

Consultation on the Corporate Governance Code

Enhancing the Governance, Culture and Conduct of MFSA Authorised Entities

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NOTE: The documents circulated by the MFSA for purposes of consultation are in draft form and consist of proposals. Accordingly, these proposals are not binding and are subject to changes and revisions following feedback received from stakeholders. It is important that persons involved in the consultation bear these considerations in mind.

Contents

Overview and Background.....	3
The Corporate Governance Code	3
Way Forward.....	4
Conclusion	4

Overview and Background

The Malta Financial Services Authority (MFSA or Authority) considers corporate governance to be one of its key priorities – from both a strategic and supervisory perspective. Ensuring good corporate governance complements, supports and is conducive to the Authority reaching its objectives of preserving financial stability, to the integrity of the markets, and to the protection of consumers of financial services.

The MFSA seeks to ensure that authorised entities keep good corporate governance at the forefront of their agenda, with a view to fostering responsible and efficient management, to the long-term continuity and success of firms and to the creation of sustainable value for all stakeholders. Moreover, the Authority has also identified corporate governance as a driver for the achievement of regulatory outcomes – apart from being a vital indicator of the existence of a compliance culture.

In light of this, in 2020, the Authority published a [Consultation Document](#) entitled ‘*Stakeholder Consultation on Revisiting the Corporate Governance Framework for Entities Authorised by the MFSA and Listed Companies*’ whose primary objective was the implementation of a new Corporate Governance Code, seeking to raise the bar for corporate governance standards and to encourage the maintenance of a prudent and consumer-focused corporate culture.

The MFSA received feedback from several stakeholders, and all comments received were carefully considered. The majority of respondents welcomed the MFSA’s commitment towards revisiting the corporate governance framework and the proposal to issue a comprehensive principles-based Corporate Governance Code. However, respondents also emphasized the importance of retaining sector-specific guidance and rules on corporate governance, with the majority not favoring a one-size-fits-all approach, or any possible duplication of governance-related reporting. The Authority’s response and positions are highlighted in the [MFSA Feedback Statement](#).

The Corporate Governance Code

In line with the positions set out in the Feedback Statement, the Authority has over the past months been drafting the Corporate Governance Code, and this is today being issued as an annex to this document for public consultation. Stakeholders are therefore being given the opportunity to consider its contents and provide their views, comments and suggestions on the Code’s principles, prior to it coming into force.

The draft Code, which will be applicable to all persons authorised by the MFSA, adheres to international standards while remaining relevant to the local context. It is emphasized that the Code will not apply to listed entities falling within the scope of the MFSA Capital Market Rules.

The Code comprises of a number of principles, to be applied on a 'best effort basis', ensuring that the principle of proportionality remains at the core of its application. These are complemented by supporting provisions to guide the entities towards achieving the objectives set out in the principles. It is organised into four main sections, as follows: [i] the Effective Board; [ii] Internal Controls; [iii] Stakeholder Engagement and [iv] Corporate Culture, Corporate Social Responsibility and Environmental, Social and Governance.

Way Forward

The MFSA is committed to ensuring a constructive dialogue with its stakeholders to contribute to informed and better decision making and to enabling a transparent policy-making process that increases the level of acceptance of decisions and, therefore, compliance.

In this light, the Authority intends to continue strengthening engagement with the industry on corporate governance themes. Such initiatives shall include, among others, further industry events and thematic reviews covering corporate governance. Furthermore, it is the intention of the Authority to continue undertaking further regulatory policy work focused on this area. The outcome that the Authority is aiming to achieve with these initiatives is the highest governance standards of entities authorised by the MFSA, in such a way that all market participants will be fully aware and committed to implementing the top standards of corporate governance.

Conclusion

MFSA is seeking feedback from authorised entities and practitioners prior to proceeding with the publication of the final Code. Any comments or feedback to this Consultation are to be addressed to the Strategy, Policy and Innovation function by sending an email on corporategovernance@mfsa.mt, by no later than **22 March 2022**.