

22 April 2022

## Guidance on the Submission of Involvement Suitability Assessment

The MFSA is making changes to the way in which authorised persons should submit their Involvement Suitability Assessments (ISA) (formerly known as the “Entity Assessment”). The changes will ensure authorised persons can submit confidential data directly to the MFSA and ensure the PQ submissions are accurate and complete before they are launched.

The main changes which are effective immediately, are:

- i. Authorised persons and entities seeking authorisation should submit their ISA (AX02) form via email to the respective supervisory function’s email address<sup>1</sup>. These should not be given to candidates to upload in FinHub alongside their PQ.
- ii. Authorised persons should set out details of the recruitment, selection, and appointment of their proposed staff.
- iii. Where staff are recruited on a part time basis, authorised persons should demonstrate they have assessed the commitment required and any support arrangements envisaged by their proposed appointee.
- iv. Authorised persons should also verify that all the information required to administer the PQ approval process is ready before their candidate submits their PQ. Authorised persons should confirm this in their ISA, which they should then submit only once they have completed their verification.
- v. Authorised persons are not required to submit updated information for Board members who are simply changing roles within the same Board, provided the person updates their PQ to reflect any new position held. The authorised person should notify the MFSA by email of any such changes. The MFSA will communicate directly with the Chair of the Board if a competency assessment is required in these circumstances.

### Content of the Involvement Suitability Assessment

Authorised persons are expected to complete the ISA with the following information. A failure to do so will mean the process to review the PQ will be halted whilst gaps in the ISA

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<sup>1</sup> AU Charter, 3.2.3 Submission of intent, Table 3-1: Authorisation Email Addresses of Respective Functions  
<https://www.mfsa.mt/wp-content/uploads/2021/06/MFSA-Authorisation-Process-Service-Charter.pdf>

are completed by the authorised person. For avoidance of doubt, the assessment of a PQ by the Authority shall not start prior to the submission of the ISA.

Section 3.1.1 – the authorised person should describe the recruitment process. This should include whether the role was advertised (internally or externally to the authorised person), the number of applicants, the number selected for interview and the names of the members of the interview panel. This section should include the rationale for the selection of the proposed individual with reference to the job description / key requirements of the role.

Section 3.1.2 – the authorised person should set out the checks they performed to confirm that a valid PQ can be submitted. This should include that the candidate has relevant exam and police conduct certificates, any references sought to validate work experience and any other information required as part of the PQ submission. The authorised person should confirm they have validated all necessary information available in the ISA, submit the ISA and then instruct their proposed nominee to submit their PQ.

Section 3.1.3 – the authorised person should set out any professional or personal connections a prospective employee has (or has had) with clients, service providers, UBOs, qualifying shareholders or anyone appointed to the board or management.

Section 3.1.4 – The authorised person should set out:

- a. the hours the individual will dedicate (and if the individual intends to be supported by external parties, what assessment of the firm or other individuals to whom any work is delegated has been made and the hours each of them will commit)
- b. if the individual is part time, the entity should set out the assessment of hours the individual has committed to in other organisations, and demonstrate the hours required in the role can be performed by the individual (including whether those hours will be performed onsite). This should also include what assessment has been made of the team to which any tasks will be delegated.
- c. if the individual is part time and intends to take up other commitments, the entity should set out the controls and constraints (incl. the handling of conflicts of interest) it has put around ensuring the hours it is contracting are adequate for the role and can be performed on an ongoing basis including the notification requirements if the individual takes on extra involvements and the contractual clauses covering exit provisions that the authorised person can invoke if they are not satisfied. The Authorised person shall notify the Authority if unsatisfied.

Section 3.1.5 – the authorised person should set out any training the proposed individual has completed in preparation for their role, the proposed induction and training programme after commencement of employment including to address any gaps identified in the recruitment process. This should include management, leadership, and technical skills.

Section 3.1.6 – the authorised person should ask the Chair of the Board to set out the rationale for the appointment of any board positions in the context of the existing board set

up and any succession plan. This should include the implications for any future board appointments and where applicable, reference EU policy requirements.

Authorised persons should check that the certifications their proposed individuals will submit are in line with the FIAU's implementing procedures. The authorised person will be notified if they are not and it will be the responsibility of the authorised person to ensure matters are rectified.

Authorised person should ensure that the ISA submitted to the Authority is signed by the senior official responsible for the recruitment of the proposed individual.

### **Changing the PQ for a change of role on the board of the same authorised person**

The authorised person is not required to submit a revised ISA for changes to a role on the board for an already approved individual. The individual is only required to update their PQ to reflect the change in job title. They may create a copy of any existing profile in FinHub and append the certifications used for their previous approval and add in any new role title.

If the individual does not have a profile on FinHub, the MFSA would require them to create one and append the certifications used for their previous approval or to generate up to date certifications if they cannot.

The MFSA will communicate directly with the Chair of the Board if a competency assessment is required in these circumstances. This arrangement replaces that set out in the MFSA's circular of 13th February 2019. Board members are not required to submit any revised documentation/attachments unless requested by the MFSA.

[https://www.mfsa.mt/wp-content/uploads/2019/02/Circular-to-Applicants-who-are-required-to-complete-a-Personal-Questionnaire\\_FINAL.pdf](https://www.mfsa.mt/wp-content/uploads/2019/02/Circular-to-Applicants-who-are-required-to-complete-a-Personal-Questionnaire_FINAL.pdf)