

Compilation of VFA Service Providers' Return

Guidance Notes

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REVISIONS LOG

VERSION	DATE ISSUED	DETAILS
1.00	01 July 2021	Issuance of document.
2.00	11 January 2022	<ul style="list-style-type: none">– Introduced List of Abbreviations– Updated Section 2– Updated Section 4 to provide additional clarity on Generally Applicable Guides and the definitions of data points required
3.00	30 March 2022	<ul style="list-style-type: none">– Introduced guidance on: IP-A1, IP-A1c, OF-032a, VT-002a

LIST OF ABBREVIATIONS

AT1	Additional Tier 1
AVR	Annual VFASP Return
AAVR	Audited Annual VFASP Return
CET1	Common Equity Tier 1
CRR	Capital Requirements Regulation (Regulation (EU) No 575/2013)
FOR	Fixed Overheads Requirement
IAS	International Accounting Standards
IVR	Interim VFASP Return
LH	Licence Holder
MFSA	Malta Financial Services Authority
NCA	National Competent Authority
VFA	Virtual Financial Asset
VFASPs	Virtual Financial Asset Service Providers

1. Introduction

As the single regulator for financial services in Malta, the Malta Financial Services Authority (“**MFSA**” or “**the Authority**”) is responsible for the authorisation and supervision of entities operating within the Virtual Financial Assets (“**VFA**”) industry, which are in turn governed by, *inter alia*, the VFA Rulebook (“**the Rules**”), where each chapter sets out the rules applicable to VFA Agents, VFA Issuers and VFA Service Providers (“**VFASPs**”), respectively.

On 25 June 2021, the MFSA has issued a VFASP Return (“**the Return**”) applicable to VFASPs in order to collect the data necessary for its supervisory engagements. In this respect, these Guidance Notes are intended to provide the relevant stakeholders with guidance on the compilation of the VFASP Return.

2. Access & Compatibility of the Return

For each submission, the Licence Holder (“**LH**”) is required to compile and submit the latest version of the Return. In this respect, prior to every submission, the VFASP is required to download the latest version of the Return from the [MFSA Website](#). This is because the MFSA may, from time to time, update or amend the Return. The version control convention follows this pattern “v:22-01-a”, where “22” stand for the year, “01” the version number within that year, “a” immaterial change. When considering the version, please ignore the final letter.

The Return is supported by Microsoft Office 2013 suit onwards. Note that although certain programme applications may still access Microsoft Excel, they may jeopardise the integrity of the contents within the Return. In this regard, where programme applications other than Microsoft Excel are utilised, the Licence Holders are to ensure that the integrity and protection of the downloadable document is maintained at all times.

The Return must be saved in *Microsoft Excel Macro-Enabled Worksheet* format, therefore when opening the Return, a window may pop up, giving the option to enable Macros. In such instance, click on the button “*Enable Macros*” prior to proceeding with the compilation of the workbook. The “*Macro Security*” of your computer should be set as either “*Medium*” or “*Low*”. Please note that if the VFASP does not enable the Macros, the submission is automatically rendered invalid, and the Authority would require the respective company to resubmit the Return.

It is reiterated that **the sheets’ and workbook’s protection should at no point be broken**. Should a LH encounter technical difficulties please contact the Authority on vfa@mfsa.mt or contact the relationship manager with whom you usually correspond with. Returns which structure and/or protection is compromised may be rendered invalid, in which case the Licence Holder would be deemed to have failed to comply with the Rules.

3. Submission of the VFASP Return

Licence Holders are required to submit the Return as follows:

1. The **Interim VFASP Return (“IVR”)** covering three-month, six-month and nine-month period from the accounting reference date, within one month from the end of such period. It should be noted that a number of sheets are greyed out when submitting data for Q1 and Q3 (i.e. the submissions for the three and the nine month periods);
2. The **Annual VFASP Return (“AVR”)** covering a twelve-month period, on a yearly basis and within one month of the accounting reference date; and
3. The **Audited Annual VFASP Return (“AAVR”)** submitted within six months of the accounting reference date, together with the Audit Pack as indicated by R3-3.5.4.2.1 of Chapter 3 of the VFA Rulebook (“**the Rules**”).

Kindly refer to the VFASP Regulatory Documentation Submissions Guide, which provides guidance on the expected VFASPs submission dates and methods. For ease of reference, the document can be found through this [link](#).

Licence Holders are reminded that, during the same financial year, the Return is to be compiled on a cumulative basis. All Returns are to be uploaded in excel macro-enabled format, through the LH Portal. In addition, Licence Holders are also required to submit the Representations Sheet, of the respective Return, in original and signed by at least two Directors, or any other person authorised to sign by way of a Board Resolution. Furthermore, the AAVR’s Representations Sheet is to be also signed by the External Auditor.

While these guidelines are not exhaustive, submissions which do not follow this guidance document may be rendered invalid in which case the Licence Holder would be deemed to have failed to comply with the Rules.

4. Compilation of the Return

This Section provides detailed explanations with respect to the compilation of several sheets within the Return, which is divided into four sections as follows:

- 4.1: Generally Applicable Guides
- 4.2: Standard Templates
- 4.3: Capital Requirements
- 4.4: Operations

4.1. Generally Applicable Guides

Six quick checks to undertake and keep in mind before and while compiling the return:

- i. Ensure you have the latest version available;
- ii. Always open the Return enabling Macros;
- iii. Ensure the application you are using is fully compatible with the MS Excel and that the file integrity is maintained at all times;
- iv. Always save the Return *.xism* (macro enabled);
- v. If the file shows signs of corruption, please start a-fresh or contact the MFSA; and
- vi. If you encounter technical difficulties contact the MFSA.

The compilation of the Return should start from the first worksheet (Cover Sheet) and details should be inserted as and where appropriate, starting from the top and moving to the end of each sheet.

To select a hidden sheet, the user must go to the '*Index*' Sheet and click on the arrow button next to the respective sheet. Please note that all sheets are password protected and all cells are locked, with the exception of cells highlighted in grey, which allow for manual inputting and other amendments by the user.

Unless instructed otherwise, all grey cells are to be filled. If the data point is not applicable for the LH's use case, fill "0".

4.2. Standard Templates

(1) Cover Sheet

Code	Data Entry	Comment
CS-1	Document Type	The Document type is selected from the dropdown menu, which distinguishes between the three types of returns mentioned in Section 3 of this Guidance. The document type should reflect the respective period type for which the Return is being compiled. Failing to select the appropriate document type may hide required sheets and/or invalidate certain validations
CS-2	Name of Licence Holder	The user is required to select the name of the Entity.
CS-6a	Reporting period (From)	The IVRs are cumulative in nature, thereby reflected by these entries. The period must start from the first day of the financial year being reported. Insert dates using "/" or "-", as a delimiters (ex: 01/01/2022). The delimiter "." is NOT compatible and will render the Return invalid.
CS-6b	Reporting period (To)	This date is to be filled in after CS – 6a to ensure successful loading of the Return.

		<p>Insert dates using "/" or "-", as a delimiters (ex: 31/12/2021). "." will render the Return invalid.</p> <p>Upon filling this date, the excel will take a few seconds to process & load the abridged version in the submissions of Q1 & Q3 (i.e. for 3 & 9 months). This will hide/grey-out several rows and sheets.</p> <p>Note that sometimes the file may return an error when any of the dates is deleted. In such case, please click "End" on the pop window and re-populate the date, after which the file should work well. Should you encounter further errors in this regard, please close and re-open the file. If the error persists, please contact vfa@mfsa.mt or the relationship manager with whom you usually correspond with.</p>
CS-8	Reporting Currency	The Return is to be prepared in the same currency being used in the Audited Financial Statements ¹ .
CS-9	Exchange Rate	<p>With respect to the exchange rate, please ensure that this is quoted from the ECB's website, as at the end of reporting period.</p> <p>The reporting currency shall be the base currency.</p> <p>If the reporting currency is EUR, please fill-in "1".</p>
CS-10	Accounting Framework	The user is required to specify the accounting framework used to prepare the Return, where the accounting policies shall be consistent with those adopted in the audited financial statements.

(2) Input Sheet

The Sheet is used as the foundation of the automation for a number of sheets within the Return, and is divided into eight sections:

1. Income
2. Expenditure
3. Movements effected through the statement of changes in Equity
4. Statement of Other Comprehensive Income
5. Assets
6. Liabilities

¹ In the event that the Licence Holder deems it feasible to change its reporting currency, it is required to submit a formal request for the Authority's consideration. The formal request should include, *inter alia*, the proposed currency and the value of the company's shareholding following a change in currency.

7. Capital & Reserves
8. Others

All amounts should have a positive value, unless a loss has been incurred by the respective entity in relation to the data point in question. It should be noted that, figures representing expenditures and liabilities should also be positive in value. While data entries are self-explanatory, please note below additional comments.

Code	Data Entry	Comment
IP-I1	Dealing Profit (or Loss) - Trading	Gains or Loss made on spreads when dealing on own account.
IP-I2	Commissions received on transactions	Commissions received from third parties when offering the VFA services of Receiving a Transmitting or Executing client trade orders.
IP-I3	Management Fees	Applicable for Discretionary Portfolio Management.
IP-I4	Investment Advisory Fees	Applicable for Investment Advice.
IP-I7	Transaction Fees	Fees related to Execution of orders by the VFA Exchange service or Brokerage services.
IP-I8	Listing Fees	Fees received by issuers of VFA to list the VFA on the VFA Exchange.
IP-I9	Other Exchange fees	Other revenue generated through the VFA Exchange service which is not captured in other data points.
IP-I12	Other VFA-related revenue	<p>Any other revenue generated in relation to VFA services which is not captured by the above revenue categories.</p> <p>The user is required to input the relevant details for the said data entries in the adjacent grey cells as prompted in the Sheet upon inserting this amount.</p> <p>The details will be then reflected in the '<i>Financials</i>' Sheet under the '<i>Income Statement & Items through Statement of Changes in Equity</i>' Section.</p>
IP-I13	Non-VFA-related revenue	The user is required to input the relevant details for the said data entries in the adjacent grey cells as prompted in the Sheet upon inserting this amount.

		The details will be then reflected in the ' <i>Financials</i> ' Sheet under the ' <i>Income Statement & Items through Statement of Changes in Equity</i> ' Section.
IP-E1, IP-E2	Commissions and Fees	These data entries refer to commissions and fees that are directly related to the acquisition of gross revenue (derived from VFA activities), as defined in the Virtual Financial Assets Regulations (L.N. 357 of 2018).
IP-E18	Custody Fee	Fees payable to third party custody providers
IP-E27	Non-recurrent expenses	Expenditure incurred that is not part of the company's ordinary day-to-day operations.
IP-E33	Taxation for the year	Besides providing for taxation in the Annual Income Statement included in the AVR, Licence Holders are required to provide for taxation in the interim Income Statement in the IVR.
IP-A1	Intangible Assets	Licence Holders are to report Intangible Assets under the 3 categories available in the VFASP Return.
IP-A1c	(ii) Prudently valued software assets, the value of which is not negatively affected by resolution, insolvency or liquidation of the company (as stipulated by REGULATION (EU) 2019/876).	<p>Software intangible assets can be assessed for their qualification as "prudently value software assets, the value of which is not negatively affected by resolution, insolvency, or liquidation of the company. For this assessment Licence holders are to refer to REGULATION (EU) 2019/876).</p> <p>Note that, as also stipulated in REGULATION (EU) 2019/876), such software assets have a different prudential treatment to other forms of intangible assets. Please refer to Amending notice (2020/2176) to the Commission Delegated Regulation (EU) No 241/2014. The respective applicable deduction to Own Funds is to be calculated by the Licence Holder and inserted on OF-032a on the OwnFundsCalc sheet.</p>
IP-A7	Unsettled VFA Transactions	<p>The user is required to fill in the aggregate amounts in the respective threshold.</p> <p>In addition, the user is also required to provide the respective amounts relating to Trading & Non-Trading book in the adjacent grey cells which appear upon inserting this amount.</p> <p><i>Trading Book</i> refers to VFAs positions held either with trading intent or in order to hedge other elements of the trading book and which are either free of any restrictive covenants on their tradability or able to be hedged.</p>

		<i>Non-Trading Book</i> refers to Positions, exposures, assets and liabilities that are not in the trading book.
IP-A8	Group Debtors	<p>Details in relation to any amounts due from group companies or connected persons are to be filled in the adjacent grey cell. These details will be then reflected in the 'Financials' Sheet under the 'Balance Sheet' Section.</p> <p>The relevant definition of 'Group' is that defined in the Companies Act (Chapter 386 of the Laws of Malta).</p>
IP-A15	VFAs (assets side)	Value of proprietary VFAs in reporting currency, as at the end of reporting period, held on the Company's books.
IP-L1a, IP-L1b, IP-L1c	Loans	<p><i>Subordinated Loan</i> refers to instruments which qualify as Own Funds and are governed by the criteria stipulated in the Part Two of the Regulation (EU) No 575/2013 ("CRR"). Note that any Subordinate Loan qualifying as Tier 2 Capital for the purposes of Own Funds, is to be approved by the Authority.</p> <p>The user is to insert the [1] Loan date; and [2] Maturity date, of Fixed term Subordinated Loans, in the adjacent grey cells which appear upon inserting the loan amount.</p> <p>Note that the amortisation of Tier 2 Subordinated Loan instruments, as per article 64 of the CRR, is automatically calculated and reflected in <i>Own Funds: Calculation</i> sheet.</p>
IP-L2, IP-L6	Group Creditors	Details in relation to any amounts due to group companies or connected persons are to be filled in the adjacent grey cell. These details will be then reflected in the 'Financials' Sheet under the 'Balance Sheet' Section.
IP-L13	VFAs – Short Position	The user shall input the value of VFAs, in reporting currency, which the Company has in short positions.
IP-R4	Retained Earnings	These figures are to be reported net of Other comprehensive Income
IP-07	Verified profits	<p>This refers to any interim profits may wish to qualify as Own Funds as per Article 26 (2) of the CRR.</p> <p>If marked "Yes", the VFASP is required to submit a confirmation, signed by the external auditor which states that the amount of verified profits, have been verified, and thereby can qualify as CET 1 instruments as part of the VFASP's Own Funds.</p>

IP-08	Verified profits	The amount reported here must match that stated in the External Auditor's Confirmation, which subject to the Authority's approval will qualify as CET 1 Capital.
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In terms of International Accounting Standards ("IAS") 1(88), an entity shall recognise all items of income and expenses in a period in profit or loss unless the International Financial Reporting Standards ('IFRS') requires or permits otherwise. Some IFRSs require or permit some components to be excluded from profit or loss and instead to be included in other comprehensive income. The components of other comprehensive income include:

1. Fair value movements on Intangible Assets;
2. Gains and losses on re-measuring available-for-sale financial assets (IAS 39);
3. Gains and losses on revaluation of property;
4. Other items of income and expense included in other comprehensive income; and
5. The amount of income tax relating to each item included in other comprehensive income.

(3) Financials

This Sheet is fully automated providing a snapshot of the Balance Sheet and Income Statement, as at reporting period. Its scope is to ease review for the LH's senior officials and Directors.

(4) Supervisory Fee Calculator

The *Supervisory Fee Calculator* Sheet must be filled when providing data within the Audited Annual VFASP Return. The user is required to input: (i) the respective gross revenue, as indicated in the Audited Financial Statements, that is derived from activities to which the VFA Licence was issued; and (ii) commissions directly related to the acquisition of the said gross revenue. The figures need to be inputted in the reporting currency, which are then automatically converted to Euro.

Validations checks are in place to flag discrepancies in figures inputted in this sheet and those reported in the input sheet. Please ensure to reconcile any discrepancies or provide clarity.

SF-006 automatically calculates the Annual Supervisory Fee, in Euro, that should be payable by the respective Licence Holder. The calculation of the fee is defined in the Legal Notice 357 of 2018 of the Virtual Financial Assets Act, Chapter 590 of the Laws of Malta.

(5) Representations Sheet

This is the Return's signature sheet which the LH's Directors or any other person authorised to sign by way of a Board Resolution, are required to sign upon review of the compiled Return, confirming all declarations listed within this sheet. In this regard, pursuant to the Rules R3-3.5.4.2.2, R3-3.5.4.3.2 and R3-3.5.4.4.3 the Representations Sheet is to be submitted in a

manner wherein signatures are original /authentic. With respect to the submission of the AAVR, the Representations sheet must be also signed by the Auditor of the Licence Holder.

The user is required to fill in the Sheet and reply to all statements accordingly. The said statements should be answered in relation to the relevant period. Reference is made to statement (i), reading "*The Licence Holder did not register shortfall on any of the capital requirements as applicable to it under the respective rules and regulations*". In the event where the Licence Holder reports a shortfall in the capital requirements, for example in the beginning of the year, which is then rectified during the second half of the financial year, the reply to this statement should be in the negative, as the shortfall was still recorded during the period ending on the accounting reference date.

Licence Holders are reminded that, ultimately, it is the Directors' responsibility to submit the Return by the respective deadline outlined in the Rules and ensure that the nature and content reported are accurate and not misleading as a result of misrepresentation, omission or miscalculation of any material item, irrespective of the LH's official(s) who are assigned to populate the said Return.

(6) Validation Sheet

Prior to submitting the Return to the MFSA, the Licence Holder must ensure that all validations are marked "OK". Where the validation is marked "Check", the user should check and correct the relevant sheet accordingly, prior to submission.

Submissions showing "Check" validation, may be rendered invalid and non-compliant. To avoid non-compliance, should you not manage to trace what is triggering the error, contact the Authority prior to the submission deadline for guidance.

4.3. Capital Requirements

(1) Own Funds Calculation

This Sheet is partially automated and may require manual intervention as applicable. The Licence Holder is reminded that, as per R3-3.3.4.1 of the Rules, it is required to maintain Own Funds equal to or in excess of the Capital Requirement, which is the higher of: (i) the permanent minimum requirement; or (ii) the fixed overheads requirement.

Reference should be made to Annex 1 for a breakdown of Own Funds including legal references and instructions. For further details regarding the Own Funds, and its calculation, Licence Holders are to make reference to Part Two of the CRR and the Regulatory and Implementing Technical Standards on Own Funds.

The user is required to fill in all respective grey cells accordingly. Data points which are not applicable to the entity, the user is required to input "0".

(2) Fixed Overheads Requirement (“FOR”)

Pursuant to R3-3.3.6.1 of the Rules, the FOR shall amount to at least one quarter of the fixed overheads of the preceding year.

Users are required to input the items of expenditure as per the latest Audited Financial Statement, and the applicable deductions, if any. Further reference should be made to Article 97 of the CRR and the Regulatory Technical Standards on Fixed Overheads.

For newly licenced entities, the LH should input the forecasted figures prepared at authorisation stage for the indicated data points.

(3) Regulatory Requirements

This Sheet is fully automated except for data point RR-011, in relation to the liquidity requirement.

The *Regulatory Requirements* Sheet provides a summary of the capital and liquidity regulatory requirements as at reporting date. The Licence Holder is reminded of its obligations to notify the Authority once a shortfall is identified and provide a detailed plan on the remediation thereof including envisaged milestones and timelines. In this regard, note that such obligation to notify the Authority is on an ongoing basis upon identification of any shortfall, and is thus not solely required in conjunction with the submission a VFASP Return.

Kindly note that should any one of the regulatory requirements indicate a shortfall, this will be highlighted by the respective validation checks in orange to signify the Shortfall.

4.4. Operations

(1) General VFA Services

The user is required to fill in all respective grey cells accordingly, unless instructed otherwise.

The Sheet is divided into the following sub-sections:

- (i) Clients’ Money (FIAT) – while this section is not applicable to Class 1 VFA Licence Holders, such users are required to populate ‘CM-001’ as ‘No’;
- (ii) VFA Settlements; and
- (iii) Other Activities.

Code	Data Entry	Comment
VT-002a	Accepting transaction to/from	For this instance, <i>unidentifiable</i> refers to the ability of the licence holder to identify the beneficial owner of such wallets. Thus, this question asks whether in instance where

	unidentifiable wallets	the licence holder is not able to do so, does it still accept transactions to/from such wallets.
VT-004	<i>Wallet Address Form</i>	<p>The user is required to mark if it needs to submit the <i>Wallet Address Form</i>, containing a list of wallet addresses controlled by the LH which interact/ed with third party wallets. Note that following the first submission, Licence Holders would be required to submit the <i>Wallet Address Form</i> in instances where additional wallet addresses were not provided to the Authority in previous submissions.</p> <p>The <i>Wallet Address Form</i> can be downloaded from the MFSA Website.</p>

(2) VFA Services

This Sheet covers all services listed under Schedule II of the Act, except for custody and/ or nominee services, data of which is found on a separate sheet. Therefore, the *VFA Services* Sheet is divided as follows:

- (i) Investment Advice
- (ii) Reception and Transmission of Orders
- (iii) Execution of Orders
- (iv) Portfolio Management
- (v) Placing of VFAs
- (vi) Dealing on Own Account
- (vii) Operation of VFA Exchange
- (viii) Transfer of VFAs

The user is requested to indicate the licensable services provided by the Licence Holder, via the respective dropdown menu. Through this operation, the user is able to fill in only the sections of the licensable activities applicable to the respective Licence Holder. The validation checks within the sheet enables the user to identify the required data to be inputted.

Note that data on Custody services are captured in a dedicated sheet.

Code	Data Entry	Comment
EO-001, EO-002	Orders executed on behalf of clients	Client orders which are executed on an executing venue, excluding those orders executed by means of Dealing on Own Account from the Licence Holder.
EO-004	Nature of Venue	The user is required to determine whether the executing venue is either: [1] Regulated Exchange; [2] Unregulated Exchange; [3] Regulated Broker; [4] Unregulated Broker; or [5] DeFi Protocol. By regulated exchange and regulated

		broker it is meant that the said execution venue is actively supervised by a National Competent Authority (“NCA”).
DA-002, DA-003	Trades on own account	All trades to which the Licence Holder was a counterparty to (i.e. including matched principle and hedge trades).
DA-005	Top 3 Liquidity Provider Counterparties	The counterparties and /or executing venues with whom the licence holder trades to obtain liquidity from or hedge trades in the course of executing client orders. Please report the full official or trade name of the entity.
TF-001	VFAs Transferred	<i>Transfers</i> refer to the service of conducting a transaction on behalf of a third party that allows the users to transfer ownership or control of a VFA to another user, or to transfer VFAs between VFA addresses or accounts held by the same user.

(3) Custody Details

This Sheet is applicable to Licence Holders providing Custody and/ or Nominee Services, and all cells marked in grey need to be filled, as necessary. Validations checks are in place that ensure the complete compilation of the said sheet. Should the entity not provide such a service, no validation errors will be applicable.

Code	Data Entry	Comment
CT-006	Top 3 outsourced third parties holding client VFAs	Please report the full official or trade name of the entity.
CT-015	Hot / Cold Wallet ratio	This refers to the respective ratio of Hot to Cold wallets for the top 5 VFAs held within the LH’s custodial perimeter. Ex: 5 and 1 (meaning for every 5 VFAs held in HOT wallets, 1 is kept in Cold)

(4) Custody Annual Form

The user is required to fill in this sheet on an annual basis when compiling the AAVR.

(5) Operations

This Sheet captures information in relation to:

- (i) Operational Set-up
- (ii) Group Operations
- (iii) Systems Performance & Resilience
- (iv) Cybersecurity

For the first submission, the Licence Holder is required to fill in all the requested information for both (i) Operational Set-up, and (ii) Group Operations. In subsequent submissions, the said sections are to be filled only in instances where the respective Licence Holder has undertaken changes in either the operational set-up, the group operations, or both.

Code	Data Entry	Comment
GO-001	Type of Authorisation	Type of authorisation the Group Company has acquired from the respective Competent Authority. For example, Credit Institution.
GO-001	Nature of Operations	This refers to the operational purpose of the group entity.

(6) Conduct of Business and Market Abuse

This Sheet captures information in relation to:

- (i) Market Abuse
- (ii) Complaints
- (iii) Best Execution
- (iv) Marketing Strategy

Code	Data Entry	Comment
CO-001	Complaints	Please provide the respective details listed in the table columns. Should the LH have more complaints, please provide us with a sperate excel file following the same template. The complaints reported here should reflect those which occurred during the reported period, and all complaints which were filed in previous periods and are still unresolved (thus resolved complaints filed during previous periods are to be excluded).
CO-001	Complaints - Realistic Compensation Payable Exposure	Please fill in "0" if the exposure is estimated to be so.

CO-001	Complaints – Won / Lost / Settled / Pending	This refers to the outcome of the complaint, independent from whether the client filed with the Arbiter or not.
CO-001	Complaints – Appealing	If the LH does not have clarity on the client’s or its intentions to appeal, please fill “Undecided”.
MS-001, MS-002	Type of Marketing Campaigns	This refers to any organised course of action, possibly through multiple channels to, <i>inter alia</i> , promote brand or product/service awareness, sales or alertness of potential risks.

(7) Clients’ Details

The user is requested to fill in all cells highlighted in grey as applicable to the respective Licence Holder. In the event that data points are not applicable, the user is expected to input “0”.

Code	Data Entry	Comment
CD-015	Clients' relationship terminated	Clients' relationship terminated due to concerns and other decisions taken by the Company.

5. Concluding Remarks

Licence Holders are reminded that as per R3-2.3.4.4.1(x), they are required to notify the Authority of any breach of the requirements emanating from the Rules, the Act or the VFA Regulations as soon as they become aware of the breach.

For further information regarding the deadlines of the VFASP Return submission and other regulatory reporting requirements, Licence Holders are requested to make reference to the Rules, as well as, the *VFASP Documentation Table*, which is found on the [MFSA Website](#). Finally, for any queries in relation to the VFASP Return, do not hesitate to contact the [VFA Function](#) on vfa@mfsa.mt.

Annex 1: Breakdown of Own Funds

Code	Data Entry	Comment
OF-001	Own Funds	<p><i>Articles 4(1)(118) and 72 of CRR</i></p> <p>The Own Funds of a Licence Holder shall consist of the sum of its Tier 1 capital and Tier 2 capital.</p>
OF-002	Tier 1 Capital	<p><i>Article 25 of CRR</i></p> <p>The Tier 1 Capital is the sum of Common Equity Tier 1 (“CET1”) Capital and Additional Tier 1 (“AT1”) Capital.</p>
OF-003	CET1 Capital	<i>Article 50 of CRR</i>
OF-005	Paid up capital instrument	<p><i>Articles 26(1) point (a) and 27 to 31 of CRR</i></p> <p>The share premium related to the instruments shall not be included.</p>
OF-006	Memorandum Items	<p><i>Article 28(1) points (b), (l) and (m) of CRR</i></p> <p>Conditions in those points reflect different situations of the capital which are reversible, and thus the amount reported here can be eligible in subsequent periods. The amount reported shall not include the share premium related to the instruments.</p>
OF-007	Share Premium	<p><i>Articles 4(1)(124), 26(1) point (b) of CRR</i></p> <p>Share premium has the same meaning as under the applicable accounting standard. The amount to be reported in this item shall be the part related to the “Paid up capital instruments”.</p>
OF-008	Own CET1 Instruments	<p><i>Articles 36(1) point (f) and 42 of CRR</i></p> <p>Own CET 1 held by the reporting Licence Holder subject to exceptions in Article 42 of CRR. Holdings on shares included as “Capital instruments not eligible” shall not be reported in this row.</p> <p>The amount to be reported shall include the share premium related to the own shares.</p>
OF-009	Direct Holdings of CET1 Instruments	<i>Articles 36(1) point (t) and 42 of CRR</i>

		The amount to be reported shall include holdings in the trading book calculated on the basis of the net long position, as stated in Article 42 point (a) of CRR.
OF-010	Indirect Holdings of CET1 Instruments	<i>Articles 4(1)(114), 36(1) point (t) and 42 of CRR</i>
OF-011	Synthetic holdings of CET1 instruments	<i>Articles 4(1)(126), 36(1) point (f) and 42 of CRR</i>
OF-012	Actual or contingent obligations	<i>Articles 36(1) point (f) and 42 of CRR</i>
OF-013	Retained Earnings	<i>Articles 26(1) point (c) and 26(2) of CRR</i> Retained earnings includes the previous year retained earnings plus the eligible interim or year-end profits. The eligible interim profits are profits verified by the Financial Auditor prior to the end of the accounting period.
OF-014	Previous years retained earnings	<i>Articles 4(1)(123) and 26(1) point (c) of CRR</i> CRR defines retained earnings as "Profit and losses brought forward as a result of the financial application of profit or loss under applicable accounting standards".
OF-015	Profit or loss eligible	<i>Articles 4(1)(123), 26(2) and 36(1) point (a) of CRR</i> Article 26(2) of CRR allows including as retained earnings interim or year-end profits, with the prior consent of the competent authorities, if some conditions are met. On the other hand, losses shall be deducted from CET1, as stated in Article 36(1) point (a) of CRR.
OF-016	Profit or loss attributable to owners of the parent	<i>Articles 26(2) and 36(1) point (a) of CRR</i> The amount to be reported shall be the profit or loss reported in the accounting income statement.
OF-017	Part interim or year-end profit not eligible	<i>Article 26(2) of CRR</i> This row shall not present any figure if, for the reference period, the LH has reported losses. This is because the losses shall be completely deducted from CET1.

		<p>If the LH reports profits, it shall report the part which is not eligible according to Article 26(2) of CRR, i.e. profits not audited and foreseeable charges or dividends.</p> <p>Note that, in case of profits, the amount to be deducted shall be, at least, the interim dividends.</p>
OF-018	Accumulated Other Comprehensive Income	<p><i>Articles 4(1)(100) and 26(1) point (d) of CRR</i></p> <p>The amount to be reported shall be net of any tax charge foreseeable at the moment of the calculation, and prior to the application of prudential filters. The amount to be reported shall be determined in accordance with Article 13(4) of Commission Delegated Regulation (EU) No. 241/2014.</p>
OF-019	Other Reserves	<p><i>Article 4(1)(117) and 26(1) point (e) of CRR</i></p> <p>Other reserves are defined in CRR as “Reserves within the meaning of the applicable accounting standard that are required to be disclosed under that applicable accounting standard, excluding any amounts already included in accumulated other comprehensive income or retained earnings”.</p> <p>The amount to be reported shall be net of any tax charge foreseeable at the moment of the calculation.</p>
OF-020	Funds for general banking risk	<p><i>Articles 4(1)(112) and 26(1) point (f) of CRR</i></p> <p>Funds for general banking risk are defined in Article 38 of Directive 86/635/EEC as “Amounts which a credit institution decides to put aside to cover such risks where that is required by the particular risks associated with banking”.</p> <p>The amount to be reported shall be net of any tax charge foreseeable at the moment of the calculation.</p>
OF-021	Minority interest given recognition in CET1 capital	<p><i>Article 4(120) and 84 of CRR</i></p> <p>Sum of all the amounts of minority interests of subsidiaries that is included in consolidated CET1.</p>
OF-022	Adjustment to CET1 due to prudential filters	<p><i>Articles 32 to 35 of CRR</i></p>
OF-023	Increases in equity resulting	<p><i>Article 32(1) of CRR</i></p>

	from securitised assets	<p>The amount to be reported is the increase in the equity of the institution resulting from securitised assets, according to the applicable accounting standard.</p> <p>For example, this item includes the future margin income that results in a gain on sale for the institution, or for originators, the net gains that arise from the capitalisation of future income from the securitised assets, that provide credit enhancement to positions in the securitisation.</p>
OF-024	Cash flow hedge reserve	<p><i>Article 33(1) point (a) of CRR</i></p> <p>The amount to be reported could either be positive or negative. It shall be positive if cash flow hedges result in a loss (i.e. if it reduces accounting equity) and vice versa. Thus, the sign shall be contrary to the one used in accounting statements.</p> <p>The amount shall be net of any tax charge foreseeable at the moment of the calculation.</p>
OF-025	Cumulative gains and losses due to changes in own credit risk on fair valued liabilities	<p><i>Article 33(1) point (b) of CRR</i></p> <p>The amount to be reported could either be positive or negative, it shall be positive if there is a loss due to changes in own credit risk (i.e. if it reduces accounting equity) and vice versa. Thus the sign shall be contrary to the one used in accounting statements.</p> <p>Unaudited profits shall not be included in this item.</p>
OF-026	Fair value gains and losses arising from the entity's own credit risk related to derivative liabilities	<p><i>Article 33(1) point (c) and 33(2) of CRR</i></p> <p>The amount to be reported could either be positive or negative. It shall be positive if there is a loss due to changes in own credit risk and vice versa. Thus, the sign shall be contrary to the one used in accounting statements.</p> <p>Unaudited profit shall not be included in this item.</p>
OF-027	Value adjustments due to the requirements for prudent valuation	<p><i>Articles 34 and 105 of CRR</i></p> <p>Adjustments to the fair value of exposures included in the trading book, or non-trading book due to stricter standards for prudent valuations set in Article 105 of CRR.</p>
OF-028	Goodwill	<i>Articles 4(1)(113), 36(1) point (b) and 37 of CRR</i>
OF-029	Goodwill accounted for as	<i>Articles 4(1)(113), 36(1) point (b), 37 point (b) and 43 of CRR</i>

	intangible asset/ included in the valuation of significant investments	<p>Goodwill has the same meaning as under the applicable accounting standard.</p> <p>The amount to be reported here shall be the same that is reported in the balance sheet, in relation to intangible asset, in addition to the valuation of significant investments.</p>
OF-030	Deferred tax liabilities associated to goodwill	<p><i>Article 37 point (a) of CRR</i></p> <p>Amount of deferred tax liabilities that would be extinguished if the goodwill became impaired or was derecognised under the relevant accounting standard.</p>
OF-031	Other intangible assets	<p><i>Articles 4(1)(115), 36(1) point (b) and 37 point (a) of CRR</i></p> <p>Other intangible assets are the intangible assets under the applicable accounting standard, minus the goodwill (also under the applicable accounting standard).</p>
OF-032a	(-) Prudently valued software assets, the value of which is not negatively affected by resolution, insolvency or liquidation of the company (as stipulated by REGULATION (EU) 2019/876).	<p><i>Article 13(a) of Amending notice (2020/2176) to the Commission Delegated Regulation (EU) No 241/2014.</i></p> <p>Software intangible assets can be assessed for their qualification as "prudently value software assets, the value of which is not negatively affected by resolution, insolvency, or liquidation of the company. For this assessment Licence holders are to refer to REGULATION (EU) 2019/876).</p> <p>The respective applicable deduction to Own Funds is to be calculated by the Licence Holder and reported here.</p>
OF-032	Other intangible assets gross amount	<p><i>Articles 4(1)(115) and 36(1) point (b) of CRR</i></p> <p>The amount to be reported here shall correspond to the amount reported in the balance sheet of intangible assets other than goodwill.</p>
OF-033	Deferred tax liabilities associated to other intangible assets	<p><i>Article 37 point (a) of CRR</i></p> <p>Amount of deferred tax liabilities that would be extinguished if the intangible assets other than goodwill became impaired or was derecognised under the relevant accounting standard.</p>
OF-034	Deferred tax assets that rely on future	<p><i>Articles 36(1) point (c) and 38 of CRR</i></p>

	profitability & do not arise from temporary differences	
OF-035	IRB Shortfall of credit risk adjustments to expected losses	<p><i>Articles 36(1) point (d), 40, 158 and 159 of CRR</i></p> <p>The amount to be reported shall not be reduced by a rise in the level of deferred tax assets that rely on future profitability, or other additional tax effect, that could occur if provisions were to rise to the level of expected losses.</p>
OF-036	Defined benefit pension fund assets	<i>Articles 4(1)(109), 36(1) point (e) and 41 of CRR</i>
OF-037	Defined benefit pension fund assets gross amount	<p><i>Articles 4(1)(109), 36(1) point (e) of CRR</i></p> <p>Defined benefit pension fund assets are defined as “the assets of a defined pension fund or plan, as applicable, calculated after they have been reduced by the amount of obligations under the same fund or plan”.</p> <p>The amount to be reported here shall correspond to the amount reported in the balance sheet (if reported separately).</p>
OF-038	Defined tax liabilities association to defined benefit pension fund assets	<p><i>Articles 4(1)(108) and (109), and 41(1) point (a) of CRR</i></p> <p>Amount of deferred tax liabilities that would be extinguished if the defined benefit pension fund assets became impaired or were derecognised under the relevant accounting standard.</p>
OF-039	Defined benefit pension fund assets that the entity has an unrestricted ability to use	<p><i>Articles 4(1)(109) and 41(1) point (b) of CRR</i></p> <p>This item shall only present any amount if there is the prior consent of the National Competent Authority to reduce the amount of defined benefit pension fund assets to be deducted.</p> <p>The assets included in this row shall receive a risk weight for credit risk requirements.</p>
OF-040	Reciprocal cross holdings in CET 1 Capital	<p><i>Articles 4(1)(122), 36(1) point (g) and 44 of CRR</i></p> <p>Holdings in CET1 instruments of financial sector entities (as defined in Article 4(27) of CRR) where there is a reciprocal cross holding that the National Competent Authority</p>

		<p>considers to have been designed to inflate artificially the own funds of the Licence Holder.</p> <p>The amount to be reported shall be calculated on the basis of the gross long positions, and shall include Tier 1 own-fund insurance items.</p>
OF-041	Excess of deduction from AT1 items over AT1 capital	<p><i>Article 36(1) point (j) of CRR</i></p> <p>The amount to be reported is directly taken from the indirect holdings of AT1 Instruments. The amount has to be deducted from CET1 Capital.</p>
OF-042	Qualifying holdings outside the financial sector	<p><i>Articles 4(1)(36), 36(1) point (k)(i) and 89 to 91 of CRR</i></p> <p>Qualifying holdings are defined as “direct or indirect holding in an undertaking which represents 10% or more of the capital or of the voting rights, or which makes it possible to exercise a significant influence over the management of that undertaking”.</p> <p>According to Article 36(1) point (k)(i) of CRR, they can, alternatively, be deducted from CET1 (using this item) or subject to a risk weight of 1250%.</p>
OF-043	Securitisation positions	<p><i>Articles 36(1) point (k)(ii), 243(1) point (b), 244(1) point (b), 258 and 266(3) of CRR</i></p> <p>Securitisation positions which are subject to a 1250% risk weight, but alternatively, are allowed to be deducted from CET1 (Article 36(1) point (k)(ii) of CRR). In the latter case, they shall be reported in this item.</p>
OF-044	Positions in a basket for which risk weight under IRB approach cannot be determined	<p><i>Articles 36(1) point (k)(iv) and 153(8) of CRR</i></p> <p>According to Article 36(1) point (k)(iv) of CRR they can, alternatively, be deducted from CET1 (using this item) or subject to a risk weighting of 1250%.</p>
OF-045	Equity exposures under an internal model approach	<p><i>Articles 36(1) point (k)(v) and 155(4) of CRR</i></p> <p>According to Article 36(1) point (k)(v) of CRR, they can, alternatively, be deducted from CET1 (using this item), or subject to a risk weight of 1250%.</p>
OF-046	CET1 capital elements or deductions – Others	<p>This row has been introduced to provide flexibility solely for reporting purposes. It shall only be populated in the rare cases that there is no final decision on the reporting of specific capital items/ deductions in the current template.</p>

		As a consequence, this row shall only be populated if a CET1 element cannot be assigned to one of the rows mentioned above.
OF-047	Additional Tier 1 (AT1) Capital	<i>Article 61 of CRR</i>
OF-048	Capital instruments eligible as AT1 Capital	<i>Articles 51 point (a), 52 to 54, 56 point (a) and 57 of CRR</i>
OF-049	Paid up capital instruments	<i>Articles 51 point (a) and 52 to 54 of CRR</i> The amount to be reported shall not include the share premium related to the instruments.
OF-050	Memorandum Item: Capital Instruments not eligible	<i>Article 52(1) points (c), (e) and (f) of CRR</i> Conditions in these points reflect different situations of the capital which are reversible and thus the amount reported here can be eligible in subsequent periods. The amount to be reported shall not include the share premium related to the instruments.
OF-051	Share Premium	<i>Article 51 point (b) of CRR</i> Share premium has the same meaning as under the applicable accounting standard. The amount to be reported in this item shall be the part related to the "Paid up capital instruments".
OF-052	Own AT1 Instruments	<i>Articles 52(1) point (b), 56 point (a) and 57 of CRR</i> Own AT1 instruments held by the Licence Holder or group at the reporting date. Subject to exceptions outlined in Article 57 of CRR. Holdings of shares included as "Capital instruments not eligible" shall not be reported in this row. The amount to be reported shall include the share premium related to the own shares. The user should note that actual or contingent obligations to purchase own AT1 instruments are reported separately in OF-056.
OF-053	Direct Holdings of AT1 Instruments	<i>Articles 4(1)(114), 52(1) point (b), 56 point (a) and 57 of CRR</i>

OF-054	Indirect Holdings of AT1 Instruments	<i>Articles 52(1) point (b)(ii), 56 point (a) and 57 of CRR</i>
OF-055	Synthetic Holdings of AT1 Instruments	<i>Articles 4(1)(126), 52(1) point (b), 56 point (a) and 57 of CRR</i>
OF-056	Actual or contingent obligations to purchase own AT1 instruments	<i>Articles 56 point (a) and 57 of CRR</i> According to Article 56 point (a) of CRR, "own AT1 instruments that an institution could be obliged to purchase as a result of existing contractual obligations" shall be deducted.
OF-057	Instruments issued by subsidiaries that are given recognition in AT1 Capital	<i>Articles 83, 85 and 86 of CRR</i> Sum of all the amounts of qualifying AT1 capital of subsidiaries that are included in consolidated AT1, if any. Qualifying AT1 capital issued by a special purpose entity (Article 83 of CRR) shall be included.
OF-058	Reciprocal cross holdings in AT1 Capital	<i>Articles 4(1)(122), 56 point (b) and 58 of CRR</i> Holdings in AT1 instruments of financial sector entities (as defined in Article 4(1)(27) of CRR) where there is a reciprocal cross holding that the competent authority considered to have been designed to artificially inflate the own funds of the Licence Holder. The amount to be reported shall be calculated on the basis of the gross long positions, and shall include AT1 own-fund insurance items.
OF-059	Excess of deduction from T2 items over T2 Capital	<i>Article 56 point (e) of CRR</i> The amount to be reported is directly taken from OF-076.
OF-060	Excess of deduction from AT1 items over AT1 Capital	<i>Article 36(1) point (j) of CRR</i> Additional Tier 1 cannot be negative, but it is possible that AT1 deductions are greater than AT1 Capital plus related share premium. When this happens, AT1 has to be equal to zero, and the excess of AT1 deductions has to be deducted from CET1.

		With this item, it is ensured that the sum of OF-48 to OF-061 is never lower than zero. If OF-060 shows a positive figure, item OF-041 shall have the inverse of that figure.
OF-061	AT1 Capital elements or deductions – Other	This row has been included to provide flexibility solely for reporting purposes. It shall only be populated in the rare cases that there is no final decision on the reporting of specific capital items/ deductions in the current template. As a consequence, this row shall only be populated if an AT1 element cannot be assigned to one of the rows mentioned above.
OF-062	Tier 2 Capital	<i>Article 71 of CRR</i>
OF-063	Capital instruments and subordinated loans eligible as T2 Capital	<i>Articles 62 point (a), 63 to 65, 66 point (a) and 67 of CRR</i>
OF-064	Paid up capital instruments and subordinated loans	<i>Articles 62 point (a), 63 and 65 of CRR</i> The amount to be reported shall not include the share premium related to the instruments.
OF-065	Memorandum item: Capital instruments and subordinated loans not eligible	<i>Article 63 points (c), (e) and (g) and 64 of CRR</i> Conditions in those points reflect different situations of the capital which are reversible and thus the amount reported here can be eligible in subsequent periods. The amount to be reported shall not include the share premium related to the instruments.
OF-066	Share premium	<i>Articles 62 point (b) and 65 of CRR</i> Share premium has the same meaning as under the applicable accounting standard. The amount to be reported in this item shall be the part related to the “Paid up capital instruments”.
OF-067	Own T2 instruments	<i>Articles 63 point (b)(i), 66 point (a) and 67 of CRR</i> Own T2 instruments held by the Licence Holder or group at the reporting date. Subject to exceptions in Article 67 of CRR. Holdings on shares included as “Capital instruments not eligible” shall not be reported in this row. The amount to

		<p>be reported shall include the share premium related to the own shares.</p> <p>OF-067 to OF-070 do not include actual or contingent obligations to purchase own T2 instruments. Actual or contingent obligations to purchase own T2 instruments are reported separately in OF-071.</p>
OF-068	Direct holdings of T2 instruments	<i>Articles 63 point (b), 66 point (a) and 67 of CRR</i>
OF-069	Indirect holdings of T2 instruments	<i>Articles 4(1)(114), 63 point (b), 66 point (a) and 67 of CRR</i>
OF-070	Synthetic holdings of T2 instruments	<i>Articles 4(1)(126), 63 point (b), 66 point (a) and 67 of CRR</i>
OF-071	Actual or contingent obligations to purchase own T2 instruments	<p><i>Articles 66 point (a) and 67 of CRR</i></p> <p>According to Article 66 point (a) of CRR, “own T2 instruments that an institution could be obliged to purchase as a result of existing contractual obligations” shall be deducted.</p>
OF-072	Instruments issued by subsidiaries given recognition in T2 capital	<p><i>Articles 83, 87 and 88 of CRR</i></p> <p>Qualifying Tier 2 capital issued by a special purpose entity shall be included.</p>
OF-073	IRB Excess of provisions over expected losses eligible	<p><i>Article 62 point (d) of CRR</i></p> <p>For Licence Holders calculating risk-weighted exposure amounts in accordance with the IRB approach, this item contains the positive amounts resulting from comparing the provisions and expected losses which are eligible as T2 capital.</p>
OF-074	SA General credit risk adjustments	<p><i>Article 62 point (c) of CRR</i></p> <p>For Licence Holders calculating risk-weighted exposure amounts in accordance with the standard approach this item contains the general credit risk adjustments eligible as T2 capital.</p>
OF-075	Reciprocal cross holdings in T2 capital	<p><i>Articles 4(1)(122), 66 point (b) and 68 of CRR</i></p> <p>Holdings in T2 instruments of financial sector entities (as defined in Article 4(1)(27) of CRR) where there is a</p>

		<p>reciprocal cross holding that the National Competent Authority considers to have been designed to inflate artificially the own funds of the licence holder.</p> <p>The amount to be reported shall be calculated on the basis of the gross long positions, and shall include Tier 2 own-funds insurance items.</p>
OF-076	Excess of deductions from T2 items over T2 capital	<p><i>Article 56 point (e) of CRR</i></p> <p>Tier 2 cannot be negative, but it is possible that T2 deductions are greater than T2 capital plus related share premium. When this happens, T2 shall be equal to zero, and the excess of T2 deductions shall be deducted from AT1. With this item, the sum of OF-063 to OF-077 is never lower than zero. If this item shows a positive figure, item OF-072 shall be the inverse of that figure.</p>
OF-077	T2 capital elements or deductions – Other	<p>This row has been included to provide flexibility solely for reporting purposes. It shall only be populated in the rare cases that there is no final decision on the reporting of specific capital items/ deductions in the current template. As a consequence, this row shall only be populated if a T2 element cannot be assigned to one of the rows mentioned above.</p>

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