MFSA MALTA FINANCIAL SERVICES AUTHORITY

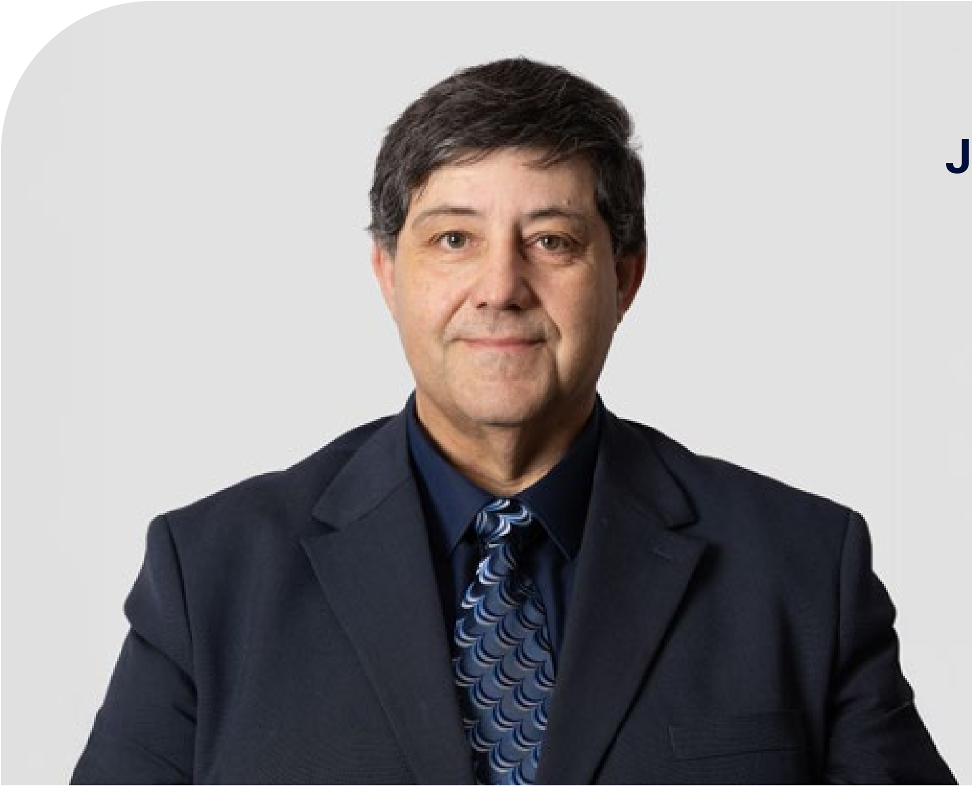
Strategic Update 2025

# Securing Our Future as a Resilient and Efficient Jurisdiction

January 2026

# Contents

# Chairman's Foreword



## Jesmond Gatt

Chairman

The past year has been marked by a series of significant events within the global financial landscape, from escalating geopolitical tensions, to shifting trade policies and considerable advancements in technology. As a regulator, we have navigated these changes by prioritising proactive regulation, robust supervision and fostering an environment that encourages innovation while maintaining the highest standards of governance and compliance. Our work remains guided by a deep sense of responsibility to the markets we oversee, the entities we regulate and,—perhaps most importantly,—the consumers of financial services and the general public.

This document serves as a testament to our unwavering commitment to safeguarding the integrity, stability, and resilience of our financial ecosystem. Through this update, we outline the progress achieved on key initiatives, reflecting the balanced approach we have strived to maintain. As we look back on the past twelve months, the Authority has remained focused on enhancing regulatory clarity and efficiency whilst ensuring that our frameworks remain adaptable to a rapidly evolving world. We recognise that effective regulation is a collaborative endeavour that requires continuous engagement with stakeholders, including regulated entities, government bodies, and international counterparts.

As we look forward, we will sharpen our focus on successfully concluding and implementing the final stages of the current strategic vision. Whilst acknowledging the significant progress we have already made, we shall continue to encourage open dialogue, both internally and externally. Through lessons learnt and constructive discussion, we can refine our approach and develop our thinking to ensure that we work together to build a more secure, dynamic and resilient financial system.

On a final note, I extend my appreciation and thanks to our team of dedicated professionals for their efforts in advancing our strategic goals, and to the broader public for their ongoing support and trust.

# CEO's Message

**Kenneth Farrugia**
Chief Executive Officer

As we approach the final stages of this strategic cycle, I am proud to present an update on the progress achieved on the Malta Financial Services Authority's Strategic Statement. Initially covering the period 2023–2025, this strategy has now been extended through 2026 to allow us to fully deliver on our objectives, while also addressing new priorities that emerged over the course of its implementation.

The progress achieved—73% completion of the strategic initiatives—reflects the collective commitment of the Authority to deliver on its objectives. Many of the initiatives set out in the Strategic Statement are now complete or nearing completion, including a number of complex and far-reaching projects. Alongside these, developments at national, European and international levels have also required the MFSA to undertake initiatives to ensure that the jurisdiction remains aligned with market developments.

Concrete advances have been made across each of the five strategic pillars. Supervisory processes have been further streamlined and digitalised, embedding efficiency and outcomes-based supervision into the Authority's approach. In parallel, engagement at EU level, along with a deeper collaboration with other national and international bodies, has sought to ensure that Malta's interests are reflected in the rule-making processes that govern the sector.

The MFSA's commitment to financial stability has been further reinforced by a continued focus on crisis preparedness. Significant progress has been made in resolution planning across the banking sector and other financial institutions, complemented by the Authority's contribution to innovative tools to strengthen its capacity in tackling financial crime.

On governance and compliance, expectations have been translated into clear, enforceable standards designed to embed accountability within the industry. The Authority's regulatory approach continues to evolve proactively alongside innovation, actively engaging with emerging business models and expanding oversight into new areas. Progress has also been made in implementing the sustainable finance regulatory framework and applying the EU Digital Finance package, once again positioning the Authority as a forward-looking supervisor in this dynamic environment.

Beyond regulation, the Authority's outreach and educational efforts have continued to expand including with the launch of a new academic programme, enhancing dialogue with industry and consumers alike, and investing in the skills required to sustain Malta's standing as an international financial centre.

We are conscious that a number of initiatives remain ongoing, with some being delayed beyond the original timelines. The extension of our strategy affords us the space to address these gaps and undertake newly added initiatives, whilst applying the lessons learnt over the past three years.

Our achievements are the result of the professionalism, dedication, and expertise of the MFSA's employees, to whom I am deeply grateful. Their work has been complemented by the valuable contributions of our stakeholders – national, European, and international – whose collaboration continues to play a decisive role in ensuring an effective financial services framework for Malta.

Looking forward to the months ahead, the Authority's priorities will remain clear: to build on the substantial progress achieved, to address outstanding initiatives with renewed focus, and to ensure that Malta's financial services sector is equipped to respond adeptly to new challenges and opportunities. The extension of this strategy cycle provides us with the momentum to conclude our work with impact, and, in so doing, lay the foundations for the next chapter in the Authority's journey.

# Introduction

As the Malta Financial Services Authority ('MFSA' or 'the Authority') progresses towards the priorities set out in the Strategic Statement, this Strategic Update highlights the Authority's continued efforts and reinforces its commitment to regulatory excellence, market integrity, and protecting the consumers of financial services.

Over the past two years, the MFSA has maintained a focused and adaptive approach to delivering its strategy, responding proactively to evolving challenges and industry shifts. The 27 strategic priorities, structured under five core strategic pillars, have guided the Authority's regulatory efforts, operational enhancements, and stakeholder engagement initiatives throughout the past months. These strategic pillars continue to provide the basis for the Authority's work:

| Pillar I | Pillar II | Pillar III | Pillar IV | Pillar V |
|---|---|---|---|---|
| Delivering agile and proactive regulation | Sustaining a resilient, internationally networked financial sector | Promoting good governance and compliance | Embracing innovation | Engaging with the public |

The period since the last Strategic Update (2024) has seen a number of significant developments at both the local and international level. From shifts in global monetary policy to continued geopolitical instability and accelerating advances in digital finance, the financial services sector continues to evolve rapidly. In this environment, the MFSA has remained vigilant in its supervisory and regulatory functions, while strengthening its internal capabilities, digital infrastructure, and its approach to oversight.

Our commitment to collaboration with domestic institutions and international regulatory bodies remains a cornerstone of our strategy. The MFSA continues to ensure that Malta's regulatory framework is aligned with global standards, while being sufficiently responsive to local market needs and developments.

Similar to the previous publication, this update outlines the most recent progress made under each strategic pillar and assesses the effectiveness of key initiatives undertaken. It will highlight the Authority's continued achievements across key initiatives covering the period from 1 July 2024 (marking the end of the previous Strategic Update), to end June 2025.

The current strategic cycle—which was originally intended to conclude in 2025—will be extended through 2026. This extension will enable the Authority to ensure the delivery of its strategic objectives, including completion of initiatives not encompassed within the original Strategic Statement, as well as other priorities that have since emerged. Moreover, the Authority will also be dedicating 2026 to shaping the MFSA's next Strategic Statement reflecting the insights gained throughout this current cycle.

# Contextual Backdrop

# The Economic Environment

The high-interest rate environment that emerged following the COVID-19 pandemic began to subside in June 2024. This shift was driven by the gradual recovery of global supply chains and a rebound in economic capacity, which contributed to a steady decline in inflationary pressures and a return of inflation levels toward central bank targets. These developments enabled central banks, including the European Central Bank ('ECB'), to initiate interest rate reductions. In the Euro Area, the sustained easing of inflation supported a series of ECB rate cuts, lowering the Deposit Facility, Main Refinancing Operations, and Marginal Lending Facility rates to 2.0%, 2.15%, and 2.4% respectively. However, the ECB paused its rate-cutting cycle following its Governing Council meeting on 24 July 2025, citing heightened uncertainty surrounding global trade and economic growth[1].

Economic sentiment throughout 2025 has been significantly shaped by rising tariffs, escalating geopolitical tensions and the emergence of additional conflicts across the Middle East, Africa and the Indian subcontinent, further compounding existing global unrest. Notably, January 2025 marked the start of a more protectionist U.S. trade policy, with widespread tariffs and trade barriers imposed, particularly on long-standing political and economic allies. This approach intensified during the second quarter, and has had a negative impact on market confidence and accelerated trends toward deglobalisation.

Despite the challenging international landscape, the Maltese economy has continued to demonstrate resilience and growth. In the first quarter of 2025, Malta's nominal GDP reached €5.5 billion, reflecting a year-on-year increase of 5.4%, primarily driven by strong domestic demand and foreign trade[2,3]. The financial services sector contributed €452.7 million in Gross Value Added ('GVA'), accounting for 8.9% of total GVA. Nonetheless, signs of economic overheating persist, with Malta's Harmonised Index of Consumer Prices inflation rate at 2.5%, exceeding the EU average[3].

Labour market conditions in Malta remain robust, with the unemployment rate at a low 2.8%. Since 2021, the rate has fluctuated between 4.4% and 2.8%. As of March 2025, employment within the financial services sector stood at 16,740 individuals, representing 5.1% of the total workforce. Employment within this sector has consistently grown since 2014, underscoring its increasing importance to the national economy[4].

## Trends in the Financial Services Sector

The emergence of advanced technological financial products and services, such as virtual financial assets, blockchain, and cryptocurrencies together with the ongoing digitalisation of banking, has driven the continued evolution of the MFSA into a regulator that is agile, well-resourced, and aligned with the latest EU-level regulatory developments. This is particularly relevant in the context of landmark regulations such as the Markets in Crypto-Assets Regulation (MiCAR) and the Digital Operational Resilience Act (DORA), which are now in full effect. Additionally, the phased implementation of the Artificial Intelligence ('AI') Act, set to continue through 2027, underscores the importance of regulatory foresight. These developments place the MFSA on solid footing to strengthen Malta's position as a leading jurisdiction for the financial services of the future.

1 European Central Bank, Key ECB Interest Rates (link)
2 National Statistics Office, GDP Q1, Additional Tables and Charts (link)
3 Central Bank of Malta, Economic Update July 2025 (link)
4 Employment by main industry (NACE Rev.2) - national accounts (link)

- **Banking Sector**

The Maltese banking sector comprises 19 credit institutions and two EU branches of third-country credit institutions. Total assets amount to €50.1 billion, with loans and advances standing at €31.1 billion, and total deposits at €43.7 billion. The sector remains robust, supported by a stable deposit base and prudent lending practices. Having weathered various headwinds in recent years, the sector continues to exhibit resilience through sound capital ratios, strong liquidity positions, and manageable levels of non-performing loans.

- **Financial Institutions**

The financial institutions sector has experienced steady growth, increasingly focused on technology-driven infrastructures supporting cross-border online payments and electronic money services. The sector comprises 64 institutions, including 31 authorised to issue electronic money and 47 to provide payment services. The Virtual Financial Assets Service Providers (VFASPs) and Crypto-Asset Service Providers (CASPs) space, another technology-led area, consists of 23 VFASPs and 4 CASPs. These entities have successfully transitioned to MiCAR, aligning with the broader EU Digital Finance Package.

- **Investment Funds**

Malta's investment funds sector includes 491 domiciled investment funds, with a combined net asset value ('NAV') of €23.2 billion. Professional Investor Funds ('PIFs') account for the largest number of funds, while Alternative Investment Funds ('AIFs') represent the largest share by NAV. A significant development in 2024 was the launch of the first Notified Professional Investor Funds ('NPIF') under a new MFSA framework introduced at the end of 2023. To date, 5 such notifications have been issued, underscoring the sector's continued adaptability and resilience amid a challenging environment.

- **Insurance Sector**

The Maltese insurance sector features a mature domestic market, mainly comprising life and non-life insurance companies, as well as a vibrant international segment, including captives, direct underwriters, and reinsurers. The sector consists of 68 licensed insurance undertakings, of which 52 operate in non-life business, 10 in life, 2 as composite, and 4 as pure reinsurance undertakings. Notably, 9 are authorised for affiliated business and 13 are structured as Protected Cell Companies, with a total of 76 approved cells. Total assets within the sector amount to €18.4 billion, and the sector's solvency position remains sound, well above the regulatory threshold.

From a **financial stability** perspective, global geopolitical fragmentation continues to pose risks to the system. Whilst direct domestic contagion may be limited, the high level of global interconnectedness presents potential indirect spillovers that could affect Malta's financial sector. Nevertheless, financial institutions have so far demonstrated resilience in the face of these evolving risks.

Cybersecurity also remains a key area of focus, with cyber risks growing in complexity and scale. These risks present serious operational challenges, necessitating ongoing investment in technological resilience. The introduction of DORA enhances the MFSA's oversight of critical ICT dependencies within the financial services ecosystem, ensuring greater operational robustness.

The real estate market in Malta continues to perform strongly, supported by sustained property demand. However, the banking sector's significant exposure to residential mortgages requires close supervision due to potential concentration risks. These concerns are being proactively addressed through targeted micro and macroprudential measures aimed at mitigating systemic vulnerabilities and preserving financial stability.

At the systemic level, the widespread adoption of artificial intelligence presents both transformative opportunities as well as considerable risks. The sector-wide scope of the AI Act, coupled with increasing investment in AI-driven products and processes, will shape the financial services landscape for years to come. Simultaneously, climate change poses significant challenges to both the financial sector and the broader economy. The sector is well positioned to act as a catalyst in supporting the transition to more sustainable business practices and mitigating environmental risks.

Despite these challenges, Malta's financial services sector continues to demonstrate considerable strength and resilience. This is supported by robust capital buffers, strong liquidity, improving asset quality, and proactive supervisory engagement. Effective and forward-looking regulation remains essential to ensuring financial stability, safeguarding consumer interests, and fostering innovation and investment. In this respect, the MFSA is more equipped than ever to provide sound oversight and strategic direction in an increasingly complex and uncertain global environment.

# Regulatory and Policy Developments in the EU

With the new European political cycle commencing on 1 December 2024, the MFSA has carefully noted the European Commission's (the 'Commission') priorities for the next five years. These include supporting economic growth, financing the green and digital transitions, and advancing key regulatory and supervisory initiatives. The reports led by Draghi (Part A and Part B) and Letta have underscored the urgency of strengthening Europe's competitiveness, delivering on the Capital Markets Union [now reframed as the Savings and Investments Union ('SIU')], completing the Banking Union, and the simplification agenda.

The Commission's SIU proposals, published on 19 March 2025, aim to expand financial opportunities for EU citizens whilst better connecting savings with productive investments. By fostering integrated capital and banking markets, the SIU seeks to mobilise household savings, channel them into strategic investments, and enable businesses across Europe to grow. Closing the EU's investment gap is critical, and this will require removing barriers, deepening the Single Market, and creating incentives for capital to remain and thrive within the Union. The MFSA supports this strategy, including initiatives such as the development of a pan-European savings product for retail investors, as well as the revitalisation of securitisation.

The Banking Union remains a cornerstone of financial integration, complementing the SIU. Progress on the Crisis Management and Deposit Insurance reform is bringing EU co-legislators closer to agreement, thus marking a step towards its completion.

Simplification is also gaining prominence as a central EU policy goal. The Commission's political guidelines and its 2025 work programme emphasise streamlining EU laws, reducing administrative burdens, and improving implementation to strengthen competitiveness. The MFSA welcomes these efforts, along with the publication of the Competitiveness Compass, which advocates a smarter, growth-oriented regulatory approach. In particular, the Authority supports renewed efforts by the Commission and European Securities and Markets Authority ('ESMA') to ease regulatory pressures on Small and Medium-sized Enterprises ('SMEs'), ensuring that rules remain relevant, coherent, and adaptable.

Digital transformation is another key driver of change. The growth of e-commerce and mobile technologies is reshaping the payments ecosystem, creating both opportunities and challenges. The EU's retail payments strategy seeks to build a more integrated and competitive market while reducing reliance on non-EU providers. Building on the foundations of Payment Services Directives ('PSD' and 'PSD2'), the forthcoming PSD3 and Payment Services Regulation ('PSR') will advance these goals, ensuring greater efficiency and security in payment systems.

With respect to Sustainable Finance, the Sustainable Finance Disclosure Regulation, a cornerstone of the EU's ESG framework, is currently under review with the intention of simplifying requirements (particularly for SMEs) and improving alignment with related frameworks such as the Taxonomy Regulation and the Corporate Sustainability Reporting Directive ('CSRD'). The overarching aim remains to channel capital towards sustainable economic activities and to facilitate the transition to a greener, more resilient economy.

In pursuing these developments, the MFSA stresses the importance of proportionality and the need to account for differing economic realities and market sizes across Member States. This is essential to minimise operational burdens and ensure that regulation fosters growth and innovation.

# Progress on the Strategic Objectives

Since the last Strategic Update in June 2024, the MFSA has continued to advance on its strategic agenda with renewed momentum, translating plans into tangible outcomes and reinforcing its role as an effective regulator. The past year has seen the Authority navigate an evolving financial and regulatory environment, with a strong focus on delivering results that have measurable impact.

During this period, the Authority transitioned from establishing foundational initiatives to consolidating and scaling key programmes across its five strategic pillars. This evolution encompasses the expansion of successful projects, embedding new practices across the organisation, and pursuing fresh opportunities to strengthen regulatory resilience and market integrity.

# Pillar I Delivering agile and proactive regulation

Over the past year, the MFSA has demonstrated its capacity as a responsive and proactive regulator by adapting its frameworks to a rapidly evolving financial landscape and embedding innovation, proportionality, and efficiency at the core of its supervisory approach.

The activities of the Authority under this pillar have focused on streamlining supervisory processes, enhancing the robustness of regulatory tools, and aligning its domestic frameworks with evolving EU and international requirements. The introduction of compliance outcomes-based supervision, together with the digitalisation of supervisory processes and data reporting, represents a shift in how the Authority engages with the industry. These initiatives not only reduce administrative burdens but also improve the quality and consistency of regulatory interventions.

At the same time, the Authority has advanced reforms to its regulatory and legal frameworks, ensuring that they remain fit for purpose in the context of both domestic developments and European legislative priorities. This includes active contributions to EU-level initiatives, timely transposition of new legislative measures, and the introduction of targeted domestic rulebooks and frameworks designed to foster regulatory clarity and industry resilience.

Strengthening collaboration—whether at national, European, or international levels—remains central to this strategic pillar. From deepening coordination with the Financial Intelligence Analysis Unit ('FIAU') and other national bodies to active engagement with the European Supervisory Authorities ('ESAs'), the European Systemic Risk Board, and global standard-setters, the MFSA has ensured that Malta's perspectives are effectively represented while contributing to collective financial stability objectives.

## A. Streamlining supervision

As outlined in the MFSA Supervision Priorities 2025, the Authority introduced compliance outcomes-based supervision to its supervisory interactions by implementing a three-year pilot project within three of its supervisory functions in 2024. Compliance outcomes-based supervision focuses on the intended results from supervisory interactions and derives an efficient way to achieve them. The pilot functions are currently in the 'outreach' phase in which the findings made during engagements with their respective supervised entities are addressed, and by next year, will enter a re-assessment phase to verify whether the pre-established outcomes have been achieved. Ultimately, this process will be implemented across all supervisory functions and their respective supervised entities.

Similarly, the MFSA's digitisation and digitalisation programmes aim to enable more streamlined and automated supervisory processes. Building on the foundation laid in 2024, key architectural and design principles for the digitalisation of supervisory processes and data are now in place, anchored in a modular, "submit once" approach, supported by strong data governance with formally established ownership domains, data owners, and stewards. In addition, the Authority is collaborating with the Central Bank of Malta ('CBM') and other regulators to continue reducing duplication and simplify reporting. A pilot, launched in January 2025, replaced eight separate returns with a single return for financial institutions, also meeting FIAU requirements and enabling automatic data sharing. This approach, leveraging machine-readable return formats and a redesigned data model, will be progressively extended to other local returns throughout 2026 and 2027. Also, from 2026, collaboration with the CBM will allow for automatic sharing of the ECB Funds return, thus easing the reporting burden with respect to the MFSA Annual Fund Return over the period of two years while ensuring alignment with evolving EU requirements.

In parallel, the MFSA has actively contributed to several high-level initiatives led by the Commission and ESMA. These initiatives include work on regulatory simplification and burden reduction, as well as the SIU, which seeks to create a more integrated and accessible single market for savings and investment products across the EU. The Authority's engagement—through consultation responses, participation in expert groups, and bilateral discussions—ensures that its expertise is effectively represented, particularly in highlighting the importance of proportionality for small markets. Furthermore, the MFSA has put forward specific proposals to both ESMA and the Commission to alleviate regulatory burdens for smaller market participants.

Complementing these EU-level initiatives, the Authority has also been working to streamline domestic regulatory requirements. Specifically, it is reviewing Section 13 of Part A of the Investment Services Rules for Investment Services Providers, which applies to applicants and licence holders distributing contracts for difference and/or rolling spot forex contracts under the Markets in Financial Instruments Directive ('MiFID'). The proposed amendments aim to simplify certain requirements proportionately to the risks posed by these entities. A consultation with relevant stakeholders will be launched in the near future to gather feedback on the proposed changes.

In relation to the Eligible Long-Term Investment Fund ('ELTIF') framework, the MFSA has been preparing targeted informational materials, including a dedicated brochure, analysing the interaction between ELTIF provisions and the Alternative Investment Fund Managers Directive ('AIFMD'), and exploring ways to enhance the regulatory environment to better accommodate ELTIFs. These initiatives underscore the Authority's ongoing commitment to shaping and supporting EU-wide financial regulatory development.

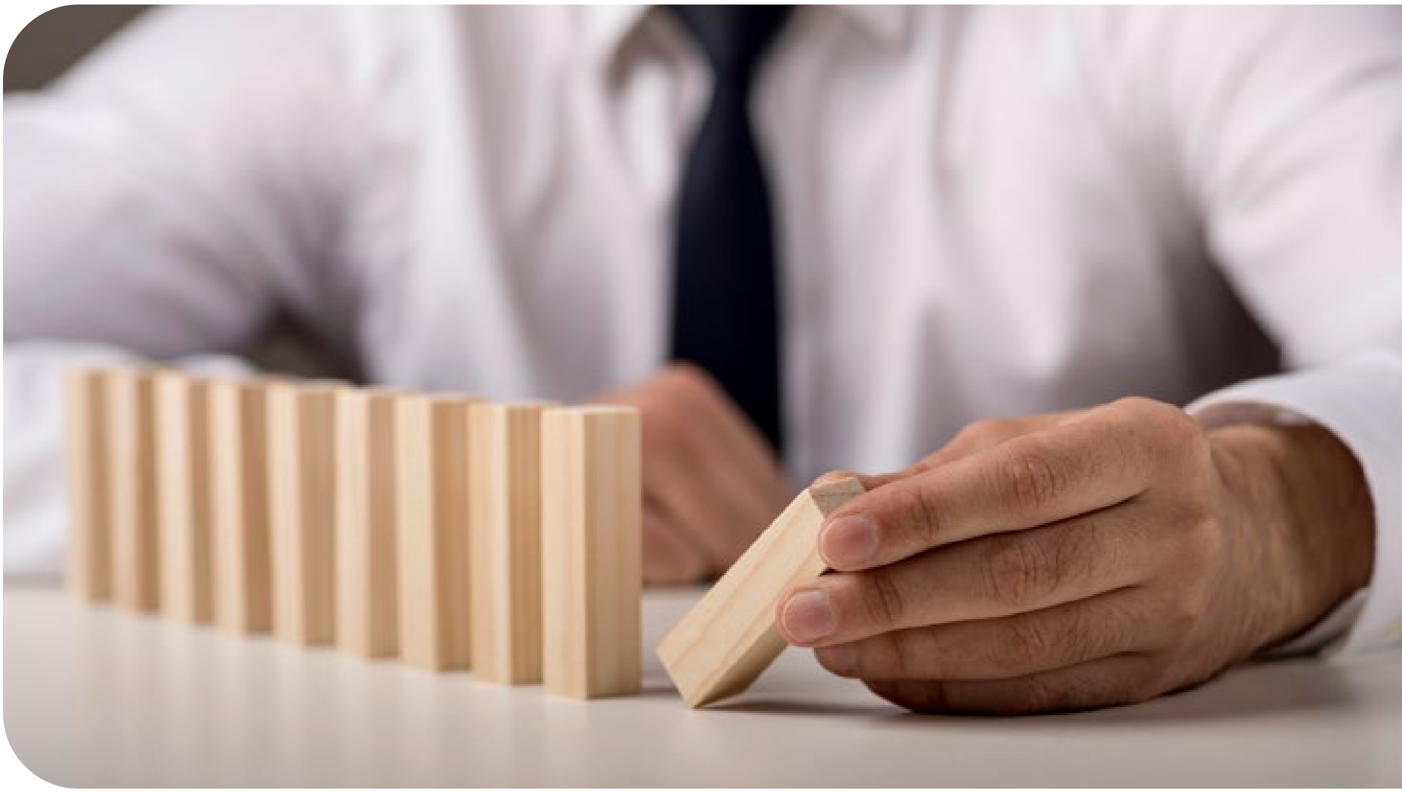
## B. Improving regulatory processes

The MFSA has successfully implemented a new, more robust ongoing name-screening solution. This enhanced system provides continuous monitoring of approved individuals, enabling the Authority to conduct more effective and timely checks. In doing so, it strengthens the MFSA's role as gatekeeper to the financial system, reinforcing its capacity to detect and address potential risks proactively.

Furthering this achievement, the ESAs' Fitness & Propriety platform was launched in June 2025. The integration of this tool is expected to allow the Authority to make prompt and targeted enquiries into the good standing of already-approved individuals across Member States. Furthermore, it will facilitate deeper collaboration, foster the exchange of information, and promote the sharing of best practices among regulators.

Following a series of high-level meetings, the Authority identified the need to refine its approach to the collection of documentation for corporate entities in relation to new applications and changes in shareholding. This strategic adjustment is intended to ensure greater consistency and reduce unnecessary duplication of requests from the industry, thereby streamlining the authorisation process. Initial discussions on this initiative took place in 2024, resulting in agreement on a high-level process, whilst continued consultations with stakeholders are expected to be held in the coming months.

Enhancing operational activity and contributing to successful supervision remain central to the MFSA's approach of integrating anti-money laundering and countering the financing of terrorism ('AML/CFT') considerations within its prudential supervision. This integration is achieved not only through the inclusion of AML/CFT elements in licensing



processes and supervisory engagements, but also through the structured coordination and exchange of information with the FIAU. In particular, the MFSA systematically reviews supervisory findings from the FIAU relating to AML/CFT deficiencies identified within licensed entities. The purpose of this initiative is to detect additional AML/CFT shortcomings, as well as other compliance weaknesses, based on the outcomes of FIAU-led supervisory examinations and other enforcement measures. Such deficiencies may often indicate underlying prudential or governance vulnerabilities, which fall more squarely within the MFSA's supervisory remit. By leveraging this broader range of information, the MFSA strengthens both the effectiveness and efficiency of its supervision, enabling more informed decision-making.

Furthermore, the Authority's cooperation with the FIAU extends to the legislative obligation of submitting Suspicious Transaction Reports ('STRs'), a collaboration which is also based on the European Banking Authority ('EBA') Guidelines on Cooperation. In line with these guidelines, the MFSA acts as a central contact point for reporting to the EBA's AML/CFT database, known as EuReCA, which consolidates information on material AML/CFT weaknesses identified by competent authorities across the EU. Through this platform, the MFSA contributes to a pan-European effort to monitor, assess, and address systemic AML/CFT risks in the financial sector.

Additionally, the MFSA continues to expand its cross-sectoral risk assessment framework, ensuring that it captures more granular and timely insights in light of evolving macro-financial conditions. These assessments increasingly inform forward-looking policy recommendations aimed at addressing vulnerabilities before they crystallise. For example, earlier this year the Authority promptly conducted an assessment of potential spillover effects stemming from recent US tariff increases. This analysis examined both the immediate and secondary impacts on Malta's economy and financial services sector.

In pursuit of greater transparency regarding its supervisory expectations and enforcement processes, in 2023, the MFSA had published the Administrative Measures & Penalties – Publication Policy setting out the guiding principles on the disclosure of enforcement action. An updated version of this policy was issued on 4 December 2024, reflecting the Authority's ongoing commitment to clarity, accountability, and regulatory best practice.


## C. Ensuring effective transpositions/implementation and enhanced coordination

The EU legislative process remains in continuous motion, with new measures requiring transposition and/or implementation at national level. Over the past year, nine EU legislative instruments were successfully implemented and/or transposed. An additional 17 instruments are currently being transposed and/or implemented by the MFSA, with deadlines ranging from 2025 to 2027.

Maintaining an efficient and timely approach to the transposition and implementation of EU legislation remains a key priority. In doing so, the MFSA places particular emphasis on ensuring proportionality, enforceability, and interoperability of technical requirements, as well as considering available options and discretions. Equally, identifying opportunities for the domestic market within the parameters of both EU and national law forms an integral part of the process.

To enhance transposition efforts, the Authority has intensified its engagement with stakeholders. Several stakeholder panel meetings have been convened *inter alia* to discuss forthcoming EU laws and ongoing transpositions. This engagement aims to facilitate a smoother transition for entities within scope of the respective legislative instruments, enabling them to make the necessary preparatory adjustments ahead of time. For instance, in relation to the CSRD, the MFSA held multiple meetings with relevant authorities and bodies, including the Ministry for Finance, the Malta Business Registry ('MBR'), the Malta Gaming Authority ('MGA'), the Accountancy Board, the Malta Institute of Accountants ('MIA'), the Malta ESG Alliance, and the Malta Council for Economic and Social Development ('MCESD'). Similarly, in relation to the European Single Access Point package ('ESAP'), the MFSA engaged with the Malta Stock Exchange, MBR, the Accountancy Board, the CBM, and the Ministry for Finance.

Moreover, the MFSA actively participated in several EU Commission transposition workshops, which serve as a platform for the Commission to provide practical guidance on specific legislative provisions. These sessions are frequently followed by targeted discussions—either in writing or bilaterally—with representatives from DG FISMA[5], in order to clarify any legal issues arising during the transposition process. In addition, the Authority regularly engages with foreign national competent authorities to exchange implementation best practices.

5 Directorate-General for Financial Stability, Financial Services and Capital Markets Union.

## D. Streamline existing legal and regulatory frameworks

### 1) A Conduct of Business Rulebook for Credit Institutions

In February 2025, the MFSA issued the Conduct of Business Rulebook for Credit Institutions, following an industry consultation process. This Rulebook sets out the conduct standards that credit institutions are required to observe in their day-to-day operations. It also incorporates obligations arising from key EU Directives namely: the Mortgage Credit Directive, Consumer Credit Directive, and the Payment Accounts Directive.

In line with these developments, legislative amendments are currently underway to transfer certain supervisory responsibilities from the Malta Competition and Consumer Affairs Authority to the MFSA. These amendments relate specifically to the Mortgage Credit Directive and selected provisions of the Consumer Credit Directive applicable to entities licensed under the Banking Act or the Financial Institutions Act. The sections of the Rulebook transposing these Directives will only come into force once the necessary legislative changes are enacted.

Additionally, in alignment with the full implementation of the Rulebook, Banking Rule 24 Annex 1 (on Product Oversight and Governance) and Banking Notice 05 (on advertising of deposits) will be repealed with effect from 1 March 2026.

### 2) Streamlining the framework for CSPs

During the second half of 2024, the MFSA embarked on initiatives aimed at streamlining the legislative and regulatory framework applicable to Company Service Providers ('CSPs'). Building on extensive engagement with stakeholders, including industry representative bodies and other competent authorities, the MFSA published a Consultation Paper on the Proposed Enhancements to the CSPs Framework in November 2024. Subsequently, the amendments to the CSP Act were enacted through Act No. X of 2025 in May 2025, with the legislative framework providing for a two-month transitory period.

In line with these legislative changes, the MFSA updated the Company Service Providers Rulebook to reflect the new amendments. Moreover, a separate Rulebook applicable to Limited Company Service Providers was introduced, in line with the Authority's objective to carve out requirements applicable to individual CSPs in a separate rulebook. To facilitate a smooth transition for the industry, several guidance notes and a comprehensive FAQ document were also issued.

### 3) Updates to the Financial Institutions Rulebook

The MFSA published Chapter 3 of the Financial Institutions Rulebook (FIR/03), which establishes a comprehensive regulatory framework for payment and e-money institutions, and replaces the previous provisions. This updated framework aims to enhance regulatory clarity and foster a strong culture of compliance. Developed in close collaboration with the CBM, FIR/03 also incorporates amendments to the Settlement Finality Directive, thereby ensuring greater legal certainty within Malta's payment and settlement systems.

### 4) Capital Markets Strategy

The Authority has progressed in the implementation of its Capital Markets Strategy through a series of targeted initiatives. Particularly, work has been underway to revise the rulebook applicable to the Institutional Financial Securities Market ('IFSM'). The proposed revisions aim to provide greater clarity on the scope and application of the rulebook, modernise and streamline its provisions from a practical perspective, reassess the role of listing agents, and introduce tailored measures to facilitate the issuance of sukuk on the IFSM. A public consultation on these proposals was launched in July 2025.

In addition, significant progress has been achieved in establishing more specific requirements for firms seeking to act as sponsors on the local regulated market. Following a consultation exercise, a feedback statement outlining the principal concepts of the registration framework was published in October 2024. Subsequently, key amendments to the Financial Markets Act (Act XI of 2025) were enacted in May 2025. That same month, the Authority launched a consultation on both the proposed amendments to the Capital Markets Rules and the related legislative framework for the Sponsors' Regime, with the consultation period remaining open until mid-July 2025.

Furthermore, the Authority has been working on the local implementation of the amendments introduced by the EU listing Act. In this regard, a Consultation Document was published on the Minimum Free Float Requirement for Admission to Trading on a Regulated Market. The consultation invited feedback from key market participants, including the Malta Financial Services Advisory Council ('MFSAC') and investors, and was scheduled to run until 31 July 2025.

Further strengthening its risk management approach, the Authority is collaborating with a third-party service provider to develop a risk profile framework for assessing issuers' applications for the admissibility to listing of bonds. This work also includes the formulation of a credit risk framework, which will guide the Authority's assessment and decision-making process regarding such applications.

Complementing these initiatives, the Authority is preparing guidelines on liquidity contracts for shares of issuers admitted to trading on a trading venue, aimed at enhancing liquidity in locally listed shares. In addition, a review of the Takeover Bids rules is underway to ensure a balanced approach between safeguarding investor interests and maintaining effective market functioning.

## E. Identify and monitor prudential and conduct risks

The development of the Conduct Risk Model for Credit Institutions was completed as scheduled. In addition, the Conduct Risk Model for Investment Firms was enhanced to allow for supervisory judgement as well as incorporate a new set of key performance indicators on sustainable finance. Work will continue on updating the remaining risk models for insurance undertakings and credit institutions to similarly integrate supervisory judgement and include key risk indicators ('KRIs') on sustainable finance, drawing on the regulatory data obtained by the MFSA. Concurrently, work will begin on conduct-related data returns for insurance intermediaries, enabling the creation of a dedicated risk model for these entities based on the collected data.

Turning to prudential risk models, these are applied annually to rank supervised entities, with the resulting classifications determining the level and frequency of supervisory engagement, in line with the Minimum Engagement Levels established by the supervisory function. In 2025, three new supervisory risk models were introduced, addressing prudential requirements in areas such as investment funds and financial institutions. Detailed documentation is maintained for each model, outlining the KRIs, weightings, and results, and is held by the relevant supervisory function. Supervisory interaction plans for the subsequent year are then drawn up by each supervisory function taking into consideration the level of intrusiveness whilst also integrating the outcomes-based approach.

In parallel, a structured coordination framework has been established to ensure consistent and effective alignment of supervisory interactions across functions. To reinforce the effectiveness of this coordination, the MFSA is conducting targeted cross-functional reviews and joint planning exercises to assess current practices and identify potential enhancements, particularly in complex or cross-sectoral supervisory contexts. Additionally, efforts are being made to strengthen collaboration on supervisory inspections with other national competent authorities in Malta.

Advancements in the risk assessment toolkit continued during the period, reflecting a commitment to greater analytical depth. In addition to developing monitoring dashboards, work is ongoing to refine modelling techniques that enhance scenario analysis and system-wide risk evaluation. The in-house network model remains a central instrument for mapping interlinkages and contagion channels within the financial sector, with outputs supporting various functions across the Authority. A significant milestone was the completion of a dedicated stress-testing framework for the insurance sector, designed to evaluate resilience to severe yet plausible macro-financial shocks. This framework will be integrated into the macroprudential surveillance cycle, complementing the continuous monitoring of solvency, liquidity, and sectoral interconnectedness.

### F. Addressing ICT risks and Digital Finance challenges

This strategic priority aims to address ICT risks and the challenges posed by digital finance, with particular emphasis on enhancing operational resilience in line with DORA. In pursuing this objective, the Authority continues to engage with relevant stakeholders to contribute to the successful delivery of the National Cybersecurity Strategy.

In relation to the legal implementation of DORA, the Authority has completed all legislative measures necessary to implement both the DORA Regulation and the DORA Amending Directive at a national level. With all corresponding technical standards now legislated at the European level, the Authority has subsequently issued a series of circulars to keep the industry updated in this respect.

Furthermore, steps have been taken towards the national implementation of a Threat-Led Penetration Testing framework, in alignment with the TIBER-EU framework in Malta, as mandated by DORA. Collectively, these measures contribute directly to the objectives set out in the National Cybersecurity Strategy, as explicitly reflected in the strategy document.

### G. Collaborating with the Joint Financial Stability Board and the European Systemic Risk Board

Work on the commercial real estate (‘CRE’) sector progressed in alignment with recommendations from the European Systemic Risk Board. In this regard, collaboration among supervisory functions proved instrumental in gathering data regarding cross-sectoral risk management practices. Moreover, joint initiatives with the CBM and the National Statistics Office (‘NSO’) are helping to address existing data gaps in this area. The forthcoming memorandum of understanding (‘MoU’) between the MFSA and the NSO is expected to strengthen the exchange of information between the two institutions, thereby enhancing the quality of CRE analysis.

In addition, monitoring of non-bank financial intermediation remains a high priority, particularly in light of the increased attention this sector has received at EU level through expert groups coordinated by the European Commission. Climate-related risks likewise remain a central element of supervisory oversight.The MFSA is actively assessing the financial system’s exposure to climate vulnerabilities across multiple channels, whilst also intensifying cooperation with domestic stakeholders to improve climate risk data and analytical capabilities.

Furthermore, systemic risk monitoring continues to play a vital role in fulfilling the expectations of international stakeholders, including the International Monetary Fund, the European Central Bank, the European Systemic Risk Board, the ESAs, and credit rating agencies. Ongoing technical engagements with these bodies enable the provision of country-specific insights into aspects of Malta’s financial stability.

# Pillar II Sustaining a resilient, internationally networked financial sector

The MFSA has further consolidated its role in safeguarding the stability and credibility of Malta's financial system through deeper international engagement, enhanced crisis preparedness, and cooperation on financial crime prevention. The Authority has continued to prioritise strong inter-institutional relationships, ensuring timely and efficient exchanges of supervisory information with both domestic and foreign counterparts. These collaborative efforts, reinforced through new MoUs and joint initiatives, have enhanced supervisory effectiveness and crisis management coordination at both national and cross-border levels.

Crisis preparedness has remained a focal point, with important progress achieved in resolution planning across the banking sector and other financial institutions. The development of new frameworks, guidelines, and legislative initiatives—supported by rigorous testing exercises—has increasingly strengthened the Authority's capacity to respond competently to financial stress events while protecting depositors, investors, and taxpayers.

The MFSA has also bolstered its efforts on financial crime prevention, both locally and at the EU level, through sustained cooperation with other policy makers and its participation in innovative cross-border projects. Notably, the Authority has contributed to the development of AI-driven solutions to detect market abuse and other forms of illicit financial activity, thus, reinforcing its commitment to a more technology-enabled supervisory environment.

## A. Maintaining and building new inter-institutional relationships

### 1) Collaboration with local counterparts

The MFSA engages extensively in the exchange of information with foreign national competent authorities, both by receiving and issuing numerous requests. These requests generally relate to the supervision and conduct of licensed firms and individuals across all areas of the financial services sector. Efforts are consistently directed towards ensuring that responses are timely and efficient. In certain cases, follow-up meetings with foreign regulators are arranged to clarify or elaborate on the information provided.

In the area of crisis management, the MFSA remains an active participant in local fora, contributing substantively to discussions and leading several initiatives. Significant progress has been made in drafting a new Domestic Crisis Management Framework to define the cooperation mechanisms between the MFSA, the CBM, and the Ministry for Finance. In this context, the MFSA has prepared two Crisis Management Frameworks — one for Significant Institutions and another for Less Significant Institutions. Furthermore, the development of MoUs between the MFSA and the CBM, as well as a tripartite MoU with the Ministry for Finance concerning the sharing of information related to crisis management, is approaching completion.

Collaboration with the FIAU has also remained a priority, particularly in relation to key areas of AML/CFT. This cooperation includes supervision of the financial services sector, the identification of compliance concerns through a red-flagging process, submission of STRs, engagement during the authorisation process, and the provision of supervisory information on an annual basis.

In addition, the MFSA has coordinated a series of workshops to strengthen cooperation with the Malta Police Force. These included a workshop with the Malta Police Force in July 2024 to clarify the types of information that the MFSA can share for investigative purposes, and a bilateral workshop with the Financial Crime Investigation Department and the Counter Terrorism Unit in September 2024 focused on CFT matters.

Capacity-building efforts were also supported through a training session delivered in collaboration with the National Coordinating Committee on Combating Money Laundering and Funding of Terrorism ('NCC') in July 2024, aimed at other authorities and addressing requests for information and court summons procedures. Moreover, the MFSA has worked towards establishing an MoU with the Malta Tax and Customs Administration to promote the development of supervisory practices and enhance information exchange.

### 2) International collaboration

The MFSA has intensified its participation in international fora, with a stronger physical presence at high-profile events and conferences. On the sidelines of these events, a series of bilateral meetings were convened with a diverse range of stakeholders, including regulatory authorities, representatives from the industry, and European associations.

Following this international outreach, the MFSA has also reinforced collaboration with diplomatic channels, maintaining close coordination with the Permanent Representation of Malta in Brussels. Various meetings were held with representatives of the Council Presidency, the European Commission, and other Member States, particularly on EU legislative dossiers of significance to Malta. Engagement with the Presidency and EU institutions remains an essential step in ensuring that Malta's perspectives and priorities are duly considered during the legislative process.

As a further development, significant progress has been made to finalise bilateral and multilateral MoUs, particularly with non-EU jurisdictions. These agreements are expected to facilitate the expression of shared objectives between the MFSA and its foreign counterparts, paving the way for coordinated regulatory action.

### 3) Coordination on Policy Initiatives

The MFSA has taken an active role in discussions and negotiations on the European Commission's proposals concerning Bank Crisis Management and Deposit Insurance framework. These efforts are aimed at enhancing crisis preparedness and management across Europe, ensuring stronger protection for covered depositors and investors, safeguarding financial stability, and minimising the potential burden on taxpayers in the event of a banking crisis.

At the European level, the MFSA continues to contribute meaningfully through its participation in the EBA's AML Standing Committee as a non-voting member. This involvement has included input into a number of key European initiatives, such as:

- Drafting new Travel Rule Guidelines under Regulation (EU) 2023/1113.
- Developing Guidelines on internal policies, procedures, and controls to ensure the implementation of Union and national restrictive measures under Regulation (EU) 2023/1113.
- Participating in EBA subgroups to assist in drafting new Regulatory Technical Standards in response to the European Commission's Call for Advice.
- Contributing AML/CFT-related content to the joint EBA/ESMA Guidelines on Suitability.

In addition, the MFSA is currently contributing to the newly established Anti-Money Laundering Authority working groups, intended to initiate work on drafting guidelines under the new Authority's mandate. This work is being carried out in close coordination with the FIAU, reflecting a shared commitment to advancing the EU's AML/CFT framework.

## B. Developing informed, early-stage, coordinated policy positions

Over the recent months, the MFSA has actively contributed to discussions at both ESMA and the European Commission regarding the renewed drive to simplify regulation as well as reduce regulatory and administrative burdens. The Authority considers this a pivotal opportunity for the EU to strengthen its regulatory framework by ensuring that rules remain relevant, effective, coherent, and adaptable to future developments. In pursuing these objectives, the MFSA has intensified collaboration with other national competent authorities and forged closer ties with Member States sharing common priorities. This engagement enhances the Authority's influence within EU fora, enabling a stronger voice in shaping policy discussions and negotiating positions at the EU level.

As part of these efforts, over the past year, the MFSA held several bilateral meetings with regulators and with the European Commission (DG FISMA) on the Union's priorities in financial services ahead of the new institutional cycle, which commenced on 1 December 2024. Coordination with the Ministry for Finance and the Malta Permanent Representation in Brussels has been a central element of this process, ensuring that Malta's specific circumstances are well represented in the best interests of its financial services sector.

The MFSA places significant emphasis on contributing to European Commission consultations, recognising their value in anticipating forthcoming regulatory changes. The Authority also encourages active participation from industry stakeholders, enabling them to gain further insight and share their perspectives.

Engagement at the diplomatic level has further reinforced these initiatives. The MFSA has conducted bilateral meetings with Maltese embassies abroad as well as with foreign embassies and high commissions in Malta. Additional meetings are already planned for the months ahead. These exchanges provide an opportunity to address shared interests and challenges, highlight Malta's supervisory effectiveness, and present the MFSA's regulatory reforms and ongoing plans for strengthening oversight. Such dialogue will remain a continuing priority in the Authority's external relations.

## C. Developing a high level of crisis preparedness within our internal structures

Ensuring a high level of crisis preparedness and crisis management for licence holders falling within the scope of the Resolution Framework is a strategic priority for the jurisdiction and the MFSA.

1) **Crisis preparedness**

In its capacity as the Resolution Authority, the MFSA is responsible for preparing a resolution plan for each of the credit institutions licensed in Malta and, where applicable, met a minimum requirement for own funds and eligible instruments. This objective was met by January 2024, in line with the requirements set out in the applicable legislation. The resolution planning cycle is conducted annually, with ongoing engagement between the Authority and credit institutions.

Whilst the development of robust frameworks is essential, the effectiveness of such frameworks ultimately depends on rigorous testing to identify potential gaps and enhance crisis preparedness and management. To this end, the Resolution Function has conducted internal simulations on each of the four resolution tools and follows simulations carried out by European stakeholders with the aim of strengthening its Resolution Framework. The MFSA has also actively participated and will continue participating in dry runs organised by the Single Resolution Board. In addition, credit institutions are required to carry out their own testing as part of broader efforts to improve resolvability and ensure the effectiveness of resolution processes. During Q4 2025, the MFSA will introduce a multi-annual testing programme for selected banks, in alignment with the guidelines of the EBA and the Single Resolution Board.

2) **Development of resolution-related frameworks**

A substantial number of guidelines at both national and Banking Union levels must be developed and implemented to ensure the successful application of resolution measures. In this regard, the MFSA has initiated a dedicated project to enhance its handbooks and regulatory frameworks to operationalise resolution tools and assess their implications from multiple perspectives when considering resolution action. Progress is also being made in refining the public interest assessment, with the objective of improving resolution planning and facilitating better decision-making on resolution strategies for credit institutions. Concurrently, work is ongoing on a series of internal procedural documents to ensure the practical application of various legislative options available to the MFSA when executing a resolution action. In connection with these initiatives, the MFSA is working closely with the Depositor and Investor Compensation Schemes to safeguard the interests of covered depositors and investors, as required by legislation, through the development of joint impact assessments and procedures.

In addition to these measures, the MFSA is advancing work on a draft Administrative Bank Insolvency Law, intended to regulate the liquidation process for banks declared as “Failing or Likely to Fail”. This legislative initiative seeks to address shortcomings identified through recent experience, where the existing framework proved cumbersome. The International Monetary Fund, in its most recent financial sector assessment program, also recommended the introduction of such legislation to ensure a more efficient and effective liquidation process that maximises returns for creditors. Once internal review of the draft is concluded, the MFSA will launch a public consultation with relevant stakeholders, after which the proposal will proceed through the necessary parliamentary process for adoption into Maltese law.

Beyond the banking sector, the resolution framework extends to other financial institutions, including certain investment firms falling within the scope of the Recovery and Resolution Regulations. The MFSA is actively developing a dedicated resolution planning framework for these firms. This work involves reviewing recovery plans, providing supervisory feedback, assessing data quality, tailoring the application of regulations to the specific characteristics of investment firms, drafting of resolution plans, and conducting public interest assessments to determine the appropriateness of applying normal insolvency proceedings.

Progress is also being made in the insurance sector. The Insurance Recovery and Resolution Directive (‘IRRD’), which establishes a comprehensive framework for the recovery and resolution of insurance and reinsurance undertakings, is currently in the process of being transposed into Maltese law. Ongoing discussions, both internally and within European fora, are focused on the development of the necessary guidelines and technical standards to enable the effective implementation of the IRRD’s provisions. Once drafting is concluded, the MFSA will launch a public consultation with relevant stakeholders, after which the proposal will proceed through the necessary parliamentary process for adoption into Maltese law.

3) **Crisis management**

Crisis preparedness and crisis management are vital for limiting losses and mitigating the impact of disruptions affecting one or more banks. As aforestated, the MFSA, in collaboration with the CBM and the Ministry for Finance, is developing a Domestic Crisis Management Framework. This initiative aims to update existing frameworks to align more closely with recent EU legislative developments.

Through these enhancements, cooperation among the relevant authorities will be additionally strengthened, enabling a better resolution of crises with minimal possible adverse impact on depositors and taxpayers, thereby sustaining confidence in the financial system.

## D. Implementing the national and EU AML/CFT Strategy

The Authority embarked on an initiative aimed at improving the effectiveness of supervisory tools while also to complementing ongoing efforts to combat a wide range of financial crimes beyond money laundering and the financing of terrorism.

Through the Technical Support Instrument established by the European Parliament, the MFSA maintained its active collaboration with other EU Member States, focusing on the area of market abuse monitoring and detection. Within this framework, the Authority forms part of a dedicated network of Member States engaged in developing a proof of concept for advanced artificial intelligence models. These models are intended to enhance the identification and analysis of potentially abusive market behaviour, thereby strengthening the Authority's ability to detect and address market manipulation, insider dealing, and other illicit trading practices.

# Pillar III Promoting good governance and compliance

The MFSA has continued to deliver on its commitment to embed governance and compliance principles across the financial services sector. In doing so, the Authority has moved from high-level expectations to clear, enforceable frameworks designed to ensure consistent standards in practice. Significant progress has been achieved through the enhancement of corporate governance requirements within sectoral rulebooks, enabling licensed entities to implement structures and controls that are both fit for purpose and responsive to arising risks.

Building on this, the MFSA continues to enhance its compliance engagement activities through the conversion of supervisory observations into targeted guidance that assists firms in meeting and maintaining the required benchmarks. This approach promotes the view that good governance and compliance should be regarded as ongoing responsibilities rather than one-off obligations.

## A. Placing our good corporate governance programme on a durable platform

The MFSA remains committed to tailoring governance standards to the particular needs of the various sectors it regulates. To this end, following the publication of the Corporate Governance Code for Directors of Collective Investment Schemes in October 2023, assessments are currently underway to determine whether clarifications to existing codes or additional sector-specific ones may be required.

In order to further reinforce the sectoral regulation of both financial institutions and crypto-asset service providers, the MFSA has embedded corporate governance expectations both in Chapter 3 of the Financial Institutions Rulebook (FIR/03), issued in October 2024, and the Markets in Crypto-Assets (MiCA) Rulebook, published in March 2025. FIR/03, modelled on PSD and the E-Money Directive, sets detailed obligations for payment institutions and electronic money institutions, including board composition and independence, clear lines of responsibility between the board and senior management, robust internal control and risk frameworks, conflict-of-interest and remuneration policies, and strengthened oversight of outsourcing to avoid “letterbox” entities. It is noteworthy that FIR/03 went live in two phases, with the new governance and safeguarding requirements taking effect on 15 December 2024.

On the other hand, the MFSA’s MiCA Rulebook clarifies authorisation and ongoing requirements for crypto-asset service providers and issuers of asset-referenced tokens, emphasising management body suitability and “fit and proper” assessments, governance arrangements proportionate to the business, transparent complaints handling, and adherence to the regulatory technical standards issued by ESMA and EBA. Together, these instruments highlight the MFSA’s expectations on governance across both traditional payments/e-money and the crypto-assets perimeter.

## B. Launch compliance initiatives designed to ensure, build and maintain confidence levels

### 1) Regulatory publications

- ***"Dear CEO"* letters**

The Authority, through its supervisory functions, publishes *"Dear CEO"* letters to share key findings and outline supervisory expectations for the sector, based on its interactions with firms. Since January 2025, a total of 17 *"Dear CEO"* letters have been issued, with additional publications planned before end of year. These letters remain an important communication tool, particularly within the context of the Authority's outcomes-based supervisory approach. In addition, the Authority regularly publishes authorisation, supervisory, and enforcement statistics on its website. Each year, it also issues a Supervisory Priorities document, setting out the key areas of focus for the upcoming year. Beyond publications, the Authority engages with the industry through conferences and podcast discussions on topics of relevance, additionally supporting transparency and open dialogue across the sector.

- **Guidance for Money Laundering Reporting Officers in the Financial Services Sector**

This publication provides practical guidance on aspects of corporate governance, among other things, related to the fulfilment of the responsibilities related to the Money Laundering Reporting Officer ('MLRO'). The document provides supervisory expectations regarding proposed individuals and incumbent MLROs and is informed by financial crime compliance-related supervisory interactions conducted between 2021 to 2023.

- **General Code of Conduct for Leaders in the Financial Services Industry**

The Authority is in the process of finalising a Code of Conduct, aimed at enhancing the governance capabilities of leaders in the financial services industry. The Authority is currently engaging with stakeholders to obtain feedback on the initial draft. This Code of Conduct will complement the general MFSA Corporate Governance Code, the Corporate Governance Manual for Directors of Collective Investment Schemes and the Code of Principles of Good Corporate Governance. It will emphasise five core values being: [i] Integrity, [ii] Guiding Complex Decision Making, [iii] Accountability and Transparency, [iv] Commitment to Compliance and [v] Legal Standards, Respect and Fairness. It also encourages leaders to remain vigilant, continuously educating themselves on evolving regulatory expectations, best practices, and emerging risks in the industry.

### 2) Regulatory initiatives

The Authority has sustained its efforts in enhancing listed entities' good governance standards, especially in relation to improved transparency by issuers, the effectiveness of audit committees and the implementation of sustainability reporting requirements. Some of the initiatives in the period leading up to June 2025 are highlighted below.

- **Workshops and stakeholder engagement**

Besides the ongoing engagement with issuers, the Authority organised a workshop for company secretaries on the continuing obligations of listed entities, focusing on transparency requirements, regulatory expectations, financial reporting, reporting on alternative performance measures, and sustainability reporting.

Additionally, the Authority actively participated in several webinars and seminars organised by external stakeholders, covering topics such as regulatory changes in capital markets arising from the Listing Act, and investment services providers' compliance with the Market Abuse Regulation (MAR).

- ### Thematic reviews to strengthen market integrity

In the first half of 2025, the Authority carried out a thematic review of company announcements by publicly listed entities. The related observations and expectations were communicated to the market via a "Dear CEO letter" dated 9 July 2025. Earlier in April and June 2025, two 'Dear CEO' letters were issued to strengthen market integrity: whilst one focused on measures adopted by issuers to prevent insider trading, following an off-site, desk-based exercise with 28 Issuers, the other summarised supervisory inspection findings carried out with investment services providers between 2020 and 2024, highlighting key areas of concern under MAR.

Another two "Dear CEO" letters were issued in June and August 2025 following thematic reviews of the investment services industry. The first clarified the scope and proportionality of exemptions under Article 7 of the Investment Firms Regulation – Prudential Consolidation, following a detailed assessment of its potential application, whilst the second outlined findings on Liquidity Risk Management and Investment Processes of AIF and UCITS Management Companies, focusing on compliance with AIFMD and UCITS rules, adherence to internal procedures for portfolio management and investment decisions, and the adequacy of preparedness for liquidity events and liquidity management tools.

Separately, the Authority conducted two quarterly reviews in 2025 assessing leverage levels of AIFs managed by local Alternative Investment Fund Managers ('AIFMs'), which demonstrated that only a limited number employ leverage on a substantial basis as defined in EU Regulation 231/2013. In addition, drawing on earlier reviews of the total expense ratio ('TER') of investment funds, a circular issued in February 2025 sets out expectations for directors to closely monitor the methodology used in calculating the TER, ensuring that the TER remains within reasonable limits and is supported by a comparative peer analysis with where appropriate.

- ### Supervisory exercise on the role of audit committees

As part of its outcomes-based supervision approach, in 2025 the Authority launched a workstream aimed at gaining a deeper understanding of the responsibilities and functions of audit committees of issuers with equity listed on the Malta Stock Exchange. This initiative is expected to strengthen governance structures across listed entities.

- ### On-site inspections and preparedness for EMIR refit implementation

During the first half of 2025, the Authority conducted 15 on-site inspections of authorised persons subject to the European Market Infrastructure Regulation ('EMIR') reporting. A particular focus was placed on assessing the level of preparedness of these entities for the EMIR refit, effective from April 2024.

The objective of the inspections was to evaluate compliance with updated reporting and validation rules, whilst also issuing guidance and engaging stakeholders to ensure a smooth transition.

- ### Engagement on Corporate Sustainability Reporting Directive and National Cooperation

The Authority deepened its direct and interactive engagement with listed entities falling within the scope of the CSRD, especially those impacted by the first wave of reporting requirements. This included supervisory meetings, the issuance of letters and circulars, and continuous dialogue with stakeholders. As mentioned above, the Authority contributed to national efforts in transposing the CSRD, collaborating with the MBR, the Accountancy Board, the MGA, and the MIA. Circulars were issued to keep the market informed about the latest regulatory developments.

# Pillar IV Embracing innovation

The progress achieved under this strategic pillar demonstrates the MFSA's commitment to balancing innovation with stability by ensuring that new opportunities are harnessed responsibly in alignment with European and global standards, whilst advancing sustainable finance, capacity development, digital finance implementation, and proactive engagement with emerging business models.

Key developments during this period include advancing the implementation of the sustainable finance regulatory framework, while also deepening internal expertise to meet the evolving demands of the supervisory landscape. The MFSA has accelerated efforts to ensure the holistic application of the EU Digital Finance Package, with significant progress made on MiCAR and preparatory work for PSD3, the Payment Services Regulation, and the Financial Data Access initiative.

The Authority has also remained proactive in engaging with innovative and new business models, expanding its regulatory approach to new areas whilst continuing to monitor systemic risks, particularly in relation to digital resilience and reliance on critical third-party ICT providers.

## A. Seeking to adopt a best practice approach in the implementation of an integrated sustainable finance supervisory framework

Positioning itself at the forefront of sustainable finance, the MFSA has continued in its efforts towards promoting awareness and providing guidance to market participants, supporting them in addressing challenges whilst ensuring a stable and effective regulatory environment. The Authority remains firmly committed to engaging with stakeholders not only to secure compliance with the sustainable finance legislative framework but, more importantly, to foster higher standards across the industry.

As part of its engagement efforts, the MFSA organised a series of workshops on sustainability matters, published circulars and "Dear CEO" letters, and held supervisory interactions to clearly communicate its expectations to the industry. The MFSA Stakeholders Panel also played an important role in facilitating direct engagements with industry representatives on sustainability-related issues.

Significant attention was devoted to the transposition of the CSRD and the EU Green Bonds Regulation. Regarding the EU Green Bonds Regulation, the Authority held targeted discussions with the Malta Stock Exchange and the MFSAC sub-committee on Green Finance.

Aligned with its strategic objectives, the MFSA has also integrated sustainable finance themes into its financial education programmes. The Authority actively participate in public outreach initiatives, including seminars, talks, and television programmes, aimed at enhancing financial literacy and raising public awareness on sustainability matters. Recognising the risks posed by greenwashing, which undermines investor trust and market confidence, the MFSA is committed to supporting licence holders in their transition to a more credible and resilient sustainable finance ecosystem.

On the international front, the MFSA remains actively engaged in relevant fora, acknowledging that consistent rules and standards at both European and global levels are essential to facilitate cross-border investment and to advance the UN Sustainable Development Goals. To this end, the MFSA actively contributes to the work of the Sustainable Standing Committee within ESMA and the sustainable finance project group within EIOPA (a group which provides advice on embedding sustainability in the delegated regulations under Solvency II and the Insurance Distribution Directive). Furthermore, the MFSA participates in the Network for Greening the Financial System, particularly in its macro-financial workstream, collaborating with central banks and supervisory authorities worldwide to address climate risks and scale up sustainable finance.

### B. Developing our expertise and capacities to meet new supervisory responsibilities

The MFSA has continuously enhanced its supervisory capabilities in sustainable finance through a structured learning and development framework.

In line with the MFSA's Strategic Statement and informed by a comprehensive training needs analysis, the Financial Supervisors Academy ('FSA') launched a dedicated sustainable finance training programme. This initiative was specifically designed to equip supervisors with the knowledge and tools required to navigate the evolving regulatory landscape and to effectively address sustainability-related risks across the financial services sector.

The programme placed particular emphasis on the assessment of climate-related risks, greenhouse gas emissions, climate risk governance, sustainable finance regulation, green bonds, and the role of disclosure requirements in mitigating risks such as greenwashing and green bleaching. In addition to the structured programme, the FSA promotes self-paced certification opportunities to support continuous professional development across the Authority. This demonstrates a clear strategic commitment to cultivating long-term expertise in this area.

### C. Ensuring a holistic implementation of the Digital Finance Package

Whilst preparing for the introduction of MiCAR in June 2024, the MFSA successfully completed the transposition and implementation of the Regulation through the enactment of the MiCA Act (Cap. 647 of the laws of Malta), the publication of the MiCA Rulebook, and the issuance of the first CASP authorisations.

Beyond MiCAR, the Digital Finance Package also includes the Retail Payments Strategy, which will bring forward PSD3 and PSR, as well as the Framework for Financial Data Access. In this context, the MFSA is maintaining close cooperation with the CBM whilst also contributing at European Council meetings to ensure that Malta's position is clearly represented and integrated into the wider policy discussions.

### D. Evaluating new and innovative business models

In line with its commitment to remaining aligned with technological developments in financial services, the MFSA engages with local, EU, and international stakeholders. These discussions place particular focus on innovative business use cases, such as artificial intelligence, the use of regulatory and digital sandboxes, and the adoption of best practices in supervisory approaches.

Drawing on this work, the Authority is also collaborating with internal and external stakeholders to conduct horizon scanning, with the aim of identifying new opportunities and evaluating possible avenues for development. Given that payments represent an important sector in Malta with significant potential for additional growth, the MFSA has launched a Payments Landscape study. This initiative is designed to evaluate existing business models, assess their respective strengths and weaknesses, and map out a strategy on future focus, particularly in light of anticipated changes introduced through PSD3 and the Payment Services Regulation. In addition, the Authority is examining the implications of the forthcoming Financial Data Access framework and the adjustments it may require in prevailing business models.

Alongside these initiatives, the Authority is placing strong focus on monitoring and assessing systemic cyber risks within the domestic financial sector. These risks are becoming increasingly prominent and complex as the financial system grows more digital, interconnected, and reliant on third-party technology providers. During the year, an assessment was conducted to identify financial entities in Malta that meet the criteria established by the ESAs for the designation of critical ICT third-party service providers, in line with DORA. At the same time, the MFSA has further developed a cyber mapping model, which leverages data from the DORA Register of Information. Through network analysis techniques, this model illustrates ICT interdependencies across financial entities, pinpoints systemically important ICT nodes, and evaluates both concentration and contagion risks. The insights generated through this work are intended to enhance supervisory oversight of technology-related vulnerabilities from both a macroprudential and microprudential perspective.

At the European level, the MFSA is contributing actively to the work of the European Systemic Risk Board's European Systemic Cyber Group. This group is developing a structured framework for defining Systemic Impact Tolerance Objectives and is assessing potential policy gaps in the current operational and regulatory toolkit to better address the risks posed by large-scale systemic cyber incidents.

Other initiatives of the Authority in catering to upcoming and innovative business models are outlined below:

### 1. Single Family Offices

The MFSA has sought to review and revise its regulatory framework to facilitate the establishment of single-family offices in Malta. Accordingly, in November 2024, the MFSA launched targeted amendments to two rulebooks - the Investment Services Rules for Notified Professional Investor Fund and Related Due Diligence Service Providers, and the Trustees of Family Trusts Rulebook – remaining mindful of ML/FT risks and ensuring that mandatory governance standards are upheld.

### 2. Limited Partnership Funds

The lack of an option to establish Collective Investment Schemes ('CISs') as Limited Partnerships ('LPs') without separate legal personality has been recognised as a gap in the local regulatory framework. In response, following a stakeholder consultation exercise that concluded with the publication of the MFSA Feedback Statement in November 2024, the Special Limited Partnership Fund ('SLPF') framework was introduced in February 2025. As a result, non-retail CISs targeting qualifying or professional investors that want to opt for a LP legal structure, can now choose between an LP under the Companies Act or the new SLPF structure, regulated under the Investment Services Act.

### 3. Self-Managed Notified PIF Framework

The NPIF framework, launched in December 2023, initially catered only to third-party managed funds. In response to market needs, the MFSA started working on extending the framework to allow for self-managed NPIFs. Accordingly, following a consultation exercise which concluded with the publication of a Feedback Statement in September 2024, the MFSA issued the final amendments enabling NPIFs to be self-managed in February 2025.

### 4. *De Minimis* AIFM Framework

The MFSA has resumed work on the revamp of the *de minimis* AIFM framework as part of its efforts to enhance proportionality for smaller, lower-risk entities. The objective is to create a more streamlined and targeted regulatory approach that reflects the nature and scale of these operators, while also supporting faster time-to-market. Internal discussions on the revised framework are at an advanced stage, and the MFSA is currently engaging in an informal consultation exercise to gather feedback from stakeholders at an early stage.

## 5. Islamic Finance

Islamic finance has grown rapidly over the past few decades, emerging as a significant segment within the global financial system. Despite this, the local regulatory framework lacks clarity on how Islamic finance products may be introduced or structured within the local financial and capital markets. The MFSA has identified Islamic finance as an area for strategic policy development and is seeking to address this gap, mindful of the particularities that distinguish Islamic finance products from more traditional counterparts. As an initial step, the Authority is seeking to introduce tailored provisions to cater for sukuk and facilitate the issuance thereof on the IFSM. It is being proposed that the newly introduced rules pertaining to sukuk be incorporated within relevant chapters of the revised Capital Markets Rules applicable to the IFSM, which was issued for public consultation in July 2025.

Similarly, the MFSA is currently updating its 2010 Guidance Note for Shariah-Compliant Funds to enhance its practical applicability and align it with international standards. This initiative aims to better position Malta to tap into the growing global demand for Islamic finance and further diversify its fund services sector by attracting investment from key markets such as the Middle East and Southeast Asia.

## 6. Auto-Enrolment Occupational Pension Regime

The Maltese Government has tasked the Authority to come up with its proposals to bolster the current occupational pensions framework and introduce the concept of auto enrolment. The initiative aims to establish a robust and inclusive occupational pension framework to support long-term retirement savings and financial resilience across the workforce.

Following sustained collaboration between the MFSA and the Ministry for Finance, initial discussions commenced in January 2025. This culminated in the publication of two public consultations in June 2025, one by the Ministry outlining the overarching policy framework, and another by the MFSA proposing targeted legislative amendments to the Retirement Pensions Act and the Insurance Business Act.

## 7. Aircraft Leasing

In line with the MFSAC Strategy, the Authority is currently developing a regulatory framework for aircraft leasing to enhance Malta's position as a specialised and attractive jurisdiction in this sector. The initiative aims to leverage the jurisdiction's competitive tax regime, robust legal framework, and skilled workforce to tap into the potential of aircraft leasing for financial services. A public consultation on the proposed framework will follow in the coming months.

## 8. Tokenisation of Fund Units

In June 2025, the MFSA issued a Position Paper on Tokenisation of Fund Units, setting out the regulatory position in respect of tokenisation within the transfer agency service of investment funds. In this regard, tokenisation use in the funds industry unlocks many benefits including enhanced liquidity, streamlined transaction processing, fractionalisation, secondary market trading, and the reduced reliance on intermediaries, which would ultimately lead to lower costs and operational efficiencies.

# Pillar V Engaging with the public

Building on the foundations outlined in the last Strategic Update, efforts have been directed towards ensuring that regulatory initiatives remain responsive to the needs of industry participants and consumers, whilst also enhancing wider public understanding of financial services regulation.

Significant achievements have been made as regards to this strategic pillar through a diverse range of initiatives. The Authority hosted a series of conferences and workshops, providing a platform for regulators, industry professionals, and members of the public to engage in constructive conversations. At the same time, financial literacy programmes were undertaken in collaboration with national and international partners, with a particular focus on equipping consumers to make informed financial decisions.

Alongside these outreach efforts, important steps were taken to strengthen professional expertise within Malta's financial services sector. A new academic programme was launched in partnership with the University of Malta, whilst staff exchange initiatives across Europe created opportunities for knowledge-sharing and professional development. These initiatives ensure that the sector remains equipped to address challenges and take advantage of emerging opportunities.

## A. Engaging with stakeholders

The Authority engages actively with the public through a range of communication channels as part of its commitment to transparency and consumer protection. This ongoing engagement ensures that regulatory measures remain aligned with the public interest while providing stakeholders with an opportunity to contribute to the development of financial regulation.

In 2024 and 2025, the MFSA hosted a series of events designed to deepen engagement with both industry participants and the wider public. These initiatives included conferences, workshops, and outreach activities intended to enhance understanding of regulatory developments and promote financial literacy. The events demonstrated a strong focus on fostering open discussion and collaboration. Some of the events have been highlighted below:

### 1. Conference on Financial Stability

On 9 October 2024, the MFSA hosted a high-level conference on financial stability, bringing together industry professionals and policymakers to discuss key themes in financial stability and the evolving regulatory landscape.

### 2. Conference on Insurance

Held in February 2025, this conference focused on the Solvency II Review Package and cross-border business, serving as a platform for industry representatives to exchange views on emerging issues and opportunities in the insurance sector.

### 3. Conference on Current Developments in Asset Management

On 29 May 2025, the MFSA organised a conference focused on EU regulatory developments, macro supervision of investment funds, and the shift from traditional to digital assets. The event featured speeches and panel discussions with leading industry experts.

### 4. Workshop on MiCAR Requirements for CASPs

This workshop, held in June 2025, aimed to raise awareness among stakeholders about the Markets in Crypto-Assets (MiCA) Act and the MFSA's expectations for Crypto-Asset Service Providers.

### 5. Claims Handling Practices Workshop

Conducted on 20 June 2025, this workshop focused on the importance of effective claims handling by insurance companies and intermediaries, emphasising both customer perception and regulatory compliance.

Beyond conferences and workshops, the MFSA also expanded its digital outreach. Through consistent use of social media channels, the Authority shared updates and educational content on financial topics to keep consumers informed and protected.

## B. Increasing our regular engagement and outreach initiatives

### 1. Financial education/literacy initiatives

In 2024, the MFSA established a Financial Education Committee tasked with overseeing initiatives aimed at improving financial literacy among the public, particularly targeting vulnerable groups such as the elderly and youth. This committee has been instrumental in coordinating efforts with stakeholders through the MFSAC, ensuring a collaborative approach to financial education.

Additionally, the MFSA is participating in a European Union-funded Technical Support Instrument project, in collaboration with the Organisation for Economic Co-operation and Development ('OECD'). This project aims to assess and enhance financial literacy levels in Malta, focusing on retail investors and developing tools to improve financial education strategies.

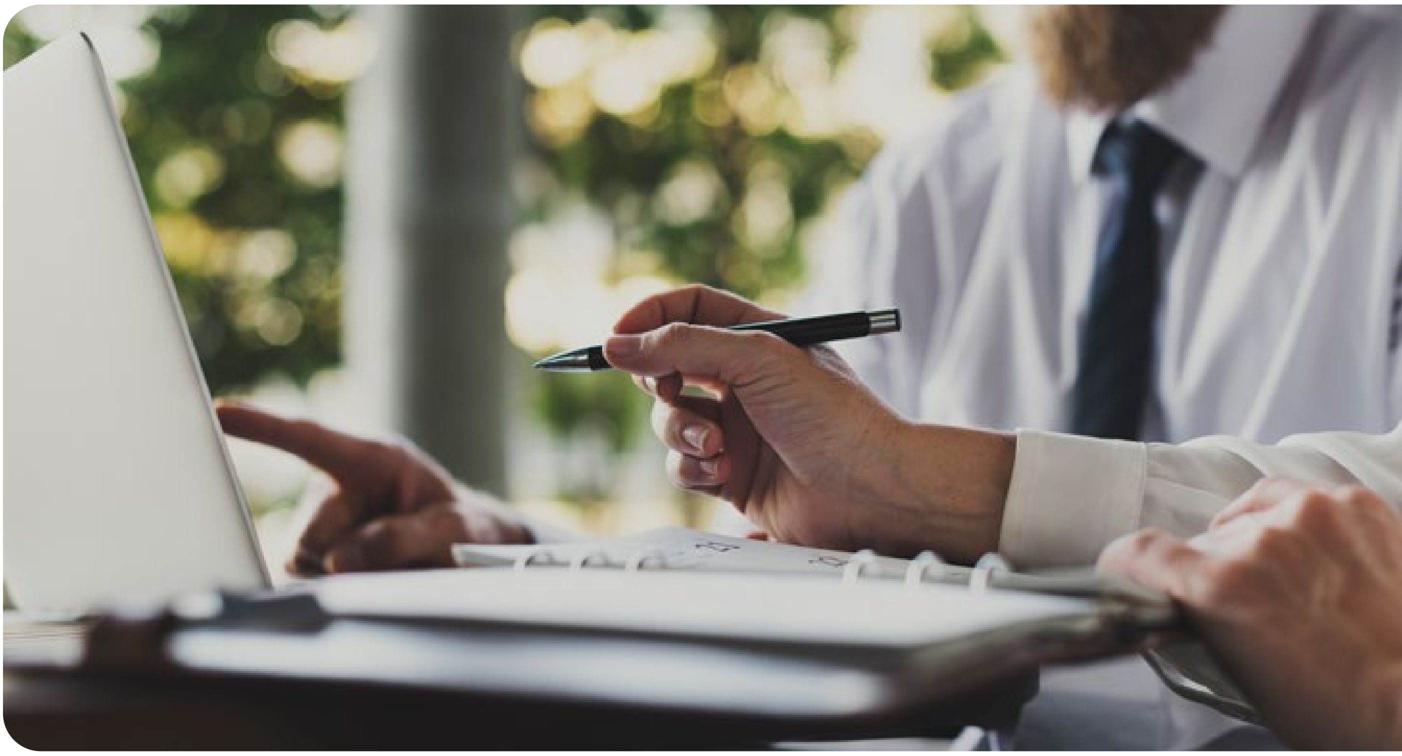
In October 2024, the MFSA also joined IOSCO Members and stakeholders for the 8th edition of the IOSCO World Investor Week, a week-long campaign to promote investor education, strengthen investor protection, and enhance financial literacy across the globe.

Subsequently, in April 2025, the MFSA hosted a workshop to present findings from an assessment by the OECD on 18 financial literacy initiatives implemented across Malta. The workshop highlighted the prevalence of topics such as financial fraud and scams, with a focus on digital learning methods and youth engagement.

### 2. Outreach initiatives through publications

The Journal of Financial Supervisors Academy ('JFSA'), which was launched in September 2025, marked an important step in strengthening knowledge-sharing in the field of financial regulation and supervision. Designed as an open-access publication, the JFSA offers a platform for the exchange of academic and professional perspectives, featuring research articles, expert analysis, and case studies on emerging areas such as digital finance, sustainable finance, and regulatory innovation. By drawing contributions from supervisors, policymakers, academics, lawyers, and economists worldwide, the journal bridges the gap between theory and practice, whilst also supporting the development of thought leadership in financial supervision.

In addition, the MFSA has issued annual publications outlining lessons learnt from enforcement actions. Reports published in November 2023 and April 2024 provided comprehensive overviews of enforcement activity undertaken in 2022 and 2023 respectively, with findings presented by sector and type of action. These reports serve to enhance transparency and accountability by offering insight into the Authority's supervisory and enforcement approach. Consistent with this practice, the 2024 edition was published in August 2025.



### C. Working with public and private institutions to identify employment needs, develop training opportunities and new ways of attracting top talent

The MFSA partnered with the University of Malta to launch a new Post Graduate Diploma in Financial Regulation and Compliance. This initiative aims to raise professional standards and enhance competencies across key areas of Malta's financial services sector, with the programme being formally endorsed by the Authority.

To ensure relevance and value, the curriculum was structured to address critical aspects of financial services, including governance and internal audit, risk management, compliance, MLRO responsibilities, sustainable and digital finance, report writing, and business ethics. Each module provides participants with practical tools to navigate real-world industry challenges successfully.

The first cohort commenced in October 2024, bringing together 34 students. The programme also benefits from the expertise of 55 guest lecturers drawn from the MFSA and the wider financial sector, who deliver insights across eight specialised units. Following the success of the inaugural intake, a second cohort commenced in September 2025.

Equally, the MFSA has actively sought collaboration with ESAs and other EU national competent authorities to explore staff exchange and mobility programmes aimed at enhancing regulatory knowledge, fostering expertise, and promoting best practices across jurisdictions. Since 2023, the Authority has maintained ongoing engagement with these counterparts, resulting in numerous MFSA employees participating in a range of staff exchanges, secondments, and mobility initiatives, whilst the Authority has also hosted incoming secondees, facilitating mutual learning and cross-border collaboration.

These efforts form part of a broader strategy to encourage knowledge-sharing, support regulatory harmonisation, and strengthen the Authority's international network. The MFSA remains committed to continue developing these initiatives and will continue to promote mobility programmes to MFSA staff as valuable opportunities for professional development and institutional growth.

# Concluding Remarks

Over the past months, the Authority has successfully navigated an environment shaped by geopolitical uncertainty, shifting economic dynamics, and accelerating technological change while delivering on the 27 priorities set out under its five strategic pillars. This has strengthened the Authority's capacity to act as an agile and trusted regulator, responsive to both domestic needs and international developments.

In this context, the Authority's commitment to safeguarding financial stability, protecting consumers, and promoting innovation has been central to the sector's continued resilience. Malta's financial services industry has not only maintained its role as a cornerstone of the national economy but has also adapted to significant regulatory and structural changes, from the full implementation of MiCAR and DORA to the early stages of the AI Act and the evolving sustainable finance framework. These milestones have consolidated the MFSA's role as a proactive regulator that anticipates change rather than simply reacts to it.

The Authority recognises that the challenges ahead (whether in the form of technological disruption, market integration, or climate-related risks) are matched by opportunities to position Malta as a jurisdiction of choice for high-quality, sustainable financial services. By harnessing innovation, strengthening oversight, and investing in its people, the MFSA will continue to deliver on its mandate of regulatory excellence, market integrity, and consumer protection.

Consequently, the final phase of the strategic term will not only be about responding to challenges but also about seizing opportunities to shape the future of financial services in Malta. Through a reinforced sense of purpose and collaboration with stakeholders, the Authority remains determined to uphold its mandate and to support the long-term competitiveness and stability of the sector, whilst remaining alert to the macroeconomic and geopolitical shifts that could shape the financial markets.

# Annex 1

| Pillar I – Delivering agile and proactive regulation | | |
|---|---|---|
| | % Completed | Target Completion |
| **[SP01] Streamline supervision by taking a more agile, risk sensitive and data-driven approach** | **69%** | |
| [01.1] Augment and enhance the data architecture to achieve a digitalised 360 view of Regulated persons | 66% | Dec-26 |
| [01.2] Continue to roll-out and support self-service Business Intelligence analytics throughout the MFSA | 100% | Jun-24 |
| [01.3] Design an outcomes-based supervision framework | 100% | Jan-24 |
| [01.4] Strengthen the macro-/micro-prudential supervisory interface | 69% | Dec-26 |
| [01.5] Streamline the authorisation and supervisory processes related to persons having multiple authorisations | 38% | Dec-25 |
| [01.6] Continue to strengthen the MFSA's Business Readiness for Digital Transformation projects | 39% | Jun-26 |
| **[SP02] Continuously improve regulatory processes** | **60%** | |
| [02.1] Harmonise, streamline and enhance identified processes related to Authorisation, Supervision and Enforcement for prioritised sectors. | 50% | Dec-26 |
| [02.2] Streamline and enhance the Fitness and Properness Assessment of authorised individuals. | 38% | Dec-26 |
| [02.3] Enhance transparency of the Authority's expectations, outcomes and processes. | 40% | Dec-26 |
| [02.4] Further develop the Financial Stability Monitor to include a number of emerging risks | 90% | Jul-25 |
| [02.5] Assessment with a view to strengthen referral process from supervision to enforcement. | 80% | Oct-25 |

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| **[SP03] Increase operational efficiency through focused investment in our management systems** | **70%** | |
| [03.1] Procurement and implementation of systems and tools, as core enablers for the MFSA's ongoing digitalisation journey | 54% | Dec-26 |
| [03.2] Modernisation of Technological infrastructure | 55% | Dec-26 |
| [03.3] Strengthen the Authority's cybersecurity posture | 63% | Dec-26 |
| [03.4] Improved internal Governance, Risk and Compliance management purposes. | 79% | Dec-26 |
| [03.5] Modernisation and upkeep of Physical Infrastructure | 100% | Jun-25 |
| **[SP04] Strengthen financial and operational independence** | **100%** | |
| [04.1] Reassessment and implementation of a revised MFSA Fee Structure | 100% | Jan-25 |
| **[SP05] Contribute towards effective transposition and implementation of Single Market legislation** | **88%** | |
| [05.1] Ensuring effective transpositions/implementation and enhanced coordination | 75% | Dec-26 |
| [05.2] Ensuring implementation readiness, by ascertaining: (i) early implementation plans; (ii) design of the supervisory framework; (iii) standardised supervisory processes; (iv) enhanced industry alignment. | 100% | Jun-24 |
| **[SP06] Streamline existing legal and regulatory frameworks** | **40%** | |
| [06.1] Strengthen the regulatory framework | 59% | Dec-26 |
| [06.2] Review and update legal frameworks to reflect market needs which are gaining prominence and address regulatory weaknesses | 20% | Dec-26 |
| **[SP07] Identify and monitor prudential and conduct risks in a preventive manner** | **77%** | |
| [07.1] Consolidation of the MFSA's internal Risk Manuals | 62% | Dec-25 |
| [07.2] Enhance annual targets on emerging risks to ensure clearer supervisory outcomes | 100% | Dec-24 |

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| [07.3] Finalise Conduct Risk Model with a view to assigning a conduct risk rating to entities falling within the remit of Conduct Supervision | 100% | Jan-25 |
| [07.4] Set up a macro modelling framework that captures the effects of emerging macroprudential threats on the financial soundness of entities | 45% | Dec-25 |
| [07.5] Develop a banking sector impact assessment tool, at both entity and industry level, that quantifies the effect on capital and liquidity | 76% | Dec-25 |
| [07.6] Enhance the Financial Sector Contagion Model | 80% | Dec-25 |
| **[SP08] Avoid and eliminate bureaucratic practices** | **100%** | |
| [08.1] Streamlining of MFSA's decision making processes and practices | 100% | Sept-24 |
| **[SP09] Align our priorities with the single programming framework at European level** | **100%** | |
| [09.1] Continue to align MFSA yearly Supervisory Priorities document with European Inter-institutional work programme | 100% | Jun-24 |
| **[SP10] Address ICT risks and digital finance challenges within the framework of DORA** | **86%** | |
| [10.1] Implement the necessary legal and policy work, supervisory systems and solutions to facilitate new obligations emanating from DORA | 77% | Dec-26 |
| [10.2] Implement a Threat Led Penetration Testing Framework in accordance with the TIBER-EU framework | 95% | Jul-25 |
| **[SP11] Work with the Joint Financial Stability Board and the European Systemic Risk Board** | **51%** | |
| [11.1] Implement the ESRB Recommendation on vulnerabilities in the EEA commercial real estate sector | 62% | Mar-26 |
| [11.2] Upgrade the Non-bank Financial Intermediation (shadow banking) Analysis | 10% | Dec-26 |
| [11.3] Provide country specific input to ESRB/ECB vulnerability assessments | 75% | Dec-25 |
| [11.4] Continue building on the MFSA's climate change risk assessment and quantify potential effects on the Maltese financial system. | 58% | Dec-25 |

| Pillar II – Sustaining a resilient, internationally networked financial sector | | |
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| **[SP12] Intensify efforts to maintain and build new inter-institutional relationships** | **75%** | |
| [12.1] Strengthen collaboration with CBM, MBR, FIAU, SMB, MGA and other public authorities | 89% | Dec-26 |
| [12.2] Strengthen MFSA's position in international fora, develop international relationships & engage further with foreign counterparts. | 70% | Dec-26 |
| [12.3] Strengthen cooperation and timeliness of exchange of information requests | 65% | Dec-26 |
| **[SP13] Develop informed, early-stage, co-ordinated policy positions** | **67%** | |
| [13.1] Advise government in the formulation of policy positions relating to the financial services industry | 100% | Jun-25 |
| [13.2] Strengthen engagement and coordination with policy makers and stakeholders, on EU and international legal frameworks | 50% | Dec-26 |
| [13.3] Strengthen the alignment with diplomatic channels | 50% | Dec-26 |
| **[SP14] Maintain an open, healthy and transparent approach to consultation** | **73%** | |
| [14.1] Creation of a structured and streamlined MFSA process for increased harmonisation, consistency and transparency when issuing public consultations | 100% | Jun-24 |
| [14.2] Early engagement with stakeholders, on proposed updates/ amendments to regulatory frameworks | 70% | Dec-26 |
| [14.3] Explore ways to ensure that appropriate media and channels are used so that the Authority's public consultations also reach consumers, besides authorised entities and practitioners | 50% | Dec-26 |
| **[SP15] Engage with counterparts to address gaps and overlaps in regulation** | **76%** | |
| [15.1] Improve data gathering and information sharing with other authorities | 27% | Dec-26 |
| [15.2] Seek opportunities to eliminate duplicate information received by local institutions and seek to achieve a Single Point of Entry | 100% | Jun-24 |
| [15.3] Actively participate in European level policy projects aimed at reviewing and streamlining reporting requirement frameworks | 100% | Jun-25 |

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| **[SP16] Develop a high level of crisis preparedness** | **54%** | |
| [16.1] Finalise the MFSA's Business Continuity Plan | 100% | Dec-24 |
| [16.2] Ensure that all credit institutions have binding minimum requirement of own funds and eligible liabilities (MREL) | 100% | Jun-24 |
| [16.3] Continue to develop frameworks on recovery and resolution of licensed institutions, in line with European requirements | 40% | Dec-26 |
| [16.4] Continue to cooperate with relevant stakeholders to ensure that the National Crisis Management Framework is constantly updated and kept in line with applicable European standards | 23% | May-26 |
| [16.5] Continue aligning the MFSA's Resolution Framework with the Single Resolution Mechanism including the implementation of SRB/EBA Guidelines, handbooks and technical standards | 65% | Dec-26 |
| [16.6] Update legislation on Insolvency Proceedings for credit institutions in line with the IMF recommendations | 79% | Jun-26 |
| [16.7] Cooperate with other Authorities to conduct a Simulation Exercise at National Level to test crisis preparedness | 20% | Jun-26 |
| [16.8] Enhance internal cross-functional cooperation to enhance responsiveness in the event of a crisis | 5% | Feb-26 |
| **[SP17] Implement national and EU AML/CFT Strategy** | **77%** | |
| [17.1] Participation and alignment with National AML/CFT Strategy | 85% | Feb-26 |
| [17.2] Consolidate the integration of AML/CFT in our Authorisations, Prudential and Conduct Supervision framework | 92% | Dec-26 |
| [17.3] Proactively monitor and assess developments regarding the proposed EU AML Package | 51% | Dec-26 |
| [17.4] Adhere to and enhance the MOU with FIAU and continue to conduct direct AML/CFT supervision on MFSA authorised entities, as agents of FIAU | 61% | Dec-26 |
| [17.5] Participate in research-based initiatives to identity the risk factors of transnational high-level corruption and schemes used to circumvent EU sanctions. | 100% | Apr-25 |
| [17.6] Continue to develop and strengthen cooperation agreements and support networks with our international and national partners in our fight against financial and organised crime | 72% | Feb-26 |

| Pillar III – Promoting good governance and compliance | | |
|---|---|---|
| **[SP18] Place our good corporate governance programmes on a durable platform** | **71%** | |
| [18.1] Identify and promote good governance practices by means of initiatives aimed at promoting best governance practices across the industry | 100% | Jun-25 |
| [18.2] Strengthen the MFSA sectoral regulatory frameworks by updating and reviewing existing sector-specific corporate governance codes/ guidelines and rulebooks on governance. | 50% | Dec-26 |
| [18.3] Continue improving corporate governance standards of listed entities, as part of the proposed MFSA Capital Markets Strategy | 62% | Jan-26 |
| **[SP19] Launch compliance initiatives designed to ensure, build and maintain confidence levels** | **63%** | |
| [19.1] Continue to communicate clearly the MFSA's supervisory expectations on compliance | 100% | Jun-24 |
| [19.2] Assessing whether an MFSA regulatory regime, aimed at improving accountability of approved persons and key function holders, is required | 25% | Dec-26 |
| **Pillar IV – Embracing innovation** | | |
| **[SP20] Seek to adopt a best practice approach in the ongoing implementation of an integrated sustainable finance supervisory framework** | **60%** | |
| [20.1] Ensure correct and timely implementation of EU Sustainable Finance legislation and convergence measures in consultation with the respective public and private stakeholders | 80% | Dec-25 |
| [20.2] Strengthen our participation and collaboration with European and International bodies in implementing and promoting the coherence, cohesiveness, and consistency of the sustainable finance framework | 50% | Mar-26 |
| [20.3] Integrate ESG framework requirements into the authorised entities' life cycle and the MFSA's supervisory practice to ensure compliance with the applicable requirements | 50% | Mar-26 |

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| **[SP21] Develop our expertise and capacities to meet the new supervisory responsibilities** | **100%** | |
| [21.1] Continue developing expertise in Sustainable Finance through upcoming Conferences, technical training and self-paced certifications for self-development. | 100% | Jun-25 |
| [21.2] Enhance MFSA's capacity and capability to design, develop and implement structured reforms, processes and supervisory tools for the effective monitoring of sustainable finance requirements | 100% | Sept-24 |
| **[SP22] Ensure a holistic and effective implementation of the Digital Finance Package** | **70%** | |
| [22.1] Ensure effective implementation of: MiCA; DORA; DLT Pilot Project; ESAP; Retail Payment Strategy | 70% | Dec-26 |
| **[SP23] Engage with our peers at national, EU and international level** | **100%** | |
| [23.1] Develop strategies to facilitate innovation in a sustainable manner in collaboration with other local stakeholders | 100% | Jun-25 |
| [23.2] Engage with EU and international stakeholders including the ESAs and GFIN in order to share innovative business use cases and the development and adoption of best practices in supervisory techniques | 100% | Jun-25 |
| **[SP24] Evaluate emerging and innovative business models** | **83%** | |
| [24.1] Continue work on key FinTech initiatives | 100% | Jun-25 |
| [24.2] New strategic regulatory policy initiatives in the field of Asset Management, such as, the development of: [i] a legal framework for funds established as Limited Partnerships without legal personality; and [ii] Notified PIFs | 100% | Feb-25 |
| [24.3] Assess the need for developing a cross-industry approach to outsourcing | 0% | Dec-26 |
| [24.4] Evaluate emerging opportunities and other Innovative Ideas | 100% | Dec-24 |
| [24.5] Assess and evaluate new conduct risks emerging from new business models. | 100% | Dec-24 |
| [24.6] Insurance Business Models | 100% | Aug-24 |

| Pillar V – Engaging with the public | | |
|---|---|---|
| **[SP25] Engage with the Malta Competition and Consumer Affairs Authority and other public institutions** | **74%** | |
| [25.1] Engagement with secondary and post-secondary educational institutions | 75% | Jun-26 |
| [25.2] Engagement with entities providing adult education in financial literacy | 100% | Jun-25 |
| [25.3] Enhance financial literacy in local journalism | 20% | Dec-26 |
| [25.4] Maintain and Enhance Consumer Awareness Campaigns and commissioning of Consumer Surveys on particular topics to enable the MFSA enhance and better focus its education campaigns and regulatory engagements | 100% | Dec-24 |
| [25.5] Engage with Consumer Associations | 75% | Dec-26 |
| **[SP26] Increase our regular engagement and outreach initiatives** | **100%** | |
| [26.1] Assess the need for the establishment of selected formal stakeholder panel/s with industry stakeholders and associations | 100% | Mar-24 |
| [26.2] Continue holding MFSA Regulatory Briefing sessions with the industry | 100% | May-24 |
| [26.3] Continue outreach initiatives through publication of documents on various aspects of the MFSA's work. | 100% | Mar-24 |
| **[SP27] Work with public and private institutions to identify employment needs, develop training opportunities and new ways of attracting top talent to the sector** | **94%** | |
| [27.1] Collaborate with education institutions for the purposes of creation and development of accredited courses in financial services | 88% | Feb-26 |
| [27.2] Identify collaboration opportunities with other EU National Competent Authorities aimed at potential staff exchange and training opportunities for the purposes of enhancing knowledge and experience | 100% | Jun-25 |