MFSA MALTA FINANCIAL SERVICES AUTHORITY

25 September 2025

Dear Chief Executive Officer,

Dear Compliance Officer,

MFSA Expectations in the context of MiFID II Passporting

This letter is addressed to the Chief Executive Officer or Compliance Officer of an Investment Firm, falling within the supervisory remit of the Malta Financial Services Authority (referred to herein as the "MFSA" or "Authority").

1. INTRODUCTION

The Markets in Financial Instruments Directive 2014/65/EU ('MiFID II') allows Investment Firms authorised in one Member State to 'passport' i.e. provide the investment services and activities listed under Annex I of MiFID II[1], in other EU/EEA Member States without the need for separate authorisation in the host Member States. This follows the principle of mutual recognition of authorisations since all EU/EEA Member States have transposed MiFID II into their national frameworks.

MiFID II outlines two primary ways for Investment Firms to operate in other EU/EEA Member States, namely: (i) ***the freedom to provide investment services and activities*** directly into the territory of another EU/EEA Member State without needing to establish a physical presence in that host Member State (Article 34 of MiFID II); and (ii) ***the freedom of establishment*** to provide authorised investment services by either setting up a physical branch in the host Member State or through the use of a Tied Agent established in a host Member State (Article 35 of MiFID II).

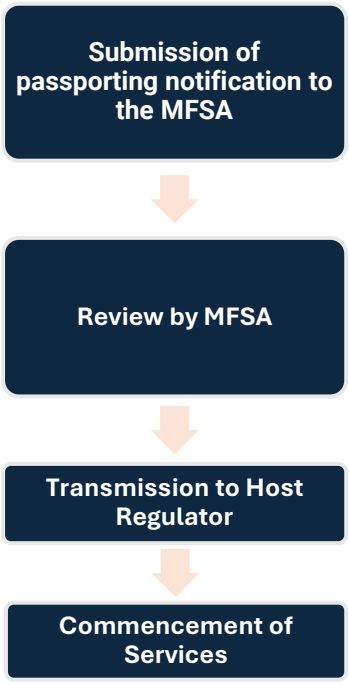
This letter will focus on the passporting practices of Investment Firms authorised by the MFSA and aims to: (i) provide an overview of the passporting notification procedure in place for Investment Firms wishing to provide any of the services covered by their authorisation in other EU/EEA Member States (either on the basis of the freedom of services or on the basis of the freedom of establishment); and (ii) outline the MFSA's expectations in relation to the supervision of its licence holders when providing investment services on a cross border basis via the use of their MiFID passport.

[1] The services were transposed in the First Schedule of the Investment Services Act.

1. PASSPORTING NOTIFICATION PROCEDURE

Pursuant to Article 34(2) and 35(2) of MiFID II, Investment Firms intending to exercise their passporting rights outside of Malta, should first notify the MFSA by submitting the relevant notification form, in accordance with Commission Implementing Regulation (EU) 2017/2382, on mifidnotifications@mfsa.mt. The notification forms are available for download from the MFSA Website. The relevant processes are illustrated below in the following flowcharts:

Notification under the Freedom of Services



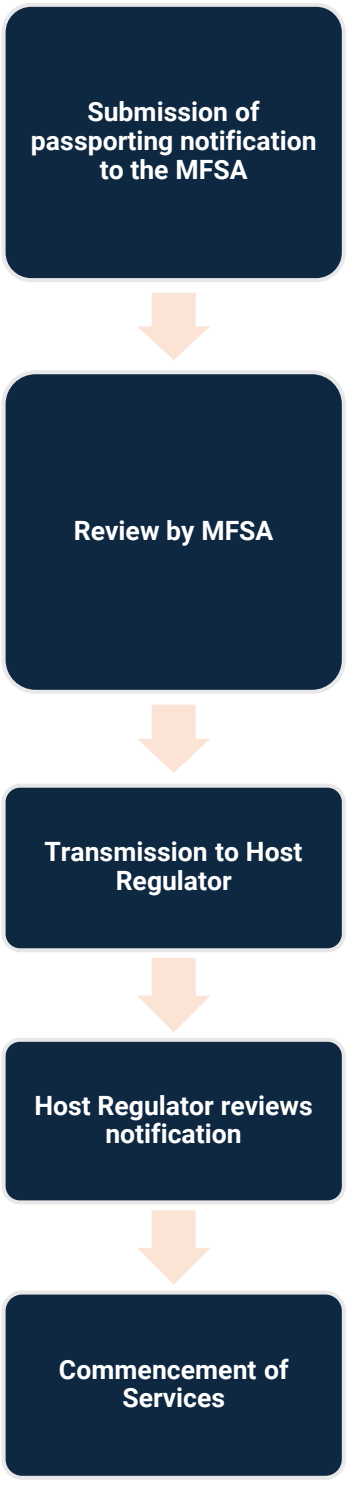
As an initial step the Investment Firm must notify the MFSA of its intentions to passport by submitting a notification form in terms of Article 34 of MiFID II i.e. *Schedule D1 – Notification letter for Investment Services Licence Holders wishing to provide cross-border services under the freedom to provide service in another EU or EEA Member State.*

The MFSA reviews the notification form to check for completeness and ensures that the administrative structure, financial situation and internal controls are commensurate with the intended cross-border services. The Investment Firm shall also provide the MFSA with the anticipated volume of business in the host Member State and the support structures available to the compliance function.

Upon satisfactory conclusion of the review, the MFSA forwards the notification to the host National Competent Authority ('host NCA') of within one month from receiving a complete notification.

The Investment Firm may generally begin providing services immediately after the MFSA has informed it that the notification has been sent to the host NCA.

Notification under the Freedom of Establishment



Investment Firms intending to provide cross-border services in another EU/EEA state for the first time through the establishment of a physical branch or the appointment of Tied Agent, must notify the MFSA and submit a notification form in terms of Article 35 of MiFID II i.e. *Schedule E1* (as applicable). The notification form should be accompanied by a financial forecast for the first three years of business operations and the Personal Questionnaire of the Branch Manager or CV of the Tied Agent, as applicable.

The MFSA assesses the firm's administrative structure, financial situation and internal controls are adequate for the establishment of a branch or tied agent, as applicable. In this regard, the MFSA may ask for further clarifications on the information submitted in the notification form. The notification form is considered complete once all the clarifications are satisfactorily addressed. Subsequently, a formal notification of approval is issued by the MFSA to the Investment Firm with any necessary pre-establishment conditions.

Upon satisfactory conclusion of any pre-establishment conditions imposed by the MFSA, the notification form is forwarded to the host NCA within three months from receiving a complete notification.

The host NCA has two months from the date of submission of the notification form to acknowledge the passporting notification and request any additional information/clarifications.

The Investment Firm may establish the branch or inform the Tied Agent it may commence business, upon receipt of confirmation by the host NCA within a maximum period of two months from the date of submission of the communication by the MFSA.

The MFSA should be notified of changes to the initial notifications by submitting the same forms as indicated above, as well as termination of any or all of the cross-border activities.

The Authority has observed a few incidents where at times Investment Firms, which have submitted a passporting notification are not actively using their passport rights It is the Authority's expectation that all investment firms use these rights on an ongoing basis by providing services on a cross-border basis in terms of their passport.

2. CROSS-BORDER SUPERVISION

In recent years, the Authority's supervisory priorities continued to focus heavily on Cross-Border Supervision.[2] In this section, the Authority provides a comprehensive overview of how it carries out ongoing supervision and monitoring of the cross-border activities of authorised investment firms. The Authority undertakes an active role by employing a combination of supervisory tools with the scope of maintaining sound practices to ensure the integrity of the cross-border market and to safeguard the interests of consumers – wherever they are situated in the EU.

The supervisory tools which MFSA uses for this purpose include: onsite interactions, desktop reviews, thematic analysis and risk assessment tool. MFSA also regularly collects data with respect to the cross-border activities. The sections below outline the Authority's risk based approached to the supervision of investment firms as well as the findings and shortcomings identified by the Authority in its supervision of this area clearly outlining the Authority's expectations in this regard.

2.1 Risk Based Approach

The Authority has established comprehensive risk models to provide effective oversight and ensure robust risk management of its licence holders. In the case of Investment Firms, the Authority employs two complementary models. The first holistic model assesses an investment firm by considering its business model and risk profile, its overall viability and sustainability, together with its capital and liquidity requirements. This is done via a holistic framework that captures a wide spectrum of risks, including prudential, anti-money laundering (AML), and conduct-related considerations. The second model is a specialised conduct-focused framework, specifically designed to assess conduct-related risk factors such as the firm's business model, the extent of cross-border operations, the volume and nature of complaints received, as well as the characteristics of its products, services, and distribution channels. The outcome from this conduct model are subsequently integrated into the broader holistic model.

[2] MFSA Supervision Priorities 2024 & MFSA Supervisory Priorities 2025

2.2 Governance and Compliance

The investment services sector has seen a marked increase in activities carried out across Europe under the freedom of services and freedom of establishment frameworks. The Authority is also witnessing the emergence of new, technology-driven business models that target elements of traditional financial services. Innovation in financial services can deliver significant benefits to consumers while creating substantial growth opportunities for firms. However, to fully realise these benefits, it is essential that innovation is implemented responsibly, with associated risks effectively identified, managed, and mitigated.

Findings

During supervisory interactions with investment firms, the Authority recognised the proactive engagement of several firms regarding significant planned changes to their business models. However, this has not been the case across the sector as a whole. The Authority continues to observe instances where firms' strategic ambitions outstrip their existing frameworks and capabilities, particularly those that have weak governance and risk management frameworks to supplement the execution of their proposed strategies. In some cases, the Authority has found that regulatory obligations are treated as a tick-box exercise rather than being embraced as a strategic tool to strengthen business model resilience, ensure the firm's safety and soundness, and ultimately deliver better outcomes for consumers.

In particular the Authority's findings in this area are characterised by high turnover of key employees in certain firms, most of the time being the consequence of under-resourced internal control functions resulting in weaknesses in the governance structures and control functions. This limits effective oversight and could result in product and service disclosures that are unclear and lack transparency, making it difficult for consumers to understand the risks involved, over-reliance on outsourced functions and unclear remit of the control functions.

MFSA Expectations

Investment Firms are expected to consider the services being passported, the number and type of clients serviced through passporting to ensure that they have an adequate operational set-up dedicated for cross-border activities.

Investment firms are also expected to conduct ongoing thorough monitoring on the passported services, even in terms of resources required, revenues and volumes, based on realistic projections. Furthermore, the Authority strongly recommends that investment firms carry out regular onsite inspections on their branches - at least annually.

In terms of the requirements emanating from Rule R1-2.2.3 of Part BI of the Rules of Investment Services Rules for Investment Services Providers, Investment firms are reminded that non-compliance related to freedom of services and establishment, are to be included in audited financial statements' Directors' Report or by way of a

separate confirmation signed by the Directors, even when foreign rules are not adhered to.

The following sections of this letter, go into more detail into the compliance shortcomings which the Authority has come across in supervising the activities of investment firms providing services on a cross-border basis.

2.3 Marketing Practices

In 2023 the Authority has taken part in ESMA's Common Supervisory Action (hereinafter referred to as "CSA") to assess the application of MiFID II disclosure rules with respect to marketing communications.

The Authority carried out five (5) on-site inspections with investment firms operating as pure online brokers, having significant cross-border presence and which predominantly offer Contract for Differences (hereinafter referred to as "CFDs"). In total, the Authority assessed twenty-one (21) marketing communications/advertisements published on these entities' website, social media and other digital channels. The below sub sections outline the main findings identified during this supervisory workstream and the MFSA's respective expectations.

Requirements

In line with Rule 1.2.6 of the Conduct of Business Rulebook, marketing communications relating to any financial products and services need to be fair, clear and not misleading to ensure that clients are not enticed to purchase financial products and services which do not meet their objectives. Besides, marketing communications within the context of the cross-border activities bring about additional challenges to the investment firms' operations due to the translation of their content in the different languages of the Member States where the activities are passported.

2.3.1 Marketing Procedures

Findings

Following a review of the investment firms' marketing policies/procedures, it was noted that the majority of the procedures were written in a very generic manner without referring to the process relating to the preparation, production and dissemination of marketing material.

Specifically, marketing policies/procedures did not explain how these investment firms go about the drafting, design of the marketing communication (including the necessary translation in any other EU language, as deemed applicable) and distribution of the same marketing material. Other information which was omitted included a detailed overview of the responsibility, and the relevant reporting lines. The Authority also noted that most of the investment firms, did not consider the necessary distinctions to be made based on the medium/a being used for the distribution within

their respective policies and procedures relating to the marketing process. Such serious shortcoming indicates that investment firms are not sufficiently assessing whether the medium of distribution is suitable for the respective target market.

MFSA Expectations

As a best practice, the Authority expects that the marketing policies/procedures should always be tailored to the investment firm's operation and must be a true reflection of the marketing process that is being followed by the investment firm. Appropriate regard should also be given to the medium which the investment firm selects to issue its marketing communications to ensure that its marketing communications are received by the identified target market for the product or services under advertisement and that the necessary warnings and disclosures are clearly visible and legible.

2.3.2 Approval of Marketing Communications

Requirements

Article 11 (1) (b) of the Investment Services Act, outlines that *"No person, other than licence holders, may issue or cause to be issued an investment advertisement in or from within Malta unless its contents have been approved by a licence holder."*

Rule.1.2.10 of the Conduct of Business Rulebook stipulates that investment firms are required to:

a) Appoint a Compliance Officer to:
   i. Approve Advertisements to be issued by the investment firm in its own name;
   ii. Approve advertisements to be issued by a third party but which are required to be approved by the investment firm; and
   iii. Report to the MFSA, any advertisement issued or purporting to be issued by an investment firm without the approval referred to in (a) (i) above.

b) Establish internal procedures relating to the approval of advertisements to be issued by the investment firm.

c) Identify the target market of the client for whom the advertisement is intended and ensures that the method of circulating the advertisement is appropriate for the identified target market.

d) To keep records of all Advertisement issued and approved including:
   i. An approved certification in electronic format by the Compliance Officer or the designated officer in terms of (a) above, that each advertisement complies with the requirements of these Rules;
   ii. The name of the individual who approved the advertisement;
   iii. The date of approval of the advertisements;
   iv. The publications in which the advertisement was included; and
   v. Documentary evidence in support of any statement made in the advertisement.

Findings

The Authority noted that certain investment firms have a dedicated marketing team, which decides whether such communication can be classified as either a marketing communication and therefore subject to certain regulatory requirements. It was noted however that in certain cases the Compliance Officer would not be involved in the approval process of the marketing communication.

In another instance, the Authority noted an approach being adopted by certain investment firms whereby the Compliance Officer did not approve every single advert being issued, but rather approved a template on the basis of which the advertising/ business development team of the firm would draft a marketing communication. Therefore, any changes in the content of the marketing communication (such as for example a rise in value of an asset and the consequent impact) was being carried out by the marketing team and the Compliance Officer was only carrying out ex-post checks on an ad-hoc basis. This approach cannot be deemed to satisfy the regulatory obligations contained in the Investment Services Act and the Conduct of Business Rulebook, referred to above.

MFSA Expectations

In terms of the regulatory obligations emanating from Article 11 of the Investment Services Act and Chapter 1 of the Conduct of Business Rulebook, the content of **all** advertisements issued (irrespective of the language it is produced in Investment firm), must be approved by the appointed Compliance Officer before being issued by the investment firm Investment firm or disseminated by third parties on its behalf, as deemed applicable.

MFSA expects that the investment firms' Compliance Function must be adequately equipped — in terms of capacity, tools, and expertise — to effectively monitor and approve all marketing material issued on a cross-border basis. This responsibility applies not only to material created internally but also to communications disseminated by third parties acting on behalf of the firm, including affiliates, introducers, and digital marketers, as well as marketing material disseminated in.

a language other than the firm's primary working language, Consequently, firms should not approve or distribute marketing material in languages that cannot be adequately reviewed for compliance.

In addition, the Authority also expects that the Compliance Officer carries out the necessary ex-post checks on an on-going basis to ensure that advertisements currently available remain correct, factual and relevant – in view of any change in the content (such as for example a rise in value of an asset and the consequent impact) - especially in cases where they refer to very volatile products.

2.3.3 Lack of Record Keeping with respect to Deficiencies Identified in Marketing Communications

Findings

It was noted that the sampled investment firms have the necessary processes in place to ensure that at least annual reviews related to marketing policies/procedures are carried out. However, the Authority noted instances whereby investment firms did not have a log in place to detail the identified deficiencies in marketing communications and the implementation and logging of remedial measures.

MFSA Expectations

As a best practice, the Authority expects that all investment firms have in place a marketing communications deficiency log to record all the deficiencies identified. This would ensure an audit trail of any deficiencies found and how these were addressed. Such a log would also allow the MFSA to better carry out its supervisory obligations in this area.

The Authority has adopted outcomes-based supervision to ensure investment firms meet regulatory standards in marketing practices. This approach emphasizes fair, clear, and transparent communication to support informed investment decisions. Firms are expected to maintain robust internal processes covering marketing policies, outsourcing, disclosure methods, approval procedures, and record keeping. A sample of firms was selected based on complaints, volume of marketing communications, and business model complexity in 2024. These firms were required to submit questionnaires and supporting documents. The Authority is reviewing responses and will communicate findings, highlight shortcomings, and issue a Dear CEO letter to the industry on the subject.

2.4 Monitoring of Marketing Communications

The Authority conducts regular *ex post* monitoring of marketing communications disseminated on a cross-border basis by investment firms. The review covers a broad range of promotional content, including but not limited to online advertisements, social media campaigns and websites.

Where shortcomings are identified, the Authority reaches out to the relevant licence holder to seek clarification or request corrective action. Where appropriate, the Authority also coordinates with other national competent authorities to address concerns arising from cross-border promotional activities in order to enhance supervisory convergence within the EU.

Findings

As a result of the Authority's cross-border monitoring of marketing communications, a number of recurring issues have been identified as follows:

a. Inadequate Risk Warnings and Regulatory Disclosures

In some instances, marketing material—particularly digital advertisements and social media content—did not include adequate risk warnings or required regulatory disclosures. Communications in these cases emphasised potential benefits without a balanced presentation of the associated risks. Certain promotional materials also omitted key information such as the firm's licensing status, the name of the competent authority, or the jurisdictions where the firm is authorised to provide services. The absence of clear and accurate disclosures may result in investor confusion.

b. Inaccurate Passporting information

The Authority identified cases where firm websites or marketing communications included general statements such as "licensed to operate in the EU," without specifying the Member States in which passporting rights had been formally notified. In other cases, the list of authorised countries was either missing or not kept up to date. This may create a misleading impression of the firm's rights to provide services in certain jurisdictions.

c. Lack of Compliance Oversight on Cross-Border Campaigns

There were cases where marketing activity targeting other Member States was carried out without the full involvement of the firm's Compliance Function. This included situations where Compliance Officers had not reviewed or approved the content prior to its publication.

d. *Incomplete or Inaccurate Reporting of Marketing Activities*

The MiFID Firms Quarterly Report which investment firms are required to submit to the Authority and which includes a section on online and social media activity, was in some cases found to be submitted as incomplete or not reflective of the firm's actual online and social media presence as identified during the Authority's other monitoring activities.

MFSA Expectations

Before approving any marketing material intended for distribution in another Member State, the Compliance Officer must verify the applicable local regulatory framework. This includes, but is not limited to:

- Product-specific selling restrictions (e.g. for complex or high-risk instruments);
- Local disclosure and formatting requirements;
- Mandatory risk warnings and language obligations.

Investment firms must ensure that any public references to their licensing and passporting status are factually accurate and up to date. In accordance with Rule 1.1.12 (c) of the Conduct of Business Rulebook, firms are required to publish on their website a clear and current list of the Member States in which they are authorised to provide services on a cross-border basis. Vague statements — such as "licensed to operate in the EU/EEA" — must be avoided unless the firm has valid passporting rights in all such jurisdictions.

Investment firms must ensure that the MiFID Firms Quarterly Reporting submitted to the Authority is duly completed, including links to social media and websites used to disseminate marketing content on a cross-border basis.

2.5 Disclosure of Costs and Charges

In today's competitive financial services markets, ensuring that the disclosure of costs and charges related to products and services offered by investment firms is fair and transparent is crucial for consumers. Simultaneously, investment firms are required to duly account for all explicit and implicit costs and charges (including ongoing service fees) for all the different clients depending on the services and products they purchase from the investment firm. During 2022, the Authority took part of the ESMA CSA to assess compliance with disclosure requirements (including the ESMA Question and Answers on the topic).

The Authority, in total, carried out six (6) onsite inspections with investment firms (certain entities within the selected sample provide cross-border services) and assessed a sample of investment products which include: UCITS EU equity funds, shares, plain-vanilla bonds, financial products which are either directly or indirectly subject to foreign exchange rate costs and Exchange Traded Funds (ETFs). In total, the Authority assessed thirty (30) annual ex-post disclosures selected from the respective investment firm's client's base. The below sub-sections outline the main findings and shortcomings identified during this supervisory workstream.

2.5.1 Internal Controls related to ex-post costs and charges disclosure

Requirements

Investment firms are reminded of the onerous obligations emanating from Article 22 of MiFID II Delegated Regulation (EU) 2017/565 and ESMA Guidelines on Certain Aspects of the MiFID II Compliance Function Requirements.

Findings

The Authority noted that the information related to the ex-post costs and charges were included in the disclosure document of the sampled investment firms. It was further noted that the checks are also performed at the stage when the contract note is issued and costs are validated. However, in certain instances, sample checks related to valuation statements were being carried out by the first line of defence rather than the Compliance Function, which is the second line of defence, and respective findings were not being reflected n the Compliance Reports.

MFSA Expectations

The Authority expects the Compliance Function to be aware of the work being carried out by the first line of defence and must ensure that the necessary reporting lines are adequate to ensure effective communication across the board.

2.5.2 Presentation of Information in the cost and charges disclosure sheet

Requirements

Reference is made to the regulatory obligations as further outlined in Article 24 (4) of MiFID II Directive relating to the provision of information, in good time, to clients or potential clients with regard to the investment firm and its services, the financial instruments and proposed investment strategies, execution venues and all costs and related charges. Besides, investments firms must ensure that they adhere to the obligations emanating from Article 50 of the Commission Delegated Regulation (EU) 2017/565 related to the information on costs and associated charges. Specifically, Article 50 (1) of the Commission Delegated Regulation (EU) 2017/565, states that:

"Investment firms shall ensure that the illustration meets the following requirements:

(a) The illustration shows the effect of the overall costs and charges on the return of the investment;
(b) The illustration shows any anticipated spikes or fluctuations in the costs; and
(c) *The illustration is accompanied by a description of the illustration. "*

Findings

The Authority noted that most of the investment firms represent such ex-post cost and charges disclosures in a standalone document and the information is generally presented in a tabular format. On the other hand, the Authority noted that certain investment firms disclosed the ex-post costs and charges as part of the portfolio valuation statements provided to clients (rather than as a standalone document), whereby such reports would be sent on a quarterly basis. Integrating the cost and charges disclosure within the portfolio valuation would lead to confusion for the ultimate investor, given that respective sections were not presented in a manner to attract the client's attention.

In certain instances, the Authority noted that the cost and charges terminology was not explained in the respective document per se. In another instance, it was noted that illustrations did not include reference to any anticipated spikes or fluctuations in the costs (where applicable).

Another finding noted by the Authority relates to the fact that the portfolio value was not being included in the ex-post disclosure of cost and charges for reference and calculation purposes.

Expectations

It is expected that investment firms give the necessary prominence to the costs and charges information. For instance, the information should be placed at the beginning of the document, include a clear explanatory title and presenting the information graphically using appropriate fonts, as outlined in Question 9 – Information of the Questions and Answers (Q&A) on MiFID II and MiFIR Investor Protection and Intermediaries Topics. .

The Authority also expects that whenever terminologies are included in the cost and charges disclosure sheet, such terminologies should be well explained for the benefit of clients, thus avoiding confusion.

Overall, the Authority expects that investment firms always provide accurate up to date information related to cost and charges to facilitate the understanding of the implication of such on the value of their investments. It is also good practice to include the contact details of the investment firms when sending out these statements to ensure that clients have a direct line of contact in case of queries relating to this report.

2.6 Product Oversight and Governance and Sustainable Finance

The Authority emphasizes Product Oversight and Governance ("POG") to ensure fair disclosures, investor protection, and alignment with sustainability requirements. Since 2022, sustainable finance has been a supervisory priority, with multiple workstreams and Dear CEO Letters[3] highlighting shortcomings and expectations for firms to update POG policies. In 2024–2025, the Authority participated in the ESMA CSA, conducting inspections to 5 firms – most of which reported significant cross border activities for 2023-2024, reviewing 25 client files, and assessing 82 products (23 with sustainability features under SFDR). Findings revealed inconsistent implementation across firms, particularly in target market assessments and integration of sustainability into suitability and governance processes.

The following sections highlight the main findings and the Authority's expectations in this regard.

2.6.1 Lack of Detail with respect to the Sustainability elements for the Target Market Assessments and the applicable Product Oversight and Governance Procedures

Findings

It was noted that the level of granularity in defining the respective target market for a particular product, in the context of the applicable POG policies and procedures was deemed to be lacking. In certain instances, there was no reference made to the sustainability preferences, in line with Article 2 (7) of the MiFID II Delegated Regulation.

[3] Dear CEO Letter related to the POG practices and Dear CEO Letter related to the MiFID II Sustainability Requirements,

Expectations

Overall, the Authority expects that all financial products' target market assessment considers all the main elements related to sustainability preferences, which should be reflected in the policies and procedures. Different countries have their own rules for product design, distribution, and disclosure. Therefore, a strong POG process ensures that investment products meet all relevant requirements in different jurisdictions, reducing the risk of regulatory breaches, fines, or product bans when operating internationally. From an investor protection perspective, investment firms have to keep in mind that cross-border clients often face language barriers, different levels of financial literacy, and varying consumer protections, hence a solid POG framework, including a granular target market assessment, ensures that products are fair, transparent, and aligned with the needs of the target market, preventing mis-selling or unsuitable offerings.

2.6.2 Clustering Approach in the Target Market Assessment by firms offering CFDs to clients on a cross-border basis

Requirements

Reference is made to Paragraph 74 of ESMA's Final Report on MiFID II Guidelines on Product Governance, whereby ESMA acknowledges the support for extending the clustering approach to both distributors and manufacturers. This approach can help distributors in their target market assessments by allowing them to assess the target market for a cluster of products rather than individually for each product. However, ESMA emphasizes that to meet the Level I and II requirements, which mandate a target market assessment for each product, the clustering approach should yield similar outcomes to those obtained from assessing the target market for each product. In this regard, it is essential that the clusters have sufficient granularity, which requires taking multiple key factors into account during their development.

Findings

The Authority notes that only one general Target Market Assessment (TMA) is being carried out for CFDs despite these having different underlying asset classes (such as Forex, Commodities, Stocks, Indices and Crypto currency).

Expectations

The Authority expects Investment firms to take into consideration the nature of the underlying asset attached to a particular CFD when carrying out the target market assessment for the CFDs distributed, since this might have an impact on its volatility and subsequently its value when compared to another CFD. This means that Investment firms should refrain from conducting a general one-size-fits-all target market assessment for the CFDs they distribute.

2.7 Client Categorisation

Another important regulatory area which was considered within the context of cross border supervision is client categorisation within the context of MiFID II obligation. Essentially, a client can be categorised as retail, professional or an eligible counterparty depending on the level of protection required by the respective individual or entity, as deemed necessary. Retail clients are entitled to the highest level of protection under MiFID II in terms of detailed disclosures, appropriateness tests, suitability assessments, leverage limits, and risk warnings. Although Section II of Annex II of MiFID II allows some of the protections afforded to retail clients by the conduct of business rules to be waived, such provisions are expected to be relied upon in a reasonable and carefully considered manner that is also consistent with the Investment Firm's overarching duty to act in the best interest of its clients. Misclassification of retail to elective professional clients means the client may not receive the required protections.

Requirements

Rule R.4.2.7 of the Conduct of Business Rulebook states that "A Regulated Person may treat a Client as an Elective Professional Client if it complies with points (a), (b) and (c) below:

(a) the Regulated Person undertakes an adequate assessment of the expertise, experience and knowledge of the Client, undertaken by the Regulated Person, gives reasonable assurance, in the light of the nature of the transactions or Services envisaged, that the Client is capable of making his own investment decisions and of understanding the risks involved ("the qualitative test");

(b) in the course of the assessment referred to (a) above, as a minimum, two of the following criteria shall be satisfied:
   i. the Client has carried out transactions, in significant size, on the relevant market at an average frequency of 10 per quarter of the previous four quarters;
   ii. the size of the Client's Instrument portfolio, defined as including cash deposits and Instruments exceeds EUR 500 000;
   iii. the client works or has worked in the financial sector for at least one year in a professional position, which requires knowledge of the transactions or services envisaged; ("the quantitative test"); and

(c) the following procedure is followed:
   i. they shall state in writing to the Regulated Person that they wish to be treated as a Professional Client, either generally or in respect of a particular Service or transaction or type of transaction or Product;
   ii. the Regulated Person shall give such Clients a clear written warning of the protections and investor compensation rights they may lose;
   iii. Clients shall state in writing in a separate document from the contract, that they are aware of the consequences of losing such protections."

Furthermore, Question 4 of Section 11 of the ESMA Q&As on MiFID II and MiFIR investor protection and intermediaries topics requires that "*When assessing whether a client transaction is of a significant size, investment firms shall, inter alia, take into account the size of transactions on the relevant market. For the purpose of determining the relevant threshold, the scope of the analysis should not be limited to (the size of) transactions previously carried out by the relevant client or by clients of the relevant investment firm on the relevant market. To assess whether transactions are of a significant size, investment firms should consider whether the transactions were individually large enough to provide the client with meaningful exposure to the relevant market so that it contributed to the client's acquiring the required expertise, experience and knowledge of the transactions or services envisaged*".

Finally, Question 5 under section 11 of the ESMA Q&As clearly states that "*Clients who have been trading on the relevant market for less than a year cannot fulfill the conditions imposed by the first limb in the fifth paragraph of Section II.1 of Annex II of MiFID*".

2.7.1 Treatment as a Professional Client for one or more services and/or transactions

Requirements

Rule R.4.2.7(c)(i) of the Conduct of Business Rulebook states that the client "*shall state in writing to the Regulated Person that they wish to be treated as a Professional Client, either generally or in respect of a particular service or transaction or type of transaction or product*".

Findings

The Authority noted that in some cases, after completing the KYC process, the client is presented with the following question: "*Does the client wish to be categorised as Elective Professional Client in respect to all investment products and services offered? YES/NO*". This question does not give the option to the client to ask to be treated as an elective professional client only for particular products.

The Authority also noted through certain Client Categorization Policies, that is it the practice of a number of investment firms to categorise a client as an Elective Professional Client, for all classes of financial instruments and services, rather than allowing the client to choose the level of protection for each respective product and/or service.

MFSA Expectations

Investment firms are obliged to request clients to confirm whether they wish to be treated as a Professional Client, either generally or in respect of a particular service or transaction or type of transaction or product. The possibility of being classified as elective professional only with respect to certain products and/or services should be made available to the client prior to onboarding and should serve as an added layer of protection.

2.7.2 Evidence showing satisfaction of the Elective Professional Criteria

2.7.2.1 Transaction History

Findings

In a number of instances, when reviewing client files, the Authority noted various deficiencies in the evidence gathered to show satisfaction of the criterion related to the transaction history, such as:

i. the Investment firms did not provide a statement history for a full one (1) year period;
ii. the assessment was done on a joint basis rather than on a client per client basis in case of a joint profile;
iii. transactions were not made in the relevant market (asset classes traded were equity, bonds, currencies and futures and no trades in CFDs have been noted);
iv. the statement was not valid because it post-dated the onboarding date; and
v. transactions simply did not reach the average of 10 transactions per quarter for the previous 4 quarters.

MFSA Expectations

It is the Authority's expectation that Investment firms retain enough evidence on the client's file to show satisfaction of the first limb of the elective professional client criteria. In this regard, unless the transaction history is complete, showing transactions for a full year; transactions are done in similar instruments to CFDs and other derivatives and the date of the statement pre-dates the client's assessment, then such documentation should not be considered as sufficient, and the Compliance Function is expected to carry out checks to ensure that the correct information is obtained prior to classifying the client as elective professional and to challenge the validity of such evidence.

2.7.2.2 Portfolio Size

Findings

When carrying out the review of client files, the Authority noted some cases where client portfolios made up of Cash Deposits only, were still being considered as adequate. It was also noted that in certain instances, the portfolio statements were outdated (bearing a date which precedes the onboarding date by a number of years) or were obtained after the date of onboarding.

MFSA Expectations

The Authority expects that for the portfolio size to satisfy the second limb of the elective professional client criteria, it has to also include financial instruments rather than just cash balances. Furthermore, Investment firms are expected to obtain the latest available statements closer to the date of onboarding the client in view that the

clients' financial circumstances may change over time and documentation obtained in the years prior to the client's onboarding can become outdated.

2.7.2.3 Client Employment

Findings

The Authority has come across situations where whilst certain clients have been marked as meeting the employment criterion which requires that "the client works or has worked in the financial sector for at least one year in a professional position, which requires knowledge of the transactions or services envisaged", there was no evidence on file (through the Know Your Client (KYC) form or the client's CV) that the client's employment satisfied the said criterion. The Authority also noted situations whereby some clients indicated in their KYC that they are self-employed / employed in the real estate sector / retail or wholesale trade / psychologist / pharmaceuticals industry, amongst others. Other clients were accountants, chief financial officers, held senior positions in the retail trade, and other professions which do not necessarily equip such clients with the knowledge required for the transactions or services envisaged (i.e. trades in CFDs and other derivative instruments). It was also noted that such positions were sometimes also not in line with the employment positions identified by investment firms in their Client Categorisation Policy.

The Authority also noted that the documentation relating to the client's educational background as detailed in his/her CV was completely unrelated to the client's employment as at or before the onboarding date and no follow-up actions were carried out to address these deficiencies.

MFSA Expectations

In particular and in view of the reduced investor protection available to consumers who are classified as professional clients, the Authority clearly expects investment firms to use the "Elective Professional Client" with the necessary care and to take clear measures to ensure that the client opting for this route objectively meets the required criteria. In this regard, the Authority expects investment firms to keep clear evidence on file which illustrates that a client is indeed meeting the third limb of the elective professional criteria and how their employment positions provide such clients with the knowledge required for the transactions or services envisaged. In cases where the client has provided contradictory information, the Authority expects the Compliance Function to request further evidence and/or clarifications in order to address such contradictions.

2.7.3 Adequate assessment of client's expertise, knowledge and experience

Requirements

Although Section II of Annex II of MiFID II allows some of the protections afforded to retail clients by the conduct of business rules to be waived, such provisions are expected to be relied upon in a reasonable and carefully considered manner that is

also consistent with the Company's overarching duty to act in the best interest of its clients.

In line with the requirements of Questions 3 of Section 11 of the above referred ESMA Q&As, "*in accordance with the third paragraph of Section II.1 [of Section II of Annex II of MiFID], private individual investors may be treated as professional clients only if an adequate assessment of their expertise, experience and knowledge gives reasonable assurance, in light of the nature of the transactions or services envisaged, that the client is capable of making investment decisions and understanding the risks involved. For instance, the fulfilment by a private individual investor of two of the criteria provided in the fifth paragraph of Sub-Section II.1 is an indication that such client may be treated as a professional client. However, such test may not be sufficient to justify the acceptance of a request for waiver received under Sub-Section II.2.*

Depending on the circumstances (e.g. the category of products the client intends to trade), a more thorough analysis of the client's expertise, experience and knowledge may be required. Therefore, retail clients that do not meet at least two of the criteria set out in the fifth paragraph of Section II.1 shall not be treated as professional clients. Still, investment firms should not automatically accept to treat as professional clients those who do meet two or more of these criteria."

Findings

The Authority has come across a situation where despite the client being classified as qualifying for the elective professional criteria, the answers provided by the client to the questions asked by the investment firm for this purpose are contradictory. By way of example, it has been noted that a number of clients who have been marked as satisfying the employment criterion (meaning that "*the client works or has worked in the financial sector for at least one year in a professional position, which requires knowledge of the transactions or services envisaged*") have however answered negatively to the question within the KYC which asks whether the client works or has worked in the financial sector for at least one year in a professional position, which requires knowledge of the transaction or services envisaged.

In a similar manner, despite certain clients having been marked as meeting the transaction history and/or portfolio size criteria with respect to CFDs, the same clients gave incorrect answers to the questions within the Appropriateness Test which test the client's knowledge on the specific characteristics of these instruments.

MFSA Expectations

The Authority considers that such show lack of proper internal controls which may result in consumer detriment. The Authority expects that Compliance Officers conduct regular checks on the records which investment firms keep to evidence client classification in order to ensure that the assessment conducted is in line with the above-mentioned requirements and such inconsistencies are ironed out with the client to ensure a fair classification of the client as elective professional. The Authority would expect that such checks would form part of the Compliance monitoring plan of an investment firm's compliance function, on a regular basis.

2.8 Ad-Hoc Report

The "2025 MiFID II Firms Ad-Hoc Report" (hereinafter "the Report") aims to collect the 2024 conduct-related data and is intended for a selected sample of licensed Investment Firms. The purpose of the exercise is to supplement the information regularly provided to the Authority in the MiFID II Firms Quarterly Reports, by capturing more granular data. The submission of this report is not required from all investment firms on an annual basis, but rather the Authority will send this report on an "ad hoc" to a particular cohort of firms as and when required. This year, the report was sent to twelve (12) firms in total, all operating on a cross-border basis asking for information for the period January-December 2024.

The following sections indicate some findings from the assessment of the reports submitted as a result of the Authority's above-mentioned request.

2.8.1 Provision of Information Regarding the Products and Processes

Findings

Following a review of the Report submissions, the Authority has observed discrepancies in the "Technical Feedback" tab of the Report. This tab collects information on innovations embarked upon by the investment firm in relation to products, processes and technologies; the practice of so-called "scalping" techniques; the monitoring of price slippage parameters; and the type and extent of the investment services being provided. Most of the participants have omitted to report "Innovations" in the areas of products, processes and/or services offered to the retail clients mainly on a cross-border basis, nevertheless from a review of the relevant investment firms' website, it is evident that such innovations were made during the reporting period.

With respect to the products offered, almost half of the investment firms failed to report an additional underlying asset for the high-risk product which was made available to the retail clients through the investment firms' trading platform, such as CFDs having cryptos as underlying assets.

With respect to the provision of services, the Authority has observed investment firms' claims not to be offering certain services, while such services being advertised and offered to customers, such as live trading signals through the use of proprietary AI models. In one instance, an investment firm has reported to have not used and/or offered copy-trading services to customers, however upon checking the relevant website, the Authority had observed that such offerings were made available to the website visitors and existing customers.

In one instance, the investment firm has reported to have made use of the technologies such as Application Programming Interface (API), Natural Language Processing (NLP) and Optical Character Recognition. Such technologies play a significant role in the daily operations of investment firms and are usually outsourced through various third-party providers. They power the investment firm's trading connectivity, customer interaction, and facilitate "Know Your Customer" (KYC)

process at the client onboarding stage. The Authority notes that other investment firms who have submitted the report, have omitted to indicate whether they make use of the technologies that facilitates daily interaction with the clients, including communication, either through the trading platform, or otherwise.

MFSA Expectations

The Authority expects the investment firms selected to participate in the "MiFID II Firms Ad-Hoc Report" exercise to accurately report implementation and regular use of any innovative tools utilised in their daily operations. It is expected that the investment firms' dedicated personnel are diligent while filling the Report, for the Authority to properly assess the submitted data and perform its supervisory role in an effective manner. The Authority also expects investment firms using such technologies to possess the relevant technological expertise, both from an operational as well as from a compliance perspective to ensure that the use of these innovations do not impair the firm's regulatory obligations, including its over arching duty to act fairly, honestly and professionally in the clients' best interest.

The Authority further expects all the Authorised Persons utilising copy-trading services to refer to the ESMA's "Supervisory Briefing On supervisory expectations in relation to firms offering copy trading services" and perform a gap analysis to ensure that they have the necessary authorisations for portfolio management services. Investment firms are expected to conduct a suitability assessment for customers utilising copy-trading services through a third-party provider who may not have the visibility of the test outcome. In such cases, as required by paragraph 57 of Section 2.5 of the Supervisory Briefing, "*The firm providing portfolio management services and executing the decision to trade bears the responsibility to ensure compliance with applicable MiFID II provisions, including the suitability requirements. Therefore, the firm in question will need to have adequate policies and procedures in place to perform the suitability assessment. When providing copy trading services, firms should select the copied traders, but they should also have arrangements in place to evaluate the trading activity of the copied trader and set limitations regarding the investment activity of the copied traders whose trades are being copied, in order to ensure that all transactions fall within the clients' mandates and suitability assessment.*"

2.8.2 Arrangements with Authorised Person's Partners

Findings

The Authority has taken note of the various arrangements that some investment firms have in place with "partners", broadly defining such relationships in the Report as relationships with: introducing brokers, referral agents, affiliates, or other external relationships resulting in direct or indirect client acquisition and against the receipt of some form of inducement.

The Authority has observed that a significant part of investment firms doing business as "online Forex" companies, utilise such arrangements for the introduction of new customers. Typically, the majority of partners are engaged in the provision of educational services to the potential customer base.

In some instances, the Authority has observed that investment firms did not disclose the details of compliance assessments of the ongoing relationships with such partners for the reporting period, such as breaches of the agreement, or other similar events.

The Authority has also noted that some investment firms did not fully include the Compliance Function when monitoring the ongoing Partner relationships but rather relied on other staff members to supervise the relationship. The Authority reminds investment firms that other functions and/or departments, by virtue of their roles (such as sales, affiliate acquisition or business development), may not be in a position to adequately overview all the aspects of Partner relationships in the context of the applicable regulatory requirements.

Furthermore, the Compliance Function's independent overview and control is by good governance practices always addressed directly to the Board Members for further consideration, making their involvement in such oversight crucial to ensuring adequate oversight of high-risk arrangements.

When reviewing the Report, the Authority has also noted divergent practices with respect to the level of interaction between the introduced customer and the Partner, as well as inadequate oversight on the Partner's website. After the introduction and onboarding, some Partners were allowed to continue the interaction with the clients in question, while in other instances the interaction was either forbidden, or limited to a non-intrusive relationship. The Authority has observed the lack of adequate oversight of the level of interaction between the Partner and the introduced customer after the onboarding, or that such checks were not addressed in the Report.

Lastly, with respect to the remunerations afforded to Partners, the Authority has noted that investment firms apply a variety of compensation models, depending on the specific business models and other partnership arrangements. Some Partners are compensated through a single payment per referral and/or acquisition of a customer, while others apply a shared revenue model.

Furthermore, whilst noting that such arrangements may not be applicable to all investment firms, the Authority noted that none of the participants engaged in the oversight and/or collection of data regarding "Sub-Partners", which are defined in the Report as: "...multi-tier introducing partnerships". A Sub-Partner would potentially assist the Partner in the acquisition of potential customers who are then referred to the Authorised Person. Such arrangements are commonly referred to, in the "Forex" industry, as the Introducing Brokers ("IB") and Master Introducing Brokers ("Master IB").

MFSA Expectations

The Authority stresses the importance of applying sound compliance checks when approving and monitoring Partner relationships, given the nature of the remuneration-based introductions and conflicts of interest arising thereof.

In doing so, investment firms are expected to take into account key parameters such as the nature of Partner's business, applicable jurisdiction(s), reputation, involvement with other companies that may affect the relationship, or any other area, as deemed relevant by the Authorised Person's Compliance Function. In particular, investment firms are expected to ensure that such partners are not engaging in providing investment services without holding the necessary authorisations.

The Authority further expects a more hands-on approach by the investment firms' Compliance Function for the adequate oversight of Partner's arrangements, particularly its direct involvement in the process.

While the Authority does not expect investment firm to apply the same level of diligence in the oversight of potential Sub-Partner engagements, Compliance Function's awareness of such arrangements would contribute to having a sounder oversight of the Partners as these ultimately remain under the responsibility of the investment firm.

The Authority notes a possibility of potential conflict of interest arising from the shared revenue model of compensation to Partners. The Authority expects the investment firms' Compliance Function to adequately monitor such arrangements, and make efforts to avoid, mitigate and disclose any identified conflict of interest arising from such arrangements, including updating the Conflict of Interest Registrar, and to ensure that it continues to act honestly, fairly, professionally and in accordance with the best interests of its clients.

2.8.3 Customer Complaints Handling

The Authority has observed that, when completing the Report, a number of investment firms delivered somewhat limited or vague explanations of their policies and procedures for complaints handling.

With respect to the languages a client can opt for to submit a complaint, the Authority notes the overall availability of various languages, however for some of the investment firms, the availability of multiple languages was somewhat limited.

The Authority has observed that in some instances, investment firms provide the Complaints Policy and related procedures as part of their Terms of Business, Terms of Services or similar, making the access to the information on complaints procedure somewhat difficult for the customers to understand.

MFSA Expectations

The Authority expects the investment firms to make continuous efforts in enabling its customers to lodge a complaint in their mother tongue, or another Member State language, besides English language, as well as to make the necessary arrangements to have its complaints procedure easily accessible for their customers.

As further outlined above, in Section 2.2 of this letter, outcome-based supervision has been introduced by the Authority to ensure tangible results achieved by investment

firms in key regulatory areas. In this context, complaints handling has been identified as one such topic in order to ensure that investment firms maintain effective complaints-handling processes which is deemed crucial for investor protection and market integrity, particularly in cross-border services. A number of firms were selected to complete a questionnaires on this aspect to provide supporting documentation. The Authority is reviewing responses, with findings to be communicated in post-inspection letters and a Dear CEO letter in 2026.

2.8.4 Other matters

Findings

With respect to the definition of the "zero commission broker" and whether investment firms fall in the category of such arrangements, the participants have provided different views on the subject matter.

With respect to the appropriateness assessment test results and onboarding of customers who had initially failed the test, the Authority had observed that, for the most part, investment firms did not make references to the "cooling-off period". It is therefore, the Authority's understanding that some investment firms do not make use of such arrangements when a potential customer fails the test.

The Authority has further noted that the Authorised Persons have provided different practices related to the definition and handling of inactive and dormant accounts. In general, fees related to inactivity or dormancy status are declared in the Terms of Services given to clients before the opening of account. Nevertheless, the fee schedule is not always easily accessible on the investment firms' websites.

MFSA Expectations

In order to maintain transparency with customers and market their offers in a fair, clear and not misleading manner, the Authority expects investment firms making claims to be "zero commission brokers" to align with ESMA's Public Statement (ESMA35-43-2749): "*ESMA reminds "zero-commission brokers" of the MiFID II requirement to provide fair, clear and not misleading information to their clients and to provide information on all costs and charges to the client relating to the service and the financial instrument(s). As clients of "zero-commission brokers" will always incur costs (e.g. implicit costs and third party payments received by the firm), ESMA emphasises that the marketing of the service as "cost-free" in the circumstances described above, will infringe the firm's compliance with these requirements and it could incentivise retail investors' gaming or speculative behaviour due to the incorrect perception that trading is free.*"

The Authority further expects the Authorised Persons, to adequately apply the "cooling-off period" for the customers who have failed the appropriateness assessment test, allowing sufficient time for the customers to reconsider their positions before making a final decision on whether to opt for the high-risk products and services, or otherwise.

The Authority expects a clear distinction between the inactive and dormant account classifications, as well as a transparent and easily accessible information on all associated costs and fees that customers may incur.

3. COOPERATION WITH OTHER NCAs

In this digital age investment firms are increasingly operating across borders. Consequently, the effective supervision of these investment firms, within the context of cross-border, in turn necessitates stronger collaboration between the responsible NCAs. Throughout the years, the Authority has signed several bilateral memoranda of understanding (hereinafter referred to as "MoUs") including those related to investment services with various European NCAs and other NCAs across the globe. The Authority has also in place a Multilateral MoU with other regulatory bodies such as the ESMA and the International Organisation of Securities Commission related to investment services sector.

MoUs serve as a tool for exchange of information between the Authority and the respective regulatory authority/body, especially during investigations in allegations of practices and activities detrimental to consumers of financial services. The Authority acknowledges that by expanding cooperation across financial sectors, it continues to strengthen a cohesive and resilient regulatory framework, whilst safeguarding marketing integrity and stability. On an ongoing basis, the Authority engages with other NCAs to broaden its understanding of risks related to cross border financial activities. Such collaborative approach drives the development of targeted risk-mitigation measures across various regulated industries.

Moreover, as part of this cooperative framework, the MFSA undertakes a structured exercise aimed at providing specific information to the host Member States in matters relating to the freedom of establishment. As part of this exercise, the MFSA provides the host NCA of branches with the following information: governance arrangements and oversight practices as part of delegated activities, regulatory and supervisory reporting, client engagement and activity levels, financial performance and regulatory capital position, marketing strategies and initiatives, as well as any other material developments or information of potential relevance to the competent authorities of the host Member State.

The European Supervisory Authorities give significant importance to proper supervision of cross border activities by NCAs. In this context the EU has emphasised the need for supervisory convergence, through peer reviews, supervisory briefings, and the development of common Union Strategic Supervisory Priorities (USSPs). Convergence aims to ensure that regulatory standards are applied uniformly across the single market, thereby minimising the scope for arbitrage and enhancing investor protection. In this context, co operation with other NCAs is fundamental to ensure that, clients of MFSA-licensed investment firms receive adequate protection and fair treatment, regardless of their residence within the European Union.

3.1 Complaints Handling and Queries from other National Competent Authorities and Regulatory Bodies

The Authority is often contacted by the NCAs from other Member States where the clients of Maltese investment firms operating on a cross-border basis reside, regarding complaints which they receive from such clients. In these cases, the Authority co operates fully with the said NCA to obtain the consent of the clients involved as well as any additional details and contacts the respective investment firm and to assess the matter in a comprehensive manner.

Once in receipt of the investment firm's formal reply, the Authority undertakes an assessment to ensure that the formal request has been fully addressed. When reviewing such cases, the Authority only looks at the supervisory elements of the complaint. Once the outcome is communicated, the Authority also takes into consideration whether any supervisory action is merited to address any shortcomings identified and which gave rise to such complaints. The Authority also asks the respective regulatory authority/body referring the complaint to inform the complainant about his right to submit a formal complaint to the Arbiter for Financial Services for any redress being requested by the complainant. In this context, the Authority highly stresses the importance that Investment firms clearly include the fact that they may complain to the Financial Services Arbiter in Malta in their disclosures to clients.

CONCLUDING REMARKS

The Authority notes that cross-border activities have increased in recent years as the majority of investment firms target foreign clients. In view of this industry-wide development, the Authority endeavours to ensure that a robust authorisation process is maintained on an on-going basis and that its supervisory framework also considers the operation and relevance of risks which emanate from cross-border activities. Cross-border supervision will remain one of the Authority's supervisory priorities for the foreseeable future. The Authority is strongly committed to fostering an open, transparent and collaborative approach with other European supervisory bodies to enhance cross-border monitoring and ensure effective oversight of its supervised entities operating in other jurisdictions.

The salient findings and conclusions arising from the various supervisory engagements conducted in recent years are outlined in this letter with the aim and intention of sharing the key findings encountered and highlighting the areas, whereby the Authority believes are of an interest to Investment Firms, operating both locally and on a cross-border basis.

The Authority strongly advises all investment firms to review and take note of this letter, and other relevant "Dear CEO letters" issued previously and which are referenced throughout, and identify those areas deemed relevant to the firm's cross-border operations. Subsequently, it is expected that all investment firms conduct a thorough gap analysis with respect to the practices, processes and procedures, followed by prompt action to rectify and address any identified deficiencies or

shortcomings accordingly.

It is the responsibility of all Investment Firms to fulfil their obligations in accordance with the respective requirements. In the future, the Authority may interact with the respective investment firms regarding any regulatory matter of a cross-border nature outlined in this letter to verify compliance with the applicable rules and regulations.

Should you require any clarification on the above, please do not hesitate to contact the Authority's Conduct Supervision Function on csuinvestments@mfsa.mt and the Investments Services Supervision Function on investmentfirms@mfsa.mt

Kindly be guided accordingly.

Yours Sincerely

Malta Financial Services Authority

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