

User Guidelines¹

Various Financial Services Laws (Amendment) Act, 2025

The Act in caption (also referred to as the 'Bill') seeks to amend various financial services laws, including the Financial Markets Act (Cap. 345 of the laws of Malta), hereinafter referred to as the "FMA". The amendments to the FMA *inter alia* incorporate several provisions with the aim of establishing a registration framework for sponsors in the context of applications for admissibility to listing of securities on a local regulated market.

The proposal to strengthen the sponsors' regime is part of the Malta Financial Services Authority's ("MFSA") comprehensive five-pillar strategy to foster growth and innovation within the local capital markets, whilst protecting investors and financial market integrity and stability.

On the 02 July 2024, the MFSA had published a Consultation Document on Pillar III of the MFSA Capital Markets Strategy – Strengthening the Sponsors' Regime, and a feedback statement was subsequently issued by the MFSA.

The cornerstone of this proposal is essentially the introduction of a registration framework for sponsors, to raise the standards of these market players based on increased accountability and clearer responsibilities.

A sponsor is a person who provides advice, guidance and expertise to issuers who are applying or who wish to apply for the admissibility to listing of securities on a local regulated market. The role of the sponsor is of great importance since a sponsor is the first port of call for prospective issuers, and are considered to be the first line of defence in preventing persons who are not fit and proper from accessing the Maltese capital markets.

Under the current framework, any provisions on the characteristics and responsibilities of sponsors are limitedly contained in the Chapter 2 of the MFSA's Capital Markets Rules. It should be noted that, at present, the MFSA does not formally approve sponsors, nor does it maintain a list thereof.

Hence, in order to regulate sponsors, the MFSA has identified the need to amend the FMA to introduce the necessary empowering and related provisions allowing for *inter alia*: [i] the introduction of a registration requirement; and [ii] MFSA regulatory powers in that regard. Further detail and granularity would then be included in Regulations and also in rules issued by the MFSA for this purpose.

¹ These Explanatory Notes have been prepared for the purpose of article 3(2)(d) of the Small Business Act (Chapter 512 of the Laws of Malta).

The amendments to the FMA in relation to establishing a registration framework for sponsors primarily seek to:

- i. introduce a definition for “sponsor” (**article 2**);
- ii. introduce a registration requirement for sponsors (**article 12B**);
- iii. empower the MFSA to approve, or otherwise, the registration of sponsors (**article 11**);
- iv. empower the MFSA to cancel or suspend the registration of a sponsor (**article 11**);
- v. empower the MFSA to subject a registration to such conditions it deems appropriate (**article 12C**);
- vi. require that the MFSA maintains a register of sponsors (**article 12C**);
- vii. empower the MFSA to require information from a sponsor or from any person who is or was an officer, employee or agent of such sponsor, or to require them to attend before the MFSA, or before a person appointed by it, at a time and place as the MFSA may specify (**article 32**);
- viii. allow for sponsors who have had their registration refused, cancelled or suspended to bring their grievances before the Financial Services Tribunal (**article 42**); and
- ix. empower the Minister to make regulations to regulate the activities of sponsors (**article 49**).

The amendments above-listed will enter into force on such date or dates as the Minister responsible for the regulation of financial services may establish, by notice in the Government Gazette; and different dates may be so established for different provisions and, or purposes. Moreover, after publication of such amendments to the FMA (regarding sponsors), a person who is already providing the services of a sponsor on the date of entry into force of such amendments, is required to apply for registration with the MFSA within two (2) months from the date of coming into force of the legislative amendments, if such person is to continue to offer such services; Furthermore, such person can only continue to offer such services if such person is authorised by the MFSA within ten (10) months from the date of coming into force of the said amendments to the FMA.

For all intents and purposes, the Bill also seeks to transpose and/or implement a number of EU Directives/EU Regulations, and to improve current, regulatory frameworks in various financial services laws. However, for the purposes of the Small Business Act, these User Guidelines are being drawn primarily for the scope of the sponsors regime aforementioned.

These User Guidelines should be read in conjunction with, and as supplementary guidance to, the Act/Bill and should not be deemed to substitute a thorough reading thereof. In case of any conflict between the contents of these User Guidelines and the amendments in the Bill, it is the latter that shall prevail.

In case of any queries in relation to the above, the MFSA may be contacted on +356 21441155.