



CSP Reform: Enhancing the Framework, a Proportionate Approach

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Purpose of 2025 Reform

- Enhancement of the current regulatory framework to ensure compliance with Malta's international commitments
- Adopt a more appropriate regulatory approach.



Regulatory Background (1)

Company Service Providers Act enacted on 24 December 2013

- any person operating in or from Malta
- acts or holds himself out as acting as a CSP *by way of its business*
- provides the services to third parties

Regulatory Background (2)

Exemptions:

- i. Persons in possession of a warrant, or equivalent, to carry out the profession of advocate, notary public, legal procurator or certified public accountant;
- ii. Accountancy and/or audit firms formed in terms of Article 10 of the Accountancy Profession Act;
- iii. Persons authorised to act as a trustee or to provide other fiduciary duties in terms of the Trusts and Trustees Act
- iv. Persons providing directorship/company secretary services to fewer than 10 involvements ("*de minimis*" rule)

Reassessment of the Framework (1)

In **2019**, the MFSA launched a comprehensive reform of the CSP drawing on years of regulatory experience and incorporating recommendations from international bodies such as the FATF and MONEYVAL.

The reform promoted regulatory clarity by removing exemptions previously available to warranted professionals and “*de minimis*” providers. This enabled the MFSA to better identify and monitor persons operating as CSPs in Malta.

Reassessment of the Framework (2)

- CSPs subject to authorisation as opposed to registration.
- CSP Act was amended to categorise CSPs into different classes based on their service range and complexity.
- A new CSP Rulebook was published in March 2021.
- The reform took place through a phased approach between March 2021 and November 2022, enabling those persons who were previously not required to register under the Act of 2013 time to adjust.

Exemptions Regulation 2021

- A person authorised by the MFSA to act as a trustee or to provide other fiduciary duties
- A person registered by the MFSA to act as a VFA Agent
- A natural person who offers these services on entities licensed, registered or otherwise authorised by the Authority.*
- A natural person who offers these services on a company whose financial instruments have been admitted to listing on a regulated market in Malta.*

*extends also to companies licenced/ regulated in foreign reputable jurisdictions

Other Exclusions

Individuals in the below scenarios are not considered as acting '*by way of business*' if they act as director and/or secretary in terms of:

- their employment
- their shareholding
- a family relationship

In the above cases, authorisation is **not** required.

Developments Since Reform

- Active engagement with stakeholders.
- Monitoring local and international developments in the area.
- Extensive research on the operation and regulation of CSPs in other jurisdictions.
- Meetings were held with Stakeholders/Regulators to identify the areas where proportionality can be further adopted.

Determination: Industry's main concerns revert around the Class B CSPs, in particular vis-à-vis individuals providing directorship and/or company secretary services.

Proposed Enhancements

Enhancement of the **proportionality** for individuals who are providing directorship/company secretary services:

1. Through the introduction of a **Notification Regime**;
2. Through the re-introduction of a **Registration regime** for certain thresholds;
3. **Widening the interpretation** of exemption granted to entities authorised by the MFSA to the immediate holding companies of such entities.

Whilst also maintaining the current exemptions and other exclusions discussed previously.

Notification Regime Restricted Company Service Providers

Targeted at the population of individuals who are providing services to one or two involvements being carried out **not** '*by way of business*'.

Why introduce a Notification Regime

- Population providing company services not known to the Authorities
- Although limited, these activities can still pose a risk to the jurisdiction.
- The Authority is not in a position to risk assess the sector in line with international bodies' expectations.
- Industry players argue that current framework is creating an unlevel playing field.
- The limited 2-involvement restriction is creating a knowledge and experience drain in the industry as individuals feel that the current regulatory framework is too burdensome for them to take on additional roles.

Proposal

Widen the interpretation of *not by way of business* from 2 involvements to **5 involvements**, which can include up to a **maximum of two groups** of companies.

Objective of the notification regime

Information gathered will enable the Authority to have better visibility of the population, conduct a risk assessment of the risks to the jurisdiction and adhere to international expectations.

Encourage more experienced/knowledgeable persons to provide company services.



Registration Regime

Limited Company Service Providers

Targeted at the population of those individuals who are carrying out the CSP activity '*by way of business*' to a limited number of involvements (maximum of 10).

Registration Regime Proposal



- a simpler and more streamlined application process
- standard fitness and properness assessment
- one annual return which will collate information for both MFSA and FIAU purposes
- stand-alone Rule Book for Registered Persons



Widening the interpretation relating to Exemption

Widening of Interpretation – Holding Companies

Appointment on Regulated entities are exempt and not deemed as an involvement.

Current interpretation: directorship on holding companies of regulated entities, even if these are within the same group of companies, currently count as one involvement.

Proposal: Widening the interpretation that for regulated entities **only**, directorship/company secretary appointment on the **immediate holding company** will **not** count as an involvement. The definition of a Group of Companies as per the CSP RuleBook must be met.

Impact of the proposal on Class B under threshold

Implications of the Proposal on UT Class B CSPs

The number of involvements that authorised Class B Under Threshold CSPs be widened from a maximum of 10 to a **maximum of 20 involvements**.

This will enable current Class B Under Threshold CSP operators to expand their business whilst still availing themselves of the adapted requirements implemented for Under Thresholds from a proportionality perspective.

Current Class B Under Threshold

Those currently authorised as Class B Under Threshold will automatically be allowed to increase their involvements to a maximum of 20.

If such authorised persons would like to convert their authorisation into a Registration – they need to approach the Authority.

The Authority will issue guidance in this regard.

Implementation



MFSA

- Consultation document issued 1 November 2024, closed on 15 November 2024. Feedback received supports the proposals.
- Feedback was reflected in the Rule Books, Guidance Notes and FAQs.
- Legislative amendments to the CSP Act require Parliamentary approval (currently at Committee stage)
- Changes to the relevant Legal Notices
- Update of the Current RuleBook
- A new Rule Book applicable to Registered Persons will be issued.

Current RuleBook

- Minimal updates to the current CSP RuleBook:
 - Revision of the Class B Under Threshold number of involvements.
 - Introductory chapter to provide guidance re the applicability of the different Rulebooks/Guidance Notes.
 - Update of the Interpretation section for clarity.
 - Included definition of “involvement”.

Guidance Notes

- Update the current Guidance Note on the Application of the CSP Act.
- Issue Guidance Note on notification process and the completion of the webform.
- Guidance addressed to the current Class B Under Threshold authorised persons guiding them about procedure on how to convert to a Registration if they so wish.

Other relevant documents

- Launch of a webform for Notified persons.
- Launch of a new application for Registered Persons.
- New comprehensive Frequently asked Questions document to also include clarifications requested through the consultation process for example appointment on NGOs etc.

Concluding Remarks

Why do I need to comply?

Discussions with the Malta Business Registry to ensure that checks are in place when people are registering companies etc.

It is in your interest to notify the Authority to avoid delays when being appointed as director/company secretary.

Risk assessment which will determine the level of risk to the jurisdiction.

Compliance with Malta's international commitments

Thank you

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