ANNUAL REPORT 2022

MFSA MALTA FINANCIAL SERVICES AUTHORITY

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"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."

OUR MISSION

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01

CHAIRMAN'S FOREWORD

Jesmond Gatt
Chairman

It is with great satisfaction that I present my first Annual Report of the Malta Financial Services Authority (MFSA) following my recent appointment as Chairman of the Board - an appointment which met the full support of Parliament, signalling a commitment of the jurisdiction and its lawmakers to support the financial services industry.

The financial industry plays a vital role in enabling the wellbeing of society and is the point of convergence for all economic activity. The markets in which it operates help drive economic growth and provide access to capital. It is encouraging to see a steady rise in the employment generated within the financial services industry, as well as its contribution towards Malta's Gross Value Added (GVA), notwithstanding periods of global economic turbulence and uncertainty that originated from unprecedented events, such as the COVID-19 pandemic and the Russia-Ukraine war.

As the lingering effects of the COVID-19 pandemic, and the challenges that it presented to both society and the wider economy, subside, financial regulators must prepare for new prospects of growth and innovation driven by the industry. This is a time when regulators are being tested on their ability to safeguard consumer confidence and ensure the stability of markets, which remain the fundamental objectives of financial regulation. Ongoing innovation in financial products is also presenting new challenges for regulators in balancing investor demand for socially responsible returns with the need to encourage productive economic activity. This renewed momentum gives us all the more reason to work harder towards delivering on the promise of a more ecologically sensitive industry that seeks to contribute effectively to the objectives of societies across the world with respect to climate change targets.

The financial services sector can take a leading role in achieving sustainability targets through its green finance initiatives and digital finance offerings. On this front, the Authority will be developing its supervisory regime to complement the implementation of the European Union's (EU) sustainable finance strategy. It is also renewing its commitment towards being an enabler of sustainable, technology-enabled financial innovation within the financial services sector.

Looking back at 2022, the financial industry has certainly come together to refine its ability to detect money laundering and financial crime. This was complemented by the intensive efforts of public authorities that had to undertake various activities to improve the effectiveness of their work. This not only allowed for the Maltese jurisdiction to leave the grey list of the Financial Action Task Force (FATF), but, in the process also highlighted the financial industry's commitment to social responsibility.

While the Authority was not directly subjected to recommendations targeting its regulatory processes, the renewed focus on the compliance framework of regulated entities has set the bar higher for what should be expected of licensees. The publication of the MFSA's Corporate Governance Code in 2022 is indeed one of the milestones which marks the regulator's commitment to further provide guidance to entities on how they can improve their governance standards, and as a result, enhance stakeholder and public confidence in the financial services sector in general.

The accomplishments of the Authority during 2022 would not have been possible without the direction provided by the Board of Governors, including that of my predecessor Prof. John Mamo, together with the excellent work and steadfast dedication of the Executive Committee. I now look forward to working alongside Kenneth Farrugia, the recently appointed Chief Executive Officer of the MFSA, to take the Authority to new heights.

I would also like to take this opportunity to express my sincere appreciation for the effort put in by our staff and their unwavering commitment towards reaching the Authority's objectives.

The achievement of the priorities set out in the MFSA's Strategic Statement published earlier this year will be key to drive the industry forward, ensuring that financial institutions operate to high standards while protecting the end consumer and enhancing investor confidence. At the core of our plans for the next three years is also our objective to streamline more of the MFSA's activities towards a risk-sensitive and data-driven approach, which I believe will in turn allow the industry to better calibrate the effort required to deliver the expected results.

> “AT THE CORE OF OUR PLANS FOR THE NEXT THREE YEARS IS OUR OBJECTIVE TO STREAMLINE MORE OF THE MFSA'S ACTIVITIES TOWARDS A RISK-SENSITIVE AND DATA-DRIVEN APPROACH.”

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.

OUR VISION

DELIVERING AGILE AND PROACTIVE REGULATION

SUSTAINING A RESILIENT, INTERNATIONALLY NETWORKED FINANCIAL SECTOR

PROMOTING GOOD GOVERNANCE AND COMPLIANCE

EMBRACING INNOVATION

ENGAGING WITH THE PUBLIC

OUR FIVE STRATEGIC PILLARS

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CEO STATEMENT

Kenneth Farrugia
Chief Executive Officer

As I start settling into this appointment and reflect on the opportunities and challenges that lie ahead, I am both humbled and excited to have taken on the role of CEO at the MFSA. I am acutely aware of the responsibilities that come with this position and I am committed to working tirelessly to ensure that the MFSA continues to be a trusted and respected regulator that fosters innovation, growth, and stability in the financial services sector. I would also like to take this opportunity to congratulate the team and my predecessors for the work that has been accomplished in 2022, also in view of the significant transformation that has taken place during this period.

Before I delve into the specifics of the MFSA's 2022 Annual Report, I would like to take a moment to acknowledge the Board of Governors for their leadership and guidance. As a newly appointed CEO, I am grateful for their trust and confidence in me, and I am committed to working closely with them to achieve our shared goals. I would also like to thank our employees, industry stakeholders, and partners for their hard work, collaboration, and support throughout the year. I firmly believe that, together, we can continue to build a stronger and more resilient financial services industry for Malta.

Despite the ongoing impact of the COVID-19 pandemic and the war in Ukraine on the global economy, the financial services industry in Malta remained resilient during 2022, witnessing an increase in employment within the sector – an indicator of its strong performance and contribution to the country's economy.

One of the notable trends in the sector was the increased interest in sustainable finance and Environmental, Social, and Governance (ESG) investing. We believe that sustainable finance is a key driver of long-term value creation and can play an essential role in addressing global challenges such as climate change and social inequality. The MFSA has been actively promoting sustainable finance in Malta through the setting up of a dedicated sustainable finance policy team and by issuing multiple circulars that outline the requirements that need to be met by institutions which fall in scope of certain EU regulations.

The transition to a more sustainable financial system will require a significant transformation in the way we do business. As the COVID-19 pandemic has clearly shown us, digitalisation will be critical for this revolutionary milestone. During these times we have indeed witnessed an accelerated shift towards digital financial services, with more consumers and businesses opting for online banking, digital payments, and other FinTech solutions. The MFSA recognises the importance of embracing innovation and digitalisation while ensuring that risks are appropriately managed.

In 2022, we launched several initiatives to enhance outreach and awareness on FinTech and digital finance within the industry, one of which included the launch of the FinSights publication series. Additionally, the MFSA secured its participation within the EU Supervisory Digital Finance Academy to strengthen its supervisory capacity surrounding digital finance.

Money laundering and terrorist financing remain significant threats to the integrity of the financial system. The MFSA worked closely with the Financial Intelligence Analysis Unit (FIAU) and other stakeholders to address the remaining issues outlined in the FATF action plan. Malta's removal from the FATF's grey list in June 2022 was a testament to the hard work and collaboration of all stakeholders involved. The Authority is committed to continue contributing to the fight against financial crime, including through close cooperation with the FIAU and other competent authorities.

Effective supervision is also crucial in maintaining the stability of the financial system. The MFSA continued to adopt a risk-based supervisory approach and increased its focus on areas such as cyber resilience and conduct supervision. The enhancement of our supervisory tools and capabilities in 2022 has strengthened our supervisory capacity further, enabling us to respond to new risks more effectively. We continued to work on upgrading our regulatory technology infrastructure, improving data analytics, and introducing new instruments. Moreover, the pandemic has expedited the adoption of new technologies in the financial services industry, and the MFSA needed to ensure that we were keeping pace with these developments.

> "I FIRMLY BELIEVE THAT, TOGETHER, WE CAN CONTINUE TO BUILD A STRONGER AND MORE RESILIENT FINANCIAL SERVICES INDUSTRY FOR MALTA."

Consumer protection has always been a top priority for the MFSA, with consumer education being at the core of our efforts. In 2022 we continued with our outreach with the general public and raised awareness on several aspects of financial services, such as the risks and benefits of FinTech, the different types of bank loans and credit cards, as well as complex investments like Insurance-Based Investment Products.

To drive the implementation of the Capital Markets Strategy, in 2022 the MFSA established a new function in the markets and listing space. The setting up of this function is in line with our commitment to ensure that the Maltese capital market continues to develop and integrate into the single market for capital.

Furthermore, the MFSA recognises the importance of attracting, retaining, and developing talent to effectively carry out its mandate. With this in mind, last year, a three-year Human Resources Strategy was launched by the MFSA to align its people strategy with changing needs and organisational objectives.

As we move forward, we must continue to build on our achievements and enhance our regulatory and supervisory framework. We will do this through our new Strategic Statement for 2023-2025, which sets out our outlook for the MFSA. Our vision is to be a proactive, risk-based and technology-driven regulator, dedicated to safeguarding the integrity and stability of Malta's financial services sector. We not only intend to communicate our plans to all impacted stakeholders, but we will also work closely with other governmental entities and the private sector to gauge their opinions and expertise at hand.

Our Strategic Statement published earlier this year focuses on five key objectives: delivering agile and proactive regulation; sustaining a resilient, internationally networked financial sector; promoting good governance and compliance; embracing innovation, and engaging with the public. We will commit to achieving these objectives in the next three years through a set of defined milestones – through these, we are also ensuring that we are aligned with the strategy launched by the Malta Financial Services Advisory Council (MFSAC) a few months ago. Coordination with other governmental authorities and other players in the sector will ultimately increase our efficiency and effectiveness in the way the jurisdiction is regulated, all the while ensuring the sustainable growth of the financial services industry.

While we recognise and appreciate the contributions of our predecessors and competent individuals who have laid a strong foundation for our mission, we also acknowledge that there is always room for improvement. As we continue to strive towards bringing our vision to fruition, we remain humble and open to collaboration so that we may continuously identify areas for further growth and development.

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

03

THE ECONOMIC CONTEXT

THE MALTESE ECONOMY AT A GLANCE

During 2022, the Maltese economy continued on its path to recovery from the turmoil experienced during the COVID-19 pandemic, despite also being negatively affected by the indirect impact of the Russian war in Ukraine. During the same year, Malta was removed from the FATF grey list, as commendable progress was achieved in the areas of beneficial ownership information, the application of sanctions for non-compliance, and the use of financial intelligence. Resources for Anti-Money Laundering / Combating the Financing of Terrorism (AML/CFT) supervisors have also been boosted, helping the long-term sustainability of reforms. In addition, the national AML/CFT strategy for 2021–2023 enhances coordination and supervision to mitigate existing and emerging risks.

The National Statistics Office (NSO) revealed that in 2022 the Maltese economy grew by 6.9% in real terms. The Central Bank of Malta (CBM) reports that the local economy is expected to grow by a further 3.7% in 2023. Unemployment fell to a record low of 3% by the end of 2022 and is expected to remain stable in 2023. The CBM reported that as at December 2022, inflation stood at 6.1%, however this figure is expected to fall to 4.5% in 2023.

As a result of the Government's commitment to keep energy prices stable, the consolidated fund is expected to register a deficit of 5.2% in 2022 and a 4.9% deficit in 2023. This is expected to cause an increase in General Government Gross Debt from 55.2% of Gross Domestic Product (GDP) in 2021 to 56.8% by the end of 2023. Additionally, rising prices of imported food products, transport, housing and hospitality services are likely to drive up further the cost of living in 2023.

Table 1: Economic indicators[1]

	2021	2022	2023 (F)
Real GDP growth rate (%)	11.8	6.9	3.7
Financial Services Sector real GVA growth rate (%)	6.7	3.5	
Unemployment rate (%)	3.4	3.0	3.1
General Government Balance to GDP (%)	-7.5	-5.2	-4.9
General Government Gross Debt to GDP (%)	55.2	54.9	56.8
Inflation rate (%)	0.7	6.1	4.5

Sources: CBM; NSO

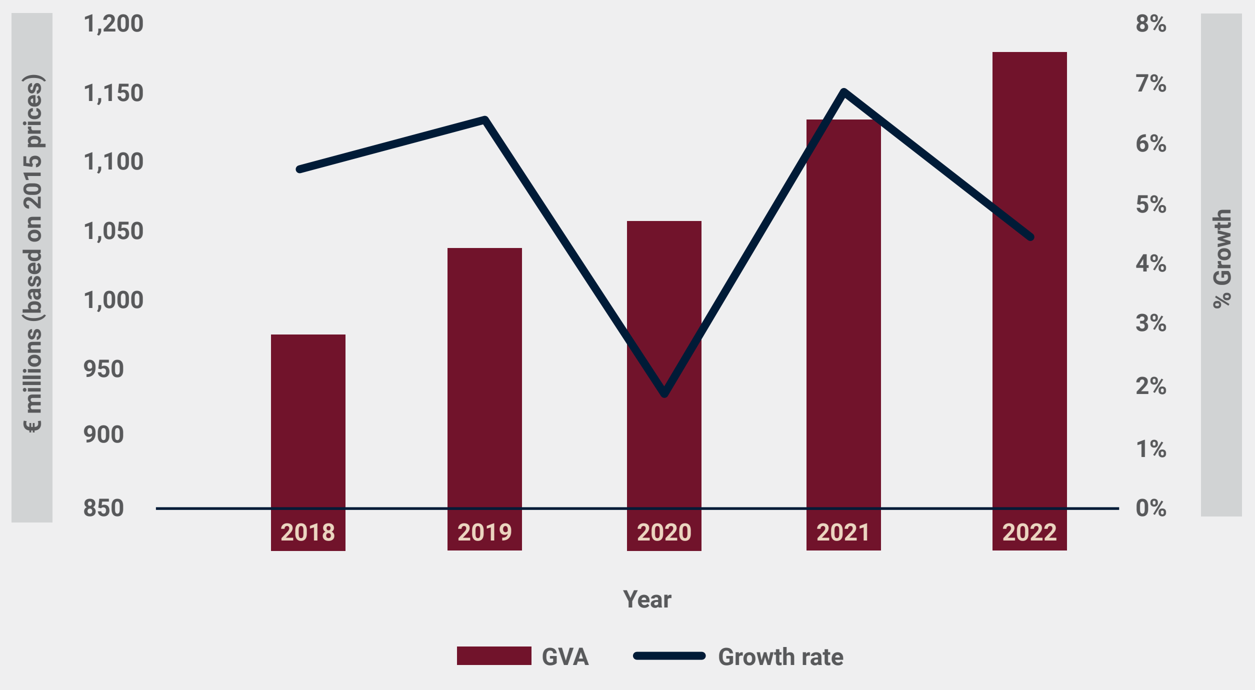
GVA GENERATED FROM THE FINANCIAL SERVICES SECTOR

THE LOCAL CONTEXT

The financial services sector contributes significantly to Malta's total GVA. Over the years, GVA generated by the financial services sector grew consistently and in 2022 it generated a total of €1,178 million, or 4.3% of real value added to the economy. It can be observed that both the general economy and the GVA generated by the financial services sector increased at a decreasing rate for 2021 and 2022, following the rebound from the COVID-19 pandemic.

1 Figures differ from the 2021 Annual Report due to revisions and updates issued by the NSO.

FIGURE 1 · *GVA generated from financial services sector in Malta*

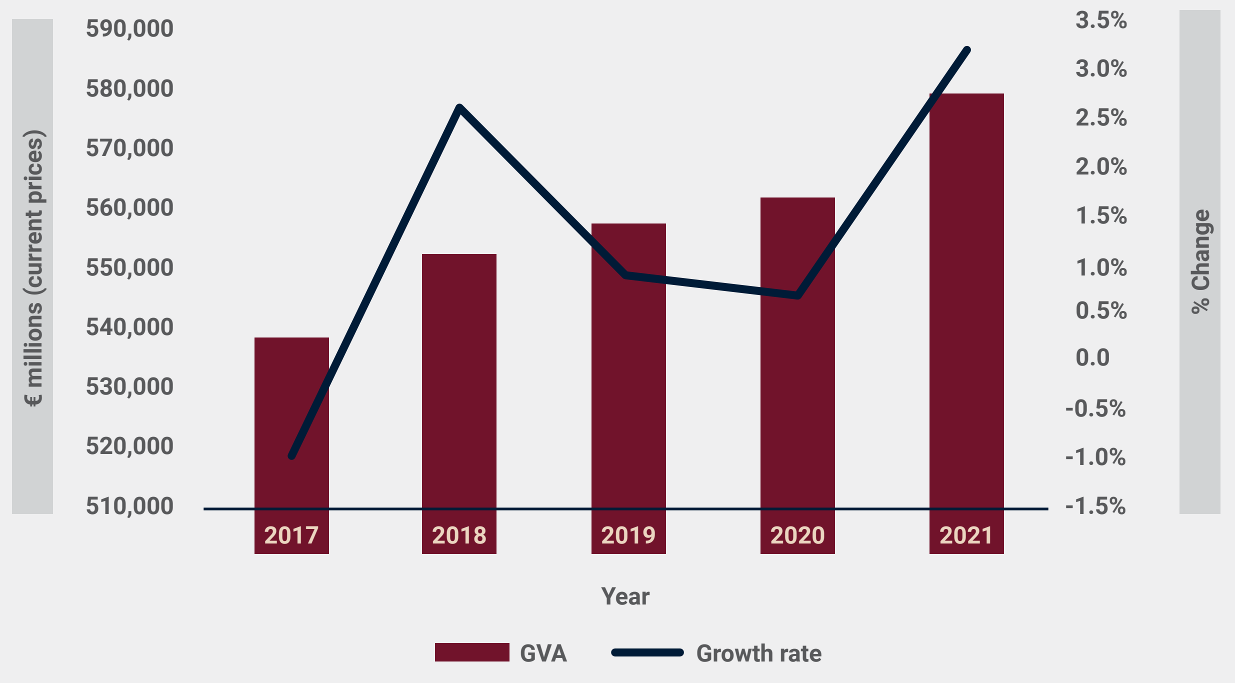


Source: NSO

THE INTERNATIONAL CONTEXT

In a broader context, Figure 2 shows the growth of GVA generated by the financial services sector in the EU since 2017. This is similar to the trend observed for Malta over recent years, except for 2019 when the EU's financial services sector exhibited less growth due to Brexit.

FIGURE 2 · *GVA generated from financial services within the EU*



Source: Eurostat

The global financial services sector is undergoing a continued and aggressive shift towards digitisation and the adoption of new technologies, mainly to improve operational efficiencies, accelerate speed-to-market and deliver superior customer experiences. The emergence of FinTech companies is playing a significant role in the sector's digital transformation.

Furthermore, the sector has been rethinking the concept of money. Blockchain is shaking up the very foundations of traditional business models with peer-to-peer lending, smart contracts, and digital payments, eliminating intermediaries and speeding up underlying processes.

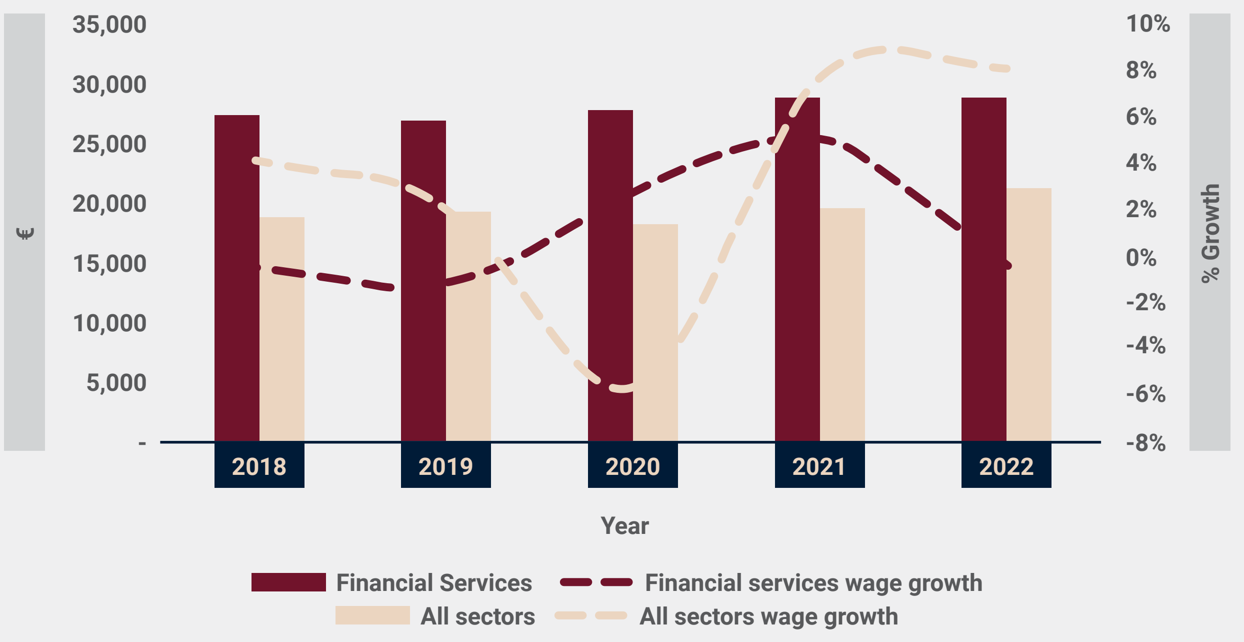
EMPLOYMENT IN THE FINANCIAL SERVICES SECTOR

THE LOCAL CONTEXT

Employment generated by the financial services sector in Malta has been increasing over the past years. In 2022, one in every 16 persons employed in Malta worked in the sector, totalling to 17,569. On average, employment within the financial services sector increased by 5.4% when compared to 2021.The CBM's Business Dialogue for 2023/Q1 noted that businesses are highly concerned with the shortage of labour and skills. Some companies noted that finding skilled workers is particularly challenging for roles in information technology, compliance, and finance. In fact, the most recent job vacancy rate statistics published by Eurostat in February 2023 for the third quarter of 2022 showed that the economy average stood at 2.7%, whereas the financial services sector was 0.6 percentage points higher than the economy average, at 3.3%.

The annual basic wage for people working in the financial services sector amounted to €28,932, almost €9,000 higher than the average annual basic wage in Malta. Between 2018 and 2022, the annual basic wage of the sector grew by a compound annual growth rate of 11.5%, whereas the average annual basic wage in Malta grew by 2.4% for the same period. While the average annual basic wage in Malta declined by 5.4% in 2020, that of the financial services sector continued to increase albeit at a lower rate of 3%.[2]

FIGURE 3 · *Annual average basic wages*



Source: NSO

THE INTERNATIONAL CONTEXT

Economic statistics published by Eurostat in March 2023 show that in 2022, 2.8% of total employment in the EU came from the financial sector. However, in Malta, this figure increased by 0.4 percentage points from 2020 to 6.3%, more than double the EU average. Malta ranked second highest in this category with only Luxembourg having a higher share of employees working in finance (11.2%).

2 Labour Force Survey: Q4/2022 published by NSO in March 2023.

OUTLOOK FOR THE FINANCIAL SERVICES SECTOR

ECONOMIC FORECASTS

As the economy continued to rebound from the effects of the COVID-19 pandemic in 2022, provisional estimates show that it registered a 6.9% growth in real terms. The latest economic forecasts (February 2023) from the CBM show that Malta's real GDP is expected to grow by 3.7% in 2023. This is lower than the growth rate recorded in 2022, reflecting a diminishing positive contribution of both domestic demand and net exports stemming from lower private consumption and government deficit.

EUROPEAN COMMISSION'S BUSINESS AND CONSUMER CONFIDENCE INDICATORS

The Economic Sentiment Indicator (ESI) is a composite indicator produced by the European Commission with the sole aim of tracking GDP growth for EU member states, the EU and the euro area. This indicator is a weighted average of the balances of replies to selected questions addressed to firms in five sectors covered by the EU Business and Consumer Surveys and to consumers. The sectors covered are industry, services, consumers, retail and construction.

The ESI for Malta averaged 94.1 during the last three months of 2022, which was only slightly below the EU average of 94.2. Conversely, the first three months of 2023 saw a significant increase in Malta's ESI at 106, surpassing not only its previous performance, but also the EU average of 97.6.

Taking a closer look at the Services confidence indicator, under which the financial services sector falls, it decreased by 1.1 from December 2022 to January 2023, from 20.6 to 19.5, respectively. This indicates that businesses within such a sector believe that the industry is set to go through a period of slight decline.

Table 2: Business and Consumer Surveys – Malta Balances; percentage points; seasonally adjusted

	2021	2022	2022 Jan	2022 Dec	2023 Jan-Mar
ESI	**104.9**	**100.9**	**99.9**	**96.9**	**106.0**
Services confidence indicator	**13.7**	**20.4**	**-1.6**	**20.6**	**31.6**
Business situation development over the past 3 months	4.9	15.7	-18.1	1.6	28.6
Evolution of the demand over the past 3 months	10.7	26.0	18.9	18.2	30.3
Expectation of the demand over the next 3 months	25.4	19.6	-5.7	42.1	36.0
Construction confidence indicator	**7.3**	**7.0**	**9.8**	**-4.3**	**6.7**
Evolution of your current overall order books	1.4	8.7	9.1	-6.6	-2.4
Employment expectations over the next 3 months	13.2	5.4	10.6	-2.0	15.9
Industrial confidence indicator	**2.1**	**-9.4**	**-4.2**	**-23.5**	**-1.6**
Assessment of order-book levels	-28.2	-21.5	-9.4	-10.1	-20.6
Assessment of stocks of finished products	-3.2	9.1	-10.4	2.2	8.5
Production expectations for the months ahead	31.3	2.2	-13.7	-58.1	24.0
Consumer confidence indicator	**3.4**	**-7.3**	**-1.1**	**-11.8**	**-9.3**
Financial situation past 12 months	-8.8	-19.7	-10.8	-22.7	-19.4
Financial situation next 12 months	7.3	-11.8	-1.0	-13.4	-10.7
Economic situation next 12 months	18.6	-3.5	3.4	-9.2	-8.4
Major purchases next 12 months	-3.4	5.6	4.1	-1.8	1.2
Retail trade confidence indicator	**-8.4**	**6.0**	**4.9**	**27.3**	**16.2**
Business activity, past 3 months	-13.6	21.1	-17.6	57.7	34.0
Stocks of finished goods	12.8	-3.2	-36.0	3.1	13.6
Business activity, next 3 months	1.2	-6.3	-3.6	27.3	25.2

THE RUSSIAN WAR IN UKRAINE

Following the strong recovery of the Maltese economy during 2021, the country faced unprecedented challenges stemming from the Russian invasion of Ukraine in 2022. The war led to major disruptions in the importation of Russian oil, gas supplies and the global supply chain in general, which in turn affected the prices of commodities. Coupled with the aftermath of the COVID-19 pandemic, this led to increased inflationary pressures and rising interest rates all over Europe. In response to such extraordinary events, the Maltese Government decided to absorb the rising energy prices and cap the prices charged to consumers in order to maintain economic competitiveness and keep inflation under control. Even though domestic monetary and financial conditions within the Euro area have tightened due to the increased inflationary pressures, interest rates in Malta have remained relatively unchanged. Nonetheless, should such inflationary pressures keep persisting, banks in Malta may need to increase interest rates. This could lead to the tightening of households' purchasing power and constrained debt-servicing capabilities, particularly for low-income earners.

While the MFSA continues to monitor developments in relation to sanctions imposed by the European Commission on Russian banks, insurance and pension companies, Malta-licensed financial institutions are marginally exposed to Russia and Ukraine, placing Malta's financial services sector in a position where it should be relatively resilient to major developments that may evolve.

SUSTAINABLE AND DIGITAL FINANCE

The EU has long been a leading force behind global efforts on climate change. Striving towards Europe being the world's first climate-neutral continent by 2050, the European Commission adopted an action plan on sustainable finance in 2018, which outlined objectives and actions designed to mobilise the private sector. The three objectives were:

- to reorient capital flows towards sustainable investment, encouraging businesses to invest in environmentally-friendly projects and technologies;
- to manage financial risks from climate change and other sustainability issues; and
- to foster transparency and long-termism, encouraging businesses to adopt a more sustainable approach that will benefit both the environment and their bottom line over the long term.

The EU released its European Green Deal in December 2019. This is an overarching public policy framework that aims to make Europe climate-neutral by 2050, boosting the economy through green technology, creating sustainable industry and transport infrastructure and cutting pollution. The European Green Deal has an investment pillar which should help mobilise at least one trillion Euros over the next decade to achieve these goals.

Authorities with a mandate to preserve financial stability also increasingly recognise climate change as a source of financial stability risk. In fact, in 2019, the MFSA identified sustainability as both a direct and indirect risk to the financial sector.

On 24 September 2020, the European Commission adopted the digital finance package. The aim of this package is to provide consumers access to innovative financial products, while ensuring consumer protection and financial stability. It also supports the EU's ambition for a recovery that embraces the digital transition. As part of the larger digital finance package, the European Commission also put forward the Markets in Crypto Assets (MiCA) regulation.

At the end of June 2022, the European Parliament together with the Council presidency managed to reach a provisional agreement on the MiCA proposal. This was a significant development because it would establish a regulatory framework for crypto assets at the EU level that would protect investors, uphold market integrity, and maintain financial stability. Once adopted, MiCA is intended to become applicable in two parts: the first part dealing with stablecoins will become applicable 12 months following its entry into force, while the second part dealing with crypto-assets service providers will become applicable within 18 months. Towards this end, Malta would need to repeal the local Virtual Financial Assets (VFA) framework completely.

The MFSA is already identifying and analysing these differences and is aiming to start bridging the gaps during the 18 months until the MiCA regulation becomes applicable to crypto-assets providers. This will ensure a smoother transition for existing licence-holders.

The final text of the MiCA regulation is expected to be published in the Official Journal of the European Commission in June 2023.

THE BANKING PACKAGE

At the end of 2021, the European Commission adopted a review of EU banking rules. This included amendments to the Capital Requirements Regulation (CRR3), the Capital Requirements Directive (CRD6) and the 'Daisy-Chain' proposal in relation to capital requirements regulation in the area of resolution. These new rules will ensure that EU banks become more resilient to potential future economic shocks, while also contributing to Europe's recovery from the COVID-19 pandemic and the transition to climate neutrality. The Banking Package also marked the implementation of the Basel III agreement within the EU. This agreement was reached by the EU and its G20 partners in the Basel Committee on Banking Supervision (BCBS).

During 2022, discussions were centred around trying to enhance the balance being provided by the Banking Package considering the specific features of the EU's banking sector alongside a number of other technical amendments to the text, while also keeping in line with the agreed Basel III standards. The final text of the amendments to the CRR and CRD (namely, CRR3 and CRD6) is expected to be published by June 2023, with the applicable date being 1January 2025. This is a relatively short transition period for the banking sector to prepare for and comply with the new rules, making it crucial for banks and regulators to take early action and implement the framework to the extent possible. This can be done by assessing the potential capital and operations implications that banks will need to adhere to once the text is finalised.

ENHANCING ACCESS TO CAPITAL

In 2021, the European Commission proposed to make public capital markets more attractive for EU companies and to facilitate access to capital for Small and Medium sized Entities (SMEs). This would be done through the Listing Act, with its main aims being to simplify listing requirements and to reduce regulatory and compliance costs for potential companies. As such, this should positively impact the economy through the facilitation of fund-raising on public markets from both an equity issuance and debt issuance perspective. Such an initiative could also enhance financial stability by raising long-term equity financing and decreasing SMEs' overreliance on bank loans.

The consultation period of this initiative ended on 25 February 2022, followed by the Commission's adoption ending on 28 March 2023. The MFSA is closely monitoring any developments on this front.

GLOBAL FINANCIAL CENTRES INDEX

In September 2022, Z/Yen Group Limited published the 32nd edition of the Global Financial Centres Index (GFCI). This index ranks over 120 financial centres around the world based on a set of competitive indicators which include:

- business environment
- human capital
- infrastructure
- financial sector development
- reputation

Malta made significant progress in 2022, ranking 63rd, up from the 90th place in 2021. This progress can be attributed to the extent that the country went through in terms of implementing the necessary measures, and the anticipated expectations of the removal from the FATF grey list brought about in the first half of 2022.

OUR ROLE IN THE ECONOMY

The MFSA is the single regulator for financial services in Malta. It was established by law as an autonomous public institution on 23 July 2002, taking over the supervisory functions previously carried out by the CBM, the Malta Stock Exchange (MSE) and the Malta Financial Services Centre. The MFSA also holds the role of Resolution Authority. The MFSA's remit covers all areas of the local financial system including credit institutions, financial and electronic money institutions, securities and investment services companies, trading venues, insurance companies, pension schemes, trustees and Company Service Providers (CSPs), as well as Persons authorised under the VFA framework.

In 2022, 355 applications were processed, out of which 270 were approved and 85 were withdrawn or refused.

355 applications processed

270 approved

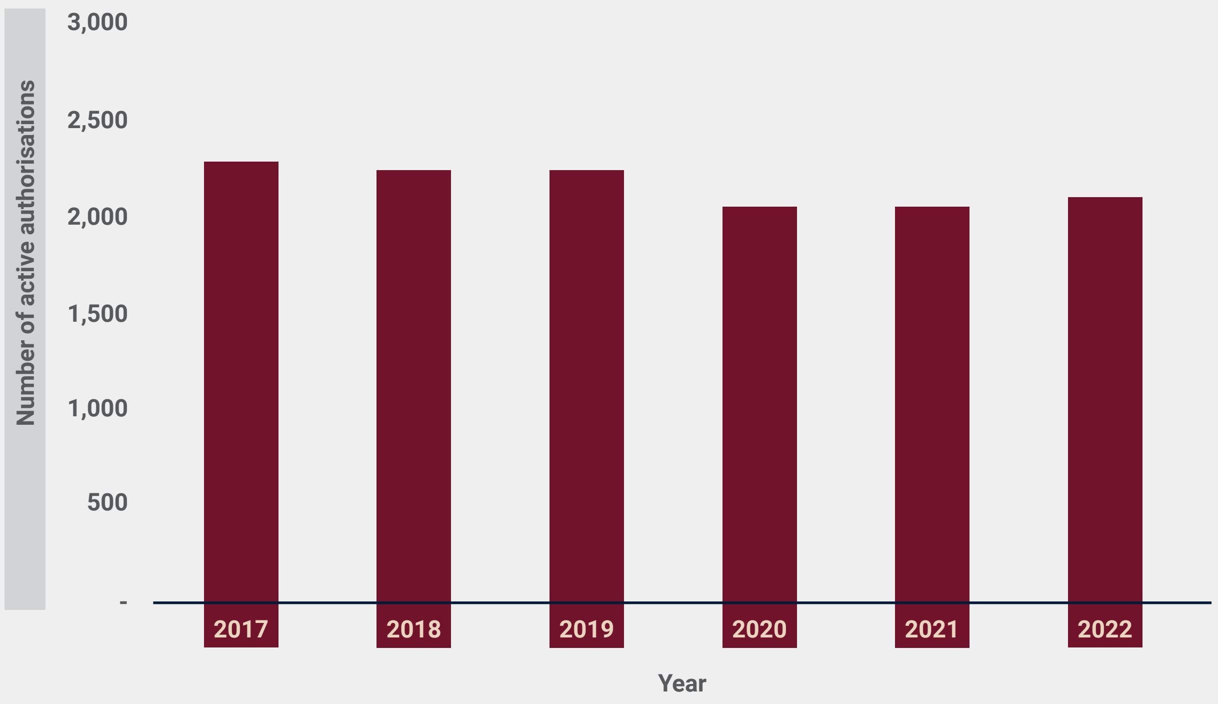
85 withdrawn or refused

Furthermore, as at the end of 2022, the MFSA regulated and supervised a total of 2,122 authorised entities falling under its remit. Such entities were of various size and complexity and included:

21	credit institutions	51	financial institutions
657	insurance entities	50	retirement schemes
744	securities	10	virtual financial assets agents
299	company service providers	219	trustees

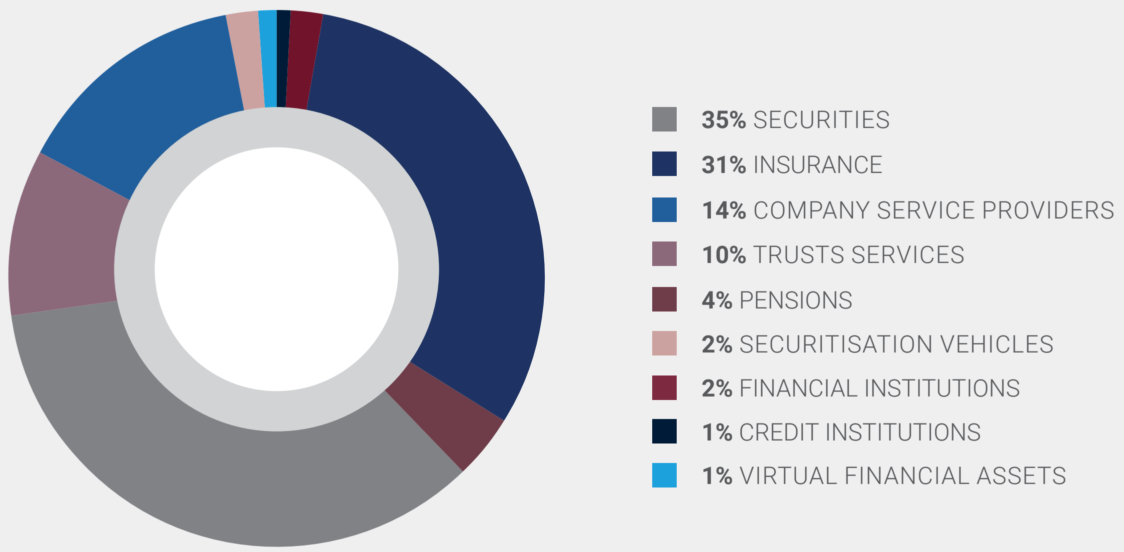
Source: MFSA

FIGURE 4 · *Number of Active Authorisations*



Source: MFSA

FIGURE 5 · *Licence-holder population statistics 2022*



Source: MFSA

04

HOW WE ARE STRUCTURED

HOW WE ARE STRUCTURED

ORGANISATION

The 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 in Malta, including credit and financial institutions, securities and investment service companies, recognised investment exchanges, insurance companies and intermediaries, pension schemes, CSPs, trustees and virtual financial assets. It is also responsible for the approval of prospectuses and admissibility to listing.

BOARD OF GOVERNORS

The Board of Governors is responsible for establishing the policies and risk parameters to be pursued by the Authority. In determining such policies, the Board of Governors follows policy guidelines as set out by Government and the MFSA Act. The Board of Governors is also responsible for advising Government on matters relating to the development and regulation of the financial services sector. The Chairman and the members of the Board are appointed by the Prime Minister for a term not exceeding five years.

Mr Jesmond Gatt

Chairman

Mr Kenneth Farrugia

Chief Executive Officer
(appointed on 12 April 2023)

Dr Anton Bartolo

Governor

Dr Carl Brincat

Governor

Mr Joseph Caruana

Governor

Mr Mark Galea

Governor

Prof. Edward Scicluna

Governor

Dr Stephanie Vella

Governor

Prof. Philip von Brockdorff

Governor

Mr John Sammut

Secretary

The Governors of the Authority who held office during 2022 were:

Prof. John Mamo
Chairman

Dr Michelle Mizzi Buontempo
Appointed as Acting Chief Executive Officer from 15 June to 27 July 2022, and from 9 September 2022 to 11 April 2023

Mr Joseph Gavin
Resigned as Chief Executive Officer on 8 September 2022

Dr Carmel Cascun
Deceased on 25 August 2022

Mr Kenneth Farrugia
Appointed on 6 October 2022

Mr Mark Galea

Prof. Edward Scicluna

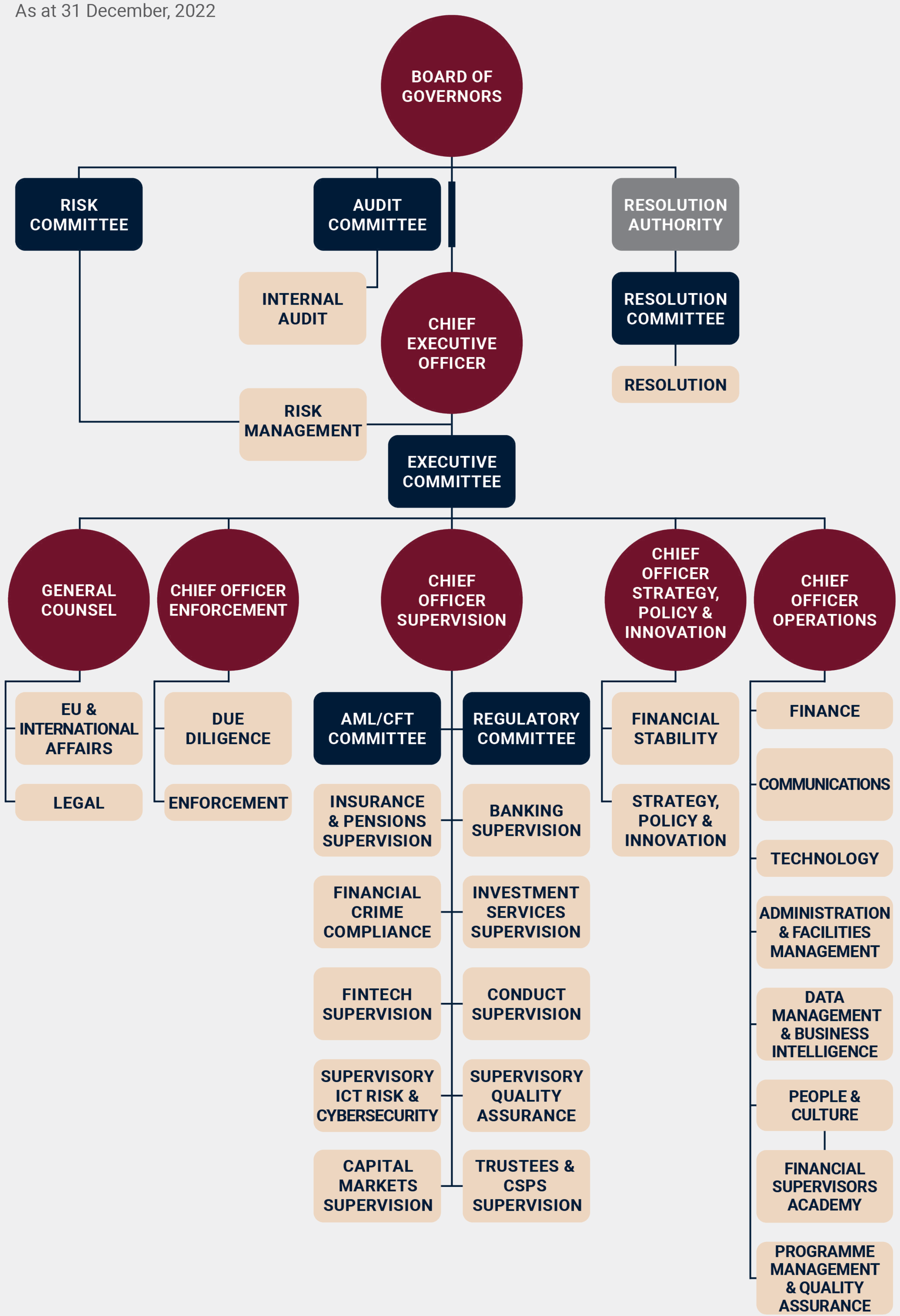
Dr Stephanie Vella

Prof. Philip von Brockdorff

Mr Charles Zammit

MFSA ORGANISATIONAL CHART

As at 31 December, 2022



COMMITTEES

EXECUTIVE COMMITTEE

The Executive Committee (ExCo), appointed in terms of Article 9 of the MFSA Act, is the main organ of the Authority, being responsible for the implementation of the strategy and policies of the MFSA. Approvals related to regulation as well as those required for the issuing of licences and other authorisations also fall under the responsibility of this Committee. It is also entrusted with the monitoring and supervision of entities licensed or authorised by the Authority in the financial services sector, as well as the enforcement of the regulatory framework in this same sector. It also makes recommendations to, and otherwise assists, the Board of Governors in the admissibility to listing of financial instruments. ExCo is also responsible for the overall performance of the Authority including its financial affairs, human resources, and ancillary services, as well as the general coordination and management of the Authority's administrative and operational affairs.

Mr Kenneth Farrugia

Chief Executive Officer and Chair of ExCo (appointed on 12 April 2023)

Dr Michelle Mizzi Buontempo

Acting CEO and Chair of ExCo (15 June - 27 July 2022; 9 September 2022 - 11 April 2023) & Chief Officer Enforcement

Dr Christopher P. Buttigieg

Chief Officer Supervision

Dr Edwina Licari

General Counsel

Dr Michael Xuereb

Chief Officer Strategy, Policy and Innovation

Ing. Ivan Zammit

Chief Operations Officer

Ms Rosalie Tanti

Secretary

Mr Joseph M. Gavin held the role of CEO and Chair of ExCo from 1 January to 14 June, and 28 July to 8 September 2022.

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 which has all the necessary powers in order 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. The Resolution Authority and the Resolution Committee operate independently from each other and from the supervisory arm of the MFSA to ensure that the statutory responsibilities are achieved in a transparent and credible way, and to be in line with the provisions of the Bank Recovery and Resolution Directive (BRRD) as amended by the second BRRD.

MEMBERS

Ms Paulanne Mamo
Chairperson

Dr Philip Magri

Dr John Consiglio

Dr Celine Talbot
Secretary (until August 2022)

Dr Daniela Aquilina
Acting Secretary (September - October 2022) - Secretary (Appointed November 2022)

AUDIT COMMITTEE

The Audit Committee is established by and reports to the Board of Governors in accordance with Article 12A of the Malta Financial Services Authority Act (Cap 330). 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.

MEMBERS

Prof. Philip von Brockdorff
Chairman

Dr Carmel Cascun
January – 25 August 2022

Dr Stephanie Vella

Mr Charles Zammit
(appointed on 4 October 2022)

Ms Sera Underwood
Secretary

AML/CFT COORDINATION COMMITTEE

Established in 2020, this Prevention of Money Laundering and Funding of Terrorism Committee acts as a forum for alignment and coordination relating to AML investigations and processes. This Committee reports on its activity to ExCo.

MEMBERS

Dr Christopher P. Buttigieg
Chairman

Michael Xuereb
Deputy Chairman

Paul Caruana

Margherita Privitera

Matthew Scicluna

REGULATORY COMMITTEE

In line with the recommendations made by the International Monetary Fund (IMF), a Regulatory Committee (Reg Co) has been established as a sub-committee of the ExCo. The Reg Co co-ordinates regulatory, authorisation and supervisory matters, composed of the Chief Officer responsible for Supervision as its Chair, and the Heads of Supervisory functions. The Chief Officer responsible for Supervision updates the ExCo on an ongoing basis on the discussions and decisions made at the level of the Committee.

MEMBERS

Dr Christopher P. Buttigieg
Chairman

Ms Doreen Balzan

Ms Emily Benson
(until November 2022)

Mr Herman Ciappara

Mr Alan Decelis

Mr David Eacott

Mr Anthony Eddington
(until August 2022)

Dr Sarah Pulis
(appointed in December 2022)

Mr Ray Schembri

Mr Matthew Scicluna
(appointed in September 2022)

Ms Lorraine Vella
(appointed in May 2022)

Dr Michelle Whitehead
Secretary

RISK COMMITTEE

The main function of the Risk Committee is to assist the ExCo and the Board of Governors in relation to the establishment and calibration of the Authority's risk appetite and risk management, including the ongoing review of the risk register and the action plans around it. Through its risk management policy, this Committee sets the tone for risk management and risk appetite in the Authority and indicates how this will support the MFSA's strategy and align its approach to risk.

The Risk Committee is established by the Board as part of the governance structure of the Board's responsibilities. While ultimately reporting to the Board of Governors, the Risk Committee acts independently of the Board, operating in accordance with the relevant provisions of this Risk Committee Charter.

MEMBERS

Mr Herbert Zammit Laferla
Chairman

Mr Ivan Zammit
Deputy Chairman

Dr Christopher P. Buttigieg

Ms Margherita Privitera
(appointed in May 2022)

Kristina Pavia
Secretary

DIRECTORATES

The MFSA delivers its supervisory mandate through the concerted effort of a team of professionals which, as at end 2022, amounted to 410 full-time equivalents. The Authority operates through five directorates, each of which addresses core functional areas:

- SUPERVISION
- ENFORCEMENT
- STRATEGY, POLICY AND INNOVATION
- OPERATIONS
- LEGAL AND INTERNATIONAL AFFAIRS

There are also three functions which operate independently of the directorates:

INTERNAL AUDIT I RESOLUTION I RISK MANAGEMENT

The following is a brief description of the functions pertaining to each directorate, as at 31 December, 2022.

SUPERVISION

BANKING SUPERVISION

While the European Central Bank (ECB) is responsible for the licensing and supervision of Significant Institutions (SIs) in Malta, the Banking Supervision Function provides resources to the joint supervision teams overseeing them.

The function is responsible for the authorisation and supervision of other banks, in line with its membership of the Single Supervisory Mechanism, as well as of payment firms and e-money providers. Offsite monitoring of financial and operational data is complemented by onsite inspections, normal and regulatory communications and competence interviews with executive and Board members.

CAPITAL MARKETS SUPERVISION

The Capital Markets Supervision function ensures fairness, efficiency, and transparency in financial markets, while also protecting investors. This is achieved through a range of policy and supervisory measures at different stages including the primary market, secondary market and post-trading. The function processes applications for admissibility to listing on regulated markets in Malta and grants approvals of prospectuses in terms of the Prospectus Regulation. It also oversees trading activity trading activity on capital and authorises and supervises trading venues, central securities depositories, benchmark administrators, Central Counterparties (CCPs), Financial Market Infrastructures (FMIs) operating on a Distributed Ledger Technology (DLT) platform and crowdfunding platforms.

CONDUCT SUPERVISION

The Conduct Supervision Function establishes a regulatory framework to ensure that clients of financial services are treated fairly, honestly and professionally by regulated entities. A pre-emptive supervisory regime addresses potential or emerging risks for financial services consumers, while an operational regime strengthens the responsibilities of regulated persons to treat customers fairly. Until December 2022, the function was also responsible for authorising and subsequently overseeing the conduct of trustees and corporate service providers.

FINANCIAL CRIME COMPLIANCE

The Financial Crime Compliance function is dedicated to strengthening the MFSA's role in preventing the use, involvement, and/or facilitation of authorised persons in money laundering, financing of terrorism and other financial crimes. The function supports the Authority's authorisation and supervisory teams in their operations across all sector-specific functions. Through the establishment of a bilateral Memorandum of Understanding (MoU), the function also collaborates with the FIAU and the Sanctions Monitoring Board and other national and international stakeholders.

FINTECH SUPERVISION

The FinTech Supervision Function provides cross-sectoral expertise on digital finance and FinTech-related regulatory and supervisory initiatives. The function is responsible for the supervision of the VFA sector under the VFA Framework in Malta, the development and implementation of the MFSA's FinTech initiatives, the operationalisation of the Regulatory Sandbox as well as coordination of the implementation of the Digital Finance Package within the MFSA.

INSURANCE AND PENSIONS SUPERVISION

Insurance and Pensions Supervision is responsible for the prudential oversight of authorised insurance and reinsurance undertakings, insurance intermediaries, retirement schemes, retirement funds and retirement service providers. This includes business carried out in an EU Member State or the European Economic Area via freedom of services and freedom of establishment.

INVESTMENT SERVICES SUPERVISION

The Investment Services Supervision function is responsible for authorising and supervising investment firms, fund managers, collective investment schemes, recognised private collective investment schemes, registered tied agents, and recognised fund administrators. Through its supervision, the function assesses compliance with prudential requirements emanating from European Directives and local legislation and regulations. It also examines the adequacy of systems and controls, governance arrangements, risk management and risk mitigation, within licensed entities falling within its remit. The function carries out supervisory interactions, collects regulatory data, and makes use of desk-based supervisory tools and data intelligence to achieve its objectives. To support its supervisory work, the function actively participates in European Supervisory Authorities' committees and working groups.

SUPERVISORY ICT RISK AND CYBERSECURITY

The Supervisory ICT Risk and Cybersecurity function is cross-sectoral and supervises Authorised Persons on their digital operational resilience. This includes their ICT governance, risk management framework and their management of ICT third-party risk. The function is involved in the entire supervisory life cycle and follows a risk-based approach.

SUPERVISORY QUALITY ASSURANCE

Supervisory Quality Assurance (SQA) is a control function, serving as a second line of defence within the MFSA, with the main objective of developing a quality-focused culture within the supervisory functions. The function also provides assurance to management regarding the quality of supervisory activities and deliverables, specifically in terms of consistency, effectiveness, efficiency and timeliness. SQA is involved from inception in new projects and whenever there are changes in supervisory procedures.

TRUSTEES & CSPS SUPERVISION

The Trustees and CSPs Supervision function is responsible for the supervision of company service providers, who 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.

The function is also responsible for the supervision of authorised trustees and other fiduciaries, including administrators of private foundations. The overall aim is to monitor the supervision of these entities and their level of compliance with the applicable legislative and regulatory framework.

ENFORCEMENT

DUE DILIGENCE

The Due Diligence Function ensures that persons holding or being proposed to take on a controlling function within entities licensed by the MFSA are of good repute as part of the wider fitness and properness assessment across the various functions, on an ongoing basis. Among 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.

ENFORCEMENT

The Enforcement Function investigates possible breaches of financial services laws and regulations in relation to persons or entities authorised and supervised by the MFSA. Any enforcement action taken is published on the MFSA website. The function also investigates those engaging in financial services activities without the necessary licence or authorisation, as well as fraudulent activities and scams related to financial services. The Enforcement function issues warnings, notices and public guidelines to protect investors and promote consumer awareness.

STRATEGY, POLICY & INNOVATION

FINANCIAL STABILITY

The Financial Stability Function contributes to the safeguarding of the financial sector's resilience through the identification and mitigation of current and emerging risks which could potentially cause a significant strain on the sector and the general economy. Through research and analysis, the function plays an important role in engaging with international stakeholders – such as the ECB, European Systemic Risk Board (ESRB), IMF and credit rating agencies in relation to their respective remit. In collaboration with other macroprudential authorities, the function also contributes to policy recommendations and implementation, while actively participating in projects by reputable international organisations.

STRATEGY, POLICY AND INNOVATION

The Strategy, Policy and Innovation Function provides advice, analysis and reviews on strategies and policies, as well as identifying new areas of development to strengthen Malta's financial services regulatory framework. The function ensures that the Authority is proactive in the face of new opportunities, perceived risks and changing international standards, while fostering innovation and enhancing access to financial products, further positioning Malta as a jurisdiction of choice.

OPERATIONS

ADMINISTRATION AND FACILITIES MANAGEMENT

The Administration and Facilities Management Function is responsible for overseeing the Authority's building management services. These include managing the cleaning and security services, the centralised travel desk, hospitality and transport services, and running the reception. The function's goal is to support MFSA staff by providing a safe and functional work environment. This is achieved through regular preventive maintenance and renovation/refurbishment projects. In addition, the function is also responsible for procuring goods and services in line with Public Procurement Regulations.

COMMUNICATIONS

Communications handles all internal and external communications, aiming to maintain positive relationships with stakeholders and keeping its own employees, licence-holders and the public up to date. It organises B2B and consumer education campaigns, and events, and is also the designated brand guardian of the MFSA, managing its various digital and offline platforms.

DATA MANAGEMENT AND BUSINESS INTELLIGENCE

The Data Management and Business Intelligence (BI) Function is responsible for data governance, data quality management and integrity, as well as the data architecture across the whole organisation – a crucial element for enabling risk-based supervision. As part of its remit, the function is responsible for managing a centralised data warehouse and BI analytics platform to provide ongoing insights, analyses and dashboards for end-users.

FINANCE

The Finance Function manages the finances of the Authority and provides support to other functions for financial matters such as revenue collection, payments, payroll, financial control, budgetary control and management information preparation. The function also administers 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.

PEOPLE AND CULTURE

The People and Culture Function provides human resources essential for the fulfilment of the MFSA's mandate, covering recruitment, retention, and learning and development. Adopting an HR Business Partner approach to talent management, the function places employees at the heart of the Authority's mission, reflecting the drive being undertaken to bring about change and organisational growth. The team implements other staff-related provisions, including the MFSA Ethics Framework, Occupational Health and Safety, and training programmes under the Financial Supervisors Academy (FSA).

PROGRAMME MANAGEMENT AND QUALITY ASSURANCE

The Programme Management and Quality Assurance Function ensures strategic alignment across the Authority, enabling it to achieve operational efficiency and effectiveness through digitisation and digitalisation. The function provides a holistic programme oversight to the MFSA's ExCo, aligns project priorities with the strategic objectives and articulates a project's interdependencies to plan demand capacity. Programme Management is also responsible for the quality assurance of project deliverables and operational process improvements.

TECHNOLOGY

Technology drives the continuously evolving Authority to perform in a more efficient and effective manner while sustaining adequate, timely and knowledgeable decisions. The team leverages cutting-edge technology, industry standards and methodologies to provide reliable services to the rest of the organisation and to the financial services sectors it regulates. The function is responsible for technology design, information security, development, integration and delivery of the information, and communications infrastructure, platforms and services.

LEGAL AND INTERNATIONAL AFFAIRS

EU AND INTERNATIONAL AFFAIRS

The EU and International Affairs Function ensures that the MFSA has an active role in international forums. The function coordinates relations with international organisations and memoranda of understanding with foreign regulators, as well as handling exchange of information requests. The function advises Government on the formulation of financial services policy, mainly relating to proposals issued by the European Commission, particularly when it comes to taking a national position in this sector.

LEGAL AFFAIRS

The Legal Affairs Function provides legal advice across the organisation, also drafting and/or vetting legal documents involving the Authority. The function attends to any MFSA-related litigation matters, including the preparation and filing of judicial acts, any legal or judicial submissions, as well as any other work necessary in preparation for court or tribunal sittings. The function also coordinates and oversees the legislative process falling under the administration of the MFSA, including amendments or new laws required to transpose EU Directives or implement EU Regulations.

OTHER MFSA FUNCTIONS

INTERNAL AUDIT

The Internal Audit Function is accountable to the Audit Committee and reports to the Board of Governors. The function is responsible for evaluating and improving the effectiveness of the internal risk management, control, and governance processes, to help the Authority achieve its objectives in a systematic and disciplined manner.

RESOLUTION

Resolution operates independently from the Supervisory Directorate and other functions and is primarily responsible for resolution-planning activities for credit institutions and certain investment services firms. It is also responsible for the policies and legislation forming the Resolution Framework. The same responsibilities will eventually extend to central counterparties and insurance undertakings. The Board of Governors is the designated resolution authority in Malta, however, the MFSA's Resolution Committee is the decision-making body, advised by the function as to whether an institution should go into liquidation or resolution, and on the application of resolution tools, as necessary.

RISK MANAGEMENT

Risk Management is responsible for risk oversight and therefore oversees the organisation 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, and ensuring compliance with European supervisory authority standards. Risk Management reports to the Risk Committee, an independent committee of the MFSA Board of Governors.

05

OUR WORK

During 2022, the MFSA renewed its commitment towards safeguarding consumers of financial services, ensuring financial stability, enhancing market integrity, as well as supporting innovation and economic growth. This chapter is intended to deliver a comprehensive overview of the Authority's activities during 2022, in line with the continuously changing dynamics of the financial services sector.

SUPERVISORY INTERACTIONS, AUTHORISATIONS AND POLICY WORK

	2019	2020	2021	2022
Total Supervisory Interactions	227	419	665	674

674 TOTAL SUPERVISORY INTERACTIONS

84% with an AML/CFT element

217 inspections

364 meetings

76 thematic reviews

06 Supervisory Review and Evaluation Processes

11 mystery shopping exercises

CREDIT AND FINANCIAL INSTITUTIONS

During 2022, the MFSA refined its approach to the Supervisory Review and Evaluation Process (SREP) and developed tools for supervisors to make better informed decisions. The Authority also took steps to reform its approach towards supervising the rapidly growing Financial Institutions (FI) sector. The Banking Supervision team conducted six SREPs on Less Significant Institutions (LSIs) and carried out a diverse range of supervisory interventions, such as credit risk visits, internal audit reviews, and thematic reviews on climate change. The MFSA also supported the ECB's SREPs of significant institutions.

The MFSA improved bank supervisory reporting processes by implementing ECB requirements. The project involved assessing banks' performance, which helped identify challenges. The findings were shared with the respective banks' CEOs to raise awareness within the sector.

"THE MFSA IMPROVED BANK SUPERVISORY REPORTING PROCESSES BY IMPLEMENTING ECB REQUIREMENTS."

The MFSA helped revise the National Risk Assessment for Credit and Financial Institutions. Additionally, the Authority reviewed the adequacy and effectiveness of the third line of defence of banks - their Internal Audit Function (IAF) - and further assessed the liquidity management framework of banks in view of their significant reliance on Online Deposit Platforms (ODPs).

As part of its supervisory interactions with financial institutions, the MFSA carried out thematic reviews on the requirement of safeguarding clients' funds, which is a key consumer protection measure. Additionally, deep-dives and firm-specific engagements took place, focused on the governance arrangements, business models and key risks of the licence-holders in this sector.

Authorisations

The pipeline of potential new licences, authorisations, and changes in shareholdings remains very active.

11 applications from financial institutions

13 changes in control at financial institutions

02 surrendered licences

07 changes in licences

01 new bank application

28 passporting notifications, allowing companies to operate in multiple countries

03 bank take-over proposals

01 application to open a representative office in Malta

05 applications processed under the Financial Holding Company requirements

Policy and Legislative Work

In 2022, the MFSA published several new regulations and rules related to consolidated supervision of credit institutions, options and discretions emanating from CRRII, internal governance, financial holding companies, and stress testing requirements. Other Banking Rules were updated to implement EU Legislation. Consultations were carried out with the Malta Bankers' Association on new provisions related to the banking sector and discussions were held with the Ministry for Finance and Employment on upcoming amendments to the Banking Package. The MFSA also published circulars to provide information on upcoming legislation and recent developments related to PSD2 review and sustainable finance.

CAPITAL MARKETS

In 2022, the MFSA established a new function with the sole aim of bringing a fresh focus to the markets and listing space. As a result, the Authority's Board of Governors have approved the delegation of a number of its functions and powers to the function, as well as to the Executive Committee, following the necessary amendments to the MFSA Act. The newly set up function will also drive the implementation of the Capital Markets Strategy, in line with MFSA's commitment to ensure that the Maltese capital market continues to develop and integrate into the single market for capital.

In its first year of establishment, the function implemented the European Single Electronic Format (ESEF) and continued to work on the implementation of the European Crowdfunding Service Provider Regulation (ECSPR) and the transposition and implementation of the Covered Bonds Directive. It also kicked off the implementation of the new DLT Pilot Regime Regulation and followed developments on the European Green Bond Standard (EGBS) closely. A special focus was given to the regulatory review of legal texts which impacted the market infrastructures' space, such as the Markets in Financial Instruments Directive/Regulation (MiFID II/MiFIR) Refit and the Central Securities Depository Regulation (CSDR) Refit.

The Authority closely monitored the activities of various market participants, including trading venues, member firms, central securities depositories, benchmark administrators, and clearing members so as to ensure these are following regulations. It conducted inspections, held meetings and sent out letters about data quality issues related to regulations such as the Market Abuse Regulation (MAR), European Market Infrastructure Regulation (EMIR), and Securities Financing Transactions Regulation (SFTR).

On the SFTR specifically, the MFSA met with industry participants to ensure their adherence to the regulation's requirements. In this regard, the Authority is enhancing internal systems and risk models while looking into local regulations to improve the securitisation framework.

> "THE AUTHORITY IS ENHANCING INTERNAL SYSTEMS AND RISK MODELS WHILE LOOKING INTO LOCAL REGULATIONS TO IMPROVE THE SECURITISATION FRAMEWORK."

Authorisations

The Authority received an increasing number of applications for admissibility to listing of securities throughout 2022. The MFSA processed 70% more applications for admissibility to listing of securities, when compared to the previous year. These were split between submissions from already listed entities and new applicants. Most of the applications were for bonds (80%), while the remaining applications were for equity securities (20%).

Policy Work

As part of its work on the Capital Markets Strategy, the MFSA is currently working on drafting rules covering the application process for admissibility to listing. Moreover, work on the implementation of several key regulatory and policy initiatives concerning asset management is underway. The initiatives listed below are aimed at further improving the regulatory platform for professional investment funds through streamlined, pragmatic and risk-based policymaking.

1. Proposed establishment of a Framework for Notified Professional Investor Funds (NPIF)

In line with proposal 9 of Pillar III of the Discussion Paper on the Asset Management Strategy, issued in 2021, the Authority published a Consultation Document on the proposed NPIF framework in 2022 to gather stakeholders' views on the draft rulebook for the proposed framework. An additional public consultation will be carried out in 2023 regarding the necessary legislative amendments for the implementation of the new NPIF regime.

2. The legal framework for Collective Investment Schemes (CISs) established as Limited Partnerships (LPs)

During the year, the Authority worked towards a framework for CISs structured as LPs without legal personality. The primary goal of the framework is to enhance the local fund toolbox with the addition of a flexible vehicle for funds pursuing private equity, private credit, infrastructure, real asset, and similar investment strategies. This proposed framework will be the subject of a dedicated consultation exercise which is planned to be published in the coming months.

3. AIFMD Review

In 2022, the MFSA also resumed the ongoing review of the Alternative Investment Fund Managers Directive as part of the wider Capital Markets Union (CMU) Package.

INVESTMENT SERVICES

INVESTMENT FIRMS

During 2022, the MFSA continued assessing the practical implementation of the Investment Firms Regulatory Package to determine the compliance levels of investment firms with the Regulatory Package and the applicable Technical Standards and Guidelines. Through its supervisory engagements, the MFSA has continued to assess the level of cross-border investment services activities undertaken in terms of the investment firms' business models.

The industry was closely monitored, with the scope of ensuring compliance with the new rules on capital and liquidity requirements, revised classification, internal capital adequacy risk assessment, and reporting and disclosure requirements.

Building on the work carried out in 2021, the MFSA conducted thematic supervisory interactions on safekeeping arrangements, segregation of client assets and reconciliation process assessments to ensure that clients' monies and assets are adequately safeguarded. High-level interviews were also held with Money Laundering Reporting Officers (MLROs) to determine financial crime related issues and the Officer's own level of competency.
In line with the new prudential framework for investment firms (IFD/IFR), the Authority initiated the process of developing and calibrating a SREP to replace other internal models in line with the joint European Banking Authority (EBA) and the European Securities and Markets Authority (ESMA) Guidelines on common procedures and methodologies for SREP.
In developing the model, a gap analysis was carried out with the existing model to assess the information required to complete the SREP.

> THE MFSA WAS ACTIVE IN DISCUSSIONS WITH THE EUROPEAN COUNCIL AND COMMISSION AND PROVIDED UPDATES TO ESMA ON SYSTEMIC RISK AND LEVERAGES IN ALTERNATIVE INVESTMENT FUNDS.

FUNDS AND SERVICE PROVIDERS

In assessing the resilience of the various licence-holders in this sector, namely fund managers, fund administrators, and depositaries, the MFSA ensured that these key industry players were complying with new regulations and guidelines. Furthermore, the Authority participated in ESMA's Common Supervisory Action (CSA) which aims to assess the compliance of supervised entities with the relevant valuation-related provisions in the Undertaking for Collective Investments in Transferrable Securities (UCITS) and AIFMD frameworks and conducted follow-up work on the 2021 ESMA CSA on Fees and Costs.

The MFSA was active in discussions with the European Council and Commission and provided updates to ESMA on systemic risk and leverages in alternative investment funds. It collected information on portfolio exposures to Russian and Ukrainian securities and processed suspensions and side pockets.

During the year, the Authority started working on the depositary rulebook and improved off-site reviews with regard to the Annual Fund Return.

> IN 2022 THE MFSA LAUNCHED UPDATED APPLICATION FORMS FOR COLLECTIVE INVESTMENT SCHEMES AND INVESTMENT FIRMS.

Authorisations

The MFSA is responsible for granting authorisation for investment services in Malta according to the Investment Services Act. In 2022, the MFSA processed 82 new applications and 603 personal questionnaires.

The MFSA continued to streamline the authorisation process for applications submitted in terms of the Investment Services Act and considered to be non-complex. Furthermore, as part of its ongoing commitment to enhancing its technological capacity and minimising the regulatory burden on applicants and authorised persons, in 2022 the MFSA launched updated application forms for CISs and Investment Firms. The MFSA started working on the implementation of a central database in accordance with the Cross-border Distribution of Funds Directive. Additionally the Authority has been checking and ensuring the improvement of the quality of data reported by various licence-holders. Periodic data quality statistics is sent to ESMA as part of the data quality framework.

> THE MFSA IS ASSISTING IN THE CREATION OF THE SREP FOR INVESTMENT FIRMS AND CONTRIBUTING TO SUPRANATIONAL DISCUSSIONS ON THE TOPIC.

82 new investment services applications

603 personal questionnaires related to funds and service providers

Policy and Legislative Work

The MFSA brought in line various pending legislations, including the transposition and implementation of EU Directives/ Regulations, and contributed significantly in relation to upcoming Commission proposals and convergence work.

Progress has been made in the transposition of the Covered Bonds Directive whereby the drafting of the main legal texts was concluded. The legal implementation of the CRR II, Cross Border Distribution of Funds Regulation, Climate Benchmarks Regulation, and the Exemption of certain third-country Benchmarks Regulation was also completed.

In addition, the MFSA is working on the implementation of:
- the Pan-European Personal Pension Product (PEPP) as applicable to fund managers and investment firms;
- the Directive amending the UCITS IV Directive with a specific focus on the use of key information documents; and
- the Commission Delegated Directive applicable to UCITS Management Companies, Commission Delegated Regulation applicable to AIFMs and Commission Delegated Regulation applicable to investment firms.

The Authority also monitored the developments in the AIFMD and European Long-term Investment Funds (ELTIF) space and the Digital Package (DLT/MiCA/DORA) to identify the necessary changes to our national legislative framework. A strategy is being drawn up for the implementation process following adoption. The MFSA is assisting in the creation of the SREP for investment firms and contributing to supranational discussions on the topic.

INSURANCE AND PENSIONS

INSURANCE

In 2022, the MFSA implemented an effective system of governance by increasing its level of supervisory intrusiveness and scrutiny in carrying out more in-depth assessments in relation to the collective knowledge, skills and qualifications of the Board of Directors of licensed entities.

The compliance inspections included a specific focus on the assessment of the effective implementation of selected key functions, primarily the compliance and the internal audit function. These constituted almost 50% of inspections carried out with a compliance theme.

The Authority has also conducted compliance inspections during the first year of newly authorised undertakings to obtain a strong understanding of how these licence-holders are implementing an effective system of governance and risk management. This allows for early intervention should there be any issues identified and provides an opportunity for licence-holders to obtain a clearer understanding, at the initial stages of establishment, of what the expectations of the Authority are when it comes to governance and risk management. The MFSA conducted compliance inspections on reserving and reinsurance as part of its thematic review work. The inspections focused on the appropriateness of assumptions for reserving and the transfer of risk versus the capital relief of reinsurance. The MFSA will share its observations and findings with the market in 2023.

> EXIT INTERVIEWS HAVE ALSO BEEN AN INTEGRAL PART OF THE SUPERVISORY REVIEW PROCESS.

Exit interviews have also been an integral part of the supervisory review process implemented by the Authority. These were mainly held with directors and key persons who have resigned from their approved roles.

The Authority dedicates a substantial portion of its resources to supervising outsourcing activities to make sure that these do not harm the quality of the licence-holder's governance, do not increase operational risk, or affect policyholder service. The supervision includes reviewing binder arrangements, questioning company officials, consulting with other supervisors, making sure other outsourcing arrangements follow Solvency II, assessing the third-party service provider's skills and experience, and verifying information through inspections.

Financial crime assessments have been integrated into prudential assessments when evaluating the controls that licence-holders have in place to manage AML/CFT risks. This was done through discussions with MLROs during inspections, following up on previous findings, and interviewing aspiring MLROs.

In preparation for IFRS 17, discussions were held with the Malta Insurance Managers Association and the Malta Institute of Accountants to better explore the possibility of whether certain categories of insurers could be exempted.

The MFSA also carried out supervisory work related to Union-Wide Strategic Supervisory Priorities, originally focused on low interest rates and COVID-19, but later shifting to rising inflation and macroeconomic conditions following the Russian invasion of Ukraine.

> THE MFSA STARTED WORKING ON THE IMPLEMENTATION OF AMENDMENTS TO THE MOTOR INSURANCE DIRECTIVE IN COORDINATION WITH VARIOUS PARTIES, INCLUDING THE MINISTRY FOR FINANCE AND EMPLOYMENT AND TRANSPORT MALTA.

PENSIONS

MFSA's engagement with Retirement Scheme Administrators (RSAs) involved conducting compliance inspections and supervisory meetings with particular focus on investments and risk, sustainable finance, the implementation of an effective system of governance and organisational and operational structures.

The objective of the Authority has been two-fold: to monitor the effectiveness of such compliance activities and to educate the market while sharing best practices to raise overall standards. As part of the interactions with industry representatives, additional questions were included in the financial crime compliance assessments to ensure that RSAs have adequate controls in place and pension structures do not abuse double taxation treaties.

Authorisations

122 insurance and pensions applications

99 new applications

19 requests for change in shareholding

04 licence extensions

Policy Work

The MFSA started working on the implementation of amendments to the Motor Insurance Directive in coordination with various parties, including the Ministry for Finance and Employment and Transport Malta. Amendments to the Insurance Distribution Rules were initiated in 2022 and published for consultation in early 2023. The Authority also started following and participating in discussions regarding the proposed amendments to Solvency II 2020 Review and the Insurance Recovery and Resolution Directive.

> THE MFSA'S RENEWED APPROACH FOCUSES ON THREE CORE AREAS: OFFERING REGULATORY GUIDANCE, PROVIDING INNOVATION FACILITATORS, AND ENCOURAGING COLLABORATION WITH STAKEHOLDERS.

FINTECH

The MFSA has renewed its commitment to promoting innovation and digital finance in the financial services industry, based on insights and recommendations from different stakeholders. The Authority is working on establishing a regulatory framework that supports global standards, sustaining growth in the financial services market, and ensuring investor protection, market integrity, and financial stability. The MFSA's renewed approach focuses on three core areas: offering regulatory guidance, providing innovation facilitators, and encouraging collaboration with stakeholders.

The MFSA conducted 21 supervisory interactions, implemented recommendations from the National Coordinating Committee (NCC) Sub-Committee on VFA, and followed regulatory developments at the European level. In terms of VFA, the Authority conducted broad scope inspections on all newly licensed VFA service providers and exercised enhanced supervision on higher risk VFA service providers to mitigate residual risks. The Authority played an active role in ensuring the effective implementation of the 8th Sanctions Package related to virtual financial assets and contributed towards the EBA's Crypto-Asset Network and ESMA's Crypto-Asset Task Force.

"DURING 2022, THE MFSA CONCLUDED ITS JOURNEY OF REFORM ON THE REGULATORY FRAMEWORK FOR COMPANY SERVICE PROVIDERS."

TRUSTEES AND COMPANY SERVICE PROVIDERS

During 2022, the MFSA concluded its journey of reform on the regulatory framework for Company Service Providers (CSPs) by processing all the Class A over threshold, Class B over threshold and Class C CSP applications submitted in 2021. The reform brought those Class A and Class B under threshold CSPs who had been fully authorised on 16 November 2021 and the provisionally authorised CSPs into the regulated population. In 2022, the focus was shifted to the processing of the provisionally authorised CSPs which were subject to the next phase of processing and were fully authorised on 16 November 2022.

Applying a risk-based approach, the Authority also resorted to supervisory interaction to complement the assessment of certain applications and a number of supervisory engagements were held with provisionally authorised CSPs targeting governance, compliance culture and risk. Interviews were also carried out to assess compliance and AML/CFT knowledge and competence. The outcome of these supervisory engagements was considered in the context of the assessment as to whether to grant authorisation or otherwise, as well as when imposing post-authorisation conditions on these CSPs.

Some applicants were required to revise their business model to reflect the size, nature and risks associated with their business, such as introducing an additional director within their structure.

The Authority continued to build on its risk-based approach to supervision of both Trustees and CSPs (TCSPs) with a focus on the principles of governance, and in particular the effectiveness of the Board and interaction with the compliance function within an authorised TCSP. Offsite supervision continued to engage with TCSPs through desktop reviews of data, particularly information deriving from the annual regulatory returns submitted by TCSPs and a number of remote onsite inspections were carried out on the already licensed TCSPs. The outcome from both offsite and onsite supervision engagements led, in some instances, to the imposition of remediation plans and referrals to Enforcement for further investigation, with a view to raising the standards of the compliance culture in the sector.

"SUPERVISORY ENGAGEMENTS WERE HELD WITH PROVISIONALLY AUTHORISED CSPS TARGETING GOVERNANCE, COMPLIANCE CULTURE AND RISK."

In line with international standards the MFSA continued to emphasise the importance of accurate beneficial ownership information, such that law enforcement, financial intelligence units, tax agencies and other governmental authorities have timely access and are able to collect adequate, accurate and up-to-date information on the owners and controllers of trust structures. As part of the ongoing work which is being undertaken by Malta to implement the Beneficial Ownership Registers Interconnection System (BORIS), as required by EU legislation, enhancements were made to the Trusts Ultimate Beneficial Ownership Register (TUBOR) platform during 2022, to ensure that the data is more comprehensive, and reduce the risk of human error through automation of certain features. In this regard compliance inspections aimed at verification of reported trusts beneficial ownership data continued to be a crucial focus of activity.

Authorisations

The Authority processed all the applications for provisional CSP authorisation submitted in 2021, granting full authorisation to 100 CSPs by November 2022.

100 **CSPs** fully authorised by November 2022

FINANCIAL CRIME COMPLIANCE

The MFSA is a key stakeholder in the NCC on AML/CFT and continued with its work to achieve the goals set in the National AML/CFT Strategy and Action Plan 2021-2023.

The National Risk Assessment (NRA) was updated between 2021 and 2022, with input from multiple competent authorities. The MFSA was instrumental in the compilation of the sectoral chapters and ensured consistency throughout the exercise. The updated NRA will be considered in the MFSA's sectoral risk assessment and guide the Authority's risk-based supervision.

The MFSA ensured that proposed arrangements or appointments comply with AML/CFT laws. The Authority also works with the FIAU and considers a wider range of risks when reviewing authorisation applications. Additionally, the MFSA is providing input to the updating of Malta's Anti-Money Laundering and Terrorist Financing framework and collaborates with other authorities to identify and report emerging threats.

The MFSA and the FIAU collaborated extensively, creating new processes and strengthening existing links, to ensure that both authorities' understanding of risk is holistic and dynamic. The MFSA introduced a red flagging process in agreement with the FIAU, enabling MFSA supervisory staff to raise their concerns about regulatory compliance and potential issues related to anti-money laundering and counter-terrorist financing. These concerns are then considered by the FIAU within its own risk rating tool.

The MFSA carries out sanction compliance examinations in terms of the MoU signed between the Sanctions Monitoring Board (SMB), the FIAU, and the Malta Gaming Authority (MGA) in 2018. During the year under review, the Authority has been proactive in ensuring that it has a sound understanding of the Maltese financial services industry's exposure to the constantly developing sanctions regimes on designated Russian entities and persons, in view of the Russian war in Ukraine.

To ensure the stability of the sector, the Authority has collected a number of attestations from the industry itself to ensure that there is a sound understanding of the situation, namely information about any:

- immediate impact on operational capacity;
- increase in the cyber threat level observed;
- increase in transactions to and from crypto exchanges;
- impact observed from wider contagion; and
- provisions taken for or incurred losses as a result of the current situation.

Supervisory interactions were carried out with FinTech firms, particularly Virtual Financial Assets Service Providers VFASPs, since the sector has been globally identified as being fertile for sanction evasion typologies.

Appreciating the rapid consideration of financial crime related risks, the MFSA has devoted significant efforts towards training, also to complement its AML/CFT Strategy. A total of 2,200 hours' worth of AML/CFT training was given to employees working within the MFSA in 2022.

2,200 HOURS of AML/CFT training

Authorisations

In order to prevent bad actors from entering the Maltese financial services landscape, the MFSA has widened its consideration of financial crime risks in its authorisation processes and throughout the entire licence-holder lifecycle. New procedures for all its supervisory functions and the integration of AML/CFT risks into prudential risk scores were created. In 2022 the Financial Crime Compliance (FCC) team highlighted concerns in 14% of the total authorisation applications reviewed.

The FCC team highlighted concerns in **14%** of the total authorisation applications reviewed

CORPORATE GOVERNANCE

In February 2022, the Authority published a Consultation Document seeking feedback on its first draft of the Corporate Governance Code for Authorised Entities. This was complemented by an outreach initiative in the form of a webinar during which stakeholders were provided with updates on the Code. A Feedback Statement was published later on in the year, accompanied by the final Code. The Code is designed to enhance the legal, institutional, and regulatory framework for good governance across the Maltese financial services sector. It applies to all entities authorised by the MFSA, except for listed entities falling within the scope of the capital market rules and complements the current provisions already in force in the legal and regulatory framework. With its "best-effort basis" application being designed around the principle of proportionality, the Code provides a set of principles, accompanied by supporting provisions.

The Authority believes that, apart from proportionality, this approach ensures efficacy in the Code's application and is in line with corporate governance policies and approaches advocated by international bodies such as the European Commission and the Organisation for Economic Co-operation and Development.

"THE CODE IS DESIGNED TO ENHANCE THE LEGAL, INSTITUTIONAL, AND REGULATORY FRAMEWORK FOR GOOD GOVERNANCE ACROSS THE MALTESE FINANCIAL SERVICES SECTOR."

OPERATIONAL RISK MANAGEMENT

The MFSA considers operational risk management a vital part of its governance and management processes. In 2022, the Authority continued to focus on enhancing its overall risk control measures, risk management culture, risk incident reporting, operational resilience and supervisory approach process.

MFSA's operational risk control measures were enhanced by:

- providing the Governing Committees with a regular and consistent overview of operational risks and related responses;
- building and maintaining resilience in the MFSA's organisation, processes, and governance;
- improving the consistency, quality and transparency of risk information; and
- embedding first line responsibilities by continuous interaction with appointed function Risk Officers.

RISK MANAGEMENT CULTURE

One of the focus areas for 2022 was to continue building awareness on risk culture, predominantly through the issuing of communications from senior management and clarifying the responsibilities and accountabilities. Education sessions were held for all MFSA employees. More technical operational risk management training was conducted jointly with the Central Bank of Luxembourg for all Risk Officers, supplemented by one-to-one coaching sessions.

300+ HOURS OF TRAINING ON RISK MANAGEMENT

RISK INCIDENT REPORTING

The proper implementation of the Risk Incident Reporting Process is essential for the MFSA to ensure that all operational risk incidents are escalated with confidence. A total of 33 incidents were processed in 2022. The MFSA 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 each incident, identifying actions to mitigate any risks and improve the control environment to minimise the probability of incidents reoccurring.

BUSINESS CONTINUITY

The MFSA has established an internal working group to discuss business continuity scenarios, critical processes, and dependencies.

The MFSA's Business Continuity Management framework comprises policy, procedures, and guiding principles which are currently being reviewed and discussed. A criticality assessment of each function has been conducted to identify critical processes and deliverables that pose a higher risk to the Authority in the event of a contingency. A Crisis Management Procedure has also been developed to efficiently manage operational crises or incidents affecting the MFSA.

The MFSA will continue to leverage operational risk management to identify and manage potential threats and vulnerabilities in its critical operations, as part of an operational resilience approach.

SUPERVISORY RISK-BASED APPROACH

To increase its supervisory effectiveness, the MFSA 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.

During 2022, the Authority enhanced its supervisory risk-based approach by adopting a consistent methodology across the Supervisory Directorate. In this respect, a set of internal Guiding Principles aimed to strengthen and enhance the governance of the risk assessment models adopted by the Supervisory, Enforcement, and Financial Stability functions was drafted. These Guiding Principles are intended to promote common procedures and methodologies for the proper governance of internal risk assessment models within the MFSA. It sets out the frequency and triggers for any updates to be affected to risk assessment models as well as the timelines to be adhered to by the Supervisory Functions in running these models.

ENFORCEMENT

The main duties of the Enforcement function consist in conducting investigations of suspected breaches of financial regulation and making recommendations for remedial action and/or the imposition of any appropriate enforcement actions against persons or entities found in breaches of such regulations.

During 2022, the Enforcement Function:
- continued to review 56 complex cases brought forward from previous years;
- continued to review 153 cases brought forward from previous years relating to non-submission of statutory documents;
- opened 20 new cases; and
- closed 49 cases which include complex cases and cases relating to non-submission of statutory documents.

INVESTIGATIONS

76 complex cases

153 cases on late submissions

20 new complex cases

49 cases closed

The total sum of the penalties issued in 2022 amounts to €147,445 which included a total of 34 cases relating to non-submission of statutory documents. A total of 44 enforcement actions were taken, including 10 administrative measures taken in relation to cases involving fitness and properness.

ENFORCEMENT OUTREACH

All administrative measures and penalties are made public through the MFSA's website. Public warnings and consumer notices which concern unauthorised or illegal activities and fraudulent schemes in financial services are also published online, circulated with the media and shared on the Authority's social media platforms.

In 2022, the MFSA issued 27 Public Warnings and three Consumer Notices aimed at informing the public about scams and fraudulent schemes to help protect them from financial losses.

44 enforcement actions

30 public warnings and consumer notices

In 2022, the Enforcement Function also published the following documents to provide the right level of transparency and to enhance further communication with licence-holders.

02 Policies

02 Guidance Notes

02 Consultations

FOR INCREASED TRANSPARENCY

- Policy Document on Non-Material Enforcement Action;
- Guidance Note on the Methodology to Set Administrative Penalties relating to Non-Material Breaches;
- Guidance Note on the Methodology to Set Administrative Penalties Imposed on Entities and Individuals;
- Consultation Document on the Proposed Settlement Procedure under the Malta Financial Services Authority Act;
- Consultation Document on the New Publication Policy; and
- The Settlement Policy.

DUE DILIGENCE

As the Due Diligence Function grew further in scope and reach, it continued to strengthen integrity checks within the context of fit and proper assessments for individuals proposed to take up approved roles. Over the year, the function conducted approximately 2,000 checks, for which reports have been compiled.

The MFSA has been active in discussions with the industry on revisions to the requirements surrounding the submission of Source of Wealth and Funds for Qualifying Shareholders and Politically Exposed Persons.

2,000 DUE DILIGENCE CHECKS

CONSUMER PROTECTION

The Authority sets rules and standards for products and services, supervises the activities of licence-holders and authorised persons, and acts against entities that breach consumer protection regulations. The MFSA also provides information to consumers to raise awareness about their rights and responsibilities in relation to financial services.

The following sub-sections present the main initiatives taken regarding consumer protection for the various sectors of the industry regulated by the MFSA.

CREDIT INSTITUTIONS

During 2022, the Authority continued to engage with credit institutions to discuss current and proposed fees to ensure that they provide a good level of service to their clients and that the fees they charge are fair, justified and adequately disclosed.

The Authority has also:

- undertaken a thematic review regarding the adherence of consumer protection in relation to some credit institutions, in line with EBA Guidelines;
- continued its analysis of pre-contractual information provided to prospective clients, and the creditworthiness assessment carried out by a number of credit institutions, as required under the Mortgage Credit Directive and EBA guidelines on Loan Origination and Monitoring; and
- conducted a thematic Review on the adherence of credit institutions to requirements relating to the issue of the Statement of Fees and the Fee Information Document to clients, emanating from the Payments Account Directive.

INSURANCE

In 2022, a thematic review was conducted to assess how far insurance undertakings comply with their Product Oversight and Governance (POG) requirements when developing new products or carrying out significant changes to existing ones. As part of this review, the Authority assessed whether exclusions included in the wording of a product's policy are sufficiently clear and transparent for the policyholder to understand.

In 2022, the Authority published a document to provide guidance to the industry in carrying out a Demands and Needs assessment which, in terms of the Insurance Distribution Directive (IDD), is required to be undertaken prior to the distribution of insurance contracts.

INVESTMENT FIRMS

The MFSA conducted supervisory work in relation to the compliance of investment firms with MiFID II Product Governance requirements and examined their selling processes for the retail distribution of financial instruments. The Authority also assessed the applicability of MiFID II requirements on ex-post costs and charges for retail clients and conducted on-site and off-site inspections of relevant business models. The MFSA held supervisory meetings to address conduct-related issues and conducted post-authorisation inspections.

> "THE AUTHORITY PUBLISHED A DOCUMENT TO PROVIDE GUIDANCE TO THE INDUSTRY IN CARRYING OUT A DEMANDS AND NEEDS ASSESSMENT."

CONSUMER EDUCATION

One fundamental tool used by the MFSA for the appropriate protection of consumers is consumer education – educating consumers on their rights and duties. Empowering consumers through education enables them to make informed decisions when purchasing financial products and services.

In 2022, the MFSA rolled out four different consumer education campaigns and also participated in the International Organisation of Securities Commissions (IOSCO) Investor Week focused on sustainable finance and investor resilience.

The MFSA, together with the Ministry of Finance, is also contributing to a joint initiative led by the European Commission and the Organisation for Economic Co-operation and Development (OECD) to develop a financial competence framework for the EU. The framework will consist of two parts, one for adults and one for children and youths. This publication is set to be released in the Summer of 2023.

Consumer Education Campaign Themes in 2022

- INSURANCE-BASED INVESTMENT PRODUCTS
- INVEST SMARTLY
- FINTECH: RISKS AND BENEFITS
- BANK LOANS AND CREDIT CARDS

OUTREACH

Year after year, the MFSA undertakes a wide range of outreach initiatives.

In 2022 alone the Authority issued 153 circulars, 28 media releases, nine consultation documents and eight feedback statements. A document on Conduct Supervision was published as part of the 'Nature and Art of Supervision' series, whereas a new series was launched to provide the industry with insights on FinTech.

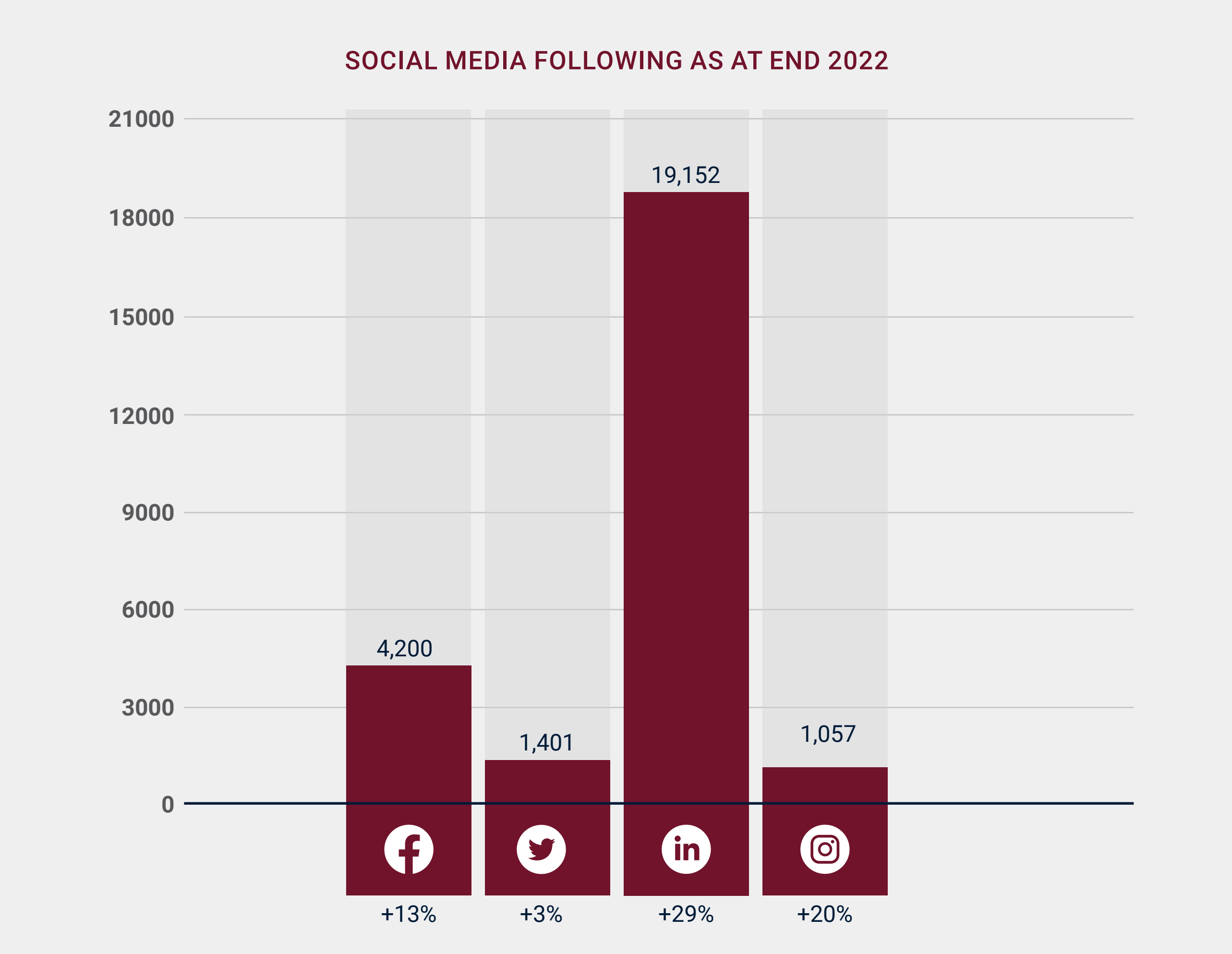
153 CIRCULARS

28 MEDIA RELEASES

09 CONSULTATION DOCUMENTS

08 FEEDBACK STATEMENTS

The dissemination of these publications is sustained by the Authority's activity on social media. In 2022, the Authority increased its number of followers on all its social media channels, with LinkedIn recording the highest spike, that of 29%.



EVENTS

In 2022, the MFSA and the Financial Supervisors Academy, the Authority's training arm, hosted 88 speakers to its nine events which saw the participation of over 1,300 attendees.

With the onset of the digital transformation occurring within the financial services landscape, where providers are increasingly leveraging on technology to innovate and enhance their offering with new or reengineered business models, processes and applications, the MFSA organised a hybrid conference with the theme being the 'Financial Services of Tomorrow' which addressed various topics around the regulatory approach towards technology enabled financial innovation and Digital Finance.

Furthermore, the MFSA also hosted events related to sustainable finance, more specifically on the topic of the Sustainable Finance Disclosure Regulation (SFDR). This webinar was motivated by the pressing need for a convergent approach to supervision of this field, coupled with the practical implementation of this regulation which is high on ESMA's agenda.

Complementing the topic of sustainability, the MFSA hosted a webinar on good corporate governance, which gave interested stakeholders the opportunity to listen to eminent speakers and to get an update on recent MFSA initiatives.

The Authority also communicated various aspects on how anti-money laundering examinations are carried out and shared best practices in combating financial crime. This was done by the help of US Federal Reserve bank examiners. This event included a review of high-risk areas, enforcement actions, and the impact of key risks on a financial institution's risk management programme.

Moreover, the Authority held an event relating to the setting of resilient strategies in a changing regulatory environment, mainly addressed to bank chairpersons and CEOs, as well as external audit or advisory firms.

The MFSA ended 2022 by organising a seminar on supervisory reporting to provide information on new requirements, developments and initiatives in the financial sector. It also held a workshop for insurance market participants to address and clarify how a demand and needs assessment is to be conducted.

Furthermore, MFSA staff participated as speakers or panellists in over 30 third-party events, including international ones.

09 MFSA and FSA events

88 speakers hosted

1,300+ attendees

PARTICIPATION IN INTERNATIONAL FORUMS

The MFSA maintained its proactive approach in its relationship with the EBA and the ECB. This included responding to peer reviews on Non-Performing Loans (NPL) and ICT management, actively participating in committees and responding to various questionnaires. The MFSA is also represented on the ECB's Supervisory Board with regular meetings being held to discuss, plan and carry out the ECB's supervisory tasks.

The MFSA contributed to the work carried out by ESMA through its participation in various committees and working groups. The Authority also actively participated in ESMA's Data Standing Committee, representing the Maltese jurisdiction.

The MFSA works with international groups and representatives, focusing on AML/CFT compliance in the international community. It is a contact point for credit rating agencies during their reviews of the Maltese financial sector's stability. In 2022, the MFSA was involved in various networks of European Enforcement Regulators. Additionally, the Authority continued to develop and strengthen its communication channels with national stakeholders including the Malta Police Force and the FIAU through regular meetings and ensuring an open exchange of information.

The MFSA participated in cross-border sandbox testing frameworks such as the EU Joint Testing Framework and the Global Financial Innovation Network (GFIN) cross-border testing initiative, EU and international fora to identify developments in other jurisdictions and continued to establish FinTech Bridges.

During the reporting period, the Authority played an active role in several technical representations within the ECB's Financial Stability Committee, together with its sub-committees on macro-prudential policy and risk analysis. The MFSA was also involved in the Committee of Economic and Markets' Analysis (CEMA) under the ESMA, and the European Insurance and Occupational Pensions Authority's (EIOPA) Financial Stability Expert Group. The MFSA also actively participated in the Network for Greening the Financial System (NGFS) and the ESRB Task Force on Climate Change, whereby it contributed to the work on climate change and sustainable finance.

> "THE AUTHORITY ALSO ACTIVELY PARTICIPATED IN ESMA'S DATA STANDING COMMITTEE, REPRESENTING THE MALTESE JURISDICTION."

RECRUITMENT OUTREACH

The Authority acknowledges the importance of attracting new talent to maintain its resilience and support growth. To this end, during the year it pursued several collaborations with educational institutions and professional training bodies to ensure a steady supply of skilled professionals in the sector. During 2022, the MFSA took part in multiple career conventions to attract strong candidates to join its talent pool. Presence was secured at the University of Malta Freshers' Week, KSU Career Fair, St Martin's Career Fair, and the ICT Students' Association Industry Expo.

> "THE MFSA ACKNOWLEDGES THE IMPORTANCE OF ATTRACTING NEW TALENT TO MAINTAIN ITS RESILIENCE AND SUPPORT GROWTH."

DIGITAL FINANCE

OPERATIONAL RESILIENCE

The Authority continued to monitor closely the developments of the Digital Operational Resilience Act (DORA) which came into effect in the first quarter of 2023. The Authority was involved in making the necessary preparations for the implementation of the regulation at a national level.

The MFSA provided subject matter expertise to the relevant stakeholders including the Ministry for Finance and Employment and the Permanent Representation of Malta to the EU. MFSA employees participated in various forums within European competent authorities and were instrumental, alongside other peers, within the European System of Financial Supervision's (ESFS) working programmes and in their preparations for DORA.

In 2022, the MFSA established a comprehensive plan of works for the delivery of DORA, completed a mapping exercise of the legislative and policy work that the regulation will entail, participated in various events held by the industry in relation to the regulation, and reached out to different local bodies to establish synergies.

The applications that the MFSA receives for authorisation are also processed from an ICT and cybersecurity perspective. Furthermore, the Authority has established an updated major ICT-related incident reporting process in preparation for the entry into force of the DORA and in light of heightened cyber threats. The new process considers challenges with the previous reporting process, established incident reporting guidelines, and public consultation processes. The process will eventually need to align with DORA when it enters into force. The Circular titled "Reporting of Major ICT-Related Incidents" was issued on 13 October 2022.

> "MFSA EMPLOYEES PARTICIPATED IN VARIOUS FORUMS WITHIN EUROPEAN COMPETENT AUTHORITIES AND WERE INSTRUMENTAL, ALONGSIDE OTHER PEERS, WITHIN ESFS WORKING PROGRAMMES AND IN THEIR PREPARATIONS FOR DORA."

INNOVATION

The MFSA has a dedicated FinTech Supervision function focused on monitoring the use of innovative technology and digital transformation in the financial services sector.

The MFSA has carried out a study on FinTech adoption among financial services entities, which findings have been published in March 2023. It has also been proactively working towards updating its Regulatory Sandbox framework on the basis of the lessons learnt from the two years since its introduction and a cross-country comparative study carried out on this topic, while focusing on cross-border engagement and knowledge-sharing.

The Authority has also taken steps to ensure the effective implementation of the 8th Sanctions Package related to VFAs, contributed to the EBA's Crypto-Asset Network and ESMA's Crypto-Asset Task Force to share supervisory experience, and has started preparations for the eventual implementation of the MiCA framework.

FinTech adoption within the financial services industry – The study's main findings

Over 50% of financial services entities surveyed have taken actions towards digitisation, digitalisation, or the implementation of enabling technologies and innovations.

The main enabling and innovative technologies adopted within the Maltese financial services landscape are cloud computing, Application Programming Interfaces (APIs), and web and mobile applications.

A significant number of respondents have also confirmed that they make **use of Regulatory Technology** solutions, mostly for AML and CFT purposes.

FOCUS ON MiCA

In 2022, the European Union provisionally agreed on the MiCA proposal which will create a regulatory framework for crypto-assets in the EU. The aim is to protect investors, safeguard market integrity and promote financial stability. Once approved and adopted, MiCA will become applicable in two stages: the first, which pertains to stablecoins, will become effective after 12 months, while the second, dealing with crypto-asset service providers, will take effect after 18 months. The EU will monitor the developments in the crypto-asset markets annually and the Commission will report to the European Parliament every three years on any measures required to mitigate risks. Despite the need for Malta to fully repeal its current virtual financial asset (VFA) regime when MiCA becomes effective, the transition is expected to be smooth as Malta's VFA framework shares similarities with MiCA. Under MiCA every operator will be required to get a licence providing new opportunities for crypto-asset providers. Consumer protection will be prioritised through the introduction of more conduct and advertising rules, disclosure requirements and suitability assessments for clients.

> "CONSUMER PROTECTION WILL BE PRIORITISED THROUGH THE INTRODUCTION OF MORE CONDUCT AND ADVERTISING RULES, DISCLOSURE REQUIREMENTS AND SUITABILITY ASSESSMENTS FOR CLIENTS."

FINTECH OUTREACH AND TRAINING

During 2022 the MFSA issued multiple circulars relating to digital finance, FinTech, innovation, ICT risk and cybersecurity. Additionally, the Authority launched a new series of publications that delve into the details of enabling technologies, innovation and their applications, known as 'FinSights'.

The MFSA also held a webinar in November to discuss the regulatory approach towards technology-enabled financial innovation and Digital Finance, featuring international regulatory and industry experts.

The MFSA is participating in the EU Supervisory Digital Finance Academy to enhance its supervisory capacity in the area of innovative digital finance. This European Commission flagship project is designed to promote consumer protection, safeguard market integrity, and maintain financial stability on an EU-wide scale by providing a platform for training and knowledge-sharing related to FinTech and better supervisory practices.

> "THE MFSA IS PARTICIPATING IN THE EU SUPERVISORY DIGITAL FINANCE ACADEMY TO ENHANCE ITS SUPERVISORY CAPACITY IN THE AREA OF INNOVATIVE DIGITAL FINANCE."

SUSTAINABLE FINANCE

As the single regulator for financial services in Malta, the MFSA is committed to contributing to the achievement of national and EU sustainability goals, working to promote a sustainable financial sector and taking more action to address climate change. In addition to being prepared for the impact of legislative frameworks related to sustainable finance, the role of the Authority is to ensure that supervised entities make sustainable development a core part of their internal organisation, strategy and values.

During 2022, the MFSA was largely involved in the preparatory work leading to the launch of the EU TSI multi-country project which officially started in January 2023. The MFSA, together with the national competent authorities of Croatia, Poland, and Romania, is participating in this project to receive technical support on supervisory capacity enhancement in sustainable finance. The project is implemented through funding by the European Union through the Technical Support Instrument, in cooperation with the European Commission Directorate General for Structural Reform Support. The project is expected to enable the MFSA to continue strengthening its capacity to develop and implement reforms regarding EU sustainability disclosure and reporting requirements regime, while supporting supervisory convergence among competent authorities in the implementation of this framework.

In the beginning of 2022, the Authority set out its Climate Change and Environmental risk Strategy 2022 to 2025 as a roadmap to CRD6 implementation. This included the setting up of an MFSA & Industry Working Group.
The MFSA has also participated in the NGFS and contributed to its report on climate-related financial risks. The report, "Climate Scenario Analysis by Jurisdictions: Initial findings and lessons" outlines initial findings from climate scenario analyses undertaken by financial authorities to assess climate-related financial risks and draws some key lessons. This report was sent to G20 Leaders ahead of the Bali Summit held in November 2022.

In 2022, the MFSA issued circulars outlining the requirements for investment firms and credit institutions to comply with the SFDR. The Authority also prepared a Report on operational and compliance readiness.

A dedicated sustainable finance policy team has been set up to constantly update the MFSA's sustainable finance online platform so that consumers can make informed financial decisions. Furthermore, through the Financial Supervisors Academy, the MFSA continues to ensure that its supervisors are constantly provided with the necessary knowledge relating to developments in sustainable finance.

A Working Group on climate change was established with the banking industry with the intention of preparing the sector for the expected and unavoidable transition which will impact all aspects of their business. The working group discussed the results of the thematic review on climate and environmental risks held with LSIs, as well as the disclosure requirements. To increase awareness and understanding of SFDR, the MFSA also held a webinar on the SFDR in March 2022.

Furthermore, given the intensification of chronic physical risk experienced over recent years, whereby Malta recorded the highest temperatures in almost 100 years, the MFSA initiated a project to assess how increased temperatures could affect labour productivity and credit risk in banks.

To enhance knowledge of sustainable finance, MFSA staff members took part in a course spread over six weeks, organised by the Bank of International Settlements (BIS) and NGFS, delving into climate-related and environmental risks within banking supervision.

FINANCIAL STABILITY

The MFSA is actively engaged in technical discussions and collaboration with international institutions such as the ESRB, the ECB, the IMF, and Credit Rating Agencies. Such heightened participation aims to enhance the MFSA's contribution to the international discussion and in shaping the international agenda. Furthermore, the MFSA is an active member of the ESRB General Board and Advisory Technical Committee. Following the ESRB Recommendation on a pan-European systemic cyber incident coordination framework for relevant authorities, a cyber risk network was set up in 2022 within the Euro system. This enables the Authority to exchange information on cyber risks with EU Member States and will help to enhance the overall resilience of the financial system.

In line with previous years, the MFSA continued to develop and set up new risk oversight metrics. These are based on the Authority's strategy, the ECB and ESRB input (including Warnings and Recommendations) and the IMF's Financial Sector Assessment Program (FSAP) recommendations. Risk dashboards in conjunction with stand-alone risk metrics remain central for early risk identification, enabling deeper risk oversight assessments that could trigger supervisory or macroprudential policy action. The risk metrics developed reflect the vulnerabilities that emerged during the year – such as geopolitical tensions and inflationary pressures, as well as systemic risks that may potentially intensify over the foreseeable future – such as climate change risk and interconnectedness.

The analyses of interconnectedness within the Maltese financial system forms an integral part of the risk oversight mechanism applied by the MFSA. Through the inhouse network model, contagion risk within the Maltese financial sector is monitored by means of the equity, credit and funding channels. Every year the MFSA continues to enhance the model which currently captures over 450 licence-holders. Moreover, the model was developed further to enable interlinkage and transitional channel assessments of the financial sector also to non-financial entities.

In light of the war in Ukraine, during 2022, the Authority continuously monitored the impact of such an unprecedented event on listed entities under its supervision. A sensitivity analysis was also carried out on banks' balance sheets in relation to their exposure to both countries, as well as other jurisdictions that have strong ties with these jurisdictions.

In 2022, the MFSA initiated work concerning the setting up of an impact assessment framework of the Maltese banking system, with the scenario design accounting for both micro and macro perspectives. The analysis investigates banks' overall soundness following a shock through different channels. The MFSA continued to update its annual liquidity stress testing exercise on Maltese retail investment funds, based on the framework developed and published on the MFSA website in 2020. This stress test tool has become a key instrument in assessing the resilience of retail investment funds to the persistently weak European funding environment, mainly due to the COVID-19 pandemic-led disruptions and more recently, inflationary pressures. In the last quarter of 2022, the MFSA also assessed the risk of inflation on licence-holder solvency. Such assessment continued in 2023.

Work was also carried out on non-bank financial intermediation (NBFI) in Malta, in particular, the setting up of a composite indicator which enables identification of bank-like risks by entities other than banks.

> "THE MFSA ALSO ASSESSED THE RISK OF INFLATION ON LICENCE-HOLDER SOLVENCY IN THE LAST QUARTER OF 2022 AND CONTINUED WITH THE ASSESSMENT IN 2023."

RESOLUTION

As the National Resolution Authority, the MFSA executed its responsibilities and obligations in line with European regulations, with a focus on the BRRD and the Single Resolution Mechanism Regulations, amongst others.

In 2022 the MFSA continued to monitor the liquidation process of three legacy banks. Moreover, the Authority actively contributed to resolution planning activities for SIs and continued to draft the annual resolution plans for LSIs. Bilateral meetings were held with many LSIs, in order to provide an overview of relevant legislation, while efforts were intensified to build a framework for the resolution of investment firms.

Building on its contribution in 2021, the MFSA continued to participate in European discussions on the creation of an Insurance and Re-Insurance Recovery and Resolution Framework in 2022.

ORGANISATIONAL CAPACITY

The Authority believes that its performance and the achievement of all its strategic priorities and objectives heavily rely on its organisational and operational capacity. The MFSA remained steadfast in its transformative journey during 2022, with a focus on an ambitious change programme, driven by innovation.

PEOPLE AND CULTURE

In 2022, the MFSA launched a three-year HR Strategy. To achieve the MFSA's broad and intricate mandate, it is vital for the Authority to attract, retain and develop talent by aligning the people strategy to the changing needs and organisational objectives. The Authority is committed to creating value through targeted organisational initiatives in employee wellbeing, talent development, work design and organisational culture.

> "THE MFSA REMAINED STEADFAST IN ITS TRANSFORMATIVE JOURNEY DURING 2022, WITH A FOCUS ON AN AMBITIOUS CHANGE PROGRAMME, DRIVEN BY INNOVATION."

Employee wellbeing initiatives were implemented to maintain healthy boundaries and uphold expectations on the importance of this theme. Such initiatives included remote and flexible work arrangements, team building activities, mental health awareness and Social Committee initiatives.

Talent development initiatives were aimed at maintaining and developing capacity and growth for continuous professional development. Such initiatives included a Training Needs Analysis, the launch of an FSA Training Curriculum, a Leadership Programme, the MFSA LEAP Programme, the People Fundamentals and Training Programme, and employee development plans.

At the end of 2022, the MFSA had a total of 410 full-time equivalent (FTE) employees. MFSA is a firm believer in the value of diversity and multi-culturalism. In fact, 59 employees are non-Maltese nationals coming from 19 different countries. Employees received a total of 21,313 hours of training, which was provided by the Financial Supervisors Academy and through other local and foreign institutions. On average, this amounted to 52 hours of training per full-time equivalent employee throughout 2022.

21,313
HOURS OF TRAINING

52 hours of training per FTE

+14% over 2021

59 NON-MALTESE EMPLOYEES FROM **19** COUNTRIES

TECHNOLOGY

The Technology team at the MFSA leverages cutting-edge technology, industry standards, and methodologies to provide reliable services to the rest of the organisation and the industry. To combat money laundering, in 2022 the MFSA made further investments in information systems, including the Financial Services Register (FSR) and the BORIS. The Authority enhanced the Licence-holder Portal to improve user experience and facilitate reporting to European Supervisory Authorities.

In terms of technology operations, in 2022 the MFSA migrated its IT infrastructure to Tier 3 government-owned data centres to improve disaster recovery response times and plans. The Authority also enhanced its security solutions to detect and prevent harmful IT activity.

DATA-DRIVEN SUPERVISION

In 2022, the process to centralise all the Authority's data continued. To achieve this, dashboards were developed with the aim of aggregating data from the data warehouse, enabling the use of supervisory information as key performance indicators. These dashboards are now being utilised for both offsite monitoring and supervisory interactions, allowing the MFSA to carry out effective data-driven supervision while improving the efficiency with which information is collected and processed, facilitating regulatory, supervisory and enforcement action.

Furthermore, an internal management information dashboard was developed. This dashboard aggregates multiple internally generated data points and allows senior management to effectively oversee the performance of the function, as well as track and act on any areas of concern proactively.

These advancements, coupled with process re-engineering, pave the way for the next phase of the transformation programme through the implementation of best-of-breed systems that will further enhance the Authority's data-driven capability through the digitisation and digitalisation of its records, supported by process orchestration.

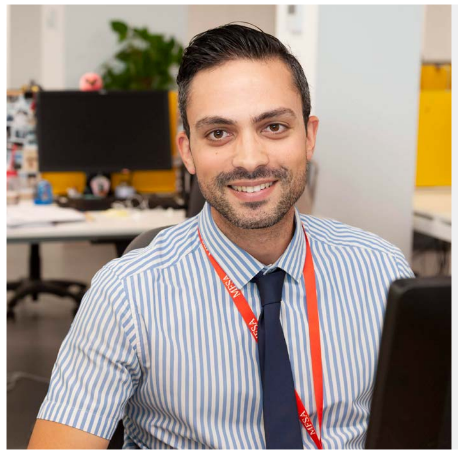
EMPLOYEE EXPERIENCE

"AS AN MFSA EMPLOYEE I AM PROVIDED WITH MANY TRAINING OPPORTUNITIES TO EXPAND MY KNOWLEDGE AND EXPERTISE IN ALL AREAS WITHIN THE FINANCIAL SECTOR."

TAHA ETIAR
ANALYST
CAPITAL MARKETS SUPERVISION

"SINCE I JOINED THE MFSA, I HAVE HAD THE OPPORTUNITY TO WORK WITH TALENTED, DILIGENT AND ENTHUSIASTIC INDIVIDUALS WHO HAVE CERTAINLY HELPED ME STRENGTHEN MY TECHNICAL ACUMEN."

MELANIE BONNICI
FACILITIES COORDINATOR
ADMINISTRATION & FACILITIES



"MY JOB PROVIDES ME WITH THE OPPORTUNITY TO PUT FORWARD THE MFSA'S POSITIONS ON VARIOUS FINANCIAL STABILITY TOPICS AT EU FORUMS SUCH AS THE EUROPEAN SYSTEMIC RISK BOARD AND THE EUROPEAN CENTRAL BANK."

IAN BUTTIGIEG
SENIOR MANAGER
FINANCIAL STABILITY

06

FINANCIAL STATEMENTS

31 DECEMBER 2022

CONTENTS

BOARD OF GOVERNORS' REPORT

The Governors present their report and the audited financial statements for the year ended 31 December 2022.

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 is also responsible for the approval of prospectuses and admissibility to listing of securities on regulated markets in Malta. The Authority is a fully autonomous public institution and reports to Parliament on an annual basis. Prior to 30 April 2018, the MFSA also managed the Registry of Companies ('the Registry').

REVIEW OF THE BUSINESS

The Governors hereby report a surplus of €1,357,221 for the financial year 2022 (2021: surplus of €4,398,564). The Authority has recorded a further increase of 6% in income over 2021 (2021: an increase of 4.4% over 2020), mainly on Securities and Markets, Banking, and Fintech supervisory fees. During 2022, the intention of the Authority was to continue to invest in its human resources and capacity building, as well as in technology and business intelligence, all in line with the MFSA's long-term Strategic Plan. However, the increase on such investments was that of a minimal 4% over 2021 due to various factors, including an industry shortage of supply in human resources. There was also an increase in professional services mainly on legal and advisory services, and other costs associated to travelling, once this resumed in 2022, following the relaxing of the COVID-19 restrictions.

Throughout 2022, the MFSA continued with its regulatory outreach by participating in seminars and creating further knowledge-sharing opportunities, also through its Financial Supervisors Academy programme. Complementing these initiatives, the MFSA continued to play a key role in the framing of national and EU-wide policies by actively contributing to meetings on legal, technical and regulatory developments with other supervisory bodies and competent authorities. The MFSA also ensured that it conducted its supervisory and enforcement work effectively – maintaining its role as a gatekeeper – as well as disseminating timely information to consumers and the media through the issuing of notices, warnings, and educational campaigns.

RESULTS AND SURPLUS FUNDS

The statement of comprehensive income is set out on page 78. During 2022 and 2021, no surplus funds for the financial year were payable to Government, in terms of the Mata Financial Services Authority Act, 1988.

GOVERNORS

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

Prof. John Mamo LLD. BLitt. (Oxol). BA
Chairman

Dr Michelle Mizzi Buontempo LL.D. M.A (Fin.Serv)
(Appointed as Acting Chief Executive Officer from 15 June 2022 to 27 July 2022, and re-appointed on 9 September 2022)

Mr Joseph Gavin, BCL, BL, MBA, JD
(Resigned as Chief Executive Officer on 8 September 2022)

Dr Carmel Cascun, BA (Gen), BA (Socio-Legal), LP, FCII, MJur. (European & Comparative Law), NP, LLD
(Deceased on 25 August 2022)

Mr Kenneth Farrugia, B.Accty (Hons), FIA, CPA (pc), MA (Business Ethics)
(Appointed on 6 October 2022)

Mr Mark Galea, BCom. Hons (Banking & Finance)

Prof. Edward Scicluna, BA (Hons) Econ, MA (Toronto), PhD (Toronto), DSS (Oxon)

Dr Stephanie Vella, BCom. (Hons) (Econ.) (Melit.), MA (Econ.) (Melit.), PhD (Melit.)

Prof. Philip von Brockdorff, BA (Hons) (Melit.), MSc. (Econ.) (Wales), DPhil. (York), Grad. CIPD (UK)

Mr Charles Zammit, FAIA, FFA, FCMI, Dip. BA

STATEMENT OF GOVERNORS' RESPONSIBILITIES

With effect from 17 February 2023, the following persons have been appointed as members of the Board of Governors:

Mr Jesmond Gatt, B.Sc (Hons)
Chairman

Dr Michelle Mizzi Buontempo, LL.D. M.A. (Fin.Serv)
(Acting Chief Executive Officer until 11 April 2023)

Mr Kenneth Farrugia, B.Accty (Hons), FIA, CPA (pc), MA (Business Ethics)
(Appointed as Chief Executive Officer on 12 April 2023)

Dr Anton Bartolo, LL.D.

Dr Carl Brincat, LL.D.

Mr Joseph Caruana, MBA (Executive), DPA, FIAB, MIM

Mr Mark Galea, BCom. Hons (Banking & Finance)

Prof. Edward Scicluna, BA (Hons) Econ, MA (Toronto), PhD (Toronto), DSS (Oxon)

Dr Stephanie Vella, BCom. (Hons) (Econ.) (Melit.), MA (Econ.) (Melit.), PhD (Melit.)

Prof. Philip von Brockdorff, BA (Hons) (Melit.), MSc. (Econ.) (Wales), DPhil. (York), Grad. CIPD (UK)

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, 1988;
- 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 Act, 1988. 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 2022 are included in the Annual Report 2022, 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

Mr Jesmond Gatt
Chairman

Mr Kenneth Farrugia
Chief Executive Officer

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

18 April 2023

INDEPENDENT AUDITORS' REPORT

To the stakeholders of the Malta Financial Services Authority

OPINION

We have audited the financial statements of the Malta Financial Services Authority (the Authority) set out on pages 77 to 96, which comprise the statement of financial position as at 31 December 2022, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of the Malta Financial Services Authority as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and have been prepared in accordance with the requirements of the Malta Financial Services Authority Act.

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Authority in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) in Malta, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OTHER MATTERS

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.

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 this information. In connection with our audit of the financial statements, our responsibility is to read the other information 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.

In addition, in light of the knowledge and understanding of the Authority and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Board of Governors' Report. We have nothing to report in this regard.

RESPONSIBILITIES OF THE BOARD MEMBERS

The Board members are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards 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 Authority or the Government of Malta has plans to dissolve it or to cease operations, or has no realistic alternative but to do so.

AUDITORS' 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 auditors' report that includes our opinion. 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 auditors' 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 auditors' 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.
- 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.

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.

KSi Malta

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We have responsibilities under the Companies Act (Cap.386) enacted in Malta to report to you if, in our opinion:

- The information given in the Board of Governors' Report is not consistent with the financial statements.
- Adequate accounting records have not been kept.
- The financial statements are not in agreement with the accounting records and returns.
- We have not received all the information and explanations we require for our audit.
- Certain disclosures of Governors' emoluments specified by law are not made in the financial statements, giving the required particulars in our report.

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

Bernard Charles Gauci (Partner) for and on behalf of

KSi Malta
Certified Public Accountants
6, Villa Gauci
Mdina Road
Balzan BZN 9031
Malta

18 April 2023

6, Villa Gauci, Mdina Road,
Balzan, BZN9031, Malta (EU)
Tel: +356 2122 6176 | info@ksimalta.com | www.ksimalta.com

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER

	Notes	2022 €	2021 €
ASSETS			
Non-current assets			
Property, plant and equipment	5	**17,337,405**	16,545,797
Right-of-use assets	11	**1,247,486**	579,747
Intangible assets	6	**52,162**	328,951
Financial assets at amortised cost	7	**1,117,138**	1,119,105
Total non-current assets		**19,754,191**	18,573,600
Current assets			
Financial assets at amortised cost	7	**-**	211,740
Trade and other receivables	8	**2,752,162**	2,892,439
Cash and cash equivalents	9	**13,435,360**	11,265,396
Total current assets		**16,187,522**	14,369,575
Total assets		**35,941,713**	32,943,175
EQUITY AND LIABILITIES			
Capital and reserves			
Capital fund	12	**1,164,687**	1,164,687
Revaluation reserve	13	**6,151,769**	5,220,690
Employee pension fund reserve	14	**1,300,001**	1,225,001
Reserve fund		**16,286,925**	15,004,704
Total equity		**24,903,382**	22,615,082
Non-current liabilities			
Lease liabilities	11	**916,707**	275,716
Current liabilities			
Trade and other payables	10	**9,770,206**	9,716,226
Lease liabilities	11	**351,418**	336,151
Total current liabilities		**10,121,624**	10,052,377
Total liabilities		**11,038,331**	10,328,093
Total equity and liabilities		**35,941,713**	32,943,175

The notes on pages 81 to 96 are an integral part of these financial statements.

The financial statements on pages 77 to 96 were approved by the Board of Governors and were authorised for issue on 18 April 2023. These were signed on its behalf by:

Mr Jesmond Gatt
Chairman

Mr Kenneth Farrugia
Chief Executive Officer

STATEMENT OF COMPREHENSIVE INCOME

	Notes	YEAR ENDED 31 DECEMBER 2022 €	2021 €
Income	18	**14,074,462**	13,270,733
Government subvention	19	**14,330,066**	16,744,850
Operating expenses	15	**(27,133,665)**	(25,720,080)
Operating surplus for the year		**1,270,863**	4,295,503
Finance income	17	**45,013**	44,762
Other income	20	**41,345**	58,299
Surplus for the year – total comprehensive income		**1,357,221**	4,398,564

The notes on pages 81 to 96 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

	Notes	CAPITAL FUND €	REVALUATION RESERVE €	EMPLOYEE PENSION FUND RESERVE €	RESERVE FUND €	TOTAL €
Balance at 1 January 2021		**1,164,687**	**5,220,690**	**1,150,002**	**10,681,139**	**18,216,518**
Comprehensive income						
Appropriation from income statement		-	-	-	4,398,564	4,398,564
Transfer to pension fund reserve	14	-	-	74,999	(74,999)	-
Total comprehensive income for the year		-	-	74,999	4,323,565	4,398,564
As at 31 December 2021		**1,164,687**	**5,220,690**	**1,225,001**	**16,286,925**	**22,615,082**
Balance at 1 January 2022		**1,164,687**	**5,220,690**	**1,225,001**	**15,004,704**	**22,615,082**
Comprehensive income						
Appropriation from income statement		-	-	-	1,357,221	1,357,221
Transfer to pension fund reserve	14	-	-	75,000	(75,000)	-
Revaluation of property	13	-	931,079	-	-	931,079
Total comprehensive income for the year		-	931,079	75,000	1,282,221	2,288,300
As at 31 December 2022		**1,164,687**	**6,151,769**	**1,300,001**	**1,628,925**	**24,903,382**

The notes on pages 81 to 96 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

		YEAR ENDED 31 DECEMBER	
		2022	2021
	Notes	€	€
Cash flows from operating activities			
Cash generated from operations	22	**3,090,087**	5,189,834
Interest received		**-**	-
Net cash generated from operating activities		**3,090,087**	5,189,834
Cash flows from investing activities			
Purchase of property, plant and equipment	5	**(811,043)**	(298,178)
Purchase of intangible assets	6	**(17,817)**	(287,620)
Redemption of investments	7	**211,740**	332,938
Interest income from investing activities	17	**63,246**	77,330
Proceeds from sale of assets		**4,551**	13,292
Net cash used in investing activities		**(549,323)**	(162,238)
Cash flows from financing activities			
Capital repayments of lease liabilities		**(370,800)**	(404,083)
Net cash used in financing activities		**(370,800)**	(404,083)
Net movement in cash and cash equivalents		**2,169,964**	4,623,513
Cash and cash equivalents at beginning of year		**11,265,396**	6,641,883
Cash and cash equivalents at end of year	9	**13,435,360**	11,265,396

The notes on pages 81 to 96 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 Service Authority Act, 1988. 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 2022, the Authority reported a surplus of €1,357,221 and a net current asset position of €6,065,898. 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 5-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 2022 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.

1.3 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:

	%
Land and buildings	1
Furniture, fixtures and fittings	20
Equipment	20

Buildings are depreciated over an estimated useful life of 75 years while 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.

1.4 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 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.

- 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 separate line item in the statement of profit or 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.

1.7 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:

i. Income from application fees is recognised upon receipt of the application.
ii. 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.
iii. 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 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 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, and 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.

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. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSS)

STANDARDS AND INTERPRETATIONS APPLIED DURING THE CURRENT YEAR

Amendments and interpretations applicable for the first time in 2022 shown here-under have been implemented. The application of the below standards and interpretations do not have an impact on the financial statements of the Authority.

STANDARD	SUBJECT OF AMENDMENT	EFFECTIVE DATE
IFRS 1 First-time Adoption of International Financial Reporting Standards	Amendments resulting from Annual Improvements to IFRS Standards 2018–2020 (subsidiary as a first-time adopter)	1 January 2022
IFRS 3 Business Combinations	Amendments updating a reference to the Conceptual Framework	1 January 2022
IFRS 9 Financial Instruments	Amendments resulting from Annual Improvements to IFRS Standards 2018–2020 (fees in the '10 per cent' test for derecognition of financial liabilities)	1 January 2022
IAS 16 Property, Plant and Equipment	Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use	1 January 2022
IAS 37 Provisions, Contingent Liabilities and Contingent Assets	Amendments regarding the costs to include when assessing whether a contract is onerous	1 January 2022

STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Authority's financial statements are disclosed below. The Authority intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

STANDARD	SUBJECT OF AMENDMENT	EFFECTIVE DATE
IFRS 4 Insurance Contracts	Amendments regarding the expiry date of the deferral approach	1 January 2023
IFRS 17 Insurance Contracts	Original issue	1 January 2023
	Amendments to address concerns and implementation challenges that were identified after IFRS 17 was published (includes a deferral of the effective date to annual periods beginning on or after 1 January 2023)	1 January 2023

STANDARD	SUBJECT OF AMENDMENT	EFFECTIVE DATE
IAS 1 Presentation of Financial statements	Amendments regarding the classification of liabilities	1 January 2024
	Amendment to defer the effective date of the January 2020 amendments	1 January 2024
	Amendment regarding the disclosure of accounting policies	1 January 2023
	Amendments regarding the classification of debt with covenants	1 January 2024
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	Amendments regarding the definition of accounting estimates	1 January 2023
IAS 12 Income Taxes	Amendments regarding deferred tax on leases and decommissioning obligations	1 January 2023
IFRS 16 Leases	Amendments to clarify how a seller-lessee subsequently measures sale and leaseback transactions	1 January 2024

The Board of Governors is of the opinion that the adoption of these Standards (where applicable) will not have a material impact on the financial statements.

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 below.

(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:

		2022	2021
	Notes	€	€
Financial assets at amortised cost	7	**1,117,138**	1,330,845
Trade and other receivables	8	**526,613**	1,224,639
Cash and cash equivalents	9	**13,435,360**	11,265,396
		15,079,111	13,820,880

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 affected 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 2022, trade receivables of €475,972 (2021: €1,092,570) 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.

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

	2022	2021
	€	€
Balance at beginning of year	**1,092,570**	1,419,730
Decrease in loss allowance on trade receivables	**(616,598)**	(327,160)
Balance at end of year	**475,972**	1,092,570

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 11). 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 Malta Financial Services Authority Act, 1988.

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 following table 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.

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

	LEVEL 1
	€
31 December 2022	
Financial assets at amortised cost	**1,117,138**
31 December 2021	
Financial assets at amortised cost	1,330,845

At 31 December 2022 and 2021 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
	€	€	€	€
Year ended 31 December 2021				
Opening net book amount	**14,677,441**	**514,016**	**2,116,170**	**17,307,627**
Additions	27,781	37,910	237,035	302,726
Disposals	-	-	(218,998)	(218,998)
Depreciation charge	(105,915)	(139,555)	(816,620)	(1,062,090)
Depreciation released on disposal	-	-	216,532	216,532
Closing net book amount	**14,599,307**	**412,371**	**1,534,119**	**16,545,797**
At 31 December 2021				
Cost or valuation	16,028,729	2,840,850	8,341,944	27,211,523
Accumulated depreciation	(1,429,422)	(2,428,479)	(6,807,825)	(10,665,726)
Net book amount	**14,599,307**	**412,371**	**1,534,119**	**16,545,797**
Year ended 31 December 2022				
Opening net book amount	**14,599,307**	**412,371**	**1,534,119**	**16,545,797**
Additions	-	95,192	715,851	811,043
Revaluation	931,082	-	-	931,082
Reclassification from AUC IT account	-	-	239,695	239,695
Disposals	-	-	(26,526)	(26,526)
Depreciation charge	(10,281)	(314,890)	(852,442)	(1,177,613)
Depreciation released on disposal	-	-	13,927	13,927
Closing net book amount	**15,520,108**	**192,673**	**1,624,624**	**17,337,405**
At 31 December 2022				
Cost or valuation	16,204,876	2,936,042	9,270,964	28,411,882
Accumulated depreciation	(684,768)	(2,743,369)	(7,646,340)	(11,074,477)
Net book amount	**15,520,108**	**192,673**	**1,624,624**	**17,337,405**

FAIR VALUE OF LAND AND BUILDINGS

The Authority's office building was revalued on 31 December 2022 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 13). The Board of Governors has reviewed the carrying amount of the property as at 31 December 2022 and no further 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 2022 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 2022.

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 Operations Officer (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.

INFORMATION ABOUT FAIR VALUE MEASUREMENTS USING SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)

			SIGNIFICANT UNOBSERVABLE INPUTS	
DESCRIPTION	FAIR VALUE AT 31 DECEMBER 2022	VALUATION TECHNIQUE	EQUIVALENT VALUE	CAPITALISATION RATE
	€		€	%
Office building	15.5m	Comparative and Investment method	0.96m	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:

	2022	2021
	€	€
Cost	**10,808,039**	10,808,039
Accumulated depreciation	**(1,287,695)**	(1,277,415)
Net book amount	**9,520,344**	9,530,624

6. INTANGIBLE ASSETS

	COMPUTER SOFTWARE
	€
At 31 December 2021	
Cost	450,156
Accumulated depreciation	(121,205)
	328,951
Year ended 31 December 2022	
Opening net book amount	328,951
Depreciation charge	(54,911)
Reclassifications to computer software/equipment	(239,695)
Additions	17,817
Closing net book amount	**52,162**
At 31 December 2022	
Cost	228,278
Accumulated depreciation	(176,116)
Net book amount	**52,162**

7. FINANCIAL ASSETS AT AMORTISED COST

Financial assets include the following investments:

	2022	2021
	€	€
Non-current		
Financial assets at amortised cost	**1,117,138**	1,119,105
Current		
Financial assets at amortised cost	**-**	211,740
As at 31 December	**1,117,138**	1,330,845

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

	2022	2021
	€	€
Opening net book amount	**1,330,845**	1,665,649
Redemptions	**(211,740)**	(332,938)
Amortisation	**(1,967)**	(1,866)
Closing net book amount	**1,117,138**	1,330,845

8. TRADE AND OTHER RECEIVABLES

	2022	2021
	€	€
Current		
Trade receivables – gross	**1,002,585**	2,317,209
Less: Loss allowance on trade receivables	**(475,972)**	(1,092,570)
Trade receivables – net	**526,613**	1,224,639
Other receivables	**362,974**	196,207
Amounts due from Malta Business Registry	**-**	22,231
Prepayments	**1,735,730**	1,423,346
Accrued income	**126,845**	26,016
	2,752,162	2,892,439

9. CASH AND CASH EQUIVALENTS

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

	2022	2021
	€	€
Cash and cash equivalents	**13,435,360**	11,265,396
	13,435,360	11,265,396

10. TRADE AND OTHER PAYABLES

	2022	2021
	€	€
Current		
Trade and other payables	**1,598,334**	1,126,420
Indirect taxation	**481,762**	838,840
Accruals	**1,928,950**	2,082,114
Deferred government subvention	**3,995,443**	4,200,834
Deferred income	**1,765,717**	1,468,018
	9,770,206	9,716,226

11. 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:

	2022	2021
	€	€
Right-of-use assets		
Vehicles	-	-
Offices	1,247,486	579,747
	1,247,486	579,747
Lease liabilities		
Current	351,418	336,151
Non-current	916,707	275,716
	1,268,125	611,867

(II) AMOUNTS RECOGNISED IN THE INCOME STATEMENT

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

	2022	2021
	€	€
Depreciation charge of right of-use of assets		
Vehicles	-	73,707
Offices	344,365	308,703
	344,365	382,410
Interest expense (included in finance income/(cost) note 17)	16,266	30,702

12. CAPITAL FUND

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

13. REVALUATION RESERVE

	2022	2021
	€	€
As at 31 December	6,151,769	5,220,690

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

During 2022, the office building was revalued to Euro 15.5m by independent professionally qualified valuers. The book value of the property was adjusted to the revaluation and the resultant surplus was credited to the revaluation reserve.

14. EMPLOYEE PENSION FUND

	2022	2021
	€	€
Balance as at 1 January	1,225,001	1,150,002
Transfer for the year	75,000	74,999
As at 31 December	1,300,001	1,225,001

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.

15. EXPENSES BY NATURE

	2022	2021
	€	€
Depreciation of property, plant and equipment (Note 5)	1,177,613	1,062,090
Depreciation of intangible assets (Note 6)	54,911	52,080
Employee costs (Note 16)	19,609,808	19,335,600
Professional fees	797,203	294,590
Regulatory support fees	-	250,246
Enforcement and compliance fees	6,614	(76,477)
Decrease on loss allowance on trade receivables	(616,598)	(327,160)
Bad debts	674,558	-
Communications and events	81,789	123,872
Governors' emoluments	105,857	96,746
IT professional services	793,021	742,010
Licenses and maintenance	1,818,481	1,790,559
Other administrative expenses	2,630,408	2,375,924
Total operating expenses	27,133,665	25,720,080

AUDITOR'S FEES

Fees charged by the auditor for the statutory audit amount to €15,000 (2021: €15,000).

16. EMPLOYEE COSTS

	2022	2021
	€	€
Wages and salaries	17,616,272	17,582,496
Social security costs	1,017,454	1,011,757
Other staff costs	976,082	741,347
	19,609,808	19,335,600

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

	2022	2021
Managerial	**400**	384
Administration	**48**	31
	448	415

17. FINANCE INCOME

	2022	2021
	€	€
Interest income from government bonds	**63,246**	77,330
Interest charges for lease liabilities	**(16,266)**	(30,702)
Amortisation of MGS premium	**(1,967)**	(1,866)
	45,013	44,762

18. INCOME

	2022	2021
	€	€
Applications	**688,475**	665,975
Securities and markets supervision	**3,278,766**	2,817,768
Insurance and pensions supervision	**2,636,134**	2,538,583
Corporate service providers and trusts	**650,800**	624,226
Banking supervision	**5,235,409**	5,033,478
Listing authority income	**775,653**	1,138,124
FinTech	**809,225**	452,579
Total income	**14,074,462**	13,270,733

19. 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.

20. OTHER INCOME

	2022	2021
	€	€
EU grants designated for specific purposes	**-**	20,883
Disposal of assets	**-**	15,373
Other income	**41,345**	22,043
	41,345	58,299

EU funds designated for specific purposes amounting to €Nil at 31 December 2022 (2021: €20,883) are amortised to profit or loss over the term of the service concession.

21. TAX EXPENSE

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

22. CASH GENERATED FROM OPERATIONS

Reconciliation of operating surplus generated from operations:

	2022	2021
	€	€
Operating surplus for the year	**1,357,221**	4,398,564
Adjustments for:		
Depreciation of property, plant and equipment (Note 5)	**1,177,613**	1,062,090
Depreciation of intangible assets (Note 6)	**54,911**	52,080
Depreciation of right-of-use assets (Note 11)	**344,365**	382,410
Loss/(Profit) on sale of property, plant and equipment (Note 5)	**431**	(15,373)
Amortisation of investment (Note 7)	**1,967**	1,866
Decrease in loss allowance on trade receivables (Note 8)	**(616,598)**	(327,160)
Interest expense	**16,266**	30,702
Interest income	**(63,246)**	(77,330)
Other expense	**6,301**	1,160
Changes in working capital:		
Trade and other receivables	**756,875**	(837,895)
Trade and other payables	**53,981**	518,720
Cash generated from operations	**3,090,087**	5,189,834

23. COMMITMENTS

	2022	2021
	€	€
Capital expenditure		
Capital expenditure that has been contracted for but not yet accounted for in the Financial Statements	**12,630**	357,978
Capital expenditure that has been authorised by the Board of Governors but has not yet been contracted for	**2,041,309**	1,642,602

24. 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.

25. WATER CONSERVATION GRANT

The Authority accounts for Government grants as per IAS 20 'Accounting for Government Grants and Disclosure of Government Assistance'. The Authority has embarked on a water conservation non-monetary grant project. This project consists of two initiatives aimed to optimise the use of water in the premises, improve efficiencies and save money on utility bills. This project secured a €40,000 EU grant.

This grant shall be accounted for using the Nominal cost method. At this stage, the grant is not recognised by the Authority as it needs to be recognised in the period in which the grant is received.

26. 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:

	2022	2021
	€	€
Amounts due from Malta Business Registry (Note 8)	**-**	22,231

Key management personnel compensation consisting of Governors' remuneration is disclosed in Note 15.

27. STATUTORY INFORMATION

The Malta Financial Services Authority is the single regulator for financial services in Malta enacted by virtue of the Malta Financial Services Act, 1988 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 Registry of Companies shall no longer form part of the Malta Financial Services Authority.

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STATISTICAL COMPENDIUM

STATISTICAL COMPENDIUM

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.
Cut-off date of figures is March 2023

TABLE 1: Licence-holder population as at 31 December, 2022	
Credit institutions	**21**[1]
Financial institutions	**51**
Securities, comprising:	**744**
• Fund Administrators	17
• Investment Services	145
• Collective Investment Schemes	456
• Notified Alternative Investment Funds	106
• Recognised Incorporated Cell Companies	20
Insurance Entities, comprising:	**657**
• Insurance Undertakings	68
• Insurance Intermediaries	237
• Tied Insurance Intermediaries	352
Pension Schemes and Funds	**52**
Trustees, comprising:	**219**
• Trustees/ Fiduciary Service Providers/Administrators of Private Foundations	153
• Nominees	6
• Trusts	60
Company Service Providers	**299**
Virtual Financial Assets	**10**
Securitisation Vehicles	**41**

BANKING

TABLE 2: Branches and ATMs (2020-2022)

	2020	2021	2022
Branches	102	94	94
ATMs	201	201	196

1 Includes two branches of credit institutions exercising the right of establishment in Malta (passporting)

TABLE 3: Capital Requirements Ratio and Tier 1 Capital Ratio (2020-2022) (%)

		2020	2021	2022
Capital Requirements Ratio	Core Domestic Banks	20.5	21.6	21.5
	Non-Core Domestic Banks	19.3	20.2	19.9
	Other Banks	53.0	46.3	40.0
	Aggregate Banking Sector	24.8	24.6	23.4
Tier 1 Capital Ratio	Core Domestic Banks	17.6	18.6	18.4
	Non-Core Domestic Banks	19.3	20.0	19.0
	Other Banks	52.7	46.3	40.0
	Aggregate Banking Sector	22.3	22.3	20.8

TABLE 4: Assets (2020 - 2022) (€ million)

	2020	2021	2022
Core Domestic Banks	27,259.3	29,826,7	31,287.8
Non-Core Domestic Banks	3,031.7	3,413.4	3,493.6
Other Banks	11,467.0	11,245.0	9,884.9
Aggregate Banking Sector	41,758.0	44,485.1	44,666.3

TABLE 5: Distribution of assets (2022) (€ million)

	Loans and receivables	Debt Securities	Cash Balances	Equity Instruments	Financial Derivatives	Other Assets
Core Domestic Banks	16,381.7	8,191.4	5,658.4	123.6	295.6	637.2
Non-Core Domestic Banks	1,285.5	1,315.6	739.6	19.1	1.5	133.3
Other Banks	4,508.0	3,120.7	1,298.4	97.8	703.9	156.2
Aggregate Banking Sector	22,175.2	12,627.7	7,696.4	240.5	1,001.0	926.7

TABLE 6: Loans and advances (2020 - 2022) (€ million)

	2020	2021	2022
Core Domestic Banks	19,704.0	21,943,7	21,901.4
Non-Core Domestic Banks	1,907.2	2,038.5	2,023.9
Other Banks	7,501.8	7,324.9	5,298.2
Aggregate Banking Sector	29,113.0	31,307.1	29,223.5

TABLE 7: Loans and advances – top eight sectors (2022) (€ million)

	Core Domestic Banks	Non-Core Domestic Banks	Other Banks	Aggregate Banking Sector
Households and individuals	9,812.7	84.4	446.4	10,343.5
Credit institutions	1,737.5	265.3	973.5	2,976.3
Wholesale and retail trade	722.5	250.6	171.2	1,144.2
Manufacturing	310.9	237.7	37.5	586.2
Transportation and storage	312.5	10.4	1,471.4	1,794.3
Construction	541.4	102.7	642.9	1,286.9
Real estate	857.8	166.2	16.9	1,041.0
Administrative and support services	108.0	10.3	244.6	362.9

TABLE 8: Deposits (2020 - 2022) (€ million)

	2020	2021	2022
Core Domestic Banks	23,736.3	26,111.1	26,603.5
Non-Core Domestic Banks	2,566.7	2,822.0	2,964.0
Other Banks	9,204.7	8,909.0	7,063.5
Aggregate Banking Sector	35,507.7	37,842.1	36,631.8

TABLE 9: Distribution of deposits (2022) (%)

	Current accounts / overnight deposits	Deposits with agreed maturity	Deposits redeemable at notice	Repurchase agreements
Core Domestic Banks	86.6	10.8	1.3	1.3
Non-Core Domestic Banks	49.9	44.0	0.0	6.0
Other Banks	43.9	44.9	0.0	11.2
Aggregate Banking Sector	75.7	19.8	1.0	3.5

TABLE 10: Geographical positions of loans (2022) (%)

AGGREGATE BANKING SECTOR

RESIDENTS	NON-RESIDENTS
61.3	38.7

TABLE 11: Geographical positions of deposits (2022) (%)

AGGREGATE BANKING SECTOR

RESIDENTS	NON-RESIDENTS
73.9	26.1

SECURITIES & INVESTMENT SERVICES

TABLE 12: New Issues on the Malta Stock Exchange	2021	2022
Corporate Bonds	8	19
MGS	21	17
Equities	4	3
Total	**33**	**39**
Aggregate Nominal Value (€ million)	**1,927**	**1,795**

TABLE 13: Market Turnover on the Malta Stock Exchange (€ million)	2021	2022
Equities	32.5	32.0
Corporate Bonds	89.5	99.9
MGS	144.8	108.4

TABLE 14: Net asset value of Malta-domiciled funds (€ million)	2020	2021	2022
UCITS	2,673	3,376	2,757
Non-UCITS	12,253	17,618	17,056
	14,926	**20,994**	**19,813**

TABLE 15: Net asset value by asset allocation - 2022 (€ million and % share)	NAV at end 2022	% share
Diversified	7,995	40.3
Equity	6,162	31.1
Bond	2,410	12.2
Other	1,280	6.4
Property	1,007	5.1
Mixed	887	4.5
Hedge	54	0.3
Commodity	18	0.1
	19,813	**100.0**

TABLE 16: Management of Malta-domiciled funds	% of funds (inc. sub-funds) at end 2021	% of funds (incl. sub-funds) at end 2022
Self-managed	35.3	34.0
Managed in Malta	47.2	49.7
Managed from outside Malta	17.5	16.3
	100.0	**100.0**

TABLE 17: Administration of Malta domiciled funds	% of funds (inc. sub-funds) at end 2021	% of funds (incl. sub-funds) at end 2022
Administered in Malta	89.9	89.5
Administered from Outside Malta	10.1	10.5
	100.0	**100.0**

TABLE 18: Non-Malta-domiciled funds	Funds (incl. sub-funds) at end 2021	Funds (incl. sub-funds) at end 2022
Non-Malta domiciled funds administrated in Malta	220	253
Non-Malta domiciled funds managed in Malta	109	135

TABLE 19: Net asset value on Non-Malta domiciled funds (€ million)	2021	2022
Non-Malta domiciled funds administrated in Malta	6,158	5,842
Non-Malta domiciled funds managed in Malta	15,581	14,530

INSURANCE & PENSIONS

TABLE 20: Solvency Capital Requirment (SCR) Ratio and Minimum Capital Requirment (MCR) Ratio (%)						
			SCR Ratio			MCR Ratio
	Life	Non-Life	Reinsurance	Life	Non-Life	Reinsurance
2020	208.0	193.0	364.0	531.0	527.0	780.0
2021	211.7	187.4	345.7	499.5	529.4	790.1
2022	194.0	189.0	310.0	510.0	525.0	703.0

TABLE 21: Gross Written Premiums of the General Business Sector (€ million)			
	2020	2021	2022
Risks in Malta	202.5	223.7	243.5
Risks outside Malta	4,525.9	6,180.2	7,079.9

TABLE 22: Gross Written Premiums of the Long-Term Business Sector (€ million)			
	2020	2021	2022
Risks in Malta	344.8	404.9	332.6
Risks outside Malta	1,072.9	1,691.5	1,510.3

TABLE 23: Gross Claims Paid of the General Business Sector (€ million)			
	2020	2021	2022
Risks in Malta	95.5	90.1	102.0
Risks outside Malta	2,324.1	2,675.0	3,587.8

TABLE 24: Gross Claims Paid of the Long-Term Business Sector (€ million)			
	2020	2021	2022
Risks in Malta	317.4	368.3	358.9
Risks outside Malta	524.1	805.8	960.3

TABLE 25: Loss ratio for general business undertakings writing direct and reinsurance business (other than that written by pure reinsurance) and pure reinsurance (%)						
			Direct			Reinsurance
	Loss Ratio B	Expense Ratio	Combined Ratio	Loss Ratio B	Expense Ratio	Combined Ratio
2020	45.9%	23.1%	69.1%	85.8%	7.6%	93.4%
2021	48.6%	26.0%	74.7%	84.0%	13.7%	97.7%
2022	49.2%	24.6%	73.8%	84.9%	16.7%	101.6%

TABLE 26: Insurance Penetration*				
YEAR	General Business - HO Malta	General Business - HO Outside Malta	Long-term - HO Malta	Long-term business - HO Outside Malta
2019	1.5	3.5	2.7	1.1
2020	1.5	4.0	2.6	1.0
2021	1.5	3.0	2.8	1.4

TABLE 27: Insurance Density*				
YEAR	General Business - HO Malta	General Business - HO Outside Malta	Long-term - HO Malta	Long-term business - HO Outside Malta
2019	393.1	926	707.1	294.7
2020	391.9	1,003.7	667.7	260.7
2021	429.6	844	777.7	385.8

* Figures for undertakings with Head Office (HO) outside Malta writing general and long-term business in relation to risks in Malta during 2022 were unavailable at the time of preparation of this report.

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APPENDICES

APPENDIX 1 FINANCIAL SERVICES LEGISLATION PUBLISHED IN 2022

SECONDARY LEGISLATION

1. CRD (Administrative Penalties, Measures and Investigatory Powers) (Amendment) Regulations, 2022
   - Published as Legal Notice 31 of 2022 on 27.01.2022

2. Investment Services Act (Supervisory Review) (Amendment) Regulations, 2022
   - Published as Legal Notice 30 of 2022 on 27.01.2022

3. Virtual Financial Assets (Amendment) Regulations, 2022
   - Published as Legal Notice 25 of 2022 on 27.01.2022

4. Supervisory Consolidation (Investment Firms Directive) Regulations, 2022
   - Published as Legal Notice 24 of 2022 on 27.01.2022

5. Investment Firms Directive (Administrative Penalties, Measures and Investigatory Powers) Regulations, 2022
   - Published as Legal Notice 23 of 2022 on 27.01.2022

6. Investment Services Act (Supervisory Review Investment Firms Directive) Regulations, 2022
   - Published as Legal Notice 22 of 2022 on 27.01.2022

7. Investment Services Act (Provision of Investment Services and Activities by Third-Country Firms) (Amendment) Regulations, 2022
   - Published as Legal Notice 21 of 2022 on 27.01.2022

8. Investment Services Act (Fees) (Amendment) Regulations, 2022
   - Published as Legal Notice 20 of 2022 on 27.01.2022

9. Investment Services Act (Supervisory Consolidation) (Capital Requirements Directive) (Amendment) Regulations, 2022
   - Published as Legal Notice 29 of 2022 on 28.01.2022

10. Banking Act (Supervisory Review) (Amendment) Regulations, 2021 (L.N.493 of 2021) – Commencement Notice
    - Published as Legal Notice 40 of 2022 on 01.02.2011

11. European Passport Rights for Credit Institutions (Amendment) Regulations, 2021 (L.N.492 of 2021) – Commencement Notice
    - Published as Legal Notice 39 of 2022 on 01.02.2022

12. Administrative Penalties, Measures and Investigatory Powers (Amendment) Regulations, 2021 (L.N.491 of 2021) – Commencement Notice
    - Published as Legal Notice 38 of 2022 on 01.02.2022

13. Investment Services Act (Supervisory Consolidation) (Capital Requirements Directive) Regulations, 2021 (L.N.495 of 2021) (S.L.370.46) – Commencement Notice
    - Published as Legal Notice 37 of 2022 on 01.02.2022

14. Supervisory Consolidation (Credit Institutions) Regulations, 2021 (L.N.494 of 2021) (S.L.371.22) – Commencement Notice
    - Published as Legal Notice 36 of 2022 on 01.02.2022

15. Investment Services Act (Fees) (Amendment) Regulations, 2022 (L.N.20 of 2022) - Commencement Notice
    - Published as Legal Notice 62 of 2022 on 04.02.2022

16. Supervisory Consolidation (Investment Firms Directive) Regulations, 2022 (L.N.24 of 2022) (S.L.370.49) – Commencement Notice
    - Published as Legal Notice 61 of 2022 on 04.02.2022

17. Investment Firms Directive (Administrative Penalties, Measures and Investigatory Powers) Regulations, 2022 (L.N.23 of 2022 (S.L.370.48) – Commencement Notice
    - Published as Legal Notice 60 of 2022 on 04.02.2022

18. Investment Services Act (Supervisory Review Investment Firms Directive) Regulations, 2022 (L.N.22 of 2022) (S.L.370.47) – Commencement Notice
    - Published as Legal Notice 59 of 2022 on 04.02.2022

19. Investment Services Act (Provision of Investment Services and Activities by Third-Country Firms) (Amendment) Regulations, 2022 (L.N.21 of 2022) – Commencement Notice
    - Published as Legal Notice 58 of 2022 on 04.02.2022

20. Investment Services Act (Supervisory Review) (Amendment) Regulations, 2022 (L.N.30 of 2022) – Commencement Notice
    - Published as Legal Notice 57 of 2022 on 04.02.2022

21. Investment Services Act (Supervisory Consolidation) (Capital Requirements Directive) (Amendment) Regulations, 2022 (L.N.29 of 2022) – Commencement Notice
    - Published as Legal Notice 56 of 2022 on 04.02.2022

22. CRD (Administrative Penalties, Measures and Investigatory Powers) (Amendment) Regulations, 2022 (L.N.31 of 2022) – Commencement Notice
    - Published as Legal Notice 55 of 2022 on 04.02.2022

23. Malta Financial Services Authority Act (Pan-European Personal Pension Product (PEPP) Regulations, 2022
    - Published as Legal Notice 133 of 2022 on 06.05.2022

24. CRR (Implementing and Transitional Provisions) (Amendment) Regulations, 2022
    - Published as Legal Notice 132 of 2022 on 06.05.2022

25. Investment Services Act (Cross-Border Distribution of Funds) Regulations, 2022
    - Published as Legal Notice 131 of 2022 on 06.05.2022

26. Investment Services Act (Marketing of UCITS) (Amendment) Regulations, 2022
    - Published as Legal Notice 130 of 2022 on 06.05.2022

27. Investment Services Act (Marketing of Alternative Investment Funds) (Amendment) Regulations, 2022
    - Published as Legal Notice 129 of 2022 on 06.05.2022

28. Financial Markets Act (MiFID and MiFIR Administrative Penalties, Measures and Investigatory Powers) (Amendment) Regulations, 2022
    - Published as Legal Notice 137 of 2022 on 10.05.2022

29. Investment Services Act and Banking Act (MiFID and MiFIR Administrative Penalties, Measures and Investigatory Powers) (Amendment) Regulations, 2022
    - Published as Legal Notice 135 of 2022 on 10.05.2022

30. Malta Financial Services Authority Act (Packaged Retail and Insurance-Based Investment Products (PRIIPs)) Regulations, 2022
    - Published as Legal Notice 178 of 2022 on 17.06.2022

31. Malta Financial Services Authority Act (Consumer Protection Cooperation) Regulations, 2022
    - Published as Legal Notice 176 of 2022 on 17.06.2022

32. Depositor Compensation Scheme (Amendment) Regulations, 2022
    - Published as Legal Notice 193 of 2022 on 24.06.2022

33. Various Financial Services Laws (Amendment no.3) Act, 2021 (Act No.LXXII of 2021) – Commencement Notice
    - Published as Legal Notice 198 of 2022 on 1.07.2022

34. Malta Financial Services Authority Act (Pan-European Personal Pension Product (PEPP)) Regulations, 2022 (L.N. 133 of 2022) (S.L.330.16) – Commencement Notice
    - Published as Legal Notice 197 of 2022 on 01.07.2022

35. Malta Financial Services Authority Act (European Crowdfunding Service Providers for Business) (Fees) Regulations, 2022
    - Published as Legal Notice 230 of 2022 on 14.09.2022

36. Appointment of the Competent Authority (Investment Firms Regulation and Investment Firms Directive) (Repeal)Regulations, 2022
    - Published as Legal Notice 229 of 2022 on 14.09.2022

37. Insurance Business (Exemptions)(Amendment) Regulations, 2022
    - Published as Legal Notice 313 of 2022 on 29.11.2022

38. Malta Financial Services Authority Act (Indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds) (Amendment) Regulations, 2022
    - Published as Legal Notice 312 of 2022 on 29.11.2022

ANCILLARY LEGISLATION – COMPETENCE SHARED WITH OTHER ENTITIES

1. Credit Agreements for Consumers relating to Residential Immovable Property (Amendment) Regulations, 2022
   - Published as Legal Notice 167 of 2022 on 14.06.2022

APPENDIX 2 RULES ISSUED OR AMENDED IN 2022

BANKING

Banking Rule BR/01 – Amended

An amended version was issued on 7 January 2022 to remove Appendix III and Form 3 from the Rule. Appendix III, which constituted a list of entities that are not subject to the requirements of the Capital Requirements Directive (the "CRD")[1], was moved to the Second Schedule within the Banking Act. In the case of Form 3, which constituted the Personal Questionnaires to be submitted by individuals intending to take up influential positions within credit institutions, this was moved to a dedicated page on the website of the Authority.

Banking Rule BR/12 – Amended

The amended Rule was issued on 7 January 2022 to reflect amendments introduced by the CRD V[2] in relation to the applicability of the requirements on elements assessed through the supervisory review and evaluation process ('SREP'). Furthermore, the Rule was amended to cater for subsidiary undertakings which are not subject to the CRD, and to specify the types of subsidiaries to which the remuneration requirements do not apply on a consolidated basis, including the exception to such rule.

Banking Rule BR/14 – Amended

On 7 January 2022, amendments were issued clarifying the starting point for the 60-day period which the Authority has to assess an outsourcing notification, and, to implement European Banking Authority (EBA) Guidelines on Internal Governance (EBA/GL/2021/05). Furthermore, the Rule was amended on 9 August 2022, to make reference to the EBA Guidelines on Outsourcing Arrangements (EBA/GL/2019/02).

Banking Rule BR/15 – Amended

Several amendments to the Rule were issued on 7 January 2022, to transpose the CRD V provisions related to the restrictions on the composition of the combined buffer requirement, the methodology for the identification of G-SIIs and changes to the implementation of the Other Systemically Important Institutions (O-SII) buffer that is higher than 3% of the total risk exposure amount, and changes relating to the calculation of the combined buffer requirement. The Rule was further amended on 21 June 2022 to amend a reference in paragraph 56.

Banking Rule BR/21 – Amended

On 7 January 2022 amendments were made to the Rule including the introduction of the term "gender neutral remuneration policy" and changes related to the principles on variable remuneration. The EBA Guidelines on sound remuneration (EBA/GL/2021/04) were implemented through the amendments, and a new section was added providing information on exemptions related to variable remuneration pay-out waivers. Further amendments to the Rule were published on 9 December 2022 in order to implement the EBA Guidelines on benchmarking exercises on remuneration practices, the gender pay gap and approved higher ratios (EBA/GL/2022/06) as well as the EBA Guidelines on the data collection exercises regarding high earners under the CRD (EBA/GL/2022/08).

Banking Rule BR/23 – Amended

The revised Rule was published on 25 February 2022 to align the proportionality measures with those stipulated in the EBA Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis (EBA/GL/2020/07). Specifically, paragraph 21 (a) of the Rule has been amended thereby allowing the granting of the waiver on individual reporting, also to stand-alone institutions not reporting information on a consolidated basis. Such waivers are granted by the Authority and are communicated bilaterally.

Banking Rule BR/24 – New

On 7 January 2022 the Banking Rule BR/24 on Internal Governance of Credit Institutions was published on the Authority's website. This Rule implements the EBA Guidelines on Internal Governance (EBA/GL/2021/05) and EBA Guidelines on product oversight for retail banking products (EBA/GL/2015/18). Furthermore, the Rule was further amended on 21 June 2022 to make reference to the EBA Guidelines on ICT and Security Risk Management (EBA/GL/2019/04) and to the Authority's Guidance on Technology Arrangements, ICT and Security Risk Management, and Outsourcing Arrangements.

Banking Rule BR/25 – New

The Rule on Financial Holding Companies and Mixed Financial Holding Companies ((M)FHCs) addressed to credit institutions was published on 28 July 2022. The purpose of the rule is to provide additional details on the new mechanism for the approval or exemption of (M)FHCs falling within the scope of Article 11B of the Banking Act, which transposed Article 21a of the CRD V. The latter introduced the approval or exemption of (M)FHCs which are part of a banking group.

Banking Rule/26 – New

The Rule on the Stress Testing Requirements of Credit Institutions was issued on 19 October 2022, implementing the EBA Guidelines on institutions' stress testing (EBA/GL/2018/02). The Rule provides the common methodological requirements for conducting stress testing, as part of this risk management framework of credit institutions.

Banking Rule BR/27 – New

The Rule on the Application of Certain Options and National Discretions (ONDs) was issued on 10 November 2022, thereby outlining the approach that the Authority shall undertake in the exercise of certain ONDs emanating from the CRR. The Rule supplements the CRR (Implementing and Transitional Provisions) Regulations (S.L. 371.17) and implements certain ONDs laid down in the Commission Delegated Regulation (EU) 2015/61 on the Liquidity Coverage Requirement.

FINANCIAL INSTITUTIONS

Financial Institutions Rule FIR/01 – Amended

The Rule was amended on 21 December 2022 to provide clarifications on limited network exclusions, by including a new paragraph 58A specifying that the Authority shall be guided by the EBA Guidelines on limited network exclusion under PSD2 (EBA/GL/2022/02) when assessing notifications in terms of Article 3(2A)(k) of the Financial Institutions Act (the "FIA"). Furthermore, a new paragraph 15B was included to remove any conflict that may arise between Recital 9 of the Crowdfunding Regulation and the FIA.

Financial Institutions Rule FIR/04 – Repeal

The Rule was repealed on 31 August 2022 following the transposition of PSD2 into local legislation through Act No. XXVI of 2019 – Various Financial Services Laws (Amendment) Act. The Rule had transposed provisions from EBA Guidelines on internet payment security, but these guidelines were repealed to allow for the application of various instruments developed under PSD2.

CAPITAL MARKETS

Prevention of Financial Markets Abuse Rules – New

On 2 June 2022, new rules have been issued by the MFSA in terms of the powers conferred to it by virtue of Article 21 of the Prevention of Financial Markets Abuse Act (chapter 476 of the Laws of Malta.) The rules delineate the requirements which market participants are required to comply with in the context of MAR and its regulatory and implementing technical standards. The rules also require stakeholders to comply with ESMA's Guidelines on inside information for commodity derivatives markets or spot markets; Guidelines for persons receiving market sounding: the factors for them to assess whether the information amounts to inside information, the steps to take if inside information has been disclosed to them in order to comply with MAR provisions on inside information and the records to maintain in order to demonstrate such compliance, or delays in disclosure of inside information; and Guidelines on delays in the disclosure of inside information.

Financial Market Rules

R8-2.2 – New

This rule has been introduced in the Financial Market Rules to ensure stakeholders' compliance with the guidelines issued by ESMA on methodology, oversight function and record keeping under the Benchmarks Regulation.

1 Directive 2013//36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC.

2 Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures.

R2-15.1 – Amended

This amendment was made to transpose Article 77(1) of MiFID II as amended by Article 1(7) of Directive (EU) 2019/2177. This amendment mainly clarifies that this provision applies to Data Reporting Service Providers (DRSPs) which have a derogation in terms of Article 2(3) of MiFIR.

Part 1 – Amended

The definition of DRSPs contained in Part 1 of the Financial Market Rules has also been amended to delete references to provisions in MiFID II which have since been deleted, and to include the reference to the new definitions set out in MiFIR as amended by Regulation (EU) 2019/2175.

Part 1 – Amended

Included new 'ARM' and 'APA' definitions.

Several Financial Market Rules – Amended

In view of the fact that the MFSA is no longer responsible for the authorisation and ongoing supervision of all DRSPs, and to clearly reflect the fact that the Authority's mandate with respect to these entities has been limited to APAs and ARMs with a derogation in accordance with Article 2(3) of MiFIR, references to 'DRSPs' throughout the Financial Market Rules has been replaced by the wording 'APAs and ARMs with a derogation in accordance with Article 2(3) of MiFIR'.

Section 6 of Part VI – Amended

The heading of section 6 of Part VI of the Financial Market Rules has been amended from 'Principles of Financial Market Infrastructures' to 'Supervision of CCPs'

R6-6.2 – New

The amendments require stakeholders to comply with ESMA's Guidelines on common procedures and methodologies on supervisory review and evaluation process of CCPs under Article 21 of EMIR.

INSURANCE AND PENSIONS

Chapter 2 and Chapter 8 of the Insurance Rules and Chapter 7 of the Insurance Distribution Rules – Amended

Following consultation with the market, the MFSA amended Chapter 2 of the Insurance Rules, which now requires authorised undertakings to notify the competent authority of any changes to the identity of key function holders within 180 days of their resignation. This amendment extends the notification period which was previously that of 90 days.

The period stipulated by EIOPA for compliance with the reporting and public disclosure requirements, as highlighted in the Recommendations on supervisory flexibility regarding the deadline of supervisory reporting and public disclosure – Coronavirus/COVID -19 has now lapsed. As a result, the proviso in paragraph 8.6.8 of Chapter 8 and Annex VI to Chapter 8 of the Insurance Rules are no longer needed and have been removed.

The MFSA has added a new requirement to Chapter 7 of the Insurance Distribution Rules which calls for an assessment to be conducted after completing any continuous professional training. This applies to both web-based learning and in-house training, in order for such training to qualify as structured continuous professional development training. Attending conferences and seminars would also constitute structured continuous professional development training, if a certificate of attendance or equivalent is issued.

A Circular informing the market that the amendments to the Insurance Rules and the Insurance Distribution Rules was published on 18 March 2022.

Pension Rules issued under the Retirement Pensions Act – Amended

Following consultation with the market, the MFSA removed the concept of "sufficient retirement income" and amended the Pension Rules for Personal Retirement Schemes and the Pension Rules for Occupational Retirement Schemes to clarify the age when retirement benefits can be paid. Additionally, the MFSA removed the possibility of establishing a retirement scheme as a SICAV or as a multi-fund company (Umbrella Fund) from these Rules.

The MFSA also amended the Pension Rules for Personal Retirement Schemes to clarify that, when the product is an insurance-based investment product, and the investment advisor is authorised under Directive 2016/97, a discretionary fund manager or an investment advisor authorised under Directive 2014/65/EU must be appointed in order to manage the underlying funds.

The MFSA amended the Pension Rules for Occupational Retirement Schemes to clarify that the role of a custodian is not solely limited to the safekeeping of assets but also oversight duties. The MFSA also introduced a capital sum threshold for occupational retirement schemes, which allows for the option of paying a capital sum, including applicable charges, after obtaining the worker's informed consent, instead of retaining the rights of an outgoing worker.

With respect to the Pension Rules for Service Providers, the MFSA has removed Appendix II. However, a separate document entitled 'Appendix II – Complaints Procedure', which is more up-to-date, has been retained and can be found on the MFSA website.

The Pension Rules for Retirement Funds have also been amended to align the requirements for the submission of the half-yearly reports with the requirements of the Pension Rules for Personal Retirement Schemes and the Pension Rules for Occupational Retirement Schemes.

A Circular informing the market that the amendments to the Pension Rules have been issued was published on 6 May 2022.

Malta Financial Services Authority Act (Pan-European Personal Pension Product (PEPP)) Regulations, 2022 (L.N. 133 of 2022) – New

The MFSA published a new Legal Notice entitled the Malta Financial Services Authority Act (Pan-European Personal Pension Product (PEPP)) Regulations, 2022 (L.N. 133 of 2022). The new Regulation designates the MFSA as the competent authority responsible for the authorisation and supervision of financial undertakings that manufacture and/or distribute PEPPs, for communicating with EIOPA for PEPP Regulation purposes, and to adopt the said PEPP Regulation.

A Circular informing the market of the new Legal Notice was published on 13 July 2022.

MFSA Rule 5 Pan-European Personal Pension Product – New

Following consultation with the market, the MFSA issued MFSA Rule 5 Pan-European Personal Pension Product which contains details about the nature, scope and format of the information that PEPP providers need to submit to the MFSA at predefined intervals and upon occurrence of predefined events.

A Circular informing the market that a new MFSA Rule 5 has been issued was published on 13 July 2022.

Glossary of Terms of the Insurance Rules, Chapter 5 of the Insurance Rules, and Insurance Business (Exemptions) Regulations issued under the Insurance Business Act – Amended

On 19 October 2021, a Notice was published in the Official Journal of the European Union, adapting the amounts laid down in the Solvency II Directive in line with inflation, pursuant to Article 300 of the same Directive. The Notice amended the Solvency II Directive, and subsequently the MFSA amended the Glossary of Terms of the Insurance Rules, the Insurance Business (Exemptions) Regulations issued under the Insurance Business Act, and Chapter 5 of the Insurance Rules to align with the new requirements.

A Circular informing the market that the amendments to the Insurance Regulations and Insurance Rules have been issued was published on 5 August 2022.

Chapter 5 of the Insurance Rules – Amended

Following the publication of the Revised Guidelines on the Valuation of Technical Provisions and the Revised Guidelines on Contract Boundaries, the MFSA amended Chapter 5 of the Insurance Rules to adopt these Revised Guidelines. In this respect, paragraph 5.11 of Chapter 5 of the Insurance Rules has been amended to include reference to the new Guidelines in addition to the original guidelines on technical provisions and contract boundaries.

A Circular informing the market that the amendments to the Insurance Rules have been issued was published on 5 August 2022.

Chapters 1 and 13 of the Insurance Rules, Chapters 1 and 2 of the Insurance Distribution Rules, and the Pension Rules for Occupational Retirement Schemes – Amended

On 20 December 2021, EIOPA issued the Revised Guidelines on Legal Entity Identifier. The Guidelines became applicable on 1 July 2022 and repealed the Guidelines on the use of the Legal Entity Identifier. In order to adopt the new Revised Guidelines on Legal Entity Identifier, following consultation with the market, the MFSA amended Chapters 1 and 13 of the Insurance Rules, Chapters 1 and 2 of the Insurance Distribution Rules, and the Pension Rules for Occupational Retirement Schemes.

A Circular informing the market that the amendments to the Insurance Rules, Insurance Distribution Rules and the Pension Rules for Occupational Retirement Schemes have been issued was published on 8 August 2022.

INVESTMENT SERVICES

Transposition of CRDV – Amended

Several amendments were made pursuant to the Capital Requirements Directive (CRD V). New requirements were introduced mainly relating to Financial Holding Companies, Mixed Financial Holding Companies, and intermediate European Union parent undertaking. Moreover, article 18 has been amended to empower the MFSA to replace a licence holder's auditor should they breach their obligations.

A Circular to Investment Firms in relation to the Transposition of the CRD V was published on 7 January, 2022.

Part BIV: Standard Licence Conditions – Amended

The MFSA published a revised version of the Part BIV: Standard Licence Conditions Applicable to Investment Services licence-holders which qualify as Custodians. These Rules have been amended to remove any reference to the local nomenclature 'Categories' and accordingly Investment Services licence-holders which provide custody services will now be classified as Depositary or Depositary Lite. In addition, minor changes have also been carried out including updates to the Personal Questionnaire section to reflect the new online process, updates to hyperlinks and email addresses and updates to the cross-referencing to other rulebooks.

A Circular on these updates was published on 12 January, 2022.

The Investment Services Rulebooks – Amended

Several amendments were conducted to the Investment Services Rulebooks. Amendments to the Transparency provisions in the Rulebooks were made to elaborate on the suitable channels licence-holders may use to disclose information required under the Shareholder Rights Directive. These amendments also include additional whistle-blower protection provisions on the reporting of infringements by employees, updated cross references to the Investment Service Rules for Investment Services Providers specifically Investment Services licence-holders which qualify as MiFID firms and other miscellaneous amendments relating to own funds and capital requirements, reporting requirements and a removal of obsolete provisions.

A Circular on the Amendments to the Investment Services Rulebooks was published on 29 March, 2022.

Appendix 2E for Licence-Holders Offering Depositary Services Solely to Collective Investment Schemes – New

Appendix 2E has been introduced for depositaries of Collective Investment Schemes that are not authorised to offer any MiFID services and are licensed as a credit institution in terms of the Capital Requirements Directive. Consequently, the Authority updated SLC 2.11 and SLC 2.14 within the Reporting Requirements section of Part BIV of the Investment Services Rules for Investment Service licence-holders which qualify as depositaries to cater for this development. This new regulatory return, Appendix 2E, shall be submitted by depositories who are neither licensed as depository lite nor credit institutions nor as investment firms.

A Circular on The Introduction of Appendix 2E was published on 11 April, 2022.

The Investment Services Rulebooks – Amended

The Investment Service Rulebooks have been amended to transpose and implement EU Directives, Regulations and European Banking Authority Guidelines. These include the transposition of ESG-UCITS (*Undertakings for the Collective Investment in Transferable Securities*) Delegated Directive, the Implementation of ESG-AIFM (*Alternative Investment Fund Managers*) Delegated Regulation, the Implementation of the ESG-MiFID (*Markets in Financial Instruments*) Delegated Regulation and the transposition of the KIDS-UCITS Directive, involving key information documents for packaged retail and insurance-based Investment Products. In addition, there has also been reference to the Acquisitions Directive and the updating of the Investment Firm Rulebook to refer to the published EBA guidelines.

A Circular on the Amendments to the Investment Services Rulebooks to Transpose and Implement EU Directives, Regulations and EBA Guidelines was published on 23 May 2022.

A variety of amendments have also taken place in the Investment Services Rulebooks, with a number applicable to Investment Services licence-holders which qualify as MiFID (Markets in Financial Instruments Directive) Firms including amendments to recovery and resolution plans, miscellaneous changes, and an updated cross-reference to correct inconsistencies. In addition, definitions for Alternative Investment Funds, Notified Alternative Investment Funds and Professional Investment Funds were added in the relevant glossaries. Furthermore, there was also the removal of reference to fee figures in Part A of the Investment Services Rules in view of the applicability of the relevant subsidiary legislation.

A Circular on these amendments was published on 27 July, 2022.

The Investment Services Rulebooks: The Money Market Funds Regulation – Amended

As the ESMA guidelines continued to develop, several amendments have been made to incorporate these updates within the Investment Services Rulebooks. Changes have been made to the standard licence conditions applicable to Investment Services licence-holders which qualify as UCITS (Undertakings for Collective Investment in Transferable Securities) Management Companies, standard licence conditions applicable to investment services licence-holders which qualify as Alternative Investment Fund Managers, standard licence conditions standard applicable to Alternative Investment Funds and the standard licence conditions standard applicable to Malta based Retail UCITS Collective Investment Schemes. These changes update the various Rules which implement the stress test guidelines issued under the Money Market Funds Regulations.

A Circular on the Amendments to the Investment Services Rulebooks to Implement the Revised ESMA Guidelines on Stress Test Scenarios under the Money Market Funds Regulation was published on 4 October 2022.

The Investment Services Rules for Professional Investors Funds – Amended

The MFSA decided to replace the term 'Virtual Currency' found in Appendix I with the term 'Distributed Ledger Technology (DLT) asset'; a term which captures a wider range of assets utilising or intrinsically dependent on DLT and to introduce a definition of the term in the PIF Glossary. This ensures that the supplemental licence conditions are put into effect whenever a PIF invests in any kind of DLT asset and conforms to the terminology used in the Virtual Financial Assets (VFA) Act.

A Circular on the Amendments to Appendix I to Part B of the Investment Services Rules for Professional Investors Funds and the Glossary to Introduce Reference to a DLT Asset was published on 4 November, 2022.

The Investment Services Rules for Investment Services Providers – Amended

Two changes have been introduced to Appendix 2B to enable the Authority to better exercise its regulatory and supervisory role. The first amendment includes an additional field on employee statistics to enable the Authority to determine the fund managers that fall under the category of micro, small and medium sized enterprises. The second change includes adding a self-certification by the Board Members ensuring that they have carried out the necessary checks on the Investment Committee Members and guaranteeing that their fit and proper assessment is done accordingly.

A Circular on the Amendments to Appendix 2B to Part B of the Investment Services Rules for Investment Services Providers (Financial Return for Fund Managers) to Include Additional Fields was published on 30 November 2022.

CONDUCT SUPERVISION

CONDUCT OF BUSINESS RULEBOOK (THE "RULEBOOK")

Chapter 4 of the Rulebook – Adoption of member state option in article 44a(1), second subparagraph of Directive 2014/59/EU (as amended by BRRD2) - Amended

Amendments have been carried out primarily to specifically adopt the Member State option laid down in the said Article 44a(1), second subparagraph, which allows Member States to extend protection to retail clients purchasing other instruments qualifying as own funds or bail-inable liabilities. The new Rule R.4.1.50 aims to apply all the requirements laid down in Part E, Section 1 of Chapter 4 of the Rulebook (which transpose the said Article 44a) also with respect to "*Additional Tier 1 instruments*" and "*Tier 2 instruments*" sold to retail clients, which have been defined in the Glossary. A Circular on these Conduct of Business Rulebook Revisions was published on 14 February, 2022

Chapter 4 of the Rulebook – Implementation of new ESMA Guidelines on certain aspects of the MiFID II appropriateness and execution-only requirements - Amended

A new paragraph in Rule R.4.4.57 and a new Appendix 6 to Chapter 4 of the Rulebook was inserted in order to implement the new ESMA Guidelines on certain aspects of the MiFID II appropriateness and execution-only requirements. These ESMA Guidelines have been applicable as from 12 October 2022 and their objective is primarily to enhance clarity and ensure a harmonised approach in the understanding and application, thereby ensuring a consistent level of investor protection. A Circular on the Conduct of Business Rulebook Revisions was published on 4 July 2022.

Other amendments to Chapter 4

In so far as the requirements related to submission of conduct-related data, a new proviso to Rule R.4.1.25(a) was inserted to clarify that a Regulated Person with a different financial year end from 31 December, shall submit the MiFID Firms Quarterly Reporting 42 days following the end of the reporting quarter, according to its financial year end.

R.4.2.22 of the Rulebook was amended so that, in accordance with Article 71(2) of MiFID II Implementing Regulation (EU) 2017/565), reference is made to R.4.2.14 of the Rulebook. In addition, R.4.2.23 was amended to clarify that, in cases referred to in R.4.2.22, where a per se Eligible Counterparty requests a higher level of protection, the Regulated Person shall inform the said Eligible counterparty that as a result of such request it would be benefiting from certain protections. The Circular of 4 July 2022 on Conduct of Business Rulebook Revisions refers.

Chapter 6 of the Rulebook - New

On 4 July 2022, a new Chapter on Pan-European Personal Pension Product ("PEPP") of the Rulebook was inserted, containing only relevant references to the new Regulation (EU) 2019/1238 on a Pan-European Personal Pension Product (PEPP), (the "PEPP Regulation") applicable as from 22 March 2022 and relevant Technical Standards issued thereunder.

The PEPP Regulation is directly applicable, therefore, the purpose of the new Chapter 6 within the Rulebook is only to provide an overview of the relevant conduct requirements and make any relevant references to the new PEPP regulatory framework, only in so far as applicable to investment firms and insurance entities that are considered to be a "PEPP Provider" and "PEPP Distributor" pursuant to Article 2 of the PEPP Regulation.

Chapters 2, 3 and 4 of the Rulebook – Amended

Amendments have been carried out to the Glossary and to various provisions within Chapters 2, 3 and 4 of the Conduct Rulebook for the purposes of implementing all the changes related to conduct-related provisions which were made by means of the following three Amending Delegated Acts which primarily aim to integrate sustainability issues and considerations into MiFID and the Insurance Distribution Directive:

(a) in so far as the insurance sector: to implement Commission Delegated Regulation (EU) 2021/1257 of 21 April 2021 amending Delegated Regulations (EU) 2017/2358 and (EU) 2017/2359 (applicable as from 2 August 2022);

(b) in so far as the investments sector:

- **(i)** to implement Commission Delegated Directive (EU) 2021/1269 of 21 April 2021 amending Delegated Directive (EU) 2017/593 as regards the integration of sustainability factors into the product governance obligations (applicable as from 22 November 2022);
- **(ii)** Commission Delegated Regulation (EU) 2021/1253 of 21 April 2021 amending Delegated Regulation (EU) 2017/565 as regards the integration of sustainability factors, risks and preferences into certain organisational requirements and operating conditions for investment firms (applicable as from 2 August 2022).

A circular on these Conduct of Business Rulebook revisions was published on 29 July 2022.

CROWDFUNDING RULES – NEW

On 25 January 2022, the MFSA issued new Crowdfunding Rules in terms of the MFSA Act (European Crowdfunding Service Providers for Business) Regulations (S.L.330.15) under the MFSA Act (Cap. 330). These Rules contain requirements to which authorised Crowdfunding Service Providers are required to adhere.

In particular, Chapter 2 of the new Crowdfunding Rules sets out the marketing requirements that apply to both investment-based and lending-based crowdfunding services provided by Crowdfunding Service Providers and European Crowdfunding Service Providers when promoting their crowdfunding services through marketing communications to clients in Malta.

APPENDIX 3 LICENSING IN NUMBERS

Source of all charts in Appendix 3: Malta Financial Services Authority

BANKING

TABLE 1: Credit and Financial Institutions

	Total licences at end 2020	Total licences at end 2021	Total licences at end 2022
Credit Institutions	24	22	21[1]
Financial Institutions	49	52	51
of which			
Authorised to provide payment services	*39*	*41*	*38*
Authorised to issue electronic money	*17*	*24*	*24*

INSURANCE

TABLE 2: Insurance Undertakings

	Total licences at end 2020	Total licences at end 2021	Total licences at end 2022
Non-Life	54	55	52
Life	8	10	10
Composite	2	2	2
Reinsurance	4	4	4
TOTAL	**68**	**71**	**68**
of which			
Affiliated	*7*	*7*	*8*
Protected Cell Companies (and cells)	*16 (63 cells)*	*17 (73)*	*14 (77)*
Insurers of Domestic Origin	8	10	10

TABLE 3: Insurance Intermediaries: Companies

	Total licences at end 2020	Total licences at end 2021	Total licences at end 2022
Enrolled Insurance Managers	11	10	10
of which PCCs (and cells)	*3 (2 cells)*	*2 (0 cells)*	*2 (0 cells)*
Enrolled Insurance Agents	20	20	14[2]
Enrolled Insurance Brokers	35	36	36
of which PCCs (and cells)	*5 (12 cells)*	*6 (13 cells)*	*5 (16 cells)*

1 Includes two branches of credit institutions exercising the right of establishment in Malta (passporting).

2 Suspended licences and companies in run-off are excluded.

TABLE 4: Insurance Intermediaries: Individuals	Total licences at end 2020	Total licences at end 2021	Total licences at end 2022
Registered Insurance Managers	27	24	22
Registered Insurance Agents	35	27	29
Registered Insurance Brokers	148	125	125
Tied Insurance Intermediaries[3]	390	369	352
Ancillary Insurance Intermediaries[4]	1	1	1

PENSIONS

TABLE 5: Authorisations and registrations in terms of Retirement Pensions Act	Total registrations at end 2020	Total registrations at end 2021	Total registrations at end 2022
Retirement Schemes	55	52	50
Retirement Funds	3	2	2
Retirement Scheme Administrators	17	15	13
Investment Managers (Registered)	7	7	7
Investment Managers (Exempted)	6	6	7
Custodian (Registered)	3	4	4
Custodian (Exempted)	2	2	2

SECURITIES

TABLE 6: Investment Services	Total licences at end 2020	Total licences at end 2021	Total licences at end 2022
Investment Services[5]	147	148	145

TABLE 7: Recognised Fund Administrators			2021			2022
	New recognitions	Surrendered recognitions	Total recognitions at end 2021	New recognitions	Surrendered recognitions	Total recognitions at end 2022
Recognised Fund Administrators	0	3	**18**	0	1	**17**

3 Includes both individuals and companies.

4 Includes both individuals and companies.

5 Includes investment firms, UCITS managers, AIF managers, De Minimis AIF managers, Depositories and Depositories Lite.

TABLE 8: Collective Investment Schemes			2021			2022
	New licences	Surrendered licences	Total licences at end 2021	New licences	Surrendered licences	Total licences at end 2022
AIFs	16	15	**115**	2	13	**114** [6 7]
of which ICs	*0*	*0*	*8*	*1*	*1*	*8* [8 9]
PIFs	16	42	**261**	19	52	**218** [6 7]
of which ICs	*1*	*2*	*10*	*0*	*1*	*8* [9]
Retail Non-UCITS	0	0	**5**	0	0	**5**
Recognised Private Schemes	1	1	**5**	0	0	**5**
UCITS	10	7	**117**	3	6	**114**
of which ICs	*0*	*0*	*1*	*0*	*0*	*1*
Total	**43**	**65**	**503**	**24**	**71**	**456**

TABLE 9: Notified Alternative Investment Funds			2021			2022
	New notifications	Surrendered notifications	Total notifications at end 2021	New notifications	Surrendered notifications	Total notifications at end 2022
NAIFs	42	10	**97**	24	15	**106**
of which ICs	*1*	*0*	*1*	*0*	*1*	*0*

TABLE 10: Recognised Incorporated Cell Companies			2021			2022
	New licences	Surrendered licences	Total licences at end 2021	New licences	Surrendered licences	Total licences at end 2022
Recognised Incorporated Cell Companies	0	0	**4**	0	1	**3**
Incorporated	2	2	20	1	3	17[8]

6 11 PIF sub-funds had their licence revised to AIF sub-funds.

7 1 AIF scheme had its licence revised to a PIF scheme.

8 One AIF IC is no longer classified as an incorporated cell.

9 One PIF IC was converted to an AIF IC.

TRUSTS SERVICES

TABLE 11: Authorised Trustees, Nominees and Trusts	Total authorisations at end 2020	Total authorisations at end 2021	Total authorisations at end 2022
Authorisations in Terms of the Trusts and Trustees Act (Trustees/ Fiduciary Service Providers/ Administrators of Private Foundations)	166	162	153
Nominees[10]	10	8	6
Trusts registered in terms of the Trust Act, 1988[10]	61	61	60

COMPANY SERVICES PROVIDERS

TABLE 12: Company Services Providers	Total authorisations at end 2020	Total authorisations at end 2021[11]	Total authorisations at end 2022
Class A CSP		10	48
Class B CSP		29	30
Class C CSP	171	118	148
Under Threshold Class A CSP		4	10
Under Threshold B CSP		55	63
Total	**171**	**216**	**299**

SECURITISATION VEHICLES

TABLE 13: Notifications in terms of the Securitisation Act	Total authorisations at end 2020	Total authorisations at end 2021	Total authorisations at end 2022
Notified Securitisation Vehicles	44	41	41
of which notified Securitisation Cell Companies (and cells)	*22 (59)*	*23 (72)*	*22 (86)*

10 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.

11 The introduction of classes of authorisation applicable to company service providers is a result of the amendments to the Company Service Providers Act which were introduced by Act L of 2020, and which came into force on 16 March 2021.

VIRTUAL FINANCIAL ASSETS

TABLE 14: Virtual Financial Assets Agents	Total registrations at end 2020	Total registrations at end 2021	Total registrations at end 2022
Virtual Financial Assets Agents	19	13	10

TABLE 15: Virtual Financial Assets Service Providers	Total registrations at end 2020	Total registrations at end 2021	Total registrations at end 2022
Virtual Financial Assets Service Providers	1	14	12

APPENDIX 4 MEMORANDA OF UNDERSTANDING (MOU) IN FORCE

BILATERAL MOUS WITH FOREIGN REGULATORS

Entity	Scope of Agreement
Albanian Financial Supervisory Authority	Non-bank financial markets
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	Payment and Securities Settlements Systems; Exchange of Information in the Fields of Financial Services; Joint Financial Stability Board, Financial Market Infrastructures
Commissioner for Voluntary Organisation	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
Malta Business Registry (MBR)	Formalise 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)
Office of Fair Competition	Framework for co-operation, mutual assistance and exchange of information between the two entities
Malta Police Force	Mutual Assistance and Exchange of Information
	To provide a Framework for the Parties to cooperate and communicate constructively for the purpose of assisting each other in the discharge of their own respective functions

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
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
International Association of Insurance Supervisors (IAIS)	Exchange of Information in Insurance Regulatory and Supervisory matters
MGA, Sanctions Monitoring Board, FIAU, MFSA	Formalise 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

Entity	Scope of Agreement
Commissione Nazionale per le Società e la Borsa (CONSOB)	Securities
Swiss Financial Market Supervisory Authority (FINMA)	Banking and Securities

APPENDIX 5

LITIGATION IN CONNECTION WITH THE MFSA'S EXERCISE OF ITS REGULATORY AND SUPERVISORY FUNCTIONS

PENDING APPEALS BEFORE THE FINANCIAL SERVICES TRIBUNAL AS AT DECEMBER 2022

1. Nicholas Portelli v MFSA (Case Ref: FST 04/09)
2. FX-CAM Consulting and Advertisement Ltd (formerly Sensus Capital Markets Ltd) v MFSA (Case Ref: FST 02/16)
3. Heikki Niemela, Mika Lehto, Nemea plc, Nevestor SA, Nemea Bank plc v MFSA (Case Ref: FST 04/16)
4. Heikki Niemela, Mika Lehto, Nemea plc, Nevestor SA, Nemea Bank plc v MFSA (Case Ref: FST 10/16)
5. Niemela, Lehto, Nemea plc, Nevestor SA, Nemea Bank plc v MFSA (Case Ref: FST 01/17)
6. Pilatus Holding Ltd v MFSA (Case Ref: FST 02/18)
7. 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)
8. Portmann Capital Management Ltd v MFSA (Case Ref: FST 04/18)
9. Portmann Capital Management Ltd v MFSA (Case Ref: FST 05/18)
10. Signia Holding Ltd & Satabank plc v MFSA (Case Ref: FST 06/18)
11. E&S Consultancy Ltd v MFSA (Case Ref: FST 03/19)
12. E&S Consultancy Ltd v MFSA (Case Ref: FST 06/19)
13. Karl Schranz v MFSA (Case Ref: FST 01/20)
14. Dr Christian Ellul v MFSA (Case Ref: FST 02/20)
15. Signia Holding Ltd & Satabank plc v MFSA (Case Ref: FST 03/20)
16. Corporate & Commercial FX Services Ltd v MFSA (Case Ref: FST 04/20)
17. Dennis Muscat v MFSA (Case Ref: FST 05/20)
18. Signia Holding Ltd & Satabank plc v MFSA (Case Ref: FST 08/20)
19. Clayton Formosa practising trade under the name 'Odin Professional Services' v MFSA (Case Ref: FST 09/20)
20. Phoenix Payments Ltd v MFSA (Case Ref: FST 01/21)
21. MC Trustees v MFSA (Case Ref: FST 02/21)
22. Investar plc v MFSA (Case Ref: FST 03/21)
23. Integrated-Capabilities (Malta) Ltd v MFSA (Case Ref: FST 04/21)
24. Iosif Galea v MFSA (Case Ref: FST 05/21)
25. SMM Consultancy Services Ltd v MFSA (Case Ref: FST 08/21)
26. Portmann Capital Management Ltd vs MFSA (Case Ref: 04/22)
27. Atom Trustees v MFSA (Case Ref: 06/22)
28. RiskCap International Ltd v MFSA (Case Ref: FST 07/22)

PENDING COURT CASES/APPEALS AS AT 31 DECEMBER 2022

Court of Appeal (Civil, Superior)
29. Amadeo Barletta noe v MFSA (Case Ref: 276/2012/1)

Court of Appeal (Civil, Inferior)
30. Portmann Capital Management Ltd v FIAU & MFSA (Case Ref: 95/18 LM)
31. St Publius Corporate Services Ltd v MFSA (Case Ref: 70/2021 LM)

32. Curmi & Partners Ltd v MFSA (Case Ref: 106/2022 LM)
33. Johannes Helmut Michael Bauer, Dr Claude-Anne Sant Fournier, Hamidreza Ghanbari, Robert 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: 156/2022 LM)
34. Pilatus Holding Ltd v MFSA (Case Ref: 157/2022 LM)

Civil Court, First Hall (Constitutional Jurisdiction)

35. Carmel Cortis et v Prim Ministru et (Case Ref: 21/2019 TA)
36. Phoenix Payments Ltd v MFSA et (Case Ref: 272/2021 TA)
37. Iosif Galea v MFSA et (Case Ref: 49/2022 FDP)

Civil Court (First Hall)

38. Pilatus Holding Ltd et v MFSA (Case Ref: 936/2018 RGM)
39. Yvette Debono noe v Marine Offshore Investments (Case Ref: 167/2019 FD)
40. E&S Consultancy Ltd v MFSA (Case Ref: 759/2019 AF)
41. Dennis Muscat v MFSA (Case Ref: 237/2021 RGM)
42. MMC Consultancy Ltd v MFSA (Case Ref: 540/2021 CFS)
43. Mortar Holding Services Company Ltd vs Satabank plc et (Case Ref: 94/2022 GG)
44. St. Publius Malta Limited et vs MFSA (Case Ref: 250/2022 AF)
45. Lifestar Holding plc et vs MFSA et (Case Ref: 292/2022 CFS)
46. Oneka Aircraft Leasing Limited vs Pilatus Bank plc et (Case Ref: 1048/2022 FD)

Civil Court (Commercial Section)

47. All Invest Company Limited v X (888/2013 ISB)
48. Maltese Cross Financial Services Ltd v X (204/2015 ISB)
49. Mark Refalo noe v Brian Tonna Pro Et Noe (827/2017 ISB)
50. MFSA vs The Timeless Uranium Fund SICAV plc (Case Ref: 79/2022 ISB)
51. MFSA v The Timeless Precious Metals Fund SICAV plc (Case Ref: 80/2022 ISB)
52. MFSA v Sierra Madre Gold & Silver Venture Capital Fund SICAV plc (Case Ref: 81/2022 ISB)

APPENDIX 6

OTHER INFORMATION

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