

7 November 2023

Circular on Structure and Composition of the Board of Directors

1.0 Introduction

Reference is made to the Corporate Governance Code (“Code”) issued by the MFSA dated 5th August 2022, which *inter alia* also addresses the expectations with regards to the structure and composition of the Board of Directors. The Code specifies that the Board should be composed of a combination of Executive Directors and Non-Executive Directors including at least one Independent Non-Executive Director (“INED”) taking into account the nature, size and complexity of the business of the respective license holder.

By way of this circular the Insurance and Pensions Supervision Function would like to notify Insurance Agents, Insurance Brokers and Retirement Scheme Administrators (collectively referred to as “license holders”) of the MFSA’s expectations and approach regarding the implementation of the requirement emanating from paragraph 2.1.2.1.3 of the Code.

2.0 Way Forward

Licence-holders who do not have at least one appointed Independent Non-Executive Director on the Board of Directors are required to identify an individual to the Authority who satisfies the independence requirements as defined in Section 3 “Definitions” of the Code.

The Authority will be adopting a risk-based approach in this regard to ensure that the spirit of the Code is implemented in such a way that primarily addresses those areas which require immediate attention whilst allowing an adequate timeframe for other areas which pose less risk. The overarching objectives are to ensure that license holders are governed by a Board of Directors which:

1. includes members who are able to exercise independent and impartial judgement; and
2. collectively and individually be of the appropriate calibre, with the necessary skills, diversity of knowledge, judgment, and experience to contribute effectively to the decision-making process.

Therefore, within **six months** from the date of this circular, licence-holders who fall under the following categories are required to identify an individual and submit an online Personal Questionnaire for the Authority's assessment and approval:

1. *Retirement Scheme Administrators:* are required to identify the individual being proposed to hold the role of Independent Non-Executive Director and submit an online Personal Questionnaire;
2. *Insurance Agents and Insurance Brokers:* The Authority is of the view that a risk-based approach should be adopted taking into consideration proportionality. Therefore, this requirement applies to licence-holders who generate a premium income of more than €5m.

Within a maximum of **eighteen months** from the date of this circular, the remaining Insurance Agents and Insurance Brokers which do not fall within the above criteria are required to identify an individual and submit an online Personal Questionnaire for the Authority's assessment and approval.

The Authority's objective is to work towards a mindset and culture which embraces and nurtures good governance principles and practices which allow for better alignment to the Code. The Authority strongly recommends that all license holders carry out an assessment of the current composition of the board to ensure that collectively the board has the necessary skills, diversity of knowledge and competencies to contribute effectively to the sound and prudent management of the company and the decision-making process.