

## Annex A

<u>Rule</u>	<u>Current Rule</u>	<u>Amended Rule</u>
R1-5.1.2	<p>Initial Capital shall be constituted in accordance with Article 9 of the IFD.</p> <p><b><u>€150,000</u></b></p> <ul style="list-style-type: none"> <li>- Reception &amp; Transmission of Orders in relation to one or more financial instruments</li> </ul> <p>And/Or</p> <ul style="list-style-type: none"> <li>- Execution of orders on behalf of clients</li> </ul> <p>And/Or</p> <ul style="list-style-type: none"> <li>- Portfolio Management</li> </ul> <p>And/Or</p> <ul style="list-style-type: none"> <li>- Investment Advice</li> </ul> <p>And/Or</p> <ul style="list-style-type: none"> <li>- Placing of financial instruments without a firm commitment basis</li> </ul> <p>And</p> <ul style="list-style-type: none"> <li>- <b>Holds Client Money or Client Securities</b></li> </ul> <p>Or</p> <ul style="list-style-type: none"> <li>- MTFs</li> </ul> <p>Or</p> <ul style="list-style-type: none"> <li>- OTFs that do not deal on own account</li> </ul>	<p>Initial Capital shall be constituted in accordance with Article 9 of the IFD.</p> <p><b><u>€150,000</u></b></p> <ul style="list-style-type: none"> <li>- Reception &amp; Transmission of Orders in relation to one or more financial instruments</li> </ul> <p>And/Or</p> <ul style="list-style-type: none"> <li>- Execution of orders on behalf of clients</li> </ul> <p>And/Or</p> <ul style="list-style-type: none"> <li>- Portfolio Management</li> </ul> <p>And/Or</p> <ul style="list-style-type: none"> <li>- Investment Advice</li> </ul> <p>And/Or</p> <ul style="list-style-type: none"> <li>- Placing of financial instruments without a firm commitment basis</li> </ul> <p>And</p> <ul style="list-style-type: none"> <li>- <b>Holds Client Money or Client Securities</b></li> </ul> <p>Or</p> <ul style="list-style-type: none"> <li>- MTFs</li> </ul> <ul style="list-style-type: none"> <li>- OTFs that do not deal on own account</li> </ul> <p><b>Or</b></p> <ul style="list-style-type: none"> <li>- <b>Any Investment Firms other than those referred to in Article 9(1), 9(2) and 9(4) of the IFD.</b></li> </ul>
R2-3.2.53	<p>In order to deal with liquidity crises, the Licence Holder must have in place liquidity recovery plans setting out adequate strategies and proper implementation measures in</p>	<p>In order to deal with liquidity crises, the Licence Holder must have in place liquidity recovery plans setting out adequate strategies and proper implementation measures in</p>

	order to address possible liquidity shortfalls, including in relation to branches established in another Member State. Those plans should be regularly tested, at least annually, updated on the basis of the outcome of the alternative scenarios set out in Rule R2-3.2.50 above, be reported to and approved by senior management, so that internal policies and processes can be adjusted accordingly. Licence Holders shall take the necessary operational steps in advance to ensure that liquidity recovery plans can be implemented immediately.	order to address possible liquidity shortfalls, including in relation to branches established in another Member State. Those plans should be regularly tested, at least annually, updated on the basis of the outcome of the alternative scenarios set out in Rule R2-3.2.50 above, be reported to and approved by senior management, so that internal policies and processes can be adjusted accordingly. Licence Holders shall take the necessary operational steps in advance to ensure that liquidity recovery plans can be implemented immediately. <b>Those operational steps shall include holding collateral immediately available for central bank funding.</b>
R2-3.5.4	Decisions on the application of the exemption referred to in the previous paragraph shall be fully reasoned, shall include an explanation as to why the exemption does not threaten the stability of the Maltese financial system and shall contain the exact definition of the small and medium-sized investment firms which are to be exempted. If the MFSA decides to apply the exemption referred to in the previous Rule, it shall notify the ESRB thereof.	Deleted.
R2-3.5.5	Where an investment firm fails to meet fully the requirement prescribed in terms of Rule R2-3.5.4, it shall be subject to the restrictions on distributions set out in this Section.	Where an investment firm fails to meet fully the requirement prescribed in terms of <b>Article 129(1) of the CRD</b> , it shall be subject to the restrictions on distributions set out in this Section.
R3-3.1.2.16	Licence Holders shall have robust strategies, policies, processes and systems for the	Licence Holders shall have robust strategies, policies, processes and systems for the identification,

	<p>identification, measurement, management and monitoring of the following:</p> <p>i. material sources and effects of risk to clients and any material impact on own funds;</p> <p>ii. material sources and effects of risk to market and any material impact on own funds;</p> <p>iii. material sources and effects of risk to the investment firm, in particular those which can deplete the level of own funds available;</p> <p>iv. liquidity risk over an appropriate set of time horizons, including intra-day, so as to ensure that the investment firm maintains adequate levels of liquid resources, including in respect of addressing material sources of risks under points (i), (ii) and (iii).</p> <p>The strategies, policies, processes and systems shall be proportionate to the complexity, risk profile, and scope of operation of the Licence Holder and risk tolerance set by the management body, and shall reflect the Licence Holder's importance in each Member State in which it carries out business.</p> <p>For the purposes of point (i), the Licence Holder shall consider national law governing segregation applicable to client money.</p> <p>For the purposes of point (i), the Licence Holder shall consider</p>	<p>measurement, management and monitoring of the following:</p> <p>i. material sources and effects of risk to clients and any material impact on own funds;</p> <p>ii. material sources and effects of risk to market and any material impact on own funds;</p> <p>iii. material sources and effects of risk to the investment firm, in particular those which can deplete the level of own funds available;</p> <p>iv. liquidity risk over an appropriate set of time horizons, including intra-day, so as to ensure that the investment firm maintains adequate levels of liquid resources, including in respect of addressing material sources of risks under points (i), (ii) and (iii).</p> <p>The strategies, policies, processes and systems shall be proportionate to the complexity, risk profile, and scope of operation of the Licence Holder and risk tolerance set by the management body, and shall reflect the Licence Holder's importance in each Member State in which it carries out business.</p> <p>For the purposes of point (i) <b>and the above paragraph</b>, the Licence Holder shall consider national law governing segregation applicable to client money.</p> <p>For the purposes of point (i), the Licence Holder shall consider holding professional indemnity</p>
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	<p>holding professional indemnity insurance as an effective tool in their management of risks.</p> <p>For the purposes of point (iii), material sources of risk to the Licence Holder itself shall include, if relevant, material changes in the book value of assets, including any claims on tied agents, the failure of clients or counterparties, positions in financial instruments, foreign currencies and commodities, and obligations to defined benefit pension schemes.</p> <p>Licence Holders shall give due consideration to any material impact on own funds where such risks are not appropriately captured by the own funds requirements calculated under Article 11 of the IFR.</p>	<p>insurance as an effective tool in their management of risks.</p> <p>For the purposes of point (iii), material sources of risk to the Licence Holder itself shall include, if relevant, material changes in the book value of assets, including any claims on tied agents, the failure of clients or counterparties, positions in financial instruments, foreign currencies and commodities, and obligations to defined benefit pension schemes.</p> <p>Licence Holders shall give due consideration to any material impact on own funds where such risks are not appropriately captured by the own funds requirements calculated under Article 11 of the IFR.</p>
R3-3.1.2.34	<p>When preparing the decisions referred to in paragraph 2, the remuneration committee shall take into account the public interest and the long-term interests of shareholders, investors and other stakeholders in the Licence Holder.</p>	<p>When preparing the decisions referred to in <b>R3-3.1.2.33</b>, the remuneration committee shall take into account the public interest and the long-term interests of shareholders, investors and other stakeholders in the Licence Holder.</p>