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MFSA Shifts to Outcomes-Based Supervision in 2024

The Malta Financial Services Authority (MFSA) has released its Supervisory Priorities for 2024. This document sets the MFSA's focus for its supervisory engagement in 2024 and outlines how it is implementing an outcomes-based approach to supervision, which will be introduced through a pilot project focusing on digital finance regulation and trust beneficial ownership register.

The aim of outcomes-based supervision as designed by the MFSA is to assess the results achieved by licence holders in specific areas in line with the identified outcomes. This method builds upon the MFSA's risk-based approach, which has focused the Authority's supervisory efforts based on the likelihood of failure and the severity of harm to stakeholders of the financial industry. Outcomes-based supervision is not a one-time exercise but a continuous process of monitoring, evaluation and adaptation. The adoption of outcomes-based supervision implements part of the MFSA's 2023 Strategic Statement.

The Chief Executive Officer of the MFSA, Kenneth Farrugia said: "Our Supervisory Priorities for 2024 were designed to actively tackle the most prominent issues that the financial services sector faces today. While maintaining alignment with the Authority's strategic objectives, the MFSA looks to present a unified front to all financial market participants. With an outcomes-based approach, we aim to establish concrete regulatory outcomes systematically fostering a strong foundation for the industry's long-term success, as we remain open to further enhance our supervision and maintaining collaboration with other National Competent Authorities (NCAs)."

The priorities build on the strategic objectives set out in the MFSA Strategic Statement published in February 2023, namely delivering agile and proactive regulation; sustaining a resilient, internationally networked financial sector; promoting good governance and compliance; embracing innovation; and engaging with the public.

The Authority is once again highlighting three ongoing supervisory priorities which are paramount in the context of its day-to-day processes and are emphasised again this year. These are Governance, Risk & Compliance; Financial Crime Compliance; and Consumer Protection and Education.

The MFSA is also highlighting four focused supervisory priorities which are: Resilience of Supervised Entities; Sustainable Finance; Digital Finance; and Cross-Border Supervision.

MFSA's Chief Officer Supervision, Christopher P. Buttigieg, said: "We are determined to continue delivering optimal financial supervision in Malta, which also includes the supervision of cross-border business. The introduction of outcomes-based supervision reinforces our risk-based approach to strengthen consumer protection, market integrity and financial stability. We are confident that the implementation of this approach to supervision will lead towards more effective supervisory engagement by targeting the achievement of specific tangible outcomes. The MFSA seeks to become a leading supervisor with respect to this supervisory method."

He added that: "In 2023, the Authority conducted over 900 risk-based supervisory engagements, followed by a number of publications setting our findings and supervisory expectations including Dear CEO Letters and new volumes on the Nature and Art of Supervision. In 2024, the MFSA will continue to enhance its supervisory efforts while providing guidance to the industry, and information to consumers on the manner they are being protected at a national level."

The MFSA 2024 Supervisory Priorities document can be found through this [link](#).

About MFSA

The Malta Financial Services Authority (MFSA) is the single regulator of financial services in Malta, covering banks, insurance companies, investment services, trusts and pensions. In 2018, the MFSA became the first European regulator to develop a framework to regulate virtual financial assets. The MFSA's mission, as enshrined in its Strategic Statement, is to enhance its position as an independent, proactive and trustworthy supervisory authority with the main purpose of safeguarding the integrity of markets and maintaining stability within the financial sector, for the benefit and protection of consumers. The MFSA licenses over 2,000 entities to operate in the financial services sector.

