

05 August 2021

## The Investment Firms Regulation and Directive - 6th Briefing

### 1. Introduction

As communicated in previous briefings and communications, the Investment Firms Regulation and Directive (“the IFRD package”) came into force on 26 June.

The Bill which amends the Investment Services Act (“ISA”) has been submitted to Parliament for approval and the Legal Notices (“LNs”) which introduce new Subsidiary Legislation (“SL”) are also in the works. Once these are published in the Government Gazette, these will become applicable to ensure that the IFRD package is transposed. Moreover, the MFSA is hereby issuing the revised Part BI: Rules applicable to Investment Services Licence Holders which qualify as MiFID Firms (“the Rulebook”). The aim of this circular is to provide a high-level explanation of the changes to the Rulebook.

References to the Rulebook should be interpreted as references to the Rulebook which is being issued today, together with this circular. Nonetheless, the Authority will be retaining the previous Rulebook on its website for an interim period for ease of reference.

### 2. Changes to the Rulebook

The MFSA had to carry out significant changes to ensure proper transposition and implementation of the IFRD package, along with various other Regulations and Directives; the Taxonomy Regulation, the Sustainable Finance Disclosure Regulation, the CRD, the CRR II, the MiFIR, and the MiFID II. Moreover, additional changes have been carried out to streamline the said Rulebook.

#### Reorganisation

The new IFRD package removes the current categories and introduces classes of investment firms in terms of the IFR, as communicated to the industry in the [briefing](#) dated 06 February 2020.

The new rulebook will reflect this change. It is split in three Parts:

#### A. Part 1 General: All Classes

This Part applies to all classes of Investment Firms. It contains provisions which are homegrown, and which partially transpose the MiFID II and the IFRD.

#### B. Part 2: Class 1s and Class 1 Minus

This Part automatically applies to the largest investment firms, Class 1s, which are subject to the CRR and the CRD. Class 1 Minus firms may also be subjected to this area of the Rulebook, when they satisfy certain criteria of the IFRD package and the MFSA deems it necessary. This Part implements the CRR and partially transposes the CRD.

C. Part 3: Class 1 Minus, Class 2 and 3

This Part implements the IFR and partially transposes the IFD, which governs and regulates Class 2 and 3 firms. This Part applies to all Class 1 Minus firms on a case-by-case basis as the MFSA deems fit in view that the EU framework allows the MFSA to determine under which framework Class 1 minus firms should fall.

Implementation of Regulations

In the new Rulebook, the Authority has removed all the text which was lifted verbatim from the CRR and has opted for a more efficient and simpler way to guide the industry. We have created Titles with the names of Chapters of the relevant Regulations and inserted a rule which refers the Licence Holder to the relevant Chapter of the Regulation.

Removal of the concept of 'Introducers'

In the versions preceding the current Rulebook, prior to MiFID II, reference was made to the term 'Introducer' and introduced provisions which regulated Licence Holder's use of such a person. Such term is defined as follows: *"a person who enters into a written arrangement with a Licence Holder, whereby such person introduces a potential customer to the Licence Holder. As a consequence of this introduction, the Licence Holder may remunerate the introducer by means of commission."*

Therefore, considering that the Introducers regime is homegrown, the MFSA decided to remove the section relating to Introducers in the new Rulebook.

3. Conclusion

The new Rulebook shall apply as of 06 August 2021.

Should you have any queries in relation to this briefing, please contact us on [investmentfirms@mfsa.mt](mailto:investmentfirms@mfsa.mt).