

22 August 2023

## Request for Submission of the Internal Capital Adequacy and Risk-Assessment (“ICARA”)

### (i) Background

Reference is made to R3-3.1.1.1 of Part BI of the Investment Services Rules applicable to Investment Services Licence Holders which qualify as MiFID Firms ([“the Rulebook”](#)) requiring Licence Holders to confirm to the MFSA that they have in place:

*“sound, effective, and comprehensive arrangements, strategies and processes to assess and maintain on an ongoing basis the amounts, types and distribution of internal capital and liquid assets that they consider adequate to cover the nature and level or risks which they may pose to others and to which the investment firms are or might be exposed”.*

Currently the requirement is to submit an annual confirmation to the MFSA whether an internal capital adequacy assessment process and internal risk-assessment process is in place in the Confirmations tab of the audited MiFID Firms Quarterly Reporting Return as per R3-3.1.1.4.

### (ii) Proposed Changes to Rulebook

In preparation for the implementation of [EBA/GL/2022/09 Joint EBA and ESMA Guidelines on common procedures and methodologies for the supervisory review and evaluation process \(SREP\) under Directive \(EU\) 2019/2034](#), the MFSA is currently considering updating the Rulebook to include a requirement for Class 2 and 3 Investment Firms, where applicable, to start requesting the submission of the ICARA document as part of the audited annual reporting requirements stipulated in Rule R1-2.2.1 of Part BI of the Rulebook. This ICARA would also include the Internal Liquidity Adequacy Assessment Process where applicable. The revised requirement is intended to become applicable for the reporting period ending 31 December 2023 with a submission deadline of 30 April 2024 and a four-month submission deadline from the end of the reporting period thereafter. Further updates on the implemented changes within the Rulebook will be communicated in due course.

### (iii) Interim Submission

**As an interim measure for this year only, class 2 Investment Firms are hereby requested to submit the current ICARA document for 2022, to the Authority by not later than 02 October 2023 via the LH Portal in a zip file, using the following naming convention: EntityCode\_ReportingPeriod\_OTH.zip**

Where:

|                        |  |
|------------------------|--|
| <b>EntityCode</b>      | LH Portal Authorised Person ID.  |
| <b>ReportingPeriod</b> | <p>The period for which the Regulatory Submission relates. Not to be confused with the submission period.</p> <p>Shall be composed of the first three letters of the month name (in capital letters) and the year, structured as: <b>MMMYYYY</b></p> |

In line with the [Circular](#) issued on 30 June 2023, please note that the file names of the contents within this zip file are not validated.

Should you have any queries in relation to the above, please do not hesitate to contact [investmentfirms@mfsa.mt](mailto:investmentfirms@mfsa.mt).