fund Administrators

	2019			2020		
	New recognitions	Surrendered recognitions	Total recognitions at end 2019	New recognitions	Surrendered recognitions	Total recognitions at end 2020
Recognised Fund Administrators	0	4	20	1	0	21

Table 8: Collective Investment Schemes

	2019			2020		
	New licences	Surrendered licences	Total licences at end 2019	New licences	Surrendered licences	Total licences at end 2020 <sup>2</sup>
AIFs	13	23	129	5	26	110 <sup>3</sup>
of which ICs	4	3	11	0	3	8
PIFs	27	65	358	19	79	296 <sup>3</sup>
of which ICs	8	6	15	1	4	12
Retail Non-UCITS	0	0	5	0	0	5
Recognised Private Schemes	0	0	7	1	3	5
UCITS	5	17	106	7	5	109 <sup>4</sup>
of which ICs	0	0	0	0	0	1 <sup>4</sup>
Total	45	105	605	32	113	525 <sup>2</sup>

<sup>2</sup> Figures may not sum up due to conversion of licences  
<sup>3</sup> Two PIF funds/sub-funds had their licence revised to AIF funds/sub-funds.  
<sup>4</sup> One NAIF IC fund/sub-fund was converted to a UCITS IC fund/sub-fund.

Table 9: Notified Alternative Investment Funds (NAIF)

	2019			2020		
	New notifications	Surrendered notifications	Total notifications at end 2019	New notifications	Surrendered notifications	Total notifications at end 2020
NAIFs	32	6	55	17	6	65 <sup>4</sup>
of which ICs	1	0	1	0	0	0 <sup>4</sup>

Table 10: Recognised Incorporated Cell Companies

	2019			2020		
	New licences	Surrendered licences	Total licences at end 2019	New licences	Surrendered licences	Total licences at end 2020
Recognised Incorporated Cell Companies	0	2	4	0	0	4
Incorporated Cells	13	9	27	1	7	21

Trusts Services

Table 11: Authorised Trustees, Nominees and Trusts

	Total authorisations at		
	at end 2018	at end 2019	at end 2020
Authorisations in terms of the Trusts and Trustees Act (Trustees/Fiduciary Service Providers/Administrators of Private Foundations)	171	174	166
Nominees <sup>5</sup>	10	10	10
Trusts registered in terms of the Trust Act, 1988 <sup>5</sup>	61	61	61

<sup>4</sup> One NAIF IC fund/sub-fund was converted to a UCITS IC fund/sub-fund.  
<sup>5</sup> The coming into force of the Trusts & Trustees Act in 2005 brought the issuing of licences for trusts and nominee services to an end. Accordingly, these licences continued to be phased out.

Company Service Providers

Table 12: Company Service Providers

	Total registrations		
	at end 2018	at end 2019	at end 2020
Registrations in terms of the Company Services Providers Act	186	181	171

Securitisation Vehicles

Table 13: Notifications in terms of the Securitisation Act

	Total notifications		
	at end 2018	at end 2019	at end 2020
Notified Securitisation Vehicles	48	41	44
of which notified Securitisation Cell	20	22	22
Companies (and Cells)	(42)	(53)	(59)

Virtual Financial Assets

Table 14: Virtual Financial Assets Agents

	Total registrations at end 2019	Total registrations at end 2020
Virtual Financial Assets Agents	18	19

Table 15: Virtual Financial Assets Service Providers

	Total licences at end 2020
Virtual Financial Assets Service Providers	1

# APPENDIX 6 – Issued and Surrendered Licences 2020

## LICENCES ISSUED

### Company Service Providers

- James Dunbar Cousin
- Swissindependent Corporate Services Ltd.

### Financial Institutions

- Mifinity Malta Ltd.
- Transact Payments Malta Ltd.

### Insurance and Pensions

#### Insurance Undertakings

- R&Q Epsilon Insurance Company SE
- Gossmann & Cie Insurance PCC Ltd.
- Tesla Insurance Ltd.
- Monarch Assurance

#### Extension of authorisation issued to

- Gossmann & Cie Insurance PCC Ltd.
- Ergon Insurance Ltd.
- Accelerant Insurance Ltd.
- Fortegra Europe Insurance Company Ltd.

#### Protected Cells

#### Approval for:

- A40 – Protected Cell of White Rock Insurance (Europe) PCC Ltd.
- A48 – Protected Cell of White Rock Insurance (Europe) PCC Ltd.
- A51 – Protected Cell of White Rock Insurance (Europe) PCC Ltd.
- A52 – Protected Cell of White Rock Insurance (Europe) PCC Ltd.
- A54 – Protected Cell of White Rock Insurance (Europe) PCC Ltd.
- A56 – Protected Cell of White Rock Insurance (Europe) PCC Ltd.
- A58 – Protected Cell of White Rock Insurance (Europe) PCC Ltd.
- A59 – Protected Cell of White Rock Insurance (Europe) PCC Ltd.
- A60 – Protected Cell of White Rock Insurance (Europe) PCC Ltd.
- A61 – Protected Cell of White Rock Insurance (Europe) PCC Ltd.
- 3 – Protected Cell of White Rock Insurance (Netherlands) PCC Ltd.

#### Extension of authorisation of cells:

- L'Amie Cell – Protected cell of Atlas Insurance PCC Ltd.

Approved Auditors*Registration of:*

- Mr Thane Micallef
- Mr Mark Giorgio

Insurance Distribution Act

## Enrolment in the Brokers List:

- Manentia Wealth Consulting Group Ltd.
- ARB Europe Ltd.
- International Passenger Protection Malta Ltd.
- Optio Europe Ltd.

## Cell of Insurance Brokers:

- Amariz Cell – Protected Cell of Artex Insurance Brokers (Malta) PCC Ltd.
- MUM European Cell – Protected Cell of Jatco Insurance Brokers PCC Ltd.
- Amber Cell – Protected Cell of Artex Insurance Brokers (Malta) PCC Ltd.

## Insurance Agents

## Enrolment in the Agents List:

- Starr Europe Underwriting Agents Ltd.
- Riverside Malta Ltd.

## Enrolment of Tied Insurance Intermediaries

- Adem Zouari obo Zenith (Tied Insurance Intermediary) Limited for and on behalf of Mapfre MSV Life plc.
- Adrian Mallia obo Zenith (Tied Insurance Intermediary) Ltd for and on behalf of Mapfre Middlesea plc.
- Alexander Borg obo Zenith (Tied Insurance Intermediary) Limited for and on behalf of Mapfre MSV Life plc.
- Alexander Chetcuti obo Zenith (Tied Insurance Intermediary) Limited for and on behalf of Mapfre MSV Life plc.
- Carl Zerafa for and on behalf of GlobalCapital Life Insurance Limited.
- Carmel Bugeja for and on behalf of Atlas Insurance PCC Limited and for and on behalf of Atlas Insurance PCC Limited through Atlas Healthcare Insurance Agency Limited.
- Claire Marie Busuttil for and on behalf of GlobalCapital Life Insurance Limited.
- Craig Abdilla for and on behalf of GlobalCapital Life Insurance Limited.
- Damien Ciappara for and on behalf of GlobalCapital Life Insurance Limited.
- Daniel Deguara obo Zenith (Tied Insurance Intermediary) Limited for and on behalf of Mapfre MSV Life plc.
- Darren Sciberras obo Zenith (Tied Insurance Intermediary) Limited for and on behalf of Mapfre MSV Life plc.
- Donovan Attard for and on behalf of GlobalCapital Life Insurance Limited.
- Gertrude Cutajar for and on behalf of Atlas Insurance PCC Limited.
- Graziella Arena Dalli obo Bank of Valletta plc for and on behalf of Mapfre MSV Life plc.
- Isabelle Sammut obo Bank of Valletta plc for and on behalf of Mapfre MSV Life plc.
- Jake Falzon obo Zenith (Tied Insurance Intermediary) Limited for and on behalf of Mapfre MSV Life plc.
- Jean Pierre Zarb for and on behalf of GlobalCapital Life Insurance Limited.
- Joanne Azzopardi for and on behalf of Atlas Insurance PCC Limited and for and on behalf of Atlas Insurance PCC Limited through Atlas Healthcare Insurance Agency Limited.
- Johann Micallef obo Zenith (Tied Insurance Intermediary) Limited for and on behalf of Mapfre MSV Life plc.

- John Paul Attard for and on behalf of BUPA Global Activity Company through GlobalCapital Health Insurance Agency Limited.
- Karl Mifsud for and on behalf of Citadel Insurance plc.
- Kaydem Schembri obo Zenith (Tied Insurance Intermediary) Limited for and on behalf of Mapfre MSV Life plc.
- Letizia Muscat for and on behalf of Mapfre Middlesea plc.
- Mark Lamb obo APS Bank plc for and on behalf of Mapfre Middlesea plc.
- Melanie Bezzina for and on behalf of Citadel Insurance plc.
- Moira Magro obo Moira Magro TII Ltd for and on behalf of Mapfre MSV Life plc and Mapfre Middlesea plc.
- Moira Magro TII Ltd for and on behalf of Mapfre MSV Life plc and Mapfre Middlesea plc.
- Mr Christian Sammut for and on behalf of GlobalCapital Life Insurance Limited.
- My Company Limited for and on behalf of Mapfre Middlesea plc and Mapfre MSV Life plc.
- Nichol Chetcuti for and on behalf of Elmo Insurance Limited.
- Noel Baldacchino obo Zenith (Tied Insurance Intermediary) Limited for and on behalf of Mapfre MSV Life plc.
- Noel Cutajar for and on behalf of GlobalCapital Life Insurance Limited.
- Oliver Busuttil for and on behalf of GlobalCapital Life Insurance Limited.
- Sara Bartoli Pavia obo Zenith (Tied Insurance Intermediary) Limited for and on behalf of Mapfre MSV Life plc.
- Scott Bugeja obo Zenith (Tied Insurance Intermediary) Limited for and on behalf of Mapfre MSV Life plc.
- Scott Hamilton obo Zenith (Tied Insurance Intermediary) Limited for and on behalf of Mapfre MSV Life plc.
- Shirley Zammit Cacciottolo for and on behalf of Atlas Insurance PCC Limited.
- Simon Balzan for and on behalf of GlobalCapital Life Insurance Limited.
- Stefan Cutajar obo Zenith (Tied Insurance Intermediary) Limited for and on behalf of Mapfre MSV Life plc.
- Stella k/a Maris Young for and on behalf of Mapfre Middlesea plc and Mapfre MSV Life plc.
- Sven Bugeja for and on behalf of GlobalCapital Life Insurance Limited.

**Pensions**

## Personal Retirement Scheme

## Registration of:

- The APS Personal Pension Plan

## Occupational Retirement Schemes

## Registration of:

- The APS Occupational Pension Scheme
- STM Malta Occupational Retirement Pensions Scheme

## Investment Manager

## Registration of:

- ReAPS Asset Management Ltd.

**Investment Services**Category 1

- Goldberg Pan-European Wealth Consulting Ltd. – Change in name to Whitecross Investments Ltd.
- RMS Financial Advisory Ltd. – Category 1B Investment Services Licence



- Vernier Capital Advisors (Europe) Ltd. – Category 1A Investment Services Licence
- KBA Investment Ltd. – Category 1A Investment Services Licence

#### Category 2

- Agon Asset Management Ltd. – Revision of Category 2 Investment Services Licence to act as an Alternative Investment Fund Manager
- PSG Fund Management (Malta) Ltd. – Extension of Category 2 Investment Services Licence
- Michael Grech Financial Services Investment Ltd. – Extension of Category 2 Investment Services Licence
- Cevian Capital (Malta) Ltd. – Extension of Category 2 Investment Services Licence
- Sevenhills Investment Management Ltd. – Extension of Category 2 Investment Services Licence
- Accolade Investment Company Ltd. – Category 2 Investment Services Licence
- Northlander Malta – Category 2 Investment Services Licence
- Fexserv Investment Services Ltd. – Change in name to Aria Capital Management (Europe) Ltd.
- ADG Markets Ltd. – Category 2 Investment Services Licence
- Kane LPI Solutions (Malta) Ltd. – Category 2 Investment Services Licence
- ReAPS Asset Management Ltd. – Extension of Category 2 Investment Services Licence
- Alpha Value Management Ltd. – Extension of Category 2 Investment Services Licence
- Manentia Wealth Consulting Group Ltd. – Category 2 Investment Services Licence
- Rigsave Capital Ltd. – Extension of Category 2 Investment Services Licence
- Noster Capital Management Ltd. – Category 2 Investment Services Licence
- Cilia Formosa Co. Ltd. for a Category 2 Investment Services Licence
- Tradeview Europe Ltd. – Application for a Category 2 Investment Services Licence

#### Category 3

- OANDA Europe Markets Ltd. – Category 3 Investment Services Licence

#### Fund Administrator

- GAEL Fund Services Malta Ltd. as a Recognized Fund Administrator

#### Tied Agents

- Metric Capital Partners ManCo Ltd. as Tied Agents for Mirabella Malta Advisers Ltd.
- IVC Malta Ltd. as Tied Agents for Mirabella Malta Advisers Ltd.
- Platinum Management Malta Ltd. as Tied Agents for Mirabella Malta Advisers Ltd.
- Run Capital Partners Ltd. as Tied Agents for Diaman Partners Ltd.
- Rede Partners (Europe) Ltd. as Tied Agent of Mirabella Malta Advisers Ltd.
- Affiliated Managers Group (Europe) Ltd. as Tied Agent of Mirabella Malta Advisers Ltd.

#### Professional Investor Funds

- Supernova Fund – Additional Sub-fund of Carma Capital Partners SICAV plc
- Vereeni SICAV plc as a Collective Investment Scheme in the form of a Professional Investor Fund targeting Qualifying Investors, in relation to the Vereeni Fund
- Kintaro Generalised Mining Fund – Additional Sub-Fund of Kintaro Capital SICAV plc
- Monte Bianco Fund – Additional Sub-Fund of Audentia Capital SICAV II plc
- S3 Global Multi-Strategy Fund (Valletta) SICAV plc – Change in name of Sub-Fund from Sub-Fund ESBA to S3 Global Multi-Strategy Malta Sub-Fund
- Audentia Capital SICAV II plc – Change in name of Sub-Fund from Blackstone Alternative Fund to

#### Alma Capital Fund

- Target Investment Fund SICAV plc as a Collective Investment Scheme in the form of a Professional Investor Fund targeting Qualifying Investors, in relation to the Target Investment Fund Class E Sub-Fund
- Audentia Capital SICAV II plc – Change in name of Sub-Fund from Tri South Star Fund to Olympus Fund
- Fraternity Funds SICAV plc as a Collective Investment Scheme in the form of a Professional Investor Fund targeting Qualifying Investors, in relation to the Opportunity Fund and the Real Estate Fund
- Blockchain Technology Value SICAV plc as a Collective Investment Scheme in the form of a Professional Investor Fund targeting Qualifying Investors, in relation to the Blockchain Technology Value One Fund
- Palm Investment Fund – Additional Sub-Fund of Patrimonium SICAV plc
- Base Beta Fund – Additional Sub-Fund of Encoded Holdings SICAV plc
- Value Plus Sub-Fund – Additional Sub-Fund of Nina Fund SICAV plc
- Aprara Active Fund – Additional Sub-Fund of Astrada Financial SICAV plc
- Harbull Oil Fund – Additional Sub-Fund of Infinity Capital SICAV plc
- EuroMena IV LP as a Collective Investment Scheme in the form of a Professional Investor Fund
- Holon Photon Fund – Additional Sub-Fund of Astrada Financial SICAV plc
- Vineyard and Terroir Fund as a Sub-Fund of WSF SICAV plc
- Knight Marine SICAV plc as a Collective Investment Scheme in the form of a Professional Investor Fund targeting Qualifying Investors, in relation to Knight Marine Capital Fund and Knight Marine Return Fund
- Tarrana Private Equity Fund – Additional Sub-Fund of Tarrana Fund SICAV plc
- FUNDSEC SICAV plc as a Collective Investment Scheme in the form of a Professional Investor Fund targeting Qualifying Investors, in relation to FUNDSEC Real Estate Fund

#### Alternative Investor Funds

- AI<sup>2</sup> SICAV plc as a Collective Investment Scheme in the form of an Alternative Investment Fund, in relation to the Valor Global FX Fund
- RohFund Taro Fund – Additional Sub-Fund of RohFund Global SICAV plc
- Accolade Fund SICAV plc, which Collective Investment Scheme Licence has been converted from that of a Professional Investor Fund to an Alternative Investment Fund
- LL Global Fund Series SICAV plc, which Collective Investment Scheme Licence has been converted from that of a Professional Investor Fund to an Alternative Investment Fund
- ADVAITA Fund – Additional Sub-Fund of Hold SICAV plc
- APFI Fund 1 as a Collective Investment Scheme to carry out the activities of an Alternative Investor Fund targeting Professional Investors
- APFI Fund 2 as a Collective Investment Scheme to carry out the activities of an Alternative Investor Fund targeting Professional Investors
- J&T Advanced Solutions SICAV plc, which Collective Investment Scheme Licence has been converted from that of a Professional Investor Fund to an Alternative Investment Fund

#### UCITS

- Vilhena Funds SICAV plc – Change in name of Sub-Fund from Vilhena Euro Malta Money Fund to Vilhena Euro Liquidity Fund
- Euro-Global Frontier Fund – Additional Sub-Fund of Flexagon UCITS Funds SICAV plc
- Flexagon UCITS Funds SICAV plc – Change in name of Sub-Fund from Multi-Strategy III – Active Yield Enhancement Fund to Limes Diversified Income Frontier Fund
- One Up Fund – Additional Sub-Fund of AMA UCITS SICAV plc
- Framont European Small-Mid Cap Fund – Additional Sub-Fund of Lane Bridge UCITS SICAV plc

- APS Global Equity Fund – Additional Sub-Fund of APS Funds SICAV plc
- The PCM Global Core Fund SICAV IC plc as a Collective Investment Scheme to carry out the activities of a Maltese UCITS
- Winthrop Woodrow Investment Funds SICAV plc as a Collective Investment Scheme to carry out the activities of a Maltese UCITS

#### Notified Alternative Investor Funds in terms of Regulation 6 of the Investment Services Act (List of Notified AIFs) Regulations 2016

- Rotpirk Algo Fund as a Sub-Fund of MDC Astrolabe SICAV plc
- Italico Future Invest SICAV plc – Change in name of Sub-Fund from Coniamo Fund to Atmospherearc Fund
- Arroba Capital SICAV plc in respect of the Akronos Capital Fund
- FE Green 2 Blue Sub-Fund as a Sub-Fund of FE Alternative SICAV plc– The Scheme is managed by AQA Capital Ltd.
- E-Value Fund as a Sub-Fund of Arroba Capital SICAV plc
- TCF SICAV plc (“the Scheme”) in respect of the TCF 1 Fund. The Scheme is managed by AQA Capital Ltd.
- FCS Global AIFs Malta SICAV plc (“the Scheme”) in respect of the Unconstrained Growth Fund. The Scheme is managed by FCS Asset Management Ltd.
- Delta Fund as a Sub-Fund of Arroba Capital SICAV plc.
- Dynamic Opportunities Fund SICAV plc (“the Scheme”) in respect of the Opportunity. The Scheme is managed by SevenHills Investment Management Ltd.
- Qualiman General Investment Fund as a Sub-Fund of Audentia Capital NAIF SICAV plc
- S.C. Price Line Fund, a Sub-Fund of Global Series SICAV plc (“the Scheme”). The Scheme is managed by Framont & Partners Management Ltd.
- Mind Capital Feeder Fund ONE, an additional Sub-Fund of Apeiron Feeder SICAV plc. The Scheme is managed by Altarius Asset Management.
- Mind Capital Fund ONE, an additional Sub-Fund of Apeiron SICAV Ltd. The Scheme is managed by Altarius Asset Management
- Westsphere SICAV plc in respect of the Westsphere No. 1 Fund. The Scheme is managed by AQA Capital Ltd.
- Noster Alpha Constant Fund SICAV plc. The Scheme is managed by Noster Capital Management Ltd.
- Noster Alpha Constant Master Fund SICAV Ltd. The Scheme is managed by Noster Capital Management Ltd.

#### Trustees

- Areti Partners Ltd.
- Rosemont Trustees (Malta) Ltd.
- Pro Trust Ltd.
- TMF Fiduciary Services (Malta) Ltd.

### **VFA Agents**

#### **Registrations issued:**

Registration issued to:

- CSB Fintech Ltd.
- Fintech Solutions Ltd.
- MK Fintech Partners Ltd.
- DF Consultancy Services Ltd.

### **Virtual Financial Asset Service Providers**

#### **Licences issued**

- Class 4 VFA Services licence issued to Koala Crypto Ltd.
- A further 12 in-principle approvals were issued to Applicants for a VFA Services licence

#### **LICENCES SURRENDERED**

#### **Company Services Providers**

- Arendt Services S.A. – Company Service Provider
- USA Risk Group (Malta) Ltd.
- Scordis, Papapetrou & Co Consultants Ltd.
- Kylin Prime Corporate Services Ltd.
- Ocorian International Fund Services (Malta) Ltd.
- Octave Corporate Services Ltd.
- Mainstream Fund Services (Malta) Ltd.
- Hamels (Malta) Ltd.
- Centaur Services (Malta) Ltd.
- Edwin Buttigieg
- James Dunbar Cousin
- DGA Corporate Ltd.

#### **Financial Institutions**

- Entercash Ltd.
- LB Factors Ltd.
- PDK Financial Services Ltd.

#### **Insurance and Pensions**

- Surrender of Certificate of Recognition by Trireme Pension Services (Malta) Ltd. as a Back-Office Administrator in terms of the Retirement Pensions Act (Cap. 514 of the Laws of Malta).
- Surrender of Authorisation by Reed Insurance Ltd. issued to the Company to carry on business of insurance and reinsurance in terms of the Insurance Business Act (Cap. 403 of the Laws of Malta).
- Surrender of Authorisation by Reed Insurance Brokerage Ltd. issued to the Company to carry on business of insurance and reinsurance in terms of the Insurance Business Act (Cap. 403 of the Laws of Malta).
- Termination of registration by STM Malta Pension Services Ltd. as a Back-Office Administrator in terms of the Retirement Pensions Act (Cap. 514 of the Laws of Malta).
- Surrender of Authorisation by Trinity Lane Insurance Company Ltd. issued to the Company to carry on business of insurance in terms of the Insurance Business Act (Cap. 403 of the Laws of Malta).
- Surrender of Certificate of Recognition by Fexserv Fund Services (Malta) Ltd. as a Back-Office Administrator in terms of the Retirement Pensions Act (Cap. 514 of the Laws of Malta).
- Surrender of Authorisation by Propgen Insurance Ltd. issued to the Company to carry on general business of insurance in terms of the Insurance Business Act (Cap. 403 of the Laws of Malta).
- Surrender of Authorisation by Platinum Insurance Ltd. issued to the Company to carry on general business of insurance in terms of the Insurance Business Act (Cap. 403 of the Laws of Malta).
- Surrender of Licence by STM Harbour Retirement Scheme SICAV issued to the Company as a Personal Retirement Scheme in terms of the Retirement Pensions Act (Cap. 514 of the Laws of Malta).
- Surrender of Licence by Prosperity QROPS Malta issued to the Company as a Personal Retirement

- Scheme in terms of the Retirement Pensions Act (Cap. 514 of the Laws of Malta).
- Termination of Registration of the Synergy International Pension Plan as a Personal Retirement Scheme as requested by ITC International Pensions Ltd. in terms of the Retirement Pensions Act (Cap. 514 of the Laws of Malta).
- Surrender of Authorisation by Abacus Risk Management Services PCC Ltd. issued to the Company to carry on insurance distribution activities in terms of the Insurance Distribution Act (Cap. 487 of the Laws of Malta)
- Surrender of Authorisation by Financial Planning Services Limited issued to the Company to carry on insurance distribution activities in terms of the Insurance Distribution Act (Cap. 487 of the Laws of Malta).

## Tied Insurance Intermediaries

### Individual TIIs

- Alan Tabone on behalf of Citadel Insurance plc.
- Alexander Borg on behalf of MSV Life.
- Anthony Dalli on behalf of Citadel Insurance plc.
- Anthony Michael Giacomotto on behalf of GlobalCapital Life Insurance Ltd.
- Anthony Simler on behalf of Citadel Insurance plc.
- Carmel Micallef on behalf of GasanMamo Insurance Ltd.
- Charlene Borg on behalf of GlobalCapital Life Insurance Ltd.
- Claire Saliba Sciortino on behalf of Mapfre Middlesea plc.
- Donald Spiteri on behalf of Elmo Insurance Ltd.
- Dylan Agius on behalf of GlobalCapital Life Insurance Ltd.
- Emmanuel Baldacchino on behalf of Citadel Insurance plc.
- George Tonna on behalf of Mapfre MSV Life plc.
- Ian Spiteri Bailey on behalf of Citadel Insurance plc.
- James Aquilina on behalf of Zenith (TII) Ltd - Mapfre MSV Life plc.
- John (or John Oswald) Tabone on behalf of Atlas Insurance PCC Ltd.
- John Bezzina on behalf of Citadel Insurance plc.
- John Buhagiar on behalf of Bank of Valletta plc - Mapfre MSV Life plc.
- John Mifsud on behalf of Argus Insurance Company (Europe) Ltd.
- John Mifsud on behalf of AXA PPP Healthcare Ltd.
- Jon Amato Gauci on behalf of Citadel Insurance plc.
- Joseph Micallef on behalf of Citadel Insurance plc.
- Joseph Mizzi on behalf of Mapfre MSV Life plc.
- Joshua Baldacchino on behalf of Emmanuel Baldacchino - Citadel Insurance plc.
- Karl Attard on behalf of GasanMamo Insurance Ltd.
- Karl Attard on behalf of GlobalCapital Life Insurance Ltd.
- Louis Borg on behalf of Mapfre Middlesea plc.
- Louis Schembri on behalf of Atlas Insurance PCC Ltd.
- Ludgard Scicluna on behalf of Citadel Insurance plc.
- Maris Young on behalf of Mapfre MSV Life plc.
- Maris Young on behalf of Mapfre Middlesea plc.
- Mary Lourdes Galea on behalf of GasanMamo Insurance Ltd.
- Moira Magro on behalf of Mapfre Middlesea plc.
- Moira Magro on behalf of Mapfre MSV Life plc.
- Nadia Mizzi on behalf of Bank of Valletta plc, Mapfre MSV Life plc.
- Nichol Chetcuti on behalf of Citadel Insurance plc.
- Pauline Maureen Cordina on behalf of GlobalCapital Life Insurance Ltd.

- Philbert Borg on behalf of GasanMamo Insurance Ltd.
- Reuben Attard on behalf of Elmo Insurance Ltd.
- Robert Cassar on behalf of Mapfre Middlesea plc.
- Robert Lewis Grech on behalf of Mapfre MSV Life plc.
- Ryan Gauci on behalf of GlobalCapital Life Insurance Ltd.
- Ryan George Sciberras on behalf of ROCS Company Ltd - Mapfre MSV Life plc
- Shaun Attard on behalf of GlobalCapital Life Insurance Ltd.
- Shirley Zammit Cacciottolo on behalf of Mapfre Middlesea plc.
- Stefan Farrugia Cassar on behalf of GlobalCapital Life Insurance Ltd.
- Stephanie Tanti on behalf of Mapfre Middlesea plc.
- Susan Micallef on behalf of Mapfre Middlesea plc.
- Ylenia Attard Polidano on behalf of HSBC Bank Malta plc HSBC Life Assurance (Malta) Ltd.

### TII Companies

- Rocs Co Ltd. on behalf of Mapfre MSV Life plc
- Lewis Magri & Sons Ltd. on behalf of Atlas Insurance PCC Ltd.
- Bianco Holdings Company Ltd. on behalf of Atlas Insurance PCC Ltd.
- 570 AD Ltd. on behalf of Atlas Insurance PCC Ltd.

## Investment Services

### Collective Investment Schemes

#### Professional Investor Funds targeting Qualifying Investors

- Amstel Alternative Credit Fund SICAV plc
- Astrada Financial SICAV plc – its sub-fund Apra Active Fund
- Spectrum Fund (SICAV) plc – its sub-fund ACPI Clipper Fund
- Macro Fund SICAV plc - its sub-fund Global High Yield Fund
- Hermes Linder Fund SICAV plc
- Macro Fund SICAV plc – its sub-fund Diversified Trading Fund
- CM Capital SICAV plc – its sub-fund Infinity Enhanced Equity Fund
- Golden Share Investments SICAV plc
- Nordic Investment Funds (SICAV) Ltd.
- Taliti Funds SICAV plc – its sub-fund Crystal Fund
- Sarum Investment SICAV plc
- Macro Fund SICAV plc – its sub-fund Alpha Global Dynamic Leveraged Fund
- Selenium SICAV plc
- Heracles Investment Fund SICAV plc
- PMG Partners SICAV plc – its sub-fund PP Global Opportunity Fund
- Mezzanine Capital Funds SICAV plc
- Swiss Investment Funds SICAV plc
- Spinoza Capital SICAV plc
- Paragon SICAV plc – its sub-fund D&R Speedlab Opportunity Fund
- Mansard Capital SICAV plc – its sub-fund Global Diversified Alpha Fund
- Strategica Funds SICAV plc – its sub-fund Bridge Investment Fund
- Rebfund IC SICAV plc
- Cervus Global IC SICAV plc
- Amergeris Wealth Management SICAV plc – its sub-fund Amergeris Blockchain and Fintech Fund
- PerSYSTEMcy SICAV plc – its sub-fund Forex Opportunities Asset Class Fund



- Vereeni SICAV plc
- Niton Fund SICAV plc
- Ananea Funds SICAV plc
- Lanner SICAV plc
- Falcon Investment SICAV plc
- Arrow SICAV plc
- Willer Opportunities (Malta) SICAV Ltd. - its sub-fund Lakeside Global Growth Fund
- LL Global Fund Series SICAV plc – its sub-fund LL Premium Option Fund
- Altor Capital IC SICAV plc
- Meridon Funds SICAV plc – its sub-fund Meridon Event-Driven Fund
- Top Selection Fund SICAV plc – its sub-funds Graal Fund and Alpha Veritas FX Fund
- Volta Fund SICAV plc
- Pilatus SICAV plc – its sub-fund Algo Risk Performance sub-fund
- E2A Capital SICAV plc – its sub-fund PCF Balanced Allocation Fund
- Eagle Investment SICAV plc
- Himalaya SICAV plc – its sub-fund Campo Base sub-fund
- Tuffieh Funds SICAV plc – its sub-fund Tuffieh Equity Trading Fund
- Tuffieh Funds SICAV plc – its sub-fund the Wealth Management Fund
- J&T Advanced Solutions SICAV plc – its sub-fund J&T Alternative Investments Fund
- Centurion Global Fund SICAV plc – its sub-fund Ethical Fund
- Broadgate Capital Funds SICAV plc
- Grosvenor Square Portfolio SICAV plc
- IJC Funds SICAV plc – its sub-fund Special Situations Fund
- Macro Fund SICAV plc - its sub-fund Blue Diamond Fund
- Altarius Crystal SICAV plc
- Macro Fund SICAV plc - its sub-fund Orange Property Fund
- Falcon Investment SICAV plc – its sub-fund Resort Development Fund
- 3 Sigma Riskcap SICAV plc
- HFH SICAV plc – its sub-fund HFH SICAV plc
- Feracs Blockchain Opportunities IC SICAV plc
- Golden Share SICAV plc

#### Alternative Investment Funds

- Primary European Fund SICAV plc
- Aquarium Funds SICAV plc
- Titan Opportunities Fund IC SICAV plc
- Comino Umbrella Fund SICAV plc – its sub-fund The Takada Absolute Return Fixed Income Fund
- S3 Global Multi-Strategy Fund (Malta) SICAV plc
- Amagis Capital Funds SICAV plc – its sub-funds Amagis Macro Multi Strategy Fund and Amagis Big Equity Vol Fund
- Hedge Invest Global Holdings SICAV plc
- Bergholt SICAV P.L.C to de-register the Heritage Equity Fund from the List of NAIFs
- The CEE Alternative Equity Investment Fund SICAV plc – its sub-fund Diversified Robust CEE Equities Fund
- Private Value Capital Opportunities SICAV plc
- Comino Umbrella Fund SICAV plc – its sub-fund Ulysses Equity Fund
- Millennium Global Funds SICAV plc
- Lane Bridge SICAV plc
- Inco Capital Funds SICAV plc
- Cerro Torre SICAV plc
- Pollard et Filles Capital Management SICAV plc

- Bastion Wealth Strategies SICAV plc – its sub-fund Reactor Fund
- The ARP Funds SICAV (IC) plc – its sub-fund The ARP Energy Fund
- Amagis Capital Funds SICAV plc – its sub-funds AIOT Market Neutral Fund and AMAGIS Big Equity Vol Fund
- The ARP Funds (SICAV) IC plc – its sub-fund ARP Diversified Futures Fund
- L-Square IC SICAV plc

#### UCITS

- SphereInvest Global UCITS SICAV plc
- FCS Global Funds SICAV plc
- Solid Future UCITS Funds SICAV plc - its sub-fund Athena Global Opportunities Portfolio
- AMA UCITS SICAV plc - its sub-fund Artificial Intelligence-Internet of Things Fund

#### Recognised Private Schemes

- MIKO Investment Funds SICAV plc
- MLB Investment Funds SICAV plc

#### Category 2 - Investment Services

- Northlander Malta
- Financial Planning Services Ltd.
- SDP Capital Management Ltd.
- Finisterre Malta Ltd.
- Huber & Partners Ltd.
- Lutetia Capital Investment Advisors Ltd.
- Standard Advisory Services Ltd.
- Vatas Asset Management Ltd.
- Inco Capital Ltd.
- Rootstock Investment Management (Malta) Ltd.
- Pamplona Credit Opportunities Investment Ltd.
- FCS Asset Management Ltd. – its sub-fund ROAM Global Balanced Fund

#### Notified AIFS

- Global Series SICAV p.l.c. to de-register the Peak Selection Fund
- EB Global Investment Funds SICAV plc
- FCS Global AIFs Malta SICAV plc to de-register the ROAM Global Balanced Fund
- Global Series SICAV p.l.c to de-register the 5C Investment

#### Trusts and Fiduciary Companies

- Imperium Malta Ltd.
- Family Management Ltd.
- Knights Fid Ltd.
- F & F Trust Services Ltd.
- Bastion Services Ltd.
- DM Trustees Ltd.
- Deloitte Ltd.
- Fenlex Nominee Services Ltd.
- Dr Bertrand Sciriha

- Peralta Custodian Ltd.
- ECTS Ltd.

Virtual Financial Assets

- CC VFA Agent Ltd.
- VFAE Ltd.
- Caledo VFA Advisory Ltd.

# APPENDIX 7 – Administrative Measures and Penalties

During 2020, the Authority imposed a number of administrative measures including penalties and directives on licensed entities for various breaches of financial services legislation. These included the following cases:

Hollingsworth International Financial Services Ltd.

The MFSA has taken regulatory action against the Company for acting in breach of a number of provisions of the Insurance Distribution Act, the Insurance Distribution Rules and the Investment Services Rules, which breaches took place during the tenure of Mr Mark Hollingsworth as Director of the Company.

On 18 February 2020, the MFSA agreed to settle pending matters with Hollingsworth International Financial Services Ltd. after demonstration of goodwill by the Company and the Director and which settlement has been subject to a number of terms, *inter alia*:

- [i] Payment of an administrative penalty of €20,000 imposed on the Company;
- [ii] The Authority shall issue a reprimand against Mr Mark Hollingsworth, in his capacity as director of the Company, in relation to the breaches which took place during his tenure as director of the Company;
- [iii] Mr Mark Hollingsworth is *inter alia* precluded from holding any new directorship, senior management and/or any roles requiring the Authority’s approval, in any licensed entity authorised by the MFSA for a period of two years subject to certain derogations as approved by the MFSA. By way of exception to the foregoing prohibition, during the two-year period, Mr Mark Hollingsworth may apply to the MFSA to act as an investment advisor with an investment services provider licensed by the MFSA to provide investment advice exclusively in relation to non-complex instruments;
- [iv] Mr Mark Hollingsworth is required to disclose to any entity in which he will be holding or holds a position about the findings of the Authority in the Company’s regard;
- [v] The Authority shall accept the surrender by the Company of its investment services licence and its disenrollment from the Brokers List, which surrender has taken place in circumstance of regulatory shortcomings identified by the MFSA;
- [vi] The Company shall be prohibited from resolving to liquidate and wind-up until and unless it obtains the prior written approval of the Authority;
- [vii] The Company shall withdraw the pending appeals lodged against the directives issued by the Authority in its regard before the Financial Services Tribunal;
- [viii] The Company and/or Mr Mark Hollingsworth shall waive any claim or contestation in connection with the findings of the Authority before any judicial fora.

Moreover, the Authority’s decision as set out above shall continue to apply even when the Company ceases to hold its investment services licence and disenrolls from the Brokers List.

Altarius Asset Management Ltd.

The identified deficiencies relate to the requirements under SLC 2.83 and 2.85 of Part B I; SLCs 10 and 11 of Section 1 of Part B III; SLC 1.20 of Part B I; SLC 22 of Section 1 of Part B III, SLC 1.17 (a-c) and (e-g) of Part B I and SLC 18 (a-c) and (e-g) of Section 1 of Part B III.

Since the date when the deficiencies were identified, the Company has revised its governance structure and actively sought to rectify these deficiencies. The Company’s cooperative approach and the extent of the Company’s remedial action have been taken into consideration by the Authority when deciding to issue a reprimand against the Company and its Directors at the time, rather than proceed with more serious regulatory action.

On 27 February 2020, the MFSA issued a reprimand against Altarius Asset Management Ltd. and the Directors on the Board of the Company, at the time of the deficiencies identified by the Authority, that is, Mr Heinz Daxl, Mr Pierre Maliczak and Mr Peter Mitterlehner.

**AIS Capital Management Investment Fund SICAV P.L.C.**

The Authority has found AIS to be in breach of a number of requirements related to Corporate Governance and Compliance emanating from Part BI of the Investment Services Rules for Professional Investors Funds hereinafter referred to as (“The Rules”). The identified deficiencies relate to the requirements under: SLC 1.23, SLC1.29, SLC 1.88 and SLC 1.89 of the Rules. Additionally, the Authority has decided that AIS has demonstrated a lack of cooperation in terms of the requirements stipulated under Article 13(1)(ii)(b) of the Investment Services Act (“ISA”). The Company has therefore failed to comply with the Investment Services Act (“ISA”) and the Investment Services Rules under the ISA.

On 23 March 2020, the MFSA cancelled the collective investment scheme licence of AIS Capital Management Investment Fund SICAV P.L.C. The Authority has taken this decision in terms of Article 7(3) (b) and 7(3)(d) of the Investment Services Act.

**deVere & Partners Holding Ltd.**

The Malta Financial Services Authority (“MFSA” or “the Authority”) has been examining the activities carried out by the Company in and from Malta over the last years.

deVere was found to be in breach of Article 6(1) of the Insurance Distribution Act which prohibits any person to act as an insurance intermediary and carry out, or attempt to carry out, in or from Malta, insurance distribution activities, unless such person is registered or enrolled under Article 13 of the said Act.

The MFSA determined that deVere has been carrying out insurance distribution activities as defined in Article 2 of the Insurance Distribution Act, without the required licence and has established deVere’s principal roles as being:

- [i] bringing together persons seeking insurance and insurance companies;
- [ii] carrying out preparatory work in relation to the conclusion of life insurance contracts; and
- [iii] assisting in the administration of such contracts during the term of the policy.

The Authority also considers that the conduct of Ms Yeomans has been well below the standard which is reasonably expected of a Company Director and that her decisions and actions have resulted in the Company being in breach of Article 6 of the Insurance Distribution Act. As the sole Director and the person responsible at law for the administration, management and supervision of the affairs of the Company, Ms Yeomans had the responsibility of ensuring that deVere is acting in compliance with the laws and regulations that pertain to the financial services industry.

On 30 March 2020, the MFSA took the following regulatory action against deVere & Partners Holding Ltd.:

- [i] Imposed an administrative penalty of twenty-three thousand Euro (€23,000) in terms of Regulation 5(2) and Regulation 8 of the Insurance Distribution (Penalties and Other Measures) Regulations and the last paragraph of the Fourth Schedule of the said Regulations; and
- [ii] Requested the Company to refrain from continuing to undertake any unauthorised activities in terms of the Insurance Distribution Act.

**MPM Capital Investments Ltd.**

On 9 April 2020, the Authority has issued a number of Directives to MPM Capital Investments Ltd., a Company holding a Category 2 investment services licence, whereby it was directed amongst others, with immediate effect, to:

- [i] Cease the process of closing down client accounts, unless specific instructions in writing are made at the initiative of the clients. Such written instructions should be adequately recorded and made available to the Authority upon request;
- [ii] Submit a complete list of MPM’s clients as at 31 January 2020;
- [iii] Notify all of MPM’s clients who were on the Company’s clients’ list as at 31 January 2020 of these MFSA Directives by means of a formal letter within two (2) working days, a copy of which should be addressed to the Enforcement Directorate of the MFSA; and
- [iv] Ensure that the Company and its directors maintain proper safeguard of all records relating to MPM’s operations, including its investment services activities. The Company should therefore not destroy, conceal or alter such records in any way which would prejudice the Authority’s functions at law.

**Osprey Insurance Brokers Co. Ltd.**

On 7 May 2020, the MFSA decided to impose an administrative penalty of twenty-nine thousand six hundred and seventy-five Euro (€29,675) on Osprey Insurance Brokers Co. Ltd..

The Company failed to adhere to its obligations in terms of Article 24 of the Insurance Distribution Act to submit the audited financial statements within the regulatory deadline.

**Risk Insurance Brokers Ltd.**

On 7 May 2020, the MFSA decided to impose an administrative penalty of thirty-two thousand one hundred and seventy-five Euro (€32,175) on Risk Insurance Brokers Ltd..

The Company failed to adhere to its obligations in terms of Article 24 of the Insurance Distribution Act to submit the audited financial statements within the regulatory deadline.

**Artex Risk Solutions (Malta) Ltd.**

On 7 May 2020, the MFSA decided to impose an administrative penalty of twenty-five thousand seven hundred Euro (€25,700) on Artex Risks Solutions (Malta) Ltd..

The Company failed to adhere to its obligations in terms of Article 24 of the Insurance Distribution Act to submit the audited financial statements within the regulatory deadline.

**Mr Karl Schranz**

Mr Schranz has been found to have acted in breach of/not satisfying the following:

- [i] Article 5(1)(c)(iii) of the Company Service Providers Act, Rule 5.0 of the Rules for Company Service Providers and Paragraph 4 of the Code of Conduct for Trustees
- [ii] Rule 15.06 of the Rules for Company Service Providers; and
- [iii] Breach of Rule 6 of the CSP Rules.



In light of this, in particular the lack of honesty and integrity displayed by Mr Schranz as a result of his behaviour and business relations the Authority has decided to issue a number of directives to Mr Schranz.

On 8 May 2020, the MFSA directed Mr Karl Schranz to:

- [i] resign from all positions previously approved by the Authority which he currently holds in RES Malta Ltd. and SOLV International Ltd.;
- [ii] divest himself, at the earliest possible, of all the qualifying shareholdings which he holds, whether directly or indirectly, in RES Malta Ltd. and SOLV International Ltd.; and
- [iii] refrain from accepting any new appointments and acquiring any shareholdings which require the Authority's approval in entities licensed or otherwise authorised or supervised by the MFSA for a period of five (5) years from the date of this decision.

Provided that, insofar as the directives set out in points [i] and [ii] above relate to Mr Schranz's approved positions and qualifying shareholding in SOLV International Ltd., their coming into effect is subject to such conditions as imposed by the Authority in its decision of the 8 May 2020.

The Authority has taken its decision in terms of article 48(2)(a) of the Trusts and Trustees Act, article 11 of the Company Service Providers Act, and article 16(2)(b) of the Malta Financial Services Authority Act.

The Authority's decision was appealed before the Financial Services Tribunal within the period established by law.

**Dr Christian Ellul**

Dr Ellul has been found to have acted in breach of/not satisfying the following:

- [i] Article 5(1)(c)(iii) of the Company Service Providers Act, Rule 5.0 of the Rules for Company Service Providers and Paragraph 4 of the Code of Conduct for Trustees; and
  - [ii] Rule 15.06 of the Rules for Company Service Providers.
- In light of the above, in particular the lack of honesty and integrity displayed by Dr Ellul as a result of his behaviour and business relations the Authority has decided to issue a number of directives to Dr Ellul.

On 8 May 2020, the MFSA directed Dr Christian Ellul to:

- [i] divest himself, at the earliest possible, of all the qualifying shareholdings which he holds, whether directly or indirectly, in RES Malta Ltd. and SOLV International Ltd.; and
- [ii] refrain from accepting any new appointments and acquiring any shareholdings which require the Authority's approval in entities licensed or otherwise authorised or supervised by the MFSA for a period of five (5) years from the date of the Authority's decision.

Provided that, insofar as the directive set out in point [i] above relates to Dr Ellul's qualifying shareholding in SOLV International Ltd., its coming into effect is subject to such conditions as imposed by the Authority in its decision of 8 May 2020.

The Authority has taken its decision in terms of Article 48(2)(a) of the Trusts and Trustees Act, Article 11 of the Company Service Providers Act, and Article 16(2)(b) of the Malta Financial Services Authority Act.

The Authority's decision was appealed before the Financial Services Tribunal within the period established by law.

**SOLV International Ltd.**

The Malta Financial Services Authority issued a number of directives to Solv International Ltd. as a consequence of the regulatory action taken against Dr. Christian Ellul and Mr. Karl Schranz on 8 May.

On 11 May 2020, in terms of Article 48(2)(a) of the Trusts and Trustees Act and Article 16(2)(b) of the Malta Financial Services Authority Act, the Authority has decided to direct SOLV International Ltd. as follows:

1. Until Mr Karl Schranz and Dr Christian Ellul divest themselves of all the qualifying shareholding which they hold, whether directly or indirectly, in SOLV International Ltd. and Mr Karl Schranz resigns from all positions in SOLV International Ltd. previously approved by the Authority, or unless the Authority allows otherwise, SOLV International Ltd. is directed to:
  - [i] Refrain from onboarding new clients; and
  - [ii] Refrain from providing existing clients with any new and/or additional services which it is licensed or otherwise authorised to provide other than the services that it is already providing to any such client as at the date of this decision; and
2. Resolve by extraordinary resolution, in terms of article 214(1)(a) of the Companies Act, that SOLV International Ltd. be dissolved and consequently wound up by the court where:
  - [i] The number of shareholders of SOLV International Ltd. is reduced to one and remains so reduced for more than six months, unless SOLV International Ltd. is a single member company specified in article 212(3) of the Companies Act; or
  - [ii] The number of directors of SOLV International Ltd. is reduced to below the minimum prescribed by article 137 of the Companies Act and remains so reduced for more than six months.

Provided that the coming into effect of the above directives is subject to such conditions as imposed by the Authority in its decision of the 11 May 2020.

**RES Malta Ltd.**

The Malta Financial Services Authority has issued a number of directives to RES Malta Ltd. as a consequence of the regulatory action taken against Dr. Christian Ellul and Mr. Karl Schranz on 8 May 2020.

On 11 May 2020, in terms of Article 11 of the Company Service Providers Act and Article 16(2)(b) of the Malta Financial Services Authority Act, the Authority has decided to direct RES Malta Ltd. as follows:

1. Until Mr Karl Schranz and Dr Christian Ellul divest themselves of all the qualifying shareholding which they hold, whether directly or indirectly, in RES Malta Ltd. and Mr Schranz resigns from all positions in RES Malta Ltd. previously approved by the Authority, or unless the Authority allows otherwise, RES Malta Ltd. is directed to, with immediate effect:
  - [i] Refrain from onboarding new clients; and
  - [ii] Refrain from providing existing clients with any new and/or additional services which it is licensed or otherwise authorised to provide other than the services that it is already providing to any such client as at the date of this decision; and
2. Resolve by extraordinary resolution, in terms of article 214(1)(a) of the Companies Act, that RES Malta Ltd. be dissolved and consequently wound up by the court where:
  - [i] The number of shareholders of RES Malta Ltd. is reduced to one and remains so reduced for more than six months, unless RES Malta Ltd. is a single member company specified in article 212(3) of the Companies Act; or
  - [ii] The number of directors of RES Malta Ltd. is reduced to below the minimum prescribed by article 137 of the Companies Act and remains so reduced for more than six months.

Brightwell Portfolio Fund SICAV plc

The Scheme was found to be in breach of the following Standard Licence Conditions (“SLC”) of Part BII of the Investment Services Rules for Professional Investor Funds (“the Rules”) and Appendix I to Part B of the Investment Services Rules for Professional Investor Funds:

- [i] SLC 1.23 and SLC 1.29 of the Rules - Failure to have an appointed Compliance Officer and MLRO
- [ii] SLC 1.62 of the Rules - Failure to submit the Audited financial statements from 31 December 2011 to 31 December 2018
- [iii] SLC 1.70 of the Rules - No reporting of material information to the MFSA
- [iv] SLC 1.74 of the Rules – Inadequate record-keeping to enable the Scheme to comply with the conditions stipulated in the Rules and to demonstrate that compliance has been achieved
- [v] SLC 1.8 and SLC 1.10 of the Rules – Inadequate administration agreement
- [vi] SLC 2.2 of Appendix I to Part B of the Investment Services Rules for Professional Investor Funds - Failure to have an appointed Director who is independent from the Manager and Custodian

On 19 May 2020, the MFSA cancelled, on regulatory grounds, the Collective Investment Scheme Licence of Brightwell Portfolio Fund SICAV plc. including the Licence granted to its remaining five Sub-Funds, namely Sub-Fund A - Global Managed Futures, Sub-Fund B - Equity Hedged, Sub-Fund C - High Leverage Managed Futures, Sub-Fund I - Properties Preferred and Sub-Fund P - Fixed Yield.

The Authority has taken this decision in terms of the powers under Article 7(3)(b) and (d) of the Investment Services Act.

Setanta Insurance Company Ltd.

The MFSA has taken regulatory action against the Company, now in liquidation, for committing the following serious regulatory breaches of the Insurance Business Act Chapter 403 of the Laws of Malta and the MFSA Act, Chapter 330 of the Laws of Malta:

- [i] Failure to comply with its Conditions of Authorisation;
- [ii] Failure to maintain the required margin of Solvency;
- [iii] Failure to maintain adequate Technical Reserves;
- [iv] Failure to submit an effective plan for the restoration of a sound financial position; and
- [v] Failure to abide by the MFSA’s directive to cease writing new business including renewal of policies.

On 2 June 2020, the MFSA has imposed an administrative penalty of four hundred seventy five thousand one hundred ninety two Euros (€475,192) in accordance with the law. However, the Authority is cognisant of the fact that given the Company’s frail financial position, the imposition of an effective pecuniary penalty might cause further detriment and prejudice to the rights of policy holders and other claimants who might still be trying to recover their funds. Consequently the MFSA has decided that the administrative penalty of four hundred seventy five thousand one hundred ninety two Euros (€475,192) it was going to otherwise impose upon the Company, shall be limited to a notional penalty of the same amount, which whilst reflecting the seriousness of the aforementioned breaches, shall not be paid to the MFSA in order to protect and safeguard the rights of policy holders and claimants.

Ariadne Capital Malta Ltd.

The Authority had suspended the Company’s licence in May 2018, after ACML was found to be in breach of the following Standard Licence Conditions of Part BIII of the Investment Services Rules for Investment Services Providers (“the Rules”), as set out hereunder:

- [i] SLC 1.14 of Part BIII of the Rules – ACML failed to cooperate with the MFSA in an open and transparent manner and to supply the MFSA with the required documentation and information;
- [ii] SLC 1.16 of the Part BIII of the Rules – ACML was not effectively directed and managed by at least two individuals;
- [iii] SLC 1.17 of the Part BIII of the Rules – ACML did not notify the MFSA of the departure of directors and senior officials;
- [iv] SLC 1.27 and 1.28 of the Part BIII of the Rules – ACML did not establish and maintain a compliance function and had been without a Compliance Officer since 3 January 2018;
- [v] SLC 2.01 of the Part BIII of the Rules – ACML does not have adequate human and technical resources to manage Alternative Investment Funds;
- [vi] SLC 2.04 of the Part BIII of the Rules- ACML had been without a permanent, functional and separate risk management function since 5 February 2016;
- [vii] SLC 11.13 of the Part BIII of the Rules – ACML did not appoint a compliance officer as from 3 January 2018 for the NAIF, even though it is the Company’s responsibility as its AIFM to have a compliance function in place; and
- [viii] SLC 11.26 of the Part BIII of the Rules – ACML did not appoint an MLRO as from 2 November 2017 for the NAIF, even though it is the Company’s responsibility as its AIFM to have an MLRO function in place.

Further to the suspension of the licence, the Company did not rectify the abovementioned breaches. In addition, the Company was found to be in breach of SLC 1.10 of the Part BIII of the Rules since ACML failed to commence its business since obtaining its licence on 31 July 2017.

On 11 June 2020, the MFSA cancelled, on regulatory grounds, the Alternative Investment Fund Manager Licence of Ariadne Capital Malta Ltd.

The Authority has taken this decision in terms of the powers under Article 7(2)(a), (b), (d) and (e) of the Investment Services Act.

The Authority’s decision was not appealed before the Financial Services Tribunal within the period established by law.

Malta Capital Management Ltd.

In addition to the Manager’s failure to satisfactorily address a number of breaches, which needed to be rectified following the suspension of its licence on 12 December 2017, the Manager did not seek to take any corrective actions or initiatives to restore its business operations and was found to be in breach of the following Standard Licence Conditions (“SLC”) of Part BIII of the Investment Services Rules for Investment Services Providers (“the Rules”):

- [i] SLC 8(a) of the Rules – Failure to notify the MFSA in writing and at least one month in advance of a change in its business name;
- [ii] SLC 22 of the Rules – Failure to have a Compliance Officer in place;
- [iii] SLC 29 of the Rules – Failure to act honestly, fairly and professionally in accordance with the best interests of its clients;

[iv] SLC 35 of the Rules – Failure to maintain sufficient financial resources;  
[v] SLC 38 of the Rules – Failure to have in place an Auditor; and  
[vi] SLC 40 of the Rules – Failure to submit the Audited Financial Statements from 31 December 2015 to 31 December 2019.

On 11 June 2020, the MFSA cancelled, on regulatory grounds, the Category 2 Investment Services Licence of Malta Capital Management Ltd.

The Authority has taken this decision in terms of the powers under Article 7(2)(b) and (d) of the Investment Services Act.

**MCM Global Opportunities Fund SICAV plc**

In addition to the Scheme’s failure to satisfactorily address a number of breaches which needed to be rectified following the suspension of its licence on 24 May 2017, the Scheme did not seek to take any corrective actions or initiatives to restore its business operations and was found to be in breach of the following Standard Licence Conditions (“SLC”) of Part BII of the Investment Services Rules for Professional Investor Funds (“the Rules”):

[i] SLC 1.8 of the Rules – Failure to appoint a Fund Administrator;  
[ii] SLC 1.13 of the Rules – Failure to implement adequate safekeeping arrangements;  
[iii] SLC 1.23 of the Rules – Failure to have an appointed Compliance Officer;  
[iv] SLC 1.29 of the Rules – Failure to have an appointed Money Laundering Reporting Officer;  
[v] SLC 1.32 of the Rules – Failure to have in place an Auditor;  
[vi] SLC 1.39 of the Rules – Failure to take all reasonable steps to comply with the investment objectives, policies and restrictions outlined in its Offering Documentation; and  
[vii] SLC 1.62 of the Rules – Failure to submit the Audited Financial Statements from 31 December 2014 to 31 December 2019.

The Authority has taken this decision in terms of the powers under Article 7(3)(b) and (d) of the Investment Services Act.

On 11 June 2020, the MFSA cancelled, on regulatory grounds, the Collective Investment Scheme Licence of MCM Global Opportunities Fund SICAV plc, including the Licence granted to its only Sub-Fund, namely Global Equity Opportunities Fund.

The Authority has taken this decision in terms of the powers under Article 7(3)(b) and (d) of the Investment Services Act.

**Plegt-Vos Retirement Scheme**

The Scheme failed to adhere to its obligations in terms of Article 46(1) of the Retirement Pensions Act (Cap 514) to submit the audited financial statements within the regulatory deadline.

On 12 June 2020, the MFSA decided to impose an administrative penalty of five thousand Euro (€5,000) on Plegt-Vos Retirement Scheme.

**Worldwide Pensions Ltd.**

On 12 June 2020, the MFSA decided to impose an administrative penalty of five thousand Euro (€5,000) on Worldwide Pensions Ltd.

The Company failed to adhere to its obligations in terms of Article 46(1) of the Retirement Pensions Act (Cap 514) to submit the audited financial statements within the regulatory deadline.

**Grand Harbour Trustees Ltd.**

On 18 June 2020, the MFSA decided to impose an administrative penalty of fifteen thousand Euro (€15,000) on Grand Harbour Trustees Ltd.

The MFSA determined that the Company has acted in breach of/not satisfied the following:

[i] Breach of Regulation 3(1) of the Trust and Trustees Act (Register of Beneficial Owners) Regulations; [ii] Breach of Article 43(4)(i)(f) of the Trusts and Trustees Act and of Paragraph 9.6 of the Code of Conduct for Trustees and Other Fiduciaries;  
[iii] Breach of Article 47(1)(a) of the Trusts and Trustees Act; and  
[iv] Breach of Article 21(1) of the Trusts and Trustees Act and of Paragraph 6 of the Code of Conduct for Trustees and Other Fiduciaries.

**Advent Insurance PCC Ltd.**

On 17 July 2020, the MFSA decided to impose an administrative penalty of twenty-one thousand four hundred and sixty Euro (€21,460) on Advent Insurance PCC Ltd.

The Company failed to adhere to its obligations in terms of Article 20(1) and Article 32 of the Insurance Business Act for failure to submit the audited financial statements and the report on solvency and financial condition within the regulatory deadline.

**Blaustein Ltd.**

The MFSA determined that the Company has acted in breach of the following:

[i] Articles 5(1)(c)(iii) and (iv) of the Company Service Providers Act;  
[ii] Rule 15.06 of the CSP Rules;  
[iii] Article 5(7) of the CSP Act and Rule 13.04(e) of the CSP Rules;  
[iv] Rule 6.0 of the CSP Rules;  
[v] Rule 7.0 of the CSP Rules;  
[vi] Rules 15.01(a) and (c), 15.02, and 15.03;  
[vii] Rule 15.01(f) of the CSP Rules;  
[viii] Article 5(1)(a) of the CSP Act and Rule 5.0 of the CSP Rules; and  
[ix] Article 6(1)(d) of the CSP Act.

On 28 July 2020, the MFSA decided to proceed with imposing the following regulatory actions against the Company:

[i] In terms of Article 6(1)(a), (b), (d) and (g) of the Company Service Providers Act (“CSP Act”), the MFSA has decided to cancel the Company’s registration granted to it under Article 5 of the CSP Act;

[ii] In terms of Article 9(1) of the CSP Act has imposed a penalty of eight thousand Euros (€8,000) for the breach of article 5(1)(c)(iii) of the CSP Act;

[iii] In terms of Article 9(1) of the CSP Act has imposed a penalty of eight thousand Euros (€8,000) for the breach of Rule 6.0 of the Rules for Company Service Providers (“CSP Rules”); and



[iv] In terms of article 9(1) of the CSP Act has imposed a penalty of eight thousand Euros (€8,000) for the breach of Rule 7.0 of the CSP Rules.

In terms of Article 6(3) of the Company Service Providers Act, a Company whose registration has been cancelled shall, within sixty days from the date of cancellation of registration, ensure that the services it has been providing to companies or other legal persons in terms of its registration are transferred to another person which is duly registered in terms of this Act.

**Mr Vadim Blaustein**

Mr Blaustein has been found to have acted in breach of/not satisfying the following:

- [i] Article 5(1)(c)(iii) and (iv) of the Company Service Providers Act; and
- [ii] Rule 5.0 of the Rules for Company Service Providers.

On 28 July 2020, the MFSA has decided that Mr Blaustein can no longer be deemed to be fit and proper, and is prohibited, in terms of Article 11 of the Company Service Providers Act and Article 16(2)(b) of the Malta Financial Services Authority Act, from holding any position and accepting any new appointments including as shareholder in entities or in relation to activities licensed and/or otherwise supervised by the MFSA for a period of five (5) years from the date of the MFSA's decision.

**Building Block Insurance Malta PCC Ltd.**

On 31 July 2020, the MFSA decided to impose an administrative penalty of twenty-one thousand and one hundred Euro (€21,100) on Building Block Insurance Malta PCC Ltd.

The MFSA determined that the Company failed to adhere to its obligations in terms of Article 20(1) and 32 of the Insurance Business Act for failure to submit the Audited Financial Statements and the Report on solvency and financial condition within the regulatory deadline.

**Global Capital Life Insurance Ltd.**

On 31 July 2020, the MFSA decided to impose an administrative penalty of twenty thousand seven hundred and sixty Euro (€20,760) on Global Capital Life Insurance Ltd.

The MFSA determined that the Company failed to adhere to its obligations in terms of Article 20(1) and 32 of the Insurance Business Act for failure to submit the Audited Financial Statements and the Report on solvency and financial condition within the regulatory deadline.

**ARQ Fiduciaries Ltd.**

The MFSA determined that the Company failed to adhere to its obligations in terms of Regulation 3(1) of the Trust and Trustees Act (Register of Beneficial Owners) Regulations for failure to submit the declaration of beneficial ownership for trusts which generated tax consequences and for which the Company acted as a trustee.

On 7 August 2020, the MFSA decided to impose an administrative penalty of fifteen thousand Euro (€15,000) on ARQ Fiduciaries Ltd.

**Corporate & Commercial FX Services Ltd.**

The MFSA determined that the Company failed to adhere its obligations in terms of the following:

- [i] Article 5(1)(b) of the Financial Institutions Act ("the Act") as the Institution failed to comply with its on-going conditional requirement to have at least two individuals who are effectively directing the business of the Institution in Malta;
- [ii] Article 5(1)(c) of the Act as it failed to ensure and maintain an internal governance structure necessary for the undertaking of its activities and to ensure that effective procedures are in place to identify and manage the risks to which it is or might be exposed;
- [iii] Article 24A(b) of the Act, in view of the conflicting statements provided to the Authority with respect to the Institution's decision to suspend all its operation and consequently, the Institution is considered to be in breach of Article 5(1)(d) of the Act; and
- [iv] The Institution has repeatedly failed to submit to the MFSA the Audited Financial Statements, the Auditor's Management Letters and the Statutory returns within the prescribed time frames in terms of Articles 14 and 17B of the Act and paragraph 35 of FIR/02 on 'Supervisory and Regulatory Requirements of Institutions authorised under the Financial Institutions Act 1994'.

On 7 August 2020, the MFSA decided to withdraw the Institution's licence in terms of Article 6(1)(d) and (i) of the Act and with imposing the following directives in terms of Article 7B of the Act:

- [i] to proceed with returning all clients' funds held by the Institution according to the timelines indicated by the MFSA; and
- [ii] to report to the MFSA on the progress made on the return of clients' funds.

The Authority's decision was appealed before the Financial Services Tribunal within the period established by law.

**AYN Ltd.**

The MFSA determined that the Institution failed to adhere its obligations in terms of:

- [i] The pre-licensing conditions set by the Authority, namely pre-licensing conditions (c) and (d), which require the engagement of an Operations Manager and a Risk Manager respectively. The Institution has also failed to demonstrate whether post-licensing conditions (c) and (d) with respect to the timely confirmation of the appointment of the external auditor and the submission of the relevant outsourcing service agreement, and the engagement of the internal auditor, which needed to be satisfied prior to the commencement of business, have been met in full;
- [ii] Article 5(1)(c) of the Financial Institutions Act ("the Act") and the Institution's licence conditions as it failed to ensure and maintain an appropriate operational and internal governance structure;
- [iii] Article 14 of the Act, as well as Article 17B of the Act and para 35 of the Financial Institutions Rules, FIR/02/2019 as it regularly failed to submit a complete and proper set of statutory returns which the MFSA requires for supervisory and regulatory reasons; and
- [iv] Article 18(3) of the Act for failing to inform the Authority immediately of the appointment of its external auditor.

On 11 August 2020, the MFSA decided to withdraw the Institution's licence in terms of Articles 6(1)(b), (d) and (i) of the Act.

Mr Alexander Mangion

On 28 August 2020, the MFSA has decided that Mr Alexander Mangion can no longer be deemed as being fit and proper and in terms of Article 15(2) of the Investment Services Act and Article 16(2)(b) of the Malta Financial Services Authority Act, is prohibiting him to act, in any capacity, as an approved person with any entity licensed or otherwise authorised by the Authority, or to be personally licensed, authorised, enrolled, registered or otherwise approved by the Authority for a period of ten (10) years from the date of this decision.

Mr Melvyn Mangion

On 28 August 2020, the MFSA has decided that Mr Melvyn Mangion can no longer be deemed as being fit and proper and in terms of Article 15(2) of the Investment Services Act and Article 16(2)(b) of the Malta Financial Services Authority Act, is prohibiting him to act, in any capacity, as an approved person with any entity licensed or otherwise authorised by the Authority, or to be personally licensed, authorised, enrolled, registered or otherwise approved by the Authority for a period of ten (10) years from the date of this decision.

MPM Capital Investments Ltd.

The deficiencies identified further to the Authority’s analysis of the activities undertaken by the Company, relate to the issues that:

MPM has carried out, on a regular and habitual basis, the payment service activity set out in paragraph 2, sub-paragraph (f), of the Second Schedule of the Financial Institutions Act (“FIA”), that is, money remittance, without the required licence;

The Company provided the Authority with false, inaccurate and misleading information; and

MPM failed, as a licence holder, to act and cooperate with the Authority in an open and honest manner, thus being in breach of Rule 1.02 of Part BI - Standard Licence Conditions applicable to Investment Services Licence Holders which qualify as MiFID Firms (applicable up to 2 January 2018) (“the Investment Services Rules”). Additionally, the Company has also been in breach of Rule 1.06(o) of the Investment Services Rules since it may have not informed the Authority of material information concerning the Company immediately upon becoming aware of the matter.

On 28 August 2020, the MFSA decided to cancel the Company’s investment services licence by virtue of the powers granted under Article 7(2)(a), (b), (c) and (g) of the Investment Services Act once the transfer of the Company’s investment services business and the transfer of clients’ investment holdings is finalised.

The Authority has also decided to proceed with imposing the following directives on the Company with immediate effect to:

- (i) Refrain from onboarding new investment services clients and accepting new business;
- (ii) Undertake the transfer of the Company’s investment services business and the orderly transfer of the remaining clients’ investment holdings;
- (iii) Maintain proper safeguards of all records relating to MPM’s operations, including its investment services activities. The Company should therefore not destroy, conceal or alter such records in any way which would prejudice the Authority’s functions at law; and
- (iv) Cooperate fully with the Inspector appointed by the Authority in the course of the tasks assigned to him as indicated below.

Furthermore, the Authority has decided to appoint an Inspector to assist the Authority in the fulfilment of its functions at law, particularly to assist with the transfer of the Company’s investment services business as well as the transfer of the clients’ investment holdings and review the reconciliation exercises as required.

The Authority’s decision was not appealed before the Financial Services Tribunal within the period established by law.

JD Capital plc

On 11 September 2020, the MFSA decided to impose an administrative penalty of five thousand Euro (€5,000) on JD Capital plc.

The Authority has taken this decision in terms of the powers under Article 22(1) of the Prevention of Financial Market Abuse Act.

The MFSA determined that the Company failed to adhere to its obligations in terms of Article 18(1)(c) of the Market Abuse Regulation for failure to submit the updated List of Insiders to the MFSA within the established timeframes. The Authority’s decision was appealed.

Mr John Anthony Farrell

On 11 September 2020, the MFSA has decided that Mr John Anthony Farrell can no longer be deemed as being fit and proper and in terms of Article 15(2) of the Investment Services Act and Article 16(2)(b) of the Malta Financial Services Authority Act, and is prohibiting him to act, in any capacity, as an approved person with any entity licensed or otherwise authorised by the Authority, or to be personally licensed, authorised, enrolled, registered or otherwise approved by the Authority for a period of ten (10) years from the date of this decision.

The Authority has determined that various breaches of Standard Licence Conditions (“SLC”) laid down in Part BII of the Investment Services Rules for Investment Service Providers (“Rules”) which were committed by Temple Asset Management Ltd., can also be attributed to Mr Farrell’s repeated failure as director, as well as other key roles which he occupied within the company.

Novium Opportunity Umbrella SICAV plc

In addition to the Scheme’s failure to comply with the MFSA Directive dated 28 November 2017 issued in terms of Article 15 of the Investment Services Act, the Scheme was also found to be in breach of the following Standard Licence Conditions (“SLC”) of Part BII of the Investment Services Rules for Professional Investor Funds issued under the Investment Services Act (“the Rules”):

[i] SLC 1.39 of the Rules - Failure to take all reasonable steps to comply with the investment objectives, policies and restrictions outlined in its Offering Documentation; and

[ii] SLC 1.62 of the Rules - Failure to submit the Audited Financial Statements from 31 December 2015 to 31 December 2019.

On 11 September 2020, the MFSA decided to cancel the Collective Investment Scheme Licence of Novium Opportunity Umbrella SICAV plc, including the licence granted to its six (6) sub-funds, namely Personal Care Fund; Special Situations Fund; Vintage Watches Fund; Primatist Multi Strategy Fund; Quality Investment Fund; and Bull Bear Opportunities Fund.

The Authority has taken this decision in terms of the powers under Article 7(3)(b) of the Investment Services Act.

### **Excellence Investment Umbrella SICAV plc**

On 17 September 2020, the MFSA decided to cancel the Collective Investment Scheme Licence of Excellence Investment Umbrella SICAV plc, including the licence granted to its four (4) sub-funds, namely Innovative Investment Fund; Perfectum Fund; Exclusive Gold & Precious Metals Fund; and Omega Investment Fund.

The Authority has taken this decision in terms of the powers under Article 7(3)(b) of the Investment Services Act.

In addition to the Scheme's failure to comply with the MFSA Directive dated 23 January 2018 issued in terms of Article 15 of the Investment Services Act ("ISA"), the Scheme was also found to be in breach of the ISA and Standard Licence Condition ("SLC") of Part BII of the Investment Services Rules for Professional Investor Funds issued under the ISA ("the Rules"):

[i] Article 13(1)(ii)(a) of the ISA – Failure to submit documentation in relation to the surrender of licences granted to two (2) of the Scheme's sub-funds; and

[ii] SLC 1.62 of the Rules - Failure to submit the Audited Financial Statements from 31 December 2014 to 31 December 2019.

### **Mr Dennis Muscat**

The MFSA determined that Dennis Muscat has acted in breach of Article 3 of the Investment Services Act ("ISA") by providing investment services without a licence on a regular and habitual basis.

On 3 June 2020, the MFSA had directed Mr Dennis Muscat with immediate effect in terms of Article 15 of the ISA and Article 16 of the MFSA Act to:

- (i) Cease the provision of any financial services which requires prior authorisation from the MFSA, including the provision of investment services as defined under the applicable law; and
- (ii) Refrain from destroying, altering or amending in any way documentation, whether electronic or physical held by him or any service provider related to the introductory services, as well as any other financial services, including investment services of any type, which he may have provided to third parties.

On 18 September 2020, the MFSA decided to impose an administrative penalty of one hundred and fifty thousand euros (€150,000) on Dennis Muscat. The Authority has decided to direct Mr Muscat in terms of Article 15 of the ISA and Article 16 of the MFSA Act to cease the activity of introducing investment services clients to locally licensed investment firms for a period of ten (10) years.

The Authority's decision was appealed before the Financial Services Tribunal within the period established by law.

### **BTI Management Ltd.**

The MFSA considers that the Company is not in a position to continue servicing its clients whilst adhering to the applicable legal requirements, particularly the requirements of the Rules for Company Service

Providers ("the Rules") which Rules are issued pursuant to Article 8 of the Act, and on the 23 September 2020 the MFSA directed the Company to:

- (i) Refrain from onboarding new clients and refrain from providing existing clients with any new or additional services until such time as the MFSA has obtained the necessary information and assurances on the impact that the recent developments may have on the operations of the Company and its ability to satisfy on an on-going basis the applicable requirements under the laws;
- (ii) Provide a detailed report to the MFSA on the impact that these developments have on the business of BTIM. The Company must also provide a way forward for the business; and
- (iii) Direct BTIM to issue a notification to clients on the recent developments and their impact on their services as identified in directive (ii) above. The Company is also directed to seek clients' confirmation whether they wish to retain the services provided by BTIM.

### **BT International Ltd.**

The MFSA considers that the Company is not in a position to adhere in full to the requirements of Rule 6 of the Code of Conduct ("the Code") issued pursuant to Article 52 of the Trusts and Trustees Act Chapter 331 of the Laws of Malta, and on the 23 September 2020 the MFSA directed the Company to:

- (i) Refrain from onboarding new clients and refrain from providing existing clients with any new or additional services until such time as the MFSA has obtained the necessary information and assurances on the impact that the recent developments may have on the operations of the Company and its ability to satisfy on an on-going basis the applicable requirements under the laws;
- (ii) Provide a detailed report to the MFSA on the impact that these developments have on the business of BTI; and
- (iii) Direct BTI to issue a notification to clients on the recent developments and their impact on their services as identified in directive (ii) above. The Company is also directed to seek clients' confirmation whether they wish to retain the services provided by BTI.

### **Public Private Real Estate Fund SICAV plc**

The Scheme was found to be in breach of the Investment Services Act ("ISA") and Standard Licence Conditions ("SLC") of Part BII of the Investment Services Rules for Professional Investor Funds ("the Rules") as per below:

[i] Article 13(1)(ii)(a) of the ISA – Failure to furnish the Authority with relevant information and documentation;

[ii] SLC 1.62 of the Rules - Failure to submit the Audited Financial Statements from 31 December 2015 to 31 December 2019;

[iii] SLC 1.5 of the Rules and SLC 4.3 of Appendix 1 of the Rules - Failure to appoint a third-party Investment Manager or to set up an adequately constituted Investment Committee; and

[iv] SLC 1.8 and SLC 1.10 of the Rules - Failure to appoint a Fund Administrator.

On 6 October 2020, the MFSA decided to cancel the Collective Investment Scheme Licence of Public Private Real Estate Fund SICAV plc. The Authority has taken this decision in terms of the powers under Article 7(3)(b) of the Investment Services Act.

The Authority's decision was not appealed before the Financial Services Tribunal within the period established by law.



Mr Clayton Formosa and Odin Professional Services

On 13 October 2020, the MFSA decided to impose an administrative penalty of twenty-five thousand euros (€25,000) in term of Article 16(3) of the MFSA Act in view of the breach of Article 10(1) of the CSP Act in view of his failure to provide requested information to the Authority. Moreover, the Authority has decided to direct Mr Formosa in terms of Article 16(2) of the MFSA Act to cease the provision of any services which require prior authorisation or registration from the MFSA, including the provision of CSP services as defined under the applicable law.

The MFSA determined that Mr Clayton Formosa has acted in breach of Article 10(1) of the Company Service Providers Act (Cap 529 of the Laws of Malta) (“CSP Act”).

The Authority’s decision was appealed before the Financial Services Tribunal within the period established by law.

Nexia BT

By virtue of the powers given to the MFSA under Article 6(1)(d) of the Regulations, the Authority has decided, on 13 October 2020 to suspend the authorisation of Nexia BT to act as approved auditors authorised to audit accounts of insurance intermediaries in view of the temporary suspension of the registration of Nexia BT by the Accountancy Board.

On the 30 October 2020, the Authority notified Nexia BT that in light of the resolution of the Accountancy Board dated 16 October 2020, revising the temporary suspensions issued on 25 September 2020, the Authority decided that should the Accountancy Board approve the engagement of Nexia BT for audits of entities licensed by the MFSA, the Firm should duly inform the Authority of the Accountancy Board’s decision. Nexia BT was informed that the Authority would then process such engagements on a case by case basis to approve or otherwise, as applicable, such engagements, in accordance with the relevant laws and regulations.

Mistral Pay Ltd.

The MFSA determined that the Institution has acted in breach of Article 5(1)(c) and Article 11A of the Financial Institutions Act (‘FIA’ and/or ‘Act’).

On the 21 October 2020, the MFSA decided to impose an administrative penalty of thirty-two thousand four hundred euros (€32,400) in terms of Subsidiary Legislation 376.02 Fines and Administrative Penalties for Offences Regulations issued under the FIA for breaches of Article 5(1)(c) and Article 11A of the FIA.

In the meantime, Mistral has submitted a request to surrender its licence under the Act and the MFSA has allowed the Institution to initiate the process for the voluntary surrender of the licence subject to all the requirements at law applicable to the voluntary surrender of a licence under the FIA, including any additional conditions which the Authority may deem appropriate to impose.

Real Exchange (REX) Ltd.

The MFSA considers that the Company is not in a position to adhere in full to the requirements of Chapter 3 of the Virtual Financial Assets Rulebook (“the Rules”) and therefore on 17 December 2020, the MFSA directed the Company to cease the onboarding of new clients with immediate effect.

CCGM Pension Administrators Ltd.

On 18 December 2020, the MFSA decided to impose an administrative penalty of thirty thousand Euro (€30,000) on CCGM Pension Administrators Ltd.

The Authority has taken this decision in terms of the powers in terms of Article 46(1) of the Retirement Pensions Act and Rule B.4.6.2 of Part B.4 of the Pension Rules for Service Providers.

The MFSA determined that the Company failed to adhere to its obligations in terms of the following Standard Licence Conditions (“SLC”) of the Pension Rules for Occupational Retirement Schemes and the Pension Rules for Service Providers issued under the Retirement Pensions Act:

- [i] SLC 2.6.9 of Part A of the Pension Rules for Occupational Retirement Schemes - Failure to satisfy a post-licensing condition;
- [ii] SLC B.5.2.1(k) of Part B of the Pension Rules for Occupational Retirement Schemes – Failure to notify the Authority of material information concerning an Occupational Pension Scheme;
- [iii] SLC B.4.4.2 of Part B.4 of the Pension Rules for Service Providers - Failure to obtain prior consent from the Authority prior to the outsourcing of its Custody function; and
- [iv] SLC B.1.2.1 of Part B of the Pension Rules for Occupational Retirement Schemes - Failure to operate in accordance with the Scheme Document of the Occupational Pension Scheme.

# APPENDIX 8 – Memoranda of Understanding (MoU) in force

## Bilateral MoUs with Foreign Regulators

Entity	Scope of Agreement
Australian Prudential Regulation Authority	Banking and Insurance
Austrian Financial Market Authority	Credit Institutions
Belgian Banking and Finance Insurance Commission	Banking
Bermuda Monetary Authority	Insurance, Credit Institutions and Trusts
Cayman Islands Monetary Authority	Credit Institutions, Insurance, Securities and Trusts
China Banking Regulatory Commission	Banking
China Securities Regulatory Commission	Securities
Cyprus Central Bank	Credit Institutions
German Federal Financial Supervisory Authority	Banking, Securities and Insurance (primarily Banking)
Gibraltar Financial Services Commission	Banking, Securities and Insurance
Guernsey Financial Services Commission	Banking, Investment Services, Insurance and Fiduciary Services
Isle of Man Financial Services Commission	Securities and Banking
Isle of Man Insurance and Pensions Authority	Mutual Assistance and Exchange of Information
Jersey Financial Services Commission	Mutual Assistance and Exchange of Information
Mauritius Financial Services Commission	Securities, Insurance and Pensions
Netherlands Central Bank	Banking
Portugal Central Bank	Credit Institutions
Portugal Securities Market Commission	Securities
Qatar Financial Centre Regulatory Authority	Banking, Financial and Insurance related business
Slovakia National Bank	Banking, Insurance and Securities
South Africa Financial Services Board	Securities, Insurance and Pension Funds
Turkey Banking Regulation and Supervision Agency	Banking
Turkey Capital Markets Board	Securities
UAE Abu Dhabi Global Market Financial Services Regulatory Authority	Banking, Securities and Insurance
UAE Dubai Financial Services Authority	Securities, Credit Institutions, Insurance and Trusts
USA Nebraska Department of Insurance	Insurance
UK Financial Conduct Authority	Banking, Insurance and Investment Services
UK Financial Conduct Authority	Securities
Ukraine National Securities and Stock Markets Commission	Securities and Markets
Vatican Financial Information Authority	Financial Institutions
Vietnam National Financial Supervisory Commission	Banking, Securities and Insurance

## Bilateral MoUs with Local Authorities

Entity	Scope of Agreement
Accountancy Board	Framework for co-operation, mutual assistance and exchange of information between the two entities
Central Bank of Malta	Exchange of Information in the Fields of Financial Services; Joint Financial Stability Board, Financial Market Infrastructures
Commissioner for Voluntary Organisations	Framework for co-operation, mutual assistance and exchange of information between the two entities, for the purpose of assisting each other in the discharge of their own respective functions
Financial Intelligence Analysis Unit (FIAU)	Cooperation, Rendering of Mutual Assistance and Exchange of Information in the field of AML/CFT Compliance Supervision Cooperation and Exchange of Information; and the allocation of responsibilities in ensuring compliance by subject persons with their obligations under the Prevention of Money Laundering Act (PMLA) and National Interest Act (NIA)
Malta Business Registry (MBR)	Framework for co-operation, mutual assistance and exchange of information between the two entities
Office of Fair Competition	Mutual assistance and exchange of information

**Multilateral MoUs and Protocols**

Entity	Scope of Agreement
European Insurance and Occupational Pensions Authority (EIOPA)	Insurance and Occupational Pensions
European Securities and Markets Authority (ESMA)	Securities
Financial Supervisory Authorities, Central Banks and Finance Ministries of the EU	Cross-Border Financial Stability
International Organization of Securities Commissions (IOSCO)	Securities, Administrative arrangement for the transfer of personal data with non-EEA Authorities
Ministry of Finance, the Economy and Investment and Central Bank of Malta	Co-operation in the management of financial crisis situations
International Association of Insurance Supervisors (IAIS)	Exchange of Information in Insurance Regulatory and Supervisory matters
The Institute of Directors (IoD UK) and the Institute of Directors Malta Branch (IoD Malta)	Setting up of a joint initiative between IoD Malta and the MFSA for the scope of improving Board education and standards
MGA, Sanctions Monitoring Board, FIAU, MFSA	Formulise their cooperation and exchange of information, and the allocation of responsibilities in ensuring compliance by subject persons with their relevant obligations under the PMLA and NIA

**Agreements by means of Letters with Foreign Regulators**

Commissione Nazionale per le Società e la Borsa (CONSOB)	Securities
Swiss Financial Market Supervisory Authority (FINMA)	Banking and Securities

# APPENDIX 9 – Litigation in connection with the MFSA's exercise of its Regulatory and Supervisory Functions

**Pending appeals\* before the Financial Services Tribunal**

- Nicholas Portelli v MFSA (Case Ref: FST 04/09)
- European Insurance Group Ltd. v MFSA (Case Ref: FST 01/10)
- Hermione Bugeja v MFSA (Case Ref: FST 01/14)
- Novium AG v MFSA (Case Ref: FST 02/15)
- JFP Investments (SICAV) plc v MFSA (Case Ref: FST 01/16)
- FX-CAM Consulting and Advertisement Ltd. (formerly Sensus Capital Markets Ltd.) v MFSA (Case Ref: FST 02/16)
- St Publius Corporate Services Ltd. v MFSA (Case Ref: FST 03/16)
- Heikki Niemela, Mika Lehto, Nemea plc, Nevestor SA, Nemea Bank plc v MFSA (Case Ref: FST 04/16)
- Futura Investment Management Ltd. v MFSA (Case Ref: FST 08/16)
- Heikki Niemela, Mika Lehto, Nemea plc, Nevestor SA, Nemea Bank plc v MFSA (Case Ref: FST 10/16)
- Niemela, Lehto, Nemea plc, Nevestor SA, Nemea Bank plc v MFSA (Case Ref: FST 01/17)
- Victoria Insurance Agency Ltd. v MFSA (Case Ref: FST 02/17)
- Pilatus Holding Ltd. v MFSA (Case Ref: FST 02/18)
- Johannes Helmut Michael Bauer, Claude-Anne Sant Fournier, Hamidreza Ghanbari, Robert L. Klingensmith, Luis Felipe Rivera and Mustafa Cetinel in their personal capacities as directors of Pilatus Bank plc and for and on behalf of Pilatus Bank plc v MFSA (Case Ref: FST 03/18)
- Portmann Capital Management Ltd. v MFSA (Case Ref: FST 04/18)
- Portmann Capital Management Ltd. v MFSA (Case Ref: FST 05/18)
- Signia Holding Ltd. & Satabank plc v MFSA (Case Ref: FST 06/18)
- Novium AG v MFSA (Case Ref: FST 01/19)

\* as at December 2020



- 19. ITC International Pensions Ltd. v MFSA (Case Ref: FST 02/19)
- 20. E&S Consultancy Ltd. v MFSA (Case Ref: FST 03/19)
- 21. Marine Bunkers Malta Ltd. v Listings Authority & MSE (Case Ref: FST 05/19)
- 22. E&S Consultancy Ltd. v MFSA (Case Ref: FST 06/19)
- 23. Karl Schranz v MFSA (Case Ref: FST 01/20)
- 24. Christian Ellul v MFSA (Case Ref: FST 02/20)
- 25. Signia Holding Ltd. & Satabank plc v MFSA (Case Ref: FST 03/20)
- 26. Corporate & Commercial FX Services Ltd. v MFSA (Case Ref: FST 04/20)
- 27. Dennis Muscat v MFSA (Case Ref: FST 05/20)
- 28. JD Capital plc v MFSA (Case Ref: FST 06/20)
- 29. OTP Financing Malta Co. Ltd. v MFSA (Case Ref: FST 07/20)
- 30. Signia Holding Ltd. & Satabank plc v MFSA (Case Ref: FST 08/20)
- 31. Clayton Formosa practising trade under the name ‘Odin Professional Services’ v MFSA (Case Ref: FST 09/20)

PENDING COURT CASES AS AT 31 DECEMBER 2020

Court of Appeal (Civil, Inferior)

- 32. Portmann Capital Management Ltd. v FIAU & MFSA (95/18 LM)
- 33. FX-CAM Consulting and Advertisement Ltd. (C57386), ex Sensus Capital Markets Ltd. v MFSA (67/19 LM)
- 34. James Blake v MFSA (75/2020 LM)

Civil Court, First Hall

- 35. All Invest Company Ltd. v X (888/2013 JZM)
- 36. Amedeo Barletta noe v MFSA (276/2012 JRM)
- 37. Pilatus Holding Ltd. et v MFSA (936/2018 RGM)
- 38. E&S Consultancy Ltd. v MFSA (759/2019 AF)

Civil Court (Commercial Section)

- 39. Maltese Cross Financial Services Ltd. v X (204/2015 JZM)
- 40. Av Mark Refalo noe v Brian Tonna Pro Et Noe (827/17 JZM)

Civil Court, First Hall (Constitutional Jurisdiction)

- 41. Carmel Cortis et v Prim Ministru et (21/2019 TA)



# Photography

This year’s annual report takes the reader on a night-time journey through some of the landmarks across the Maltese Islands which have stood the test of time and remain a valuable contribution to the country’s cultural and historical heritage.



Valletta



Balluta, St. Julian's



Mdina



Birgu



Mosta



Mellieħa



Ċittadella, Victoria



Floriana



Għarb

# Notes

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# Notes

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