

**SUPERVISION
PRIORITIES 2026**

Contents

Table of Abbreviations	3
Section I.....	5
Overview & Update - Supervision Priorities 2025.....	5
The significance of our Supervisory Priorities.....	6
Spotlight on Artificial Intelligence & Cross-Border Supervision.....	7
The MFSA’s contribution towards Simplification & Burden Reduction.....	12
Section II.....	14
Compliance Outcomes-Based Supervision – An Update and Way Forward	14
Our Progress so far	15
Sectoral Supervision.....	15
Cross-Sectoral Supervision	26
Section III.....	33
Supervision Priorities 2026.....	33
Supervision Priorities 2026.....	34
Conclusion	46

Table of Abbreviations

AIFs	Alternative Investment Funds
AIFMs	Alternative Investment Fund Managers
AIFMD	Alternative Investment Fund Managers Directive
AML	Anti-Money Laundering
AMLA	Anti-Money Laundering Authority
AMLD	Anti-Money Laundering Directive
AMLR	Anti-Money Laundering Regulation
BRA	Business Risk Assessment
BRRD	Bank Recovery and Resolution Directive
CASPs	Crypto Asset Service Providers
CEO	Chief Executive Officer
CFT	Combating the Financing of Terrorism
CIS	Collective Investment Scheme
CPF	Counter-Proliferation Financing
CSA	Common Supervisory Action
CSP(s)	Company Service Provider(s)
CSRD	Corporate Sustainability Reporting Directive
CTF	Counter-Terrorism Financing
DLT	Distributed Ledger Technology
DORA	Digital Operational Resilience Act
EBA	European Banking Authority
EC	European Commission
ECB	European Central Bank
EIOPA	European Insurance and Occupational Pensions Authority
EMIR	European Market Infrastructure Regulation
ESA(s)	European Supervisory Authority(ies)
ESG	Environment, Social and Corporate Governance
ESMA	European Securities and Markets Authority
EU	European Union
FATF	Financial Action Task Force
FIAU	Financial Intelligence Analysis Unit
FIs	Financial Institutions
FiDA	Financial Data Access (Regulation)
FiR (03)	Financial Institutions Rulebook
FT	Financing of Terrorism
GRC	Governance, Risk & Compliance

IBIPs	Insurance-Based Investment Products
ICAAP	Internal Capital Adequacy Assessment Process
ICT	Information and Communications Technology
ICT-TPPs	ICT Third-Party Providers
IFR/IFD	Investment Firm Regulation/Directive
ILAAP	Internal Liquidity Adequacy Assessment Process
INEDs	Independent Non-Executive Directors
JSON	JavaScript Object Notation
KYC	Know Your Customer
MDIA	Malta Digital Innovation Authority
MiCA	Markets in Crypto Assets
MiFID	Markets in Financial Instruments Directive
MiFIR	Markets in Financial Instruments Regulation
MFSA	Malta Financial Services Authority
MLRO	Money Laundering Reporting Officer
NCA(s)	National Competent Authority(ies)
NRA	National Risk Assessment
OECD	Organisation for Economic Co-operation and Development
PF	Proliferation Financing
PMLA	Prevention of Money Laundering Act
PMLFTR	Prevention of Money Laundering and Funding of Terrorism Regulations
POG	Product Oversight & Governance
PSD	Payment Services Directive
PSR	Payment Services Regulation
REQ	Risk Evaluation Questionnaire
RSA	Retirement Scheme Administrator
SFDR	Sustainable Finance Disclosure Regulation
SREP	Supervisory Review and Evaluation Process
TF	Terrorist Financing
TFS	Targeted Financial Sanctions
TIIIs	Tied Insurance Intermediaries
TLPT	Threat-Led Penetration Testing
TUBOR	Trusts Ultimate Beneficial Ownership Register
UCITS	Undertakings for the Collective Investment in Transferable Securities
VASPs	Virtual Asset Service Providers

Section I

Overview & Update - Supervision Priorities 2025

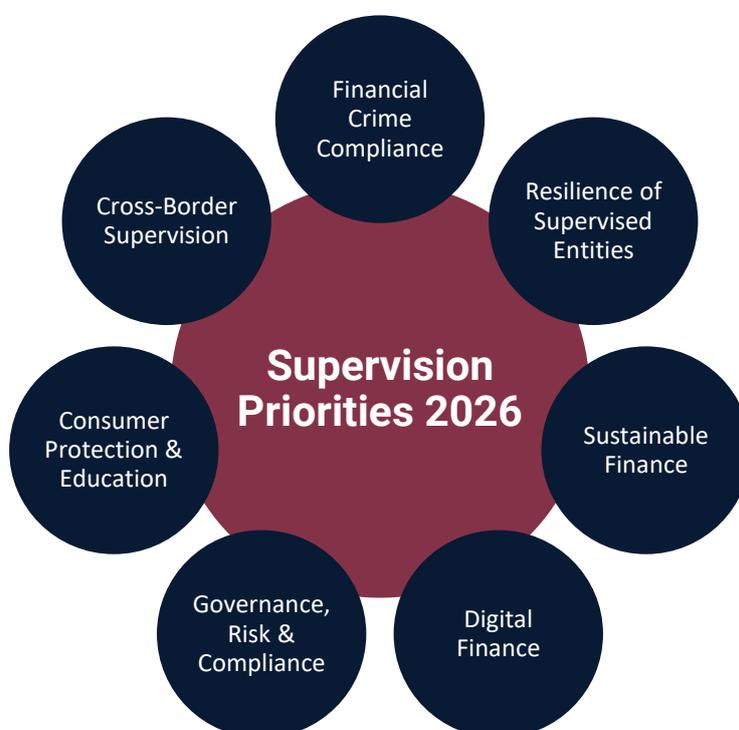


The Significance of Our Supervisory Priorities

The annual publication of the supervisory priorities document highlights the MFSA's main supervisory focus areas for the upcoming calendar year. This document underscores the MFSA's efforts in achieving the three main objectives of financial services regulation - the protection of consumers of financial services, market integrity and financial stability.

The MFSA's supervisory priorities for 2026 are aligned with current regulatory developments and market environment, the EU Strategic Priorities, the work programmes of the European System of Financial Supervision, recommendations of international standard setters, as well as regulatory and supervisory experience.

The supervisory priorities outlined in 2025 maintain their relevance in 2026, therefore the MFSA is once again committing to achieve progress in seven priority areas. These include the Resilience of its Supervised Entities, Sustainable Finance, Digital Finance, Governance Risk & Compliance, Financial Crime Compliance, Consumer Protection & Education and Cross-Border Supervision.



The MFSA will also continue to implement its Compliance Outcomes-Based approach throughout the supervision of the entire financial services sector, building on the progress and momentum that was achieved since its introduction in 2024.

It is important to note that the supervisory priorities outlined in this document should not be considered in isolation, but rather as focus areas of a wider array of work which the Authority will be performing in 2026.

The priorities set out in this document may change during the year as the Authority responds to emerging events. Any such changes will be communicated through further interactions, as may be deemed necessary.

Spotlight on Artificial Intelligence & Cross-Border Supervision

As the financial services sector continues to evolve, the MFSA is increasingly focusing on emerging technologies and their impact across financial services and on regulatory frameworks. In 2025, Artificial Intelligence (AI) received increased supervisory focus, reflecting both its growing use across financial services as well as the recent obligations stemming from EU regulatory initiatives. The MFSA recognises that AI offers significant opportunities for innovation and efficiency, while also presenting new risks related to governance, ethical use and consumer protection. In 2026, the Authority will step up its supervisory interactions to assess how supervised entities are integrating AI into their frameworks, to ensure that innovation is matched by a proportionate level of supervision and compliance.

In parallel, cross-border supervision retains its importance as a key supervisory priority. The MFSA will continue to strengthen its collaboration and cooperation with European and international counterparts to effectively supervise entities operating across jurisdictions.

The following section provides insights into how the MFSA tackled AI in 2025 and how it aims to enhance its efforts to supervise its use in 2026. This section will also cover the MFSA's contribution to cross-border supervision in 2025.

Artificial Intelligence (AI)

In 2025, the MFSA set up an internal working group comprising of members from various supervisory functions within the Authority, to fulfil its role in the supervision of the evolving use of AI within financial services. For instance, the ECB's [annual data collection on the use of innovative technologies](#) highlights a sharp increase in AI use cases among European banks, including the use of AI for credit scoring and fraud detection, both relevant to micro-prudential supervision.

In parallel, the AI Act (EU) 2024/1689 introduced several obligations for entities supervised by the MFSA. In preparation for its full applicability in 2026, the Authority has taken proactive steps to ensure readiness. To this end, the MFSA has collaborated closely with the MDIA, the prospective designated authority for purposes of the AI Act, to promote effective information-sharing and minimise duplication of effort for supervised entities.

The MFSA also introduced the use of AI as part of its conduct supervisory engagement with supervised entities. Engagements indicated that most entities remain in the early stages of AI adoption, with current applications largely focused on internal operational efficiencies rather than client-facing processes. Any potential developments affecting the client journey are still under assessment, and companies are committed to updating the Authority as these progress. Supervisory discussions highlighted the importance of appropriate governance, accountability, and controls around emerging AI tools, including considerations related to data quality, model testing, and consumer protection. No material client-impacting AI deployments were observed during the period.

The implementation of AI within AML/CFT is also evident. In response to the increasing use of AI within the Maltese financial sector, the MFSA has considered the use of AI in credit institutions' AML/CFT compliance frameworks, particularly in relation to specific efforts intended to mitigate risks and instances of sanctions evasion, proliferation financing, and the financing of terrorism. The MFSA's observations and supervisory expectations in this regard will be published in a "Dear CEO Letter" in 2026.

Throughout 2025, the MFSA also sought to advance its understanding of AI as a tool to enhance supervisory effectiveness. MFSA officials attended targeted training and webinars to build sector-specific expertise. Workstreams were also initiated to strengthen data quality-related validation checks and automated controls, laying the foundation for responsible and informed integration of AI technologies into supervisory practices. Given its novelty, the MFSA is still considering the various possible use-cases and the extent to which AI may be implemented within its day-to-day supervisory workflows. That being stated, AI is expected to become an increasingly important tool for financial supervision.

Cross-Border Supervision

In 2025, the MFSA continued to reinforce its role in cross-border supervision through active collaboration with European counterparts and participation in ESMA-led initiatives. Engagement in Common Supervisory Actions, peer reviews, and technical committees has supported the consistent application of EU legislation and contributed to supervisory convergence.

The MFSA has maintained a proactive approach to information exchange, responding to requests from other NCAs and initiating communications where local market activity may have cross-border implications. These efforts have strengthened the MFSA's contribution to European supervisory alignment, supported policy development, and ensured that Malta's supervisory practices remain harmonised with broader EU standards.

From a cybersecurity perspective, the MFSA has engaged extensively with other NCAs to foster relationships and initiate discussions on the supervision of entities within the scope of DORA. In particular, the MFSA continues to participate in the Threat Intelligence-Based Ethical Red Teaming (TIBER) Knowledge Centre, a forum hosted by the ECB, which coordinates and discusses initiatives with other NCAs regarding cross-border TLPT preparations and shares insights from past engagements. Through this initiative, the MFSA officially adopted the TIBER-EU framework at a national level, as reflected in the publication of the [TIBER-MT and DORA TLPT-MT Implementation Document](#) in July 2025. This milestone demonstrates recognition by the TKC and

enables supervised entities to leverage the TIBER-EU framework in their TLPT engagements.

The Authority also remains actively involved in Oversight Forum meetings chaired by the ESAs, where the DORA Oversight Framework is discussed to ensure continuous alignment with European supervisory standards. The MFSA has also committed to contributing to the Oversight Framework's Joint Examination Teams, which are responsible for supervising designated European Critical ICT Third-Party Providers.

In 2025, the MFSA also prioritised cross-border supervision from a conduct perspective. In the Investments Services sector, the Authority issued an ad-hoc additional reporting request to twelve investment firms operating partnership-based and affiliate-based models across multiple EU jurisdictions. The report sought information on operational complexity, jurisdictional targeting strategies, compliance oversight, management of cross-border client relationships, innovations introduced, complaints, partnerships, online presence, and fee structures, including zero-commission models. The Authority also conducted its annual cross-border branch questionnaire, collecting information on branch activities, client types, and business volumes. In 2025, the questionnaire was extended to include conduct-related elements such as monitoring of branch operations, reporting and remediation of client-related findings, and oversight of marketing communications, including those issued in languages other than English.

Between 2024 and 2025, the Authority conducted five inspections under the ESMA CSA on Sustainable Finance, three of which involved firms with cross-border activities, focusing on the integration of sustainability factors within POG frameworks. A "Dear CEO" letter highlighting the Authority's findings and expectations in this sphere was also published in September 2025.

In the insurance sector, the Authority carried out targeted reviews focused on value for money of insurance products distributed cross-border through managing general agents and brokers. This included an assessment of remuneration arrangements, distributor costs and fees, and the overall product benefits delivered to policyholders in different jurisdictions. Supervisory work also examined how insurers monitor the conduct of their distributors, with specific focus on the oversight of delegated

authority arrangements, including reporting, governance structures, and controls in place to ensure compliance with regulatory expectations. In addition, the Authority conducted two onsite inspections with insurance undertakings carrying out cross-border activities to evaluate the effectiveness of their conduct-risk frameworks and distributor oversight practices.

In 2025 the MFSA also engaged with those entities which, as part of their business model, passport their services, specifically credit products, to other member states. The focus of this engagement was primarily related to proper POG requirements, disclosure of fees and correct APR calculation for clients to be able to make an informed decision before signing any credit agreements. In addition to this, a Dear CEO Letter was issued in December of 2025 highlighting the Authority's expectations following various supervisory interactions.

Throughout 2025, the MFSA substantially increased submissions to the EBA's central AML/CFT database, namely EuReCA, that records identified material weaknesses. The MFSA's exchange of information is intended to facilitate cross-border supervision in the eventuality where other European NCAs submit requests to the EBA to access entity/individual-specific information previously submitted by other competent authorities. These efforts form part of the MFSA's overall contributions to the European financial market which included the drafting of new Regulatory Technical Standards, particularly on risk assessment, selection criteria, customer due diligence, and sanctions.

The MFSA's Contribution Towards Simplification & Burden Reduction

The MFSA recognises the challenges that regulatory and reporting requirements impose on supervised entities. Firms increasingly face cumulative burdens from years of regulatory expansion and from the EU's accelerated efforts to support green and digital transitions. Fragmented obligations across multiple legal instruments further increase complexity, while detailed and technical rules introduced within tight timelines make implementation demanding for market participants.

In 2025, the MFSA intensified its focus on simplification and burden reduction in line with the European Commission's initiative to streamline the regulatory environment and cut administrative costs across the Union. With the Commission setting new reduction targets of 25% overall and 35% for SMEs, the MFSA was directly involved in EU-level discussions, particularly within ESMA and the EBA.

In early 2025, the MFSA consulted industry stakeholders to identify areas within the EU regulatory framework that could be simplified without undermining financial integrity. Feedback was sought on obligations for investment firms (MiFID II and IFR/IFD), asset management (UCITS and AIFMD), and issuers (Prospectus Regulation and Transparency Directive), including requirements viewed as disproportionate, duplicative, or growth-hindering. Stakeholders also provided recommendations for more efficient ways to achieve regulatory objectives. The MFSA received a wide range of responses, which it grouped into EU-level and national burdens. The Authority has since acted on several recommendations and began implementing measures to ease the burden of compliance whilst retaining the effectiveness of this important function.

Furthermore, a key milestone was achieved in 2025 with the launch of a pilot for the Financial Institutions sector aimed at enabling a single reporting submission for both the MFSA and the FIAU through the MFSA Portal. As part of this pilot, the MFSA maximised the opportunity by redesigning its return, resulting in a very significant reduction in the number of data fields collected and the elimination of duplication between the MFSA return and the FIAU REQ. This represented a concrete application of the "submit only once" principle in practice. Feedback from industry participants was positive, confirming a tangible reduction in reporting burden.

In parallel, the MFSA is also working with the Central Bank of Malta to identify and address areas of reporting duplication, with particular focus on the funds sector. This work seeks to reduce the repeated submission of similar or overlapping data to different authorities by improving alignment of data requirements and strengthening data-sharing arrangements. These initiatives are complementary to the wider harmonisation programme and are intended to deliver further burden reduction in sectors where reporting intensity is highest.

Building on this foundation, the focus is now shifting towards future-proofing the technical reporting. The next phase will introduce a machine-readable reporting format based on JSON, enabling greater automation within the financial sector. This will allow reporting data to be generated and submitted directly from internal systems, reducing manual intervention, operational risk, and compliance costs. Recognising the diversity of market participants, an alternative submission method will continue to be provided for supervised entities that prefer or require a more manual data-entry approach, ensuring proportionality and accessibility across the sector.

In parallel, the MFSA and FIAU will continue to pursue further harmonisation of reporting requirements and additional reductions in the number of data fields collected within submissions. The objective remains to ensure that only data which is legally required or operationally necessary is requested, with clear definitions and consistent application across authorities.

In 2026, the MFSA will aim to launch a future-proofed reporting solution across CSPs, Trusts and Fintech sectors. Subject to consultation outcomes and implementation readiness, the objective is to begin receiving 2026 reporting submissions in the new machine-readable format by 2027. This phased approach is intended to deliver sustainable burden-reduction while supporting a more efficient, automated and resilient regulatory reporting ecosystem.

Section II

Compliance Outcomes-Based Supervision – An Update and Way Forward



Our Progress So Far

In 2025, the MFSA expanded the Compliance Outcomes-Based Supervision model across all financial services sectors. Throughout the year, the MFSA carried out a number of supervisory interactions across all sectors and gathered tangible results on the performance of different sectors in relation to the specific tested outcomes. The MFSA also issued several “Dear CEO Letters” to communicate some of the findings from these supervisory interactions, highlighting best practices, limitations and expectations. The following section provides an overview of the work carried out in 2025, key results achieved and the published outreach, within the Compliance Outcomes-Based Supervision cycle.

Sectoral Supervision

Banking Supervision

In 2025, the MFSA integrated the Compliance Outcomes-Based Supervision approach within the banking sector, which set tangible expectations regarding financial resilience and governance. The compliance outcomes focused on enhancing ICAAP stress testing capabilities, ensuring credit institutions can identify and mitigate balance sheet vulnerabilities, improving ILAAP assessments to bolster liquidity and funding risk management, and promoting the adequacy of regulatory reporting to support transparency and financial stability. In addition, other compliance outcomes targeted stronger credit risk management frameworks, particularly for retail lending and commercial real estate exposures, to safeguard depositor confidence, maintain asset quality, and mitigate systemic risks. The achievement of these outcomes will enhance resilience and transparency in the banking sector in alignment with the evolving financial landscape.

In 2025, the MFSA carried out a thematic review to assess credit institutions’ implementation of the ICAAP and their stress testing frameworks. Questionnaires were sent to a sample of banks falling within scope, enabling the Authority to collect insights on governance arrangements and the integration of stress testing results into

capital planning. Subsequent to the submission of responses, the MFSA conducted an analysis to identify good practices and common shortcomings across the sample. The findings will serve as the basis for a “Dear CEO Letter” scheduled to be published in 2026, which will give an overview of the main observations and supervisory expectations on ICAAP and stress testing across the banking sector.

Moreover, the MFSA conducted another thematic review on another sample of banks to assess the ILAAP. Questionnaires were sent to a number of banks to assess the robustness of their liquidity risk management frameworks. The exercise provided insights into how entities identify, measure and manage liquidity risks under normal and stressed scenarios. Following an in-depth analysis, the MFSA identified a number of strengths and weaknesses in this area. A “Dear CEO Letter” will be published in 2026 to communicate the findings and the MFSA’s expectations on ILAAP practices throughout the banking sector.

The MFSA also focused on the adequacy of reporting in the banking sector. The Authority carried out a comprehensive assessment of supervisory reporting performance on a sample of LSIs focusing on quantitative and qualitative metrics. Some key insights extracted from the assessment concluded that timeliness does not always guarantee adequacy or accuracy. While the submission deadlines were mostly met, completeness and accuracy related errors led to a number of resubmission requirements. The high frequency and materiality of resubmissions in some LSIs revealed deficiencies in first-time-right controls. If not adequately tackled, this may directly constrain the Authority’s ability to form accurate supervisory decisions. The analysis also concluded that institutions with a proactive approach demonstrated stronger governance and better outcomes compared to those with reactive and minimal communication. In October 2025, the MFSA published a [“Dear CEO Letter”](#) with the findings and expectations in this area.

The MFSA also tested credit risk management frameworks covering commercial real estate lending of a number of banks through a thematic review. Findings related to shortcomings in banks’ documented organisational and operational structure, internal control framework, escalation procedure and definition of default. In 2026, remediation

and outreach will be carried out with the issuance of specific communication to the respective banks and the publication of a “Dear CEO Letter” addressed to all financial entities. Similarly, onsite inspections were carried out on a sample of banks having short-term retail lending, to assess related processes and policies. Findings were duly communicated to the banks in the sample and remediation plans will be carried out in 2026.

Investment Services Supervision

In 2025, the MFSA introduced four outcomes for the investment services and asset management sectors. From an asset management perspective, the outcomes focused on ensuring adequate control functions within AIFMs and UCITS ManCos and the effectiveness on the oversight of outsourcing arrangements. In terms of Investment firms, the Authority focused on assessing the preparedness of recovery plans to manage severe stress scenarios, in line with the BRRD. In addition, the MFSA targeted compliance with the [Control of Assets Regulation](#), focusing on credit institutions which also hold an investment services licence, offering safekeeping services as an ancillary service. These outcomes aimed to enhance the integrity and resilience of investment services entities, ensuring effective protection of investors and the stability of the sector.

The assessment of control functions formed part of a Common Supervisory Action launched by ESMA in 2025 with European NCAs. To this end, the MFSA carried out a thematic review that entailed a sample covering 18% of authorised Management Companies that manage UCITS and/or AIFs, and that collectively managed 24% of the total Assets under Management as of 31 December 2024. The selection aimed to include a mix of small, medium, large sized entities. The thematic review was carried out in three phases. Firstly, an initial self-assessment questionnaire, secondly, desk-based reviews of the questionnaire response and supporting documentation and finally, supervisory inspections with a selected pool of Management Companies within the sample falling within the scope of the questionnaire. By the end of 2025, the MFSA delivered a final report to ESMA and subsequently published the common findings and expectations to the industry. The MFSA will subsequently reassess the

implementation of remedial measures to address identified gaps by Management Companies.

Some preliminary observations derived from this exercise include failures related to reporting to the decision-making body in relation to matters discussed during Risk and Compliance Committee meetings, deficiencies in escalation of compliance breaches and open compliance issues, and the absence of formalised escalation frameworks or clear procedures for resolving disagreements between compliance and other control or business functions. The MFSA also noted that several policies and procedures were outdated or not maintained as live documents, with conflicts of interest registers often lacking timely updates, sufficient detail or evidence of mitigating measures and regular review.

In addition, compliance monitoring plans were sometimes not based on comprehensive risk assessments, did not fully cover all business areas or failed to document testing results and remediation plans. Lack of training in key areas related to investment management and control functions also continued to be a repeated finding. In relation to internal audit, while most Management Companies relied on derogations, limited evidence was provided of effective alternative arrangements and where internal audit functions existed, audit planning and follow-ups were not always adequately documented.

The MFSA also assessed the outsourcing arrangements in place within the asset management sector. The thematic review aimed to assess the extent of outsourcing of critical functions and the adequacy of outsourcing policies and due diligence policies and procedures at pre-outsourcing stage and on an ongoing basis. A sample of 21 supervised entities was chosen and one of the prevalent findings was that several self-managed schemes do not consist of any employees and all key functions are outsourced. As a result, this has an implication that such structures may be operating with a 'letter-box entity' structure and that certain outsourced functions are potentially wrongly classified as 'in-house'. In addition, certain supervised entities do not have a thorough outsourcing policy in place and/or is not being followed properly.

Due diligence at pre-appointment stage and on an ongoing basis is also weak, relying on authorised status and repute of the provider.

In the area of recovery planning, the MFSA assessed a sample of 21 investment firms based on the criteria of having an initial capital requirement of EUR 750K, deal on their own account and/or offer underwriting of financial instruments and/or placing of financial instrument on a firm commitment basis as referred to in Section A of Annex I to Directive 2014/65/EU ('MiFID'). The MFSA reviewed their recovery plans and identified a number of observations. Firstly, several entities did not provide the recovery plan in the correct structure as outlined by the relevant Guidelines, and there were instances where the investment firms' core business lines and critical functions did not include the assessment as per the relevant Commission Delegated Regulation. Moreover, the stress scenarios considered were sometimes too generic, without taking into consideration the business model of the investment firm.

The fourth outcome considered investment firms which are also licensed as credit institutions, offering ancillary safekeeping. In 2025, the MFSA issued a self-assessment questionnaire to assess safekeeping arrangements with credit institutions providing investment services activities, and the safeguards in place including reconciliations/record keeping in order to determine compliance with the regulations. The MFSA will continue to engage directly with the supervised entities falling within the scope of this thematic review.

The MFSA also issued a position paper on the tokenisation of fund units, setting out the Authority's supervisory expectations in relation to the tokenisation of shares or units issued by funds of Collective Investment Schemes. The paper focused on the role of transfer agents, given their central function in the maintenance of blockchain-based registers and the operation of smart contracts. This initiative constituted an initial step towards facilitating the orderly and responsible adoption of tokenisation within the local market, with the potential to mitigate certain operational inefficiencies, while maintaining investor protection.

The token is legally considered a digital representation of a unit in a Fund, and the Fund Administrator remains responsible for maintaining the share register, irrespective of

the records held on a DLT ledger. The tokens can be transferred through whitelisted wallets, subject to satisfactory conclusion of AML/KYC checks and the fund issuing the tokens must be denominated in fiat currency. The MFSA will continue studying the practical implications and use of tokenisation.

Insurance & Pensions Supervision

The main compliance outcomes for the insurance and pensions sector in 2025 aimed to enhance governance, data quality, risk management and appropriate use of reinsurance.

Supervisory work focused on the effective implementation of the risk management function which is essential for ensuring that an undertaking can identify, assess, and mitigate risks across all areas of its operations and helps the board and management make informed decisions aligned with the company's risk appetite. A robust risk management function also ensures that undertakings have the systems needed to enhance operational resilience, strengthen internal controls, and support sound governance across all levels of the undertaking. The MFSA also assessed the implementation of effective oversight role of INEDs, since this contributes to the promotion of good governance, risk management, and compliance culture within the undertaking.

The Authority has also assessed the accuracy and quality of financial returns submitted, for the MFSA to be able to confirm insurers' compliance with capital, solvency, and reporting requirements, while also allowing the MFSA to identify emerging risks, solvency concerns and any liquidity issues. The Authority examined the use of reinsurance as a risk mitigation tool, in line with EIOPA expectations, to ensure undertakings apply sound governance and maintain financial stability. These outcomes collectively aimed to reinforce the sector's robustness and supervisory confidence.

The implementation of an effective risk management function was tested through supervisory inspections and a thematic questionnaire. Following the compilation of responses and the finalisation of the supervisory inspections, the MFSA analysed all

the gathered data and will communicate them to the industry. Where an inspection has been carried out, the respective undertakings will also receive specific observations through a post-inspection letter.

With regards to the outcomes relating to the implementation of an effective oversight role by INEDs, the MFSA held one-to-one supervisory meetings with selected INEDs and will communicate its findings in 2026. Regarding the assessment of data quality in regulatory financial returns, the MFSA carried out supervisory inspections in 2025. The fourth outcome, which focused on assessing the effectiveness of reinsurance by undertakings, was carried out through a questionnaire which was submitted to a select number of insurance undertakings, with follow-up one-to-one meetings to clarify and discuss responses. In 2026, the MFSA will be releasing the necessary outreach to communicate the findings and expectations in all the mentioned areas in the insurance and pensions sectors.

Capital Markets Supervision

For the capital markets sector, the MFSA introduced four compliance outcomes aimed at enhancing transparency, governance and market integrity. Particular focus was first allocated towards the proper implementation of sustainability reporting requirements under the CSRD and EU Taxonomy Regulation to improve comparability of disclosures and minimise greenwashing risks. However, cognisant of the significant developments both locally and at EU level, particularly the Omnibus legislative proposals and the transposition process of the CSRD, the Authority is adopting proportionality in following up on the respective outcome. Supervisory work focused on addressing shortcomings in MiFIR transaction reporting and strengthening EMIR Refit compliance, particularly among entities with weaker reporting standards, to enhance data quality and transparency in derivatives markets. Moreover, the MFSA assessed corporate governance practices, with particular focus on gender diversity and adherence to Principle 3 of the Code of Principles of Good Corporate Governance.

With regards to MiFIR transaction reporting, a number of supervisory meetings focusing on MiFID II and MiFIR were conducted in 2025, providing valuable insights into firms' preparedness and highlighting common issues such as the reporting of the

Trading Venue Transaction Identification Code (TVTIC) and Trading Capacity. As confirmed during the supervisory meetings, in 2026, the Authority will issue a formal and industry-wide guidance in relation to how transaction reporting should be undertaken whilst taking into consideration the issues discussed during these supervisory meetings.

In 2025, the MFSA continued to focus on improving quality and consistency of derivative reporting under EMIR Refit. A sample of 15 supervised entities was selected for the purpose of carrying out a number of focused Supervisory Inspections. The primary criteria for selection included a focus on the entities that in a 2024 survey stated that they report directly to a Trade Repository. In 2026, the necessary outreach will be conducted to support remediation and promote best practices.

Some of the key insights from this exercise highlighted that the transition to EMIR Refit has been challenging and costly, especially for smaller entities. Moreover, common gaps include incomplete adoption of the new schema and/or validation rules, and lack of internal controls for error notifications. The MFSA also noted how entities with early adoption of new schemas showed better preparedness. In 2026, the MFSA will continue engaging with reporting entities to monitor effective implementation. The Authority also aims to develop further supervisory controls to assess reconciliation and error management practices. This will be followed by an appropriate supervisory action plan with respect to the worst performing supervised entities, which will identify entities with significant gaps and plan targeted outreach. In 2026, the MFSA will monitor progress toward 2026 targets and prepare for re-assessment in 2027.

In the area of capital markets, corporate governance was highly prioritised in 2025. In the beginning of the year, 15 issuers were selected for the purpose of carrying out an onsite inspection. Being at the heart of good corporate governance, the focus of the visit was an assessment of the effective implementation of an Issuer's Audit Committee. Where applicable, the extent of compliance with the requirements of the Gender Diversity Directive have also been delved into, including identification of the extent of changes required internally, particularly when vacant directorship posts

arise. All the entities received a self-assessment questionnaire to determine applicability or otherwise of the Gender Diversity Directive's new requirements.

The main observations gathered from the assessment of this outcome include non-exhaustive disclosures supporting the independence assessment in the Corporate Governance Statement, a lack of sufficient detail in the audit committee meeting minutes supporting any decisions taken in relation to related party transactions, and meetings held remotely, amongst others. In 2026, a "Dear CEO Letter" will be published, highlighting the MFSA's expectations, ahead of the re-assessment in 2027.

FinTech Supervision

In the Fintech sector, covering both Financial Institutions and CASPs, the MFSA focused on the following key outcomes: safeguarding of assets, governance and compliance with passporting rules, business resilience, MiCA preparedness, and the governance of outsourcing arrangements. Supervisory work concentrated on addressing governance gaps, concentration risks, and data quality issues, particularly among smaller firms. These compliance outcomes aimed to ensure that innovative business models are supported by sound operational foundations, legal compliance, and preparedness for the MiCA framework.

In 2025, supervisory inspections were conducted to assess safeguarding of assets and outsourcing practices. These were followed by a series of supervisory meetings. The prevalent findings in the assessment of safeguarding of assets were the high degree of concentration risks, lean governance and controls, and an overall immature culture. In the area of outsourcing arrangements, the main weaknesses were found in the form of poor self-assessments and the misclassification of relationships. Going forward, a survey will be run to assess compliance with recommendations both in the area of safeguarding as well as outsourcing.

In 2025, the MFSA also assessed business resilience in Financial Institutions, where a "[Dear CEO Letter](#)" was also published. By conducting a number of supervisory meetings, the MFSA found a degree of weak strategic planning, recognition of risks

and regular testing of Business Continuity Plans, as well as a consistent reporting of losses, lack of financial stress testing, and client concentration risk. From the operational standpoint, findings revolved around a lack of effective succession planning and alternate banking partners.

One of the outcomes set in the FinTech sector was to assess the level of MiCA readiness in licensed VASPs. Between 2024 and 2025, supervisory meetings were held with all active VASPs, followed by desktop reviews of the requested documentation. In this area, a high level of readiness was shown by international players and a key takeaway focused on the need for smaller players to revise their business models. Currently, VASPs are undergoing the MFSA's authorisation process to become CASPs in line with the MiCA regulation.

In 2026, as part of the Compliance Outcomes-Based Supervision cycle, the MFSA plans to carry out a thematic review with Financial Institutions to assess governance, compliance with [FIR03](#) and assess readiness of these licence holders to comply with the up-coming PSD3. Such thematic review will be followed up by supervisory inspections and meetings as necessary.

Moreover, the MFSA plans to assess the common findings, deficiencies, and control weaknesses observed across inspections of CASPs, and to use these insights to develop and issue supervisory guidance aimed at improving compliance, governance, and risk management practices across the sector. Additionally, the MFSA also plans to evaluate supervised entities' progress in remedying previously identified weaknesses related to safeguarding arrangements, including the protection of client assets and funds, segregation, reconciliation, and operational controls, and to assess whether safeguarding frameworks now operate in line with applicable regulatory requirements and supervisory expectations. In 2026, the Authority will also assess Authorised Persons' compliance with regulatory reporting obligations and the effectiveness of their systems, controls, and governance arrangements for detecting, preventing, and reporting market abuse, including the accuracy, timeliness, and completeness of regulatory submissions and suspicious transaction/activity reporting.

Trustees Supervision

In the trustees sector, the MFSA maintained momentum on the two outcomes that were communicated in the 2024 pilot project, focusing on the accuracy of beneficial ownership information reported by trustees on the TUBOR and the timeliness of reporting by authorised trustees. These outcomes are aimed at increasing transparency, alignment with statutory requirements, and supporting broader efforts to combat financial crime and strengthening market integrity by ensuring accurate and timely disclosure. TUBOR was selected due to the importance of the AML/CFT element in this sector, given that Trustees are considered as gatekeepers to the financial services sector, as well as the increased focus at an international level, on availability of beneficial ownership information.

As outlined in previous publications, the main supervisory tool used for the purposes of this analysis was the conduct of supervisory inspections, through which the MFSA could gauge and identify the worst performing trustees and worst performing objective, in terms of the above. An appropriate supervisory action plan, ranging from the imposition of remedial action plans, including necessary guidance, to further escalation for consideration of enforcement action, was implemented for the worst performing trustees which formed part of these focused supervisory inspections conducted in 2024.

In 2026, the MFSA intends to engage in outreach to the industry which will serve to communicate its findings from the Compliance Outcomes-Based exercise and the expectations in this regard, whilst also coupling this with updates on further upcoming changes impacting the frameworks relating to beneficial ownership registers, as a result of the legislative amendments at EU level brought about by the publication of the EU AML Legislative Package in 2024.

Company Service Providers Supervision

For CSPs, the MFSA introduced two compliance outcomes in 2025 which mainly focus on governance and oversight. The effectiveness of CSPs' risk management function was assessed, recognising the sector's exposure to operational and financial risks. Moreover, the MFSA also assessed oversight arrangements when CSPs provide

directorship and company secretarial services, to ensure appointed individuals fulfil their fiduciary responsibilities appropriately. These outcomes aimed to promote sound governance and safeguard market integrity, particularly in areas prone to misuse of corporate structures.

The adequacy of the risk management function of a sample of 10 CSPs was assessed. A series of supervisory meetings were held in 2025, with the subsequent analysis and a “Dear CEO Letter” being published in November 2025 including findings, positive outcomes and areas for improvement. The expectation is that all CSPs analyse the Authority’s expectations and that a gap analysis is conducted to identify any deficiencies. The second outcome related to the oversight arrangements when CSPs provide directorship and company secretarial services. A thematic review was undertaken in 2025, whereby 50 CSPs were invited to complete a questionnaire focused on the requirements of those providing these services with the aim of publishing a “Dear CEO Letter”. In 2026 the MFSA will be publishing the findings of this thematic review and intends to engage further with the industry in relation to the findings. Additionally, as part of the supervisory plan, the focus of supervisory interactions in 2026 will be on the provision of registered offices and incorporation services.

Cross-Sectoral Supervision

Conduct Supervision

In 2025, the MFSA targeted four outcomes in terms of strengthening consumer protection and market integrity. These included the oversight of an adequate sales process of TILs and the requirement for Compliance Officers to review and approve marketing communications issued by supervised entities, to ensure that these are fair, clear and not misleading. The MFSA also aimed to test effective complaints-handling procedures and assessed costs and charges of retail CIS and pension products to ensure value for money. Together, these outcomes raise conduct standards and improve outcomes for retail clients. Through this approach, the MFSA’s supervisory work targeted the full product lifecycle, from marketing and distribution, to post-sale

handling, verifying fair treatment of consumers at every stage. Such an approach also enhances firms' accountability and aligns conduct practices with EU consumer protection standards.

With regards to TIIIs' sales process, the MFSA covered all corporate TIIIs authorised to distribute long-term insurance business, including IBIPs. A total of 32 supervisory meetings were conducted with client-facing staff and, where applicable, individuals responsible for distribution oversight and compliance monitoring.

Some key thematic observations noted that although most TIIIs included a Demands and Needs Statement in the client file, several entities were unable to evidence the basis on which the recommended policy was deemed suitable. TIIIs forming part of groups holding multiple licences, such as investment firms or banks, generally exhibited more detailed sales processes and a stronger understanding of regulatory obligations.

The MFSA also conducted an assessment of the reviews of marketing material carried out by the supervised entities' compliance officers. This assessment tested the adequacy of governance frameworks, policies, and procedures governing the design, approval, and record-keeping of marketing communications. A sample of 10 investment firms and 8 insurance undertakings were required to complete a self-assessment questionnaire and submit supporting documentation. The preliminary findings from the submissions indicate a number of shortcomings. For example, some policies and procedures did not establish a comprehensive framework for the approval and oversight of marketing materials with a lack of structured checklists governing third-party marketing arrangements within investment firms. The exercise also observed a number of insufficient notifications concerning the use of hyperlinks directing clients from the supervised entities' website to third-party sites. These shortcomings should have been identified and addressed by the Compliance Function prior to publication/distribution.

In 2025, the MFSA also assessed the effectiveness and consistent application of complaints-handling frameworks of firms operating in the insurance, investment

services and banking sectors. Strengthening complaints handling practices remains crucial, particularly given the significant volume of cross-border, non-face-to-face business models, where the existence of clear and effective complaints mechanisms is essential for safeguarding consumer protection. The Authority assessed a sample of 10 investment firms, 8 insurance undertakings, and 6 credit institutions, and observed a number of shortcomings. The main weaknesses observed related to root-cause analysis and limited evidence that firms assess whether identified issues may impact wider processes or product offerings. The MFSA also noted frequent omissions or incorrect interpretations of key procedural requirements, including the handling of oral complaints, mandated timelines for acknowledgement and resolution, notification to clients of escalation of complaints to the Arbitrator of Financial Services, and reporting obligations to the Authority.

With regards to pensions and funds, the Authority undertook a review of the cost structure of Personal Pension Plan of Retirement Scheme Administrators. For this purpose, the Authority reviewed the cost disclosures set out in the Scheme Particulars published on the RSAs' website and engaged with the Scheme Administrators to clarify the investment strategies available within the schemes as well as the corresponding cost components. A gap analysis was undertaken comparing the cost disclosures submitted at authorisation with the costs currently being applied. Subsequent discussions with the Scheme Administrator were held to assess whether certain fees may be subject to further reduction as economies of scale are realised. Moreover, the Authority progressed with the Total Expense Ratio project, which aimed at assessing the overall cost structure borne by investors in collective investment schemes.

A number of "Dear CEO Letters" will be issued in 2026 outlining the main findings, identified shortcomings, good practices, and further guidance on how supervised entities are expected to ensure full compliance with regulatory obligations.

Financial Crime Compliance

With regards to AML/CFT, the MFSA's compliance outcomes-based supervisory work focused on strengthening the effectiveness and accountability of MLROs across their entire supervisory lifecycle and ensuring supervised entities, particularly FIs and CASPs, operate robust frameworks to minimise risks related to terrorist financing, proliferation financing and sanctions evasion. Supervisory work concentrated on assessing the competence, resources, and ongoing effectiveness of MLROs, while evaluating entities' ability to detect, prevent and respond to evolving financial crime threats. These outcomes aim to lift governance standards in key control functions and ensure that authorised entities implement proportionate controls that are positioned adequately to mitigate exposure to financial crime, thereby safeguarding market integrity and consumers.

The MFSA assesses MLROs through its consideration of AML/CFT within its prudential supervision. In this context, the MFSA conducted a number of supervisory interactions that included an assessment of the MLRO Function of authorised entities also falling under the definition of 'subject persons'. This was followed by post-interaction analysis to draft and publish an MLRO Guidance document. The aim of this document is to provide clear supervisory expectations for proposed individuals and approved MLROs. The topics covered by this document include; knowledge and expertise, governance, independence, autonomy and accountability, conflicts of interest, resources and time commitment, and training and awareness. The Guidance document also provides examples of good and bad practices alongside self-assessment questions intended to aid MLROs and authorised entities in assessing the effectiveness of their own practices.

The MLRO Guidance document sheds light on a number of observations. For instance, proposed persons for MLRO positions or approved MLROs sometimes demonstrate an insufficient understanding of the relevant legislative requirements related to AML/CFT. Another example is the situation where an incumbent MLRO lacks the necessary independence, authority, or decision-making power to carry out their responsibilities effectively. The document also refers to situations where proposed

persons or approved MLROs are unaware or insufficiently informed about the ML/TF risks that are specific to the industry or sector they intend to or already operate within. The MFSA's expectations are therefore carefully highlighted to help MLROs address such concerns.

In 2025, the MFSA set a second outcome in terms of AML. To better understand and assess common and uncommon practices with regards to mitigating financing of terrorism, proliferation financing and the circumvention of targeted financial sanctions, the Authority conducted a thematic exercise focusing on the risk assessment and control measures adopted by Financial Institutions, as defined in the Financial Institutions Act, and Crypto-Asset Service Providers to mitigate the related risks. The exercise was conducted through the circulation of a questionnaire comprised of a series of both open and closed ended questions categorised into five main themes; Risk Understanding, Controls, Client Screening, Transaction Monitoring and Training and Awareness. Participation was mandatory to all actively operating FIs and CASPs, amounting to 65 supervised entities.

Subsequent to the post-interaction analysis, the thematic exercise offered a number of key insights which were communicated to the industry through the publication of a "Dear CEO Letter". In the area of risk assessment, 8% of the tested entities noted that the 2023 NRA has not yet been considered in their BRA. Moreover, 16% indicated that there are no industries, customer types or geographies which fall outside their risk appetite. The exercise also highlighted that customers linked to sanctioned or high-risk jurisdictions, opaque ownership structures, and industries such as adult entertainment and defence were the most mentioned areas that, within this exercises' context, fall outside of authorised entities' risk appetite.

With regards to controls, 6% noted that they do not consider the entity's risk exposure to FT in their MLRO report, while transaction monitoring, sanctions screening and KYC were the most commonly mentioned controls which have been implemented to identify and mitigate FT. Client screening questions showed that 53% are screening customers in real-time, 41% daily and 6% screen clients weekly or bi-weekly. In addition, 12% noted that they only consider domestic, EU and UN lists while 6%

reported that their systems do not allow for the timely detection of customers and involved parties holding ownership or control of legal entities when updates occur in the sanctions lists.

More key insights were observed in the areas of transaction monitoring and training & awareness. Namely, 14% of respondents rely on manual transaction monitoring, while 18% have a fully automated system. Moreover, 20% of the sample lack features to detect suspicious activities related to FT, PF and CTF and 36% noted that their systems cannot automatically detect significant changes in transaction volume and value. The exercise uncovered that only 12% of respondents stated that their transaction monitoring includes rules specific to FT. Positive results in the area of training and awareness show that 98% of respondents indicated that FT, PF and CTFS are considered as part of the training plan for employees, and 88% conduct this training at least once a year, suggesting a routine approach to maintaining awareness and promoting a compliance culture.

The observations identified during the exercise are commensurate to a reality where aspects of CFT, CPF and compliance with TFS within FIs and CASPs still require further improvement. In an effort to eventually widen the sample to the entire financial services sector, in 2026, the MFSA will carry out a similar exercise with credit institutions to assess their degree of readiness to minimise FT, PF and TFS risks. This will provide a more comparative view of entities' performance in this area.

Supervisory ICT Risk & Cybersecurity

The outcomes for ICT risk and cybersecurity, applied across all sectors in scope of DORA, were based on the Joint Committee Sub-Committee on Digital Operational Resilience "DORA Day 1" document. This entailed concentrating the MFSA's supervisory efforts on a pan-European level that focused on ICT risk management and compliance functions, effective incident management processes, and the oversight of ICT Third-party Service Providers. By embedding these outcomes into its supervisory engagements, the MFSA sought to strengthen operational resilience whilst measuring the effective implementation of DORA.

In the area of ICT Risk and Cybersecurity, the MFSA will be entering its third and final year in the Compliance Outcomes-Based Supervision cycle in 2026. The findings, statistics and data gathered in the 2024 supervisory engagements have been mapped and prepared for re-testing in 2026. Additionally, in order to offer guidance to the industry where digital operational resilience is concerned, the MFSA has published detailed “Dear CEO Letters” that outline supervised entities’ overall performance following the MFSA’s 2024 supervisory interactions. The first “Dear CEO Letter” incorporates useful information which supervised entities should use in their compliance effort against DORA, where it offers insights tailored against each DORA Chapter and is applicable to all supervised entities. On the other hand, the other two Letters were addressed to the sector and the top ten supervised entities that are most prone to ICT Risk, respectively.

Section III



Supervision Priorities 2026



Supervision Priorities 2026

In 2026, the MFSA will once again dedicate its supervisory efforts to the achievement of seven supervisory priorities. Every supervisory interaction carried out throughout the year is carefully tailored to target at least one of the below seven priorities. The section below outlines the MFSA's efforts in targeting every respective supervisory priority.

Resilience of Our Supervised Entities

In 2026, the MFSA will continue to prioritise the resilience of supervised entities by embedding financial soundness, governance, and transparency assessments into its supervisory processes. This will be looked into also in the context of the review of applications for admissibility to listing, where emphasis is placed on ensuring that applicants demonstrate robust structures and sustainable business models, so as to enhance the protection of retail investors and foster high levels of confidence in the local capital markets.

Ongoing supervision continues to be undertaken for entities with securities admitted to listing and trading on a regulated market, focusing on the issuers' transparency with the market and the effectiveness of controls in place. In this respect, checks are carried out on the issuers' compliance with the relevant requirements, including those emanating from the MFSA's Capital Markets Rules as well as the applicable financial reporting and sustainability reporting frameworks. This is in alignment with the Authority's compliance outcomes-based approach, where several inspections were conducted to assess how effectively entities manage risks and maintain operational resilience. This comprises of supervisory work related to EMIR, MiFID/MiFIR transaction reporting, and the functioning of audit committees under the Capital Markets Rules.

In relation to trustees and other fiduciary service providers, the MFSA will be assessing their resilience based on their adaptability to changes in the regulatory landscape. In 2026, the MFSA aims to publish the updated Rulebook for Trustees and Fiduciaries which will serve to crystallise certain established practices and expectations vis-à-vis

authorisation and supervisory processes, as well as strengthen the governance and controls frameworks of such supervised entities. Moreover, the MFSA will also be involved in the second phase of transposition of the AMLD, in so far as it impacts the trusts beneficial ownership register.

Through its continued engagement with the industry the MFSA will therefore be able to gauge how quickly the relevant sector can react and adapt to any changes and identify any gaps, to maintain its support to the industry. In 2026, the MFSA remains committed to ensure resilience of all its supervised entities, throughout the entire financial services sector.

Sustainable Finance

The MFSA will continue to actively contribute to its sustainable finance agenda by scrutinising sustainability-related disclosures in prospectuses and ongoing reporting. In line with the evolving EU regulatory landscape, including the amendments introduced by the Listing Act in so far as sustainability disclosures are involved and the forthcoming EU Green Bond Standard, the MFSA will continue to monitor developments in regulatory technical standards and provide guidance to market participants as necessary. Preparations are also underway for the implementation of the ESG Ratings Regulation, with the MFSA collaborating with national and international stakeholders to ensure jurisdictional readiness and promote transparency and comparability in ESG-related information.

With regards to the supervision of non-financial/sustainability reporting by listed entities, the MFSA shall maintain its efforts, inter alia, by providing the support required for the local implementation of the CSRD, by carrying out outreach initiatives directed at the issuers within scope, and by monitoring the respective EU developments pertaining to the simplification and burden reduction initiatives, particularly the Omnibus Simplification Package.

The MFSA will also continue to assess the effective integration of sustainability risks and ESG considerations within the investment decision making process and risk management policies and procedures. Particular focus will be placed on the quality of

sustainability-related disclosures and substantiation of sustainability related claims to mitigate risks of greenwashing, as required in terms of the SFDR and related Level 2 measures. The MFSA has updated its risk models to incorporate sustainability requirements and will continue assessing compliance with the SFDR both through periodic returns, as well as, periodic engagements.

Digital Finance

The MFSA will continue to monitor the transition of VASPs to CASPs under the MiCA Regulation and ensure that all supervisory expectations are being met in the digital assets space. Moreover, the Authority will continue to monitor the implementation of PSR/PSD3 and continue its engagement with Financial Institutions to assess their readiness to comply with the up-coming PSD3. In addition, the MFSA will be seeking to provide a consolidated approach towards the FiDA Regulation.

With regards to AI, the MFSA launched a survey in 2025 to all supervised entities seeking to get an in-depth understanding of the use of AI technologies within each financial sector. Both the crypto-assets sector and the financial institutions sectors responded strongly to the survey (92% response rate). Results indicate that the majority of use cases include administrative support tasks (drafting, summarisation, translation, code generation and communication with clients) and support in transaction monitoring, AML/CFT and cyber security. During 2026, the MFSA will include AI oversight within its supervisory interactions, firstly to verify the data collected through the survey and secondly to assess how its supervised entities are managing AI integration within their processes in terms of governance, oversight and any effects this may have on consumer protection.

In 2026, the MFSA will continue to build on its compliance outcomes-based approach and in accordance with trending ICT risks and threats. The MFSA will continue assessing supervised entities in relation to their ICT Risk Management Framework and ICT Incident Management, as indicated by current trends and data. Last year, the MFSA took note of the contractual arrangements between supervised entities and ICT-TPPs and shall be engaging directly with ICT-TPPs. These supervisory engagements will not be limited to ICT-TPPs that are duly registered in the ROI but will be extended

to ICT-TPPs where the Authority deems that a contractual arrangement as defined by DORA exists between a supervised entity and an ICT-TPP.

The MFSA will also focus on post-quantum readiness. In an effort to gauge the financial services' sector preparations in managing ICT risks stemming from this type of emerging technology, the Authority will be conducting a number of supervisory engagements to assess whether supervised entities are making the necessary assessments and preparations to manage and mitigate threats to their cryptographic algorithms. Furthermore, the Authority will continue to prioritise the national implementation of the TIBER-MT and DORA TLPT-MT frameworks, which were made public in 2025. In this area, efforts will be focused on including TLPT as one of the tools for conducting supervisory engagements. These engagements simulate sophisticated, real-world cyberattacks, making them essential for strengthening the digital operational resilience of supervised entities and ensuring they are better prepared to withstand and respond effectively to such cyber threats.

Consumer Protection & Education

Consumer protection and financial education are core supervisory priorities for the MFSA and will continue to feature prominently in its ongoing work programme. In 2026, the Authority will intensify its efforts to advance financial literacy through a range of initiatives aimed at empowering individuals across all life stages. Planned actions include national awareness campaigns leveraging traditional and digital media, complemented by community-based financial literacy workshops delivered independently or in collaboration with strategic stakeholders, and the continued development of accessible and informative content across multiple formats.

Implementation will follow a collaborative approach, building on established local and international efforts. The MFSA will strengthen coordination mechanisms to ensure efficient use of resources by actively participating in high-level fora and reinforcing knowledge-sharing initiatives among stakeholders. Outreach will be expanded through a multi-channel communication strategy, supported by clear, inclusive, free and accessible content to reach diverse audiences. The Authority is also participating in projects lead by European fora with the aim of benefiting from a number of

deliverables which would assist the Authority further in its endeavours to increase financial literacy in Malta. Furthermore, as from 2025, the MFSA has also become a full member of OECD's International Network for Financial Education and in this capacity, it will continue to align Malta's financial literacy framework with international best practices. These actions, supported by structured monitoring and evaluation methods, will contribute to building a stronger and more coordinated financial literacy programme, enhancing consumer protection and fostering long-term financial wellbeing.

Furthermore, in alignment with EIOPA's Union Strategic Supervisory Priorities for 2024–2026, the Authority will continue to focus on the value-for-money assessment of Insurance-Based Investment performance, and consumer outcomes. Supervisory work will also prioritise the fair treatment of vulnerable policyholders, ensuring that product design, selling processes of products with particular emphasis on cost structures, product, and post-sales servicing adequately safeguard clients with additional needs or heightened susceptibility to detriment.

The MFSA will further monitor the increasing digitalisation of insurance offerings, assessing governance arrangements, customer interfaces, and digital distribution risks. In line with EU sustainability objectives, supervisory review will continue to target greenwashing risks, ensuring that sustainability claims are substantiated, transparent, and compliant with regulatory requirements. Additionally, the Authority will maintain a strong focus on the fair treatment of consumers in claims management, including the timeliness, clarity, and fairness of claims handling processes.

In 2026, the Authority will also focus on the assessment of the use of AI in creditworthiness assessments by assessing the governance, transparency, and fairness of AI-supported creditworthiness tools, with particular attention to potential biases, data quality, explainability, and consumer protection considerations. The Authority will continue its focus on the calculation of the interest rate component in the computation of the annual percentage rate to ensure the accuracy, clarity, and comparability of annual percentage rate disclosures, together with the correct

application of the revised interest methodology, such that consumers receive transparent and consistent credit information.

In the pensions sector, supervisory work will be directed towards overseeing the effective setting up and implementation of the national Auto-Enrolment framework for pensions, in alignment with Government policy objectives. Concurrently, the Authority will commence the drafting of updated Pension Rules, the scope and direction of which will be dependent on the final structure and operational parameters of the Auto-Enrolment regime. The Authority will also progress its review of member statements issued by personal retirement schemes and pension benefit statements issued by occupational retirement schemes. This work aims to ensure that all disclosures are fully compliant with regulatory requirements and that the information provided to members is clear, accurate, and comparable. Where supervised entities are found to be falling short of the applicable regulatory standards, the Authority will engage with them directly and require prompt remediation. Furthermore, the Authority intends to issue a “Dear CEO Letter” in 2026, setting out its key supervisory findings and expectations in this area.

The MFSA has also contributed to consumer protection by ensuring that disclosures made by issuers are clear, accurate, and not misleading, particularly in the context of retail-facing products. The MFSA has also supported initiatives aimed at improving the quality of information available to investors, including sustainability-related disclosures and risk factors in prospectuses. Through its supervisory work, the MFSA has promoted higher standards of transparency and accountability and continued to ensure market integrity thereby supporting investor confidence and informed decision-making.

In addition, the MFSA has continued to recognise the important role held by security trustees, in the context of secured bond issues, in protecting the interests of bondholders in the event of a default. Therefore, in the context of new bond issues, where deemed necessary the MFSA introduced specific oversight requirements on the security trustee as a pre-requisite prior to the bond being issued to the market. On the other hand, with respect to existing secured bond issues, in 2025 the MFSA started to

enhance its engagement with security trustees to ensure that proper oversight and visibility is being maintained over the secured property, in particular with respect to those bond issues which are approaching maturity. In 2026, the MFSA intends to continue engaging with security trustees, on a risk-based approach, to ensure preparedness and to guarantee that the effectiveness of this role is being achieved.

Financial Crime Compliance

The MFSA will continue to enhance its supervisory processes to reflect the new EU AML package, comprising Regulation (EU) 2024/1624 (AMLR), Regulation (EU) 2024/1620 establishing AMLA, and Directive (EU) 2024/1640 (6AMLD), together with existing national provisions under the PMLA and PMLFTR. The Authority will update its methodologies, templates and guidance to align with the single EU AML rulebook while also maintaining contribution towards the drafting of new technical standards and guidelines in collaboration with both EU and national supervisory authorities.

At national level, supervisory work is coordinated with the FIAU, law-enforcement authorities, and other competent bodies. This work will include the updating of the National Risk Assessment, the fulfilment of the national AML/CFT/PF/TFS strategy, and national preparation of Malta's upcoming MONEYVAL/FATF evaluation. Notably, this work will also continue to include the formal cooperation and information exchange between the MFSA and FIAU in the context of risk assessment. The latter involves the provision of mass amounts of supervisory information that are considered within the FIAU's risk assessment processes in preparation for upcoming supervisory cycles.

The MFSA will also continue to assess how AML/CFT and sanctions frameworks are embedded within broader prudential and operational requirements under the MFSA Act (Cap. 330) and sectoral legislation, such as the Banking Act, Investment Services Act and Insurance Business Act. In 2026, this work will require the introduction of another perspective, that is the consideration of the developing implementation of the new EU single rulebook for AML/CFT set out in Regulation (EU) 2024/1624 (AMLR). It is also important to note that this work will be conducted in the context of a new EU

supervisory infrastructure with the current establishment of the AML Authority (AMLA) pursuant to Regulation (EU) 2024/1620.

Governance, Risk & Compliance

Governance, risk and compliance have remained central to the Authority's supervisory focus in 2026. In the banking sector, the MFSA will continue to carry out initial and ongoing suitability assessments of all key function holders and directors, as well as the collective suitability and functioning of the Board and any board committees. The assessment of the board is an ongoing process, therefore an assessment of Governance is included as a separate element within SREP reviews, and is a key building block, alongside business model, capital, liquidity, ICAAP and ILAAP. In its analysis, the MFSA covers information provided through onsite inspections, supervisory meetings with all key function holders, as well as a review of all board minutes and minutes of key committees. Further to this ongoing assessment, in 2026, the MFSA also plans to issue a 'Nature and Art of Supervision' document covering expectations of the Board, with specific reference to non-executive directors.

In the investment services sector, the MFSA will continue with the implementation of the AIFMD II and monitor the compliance of AIFMs with the revised Directive in several areas. These areas include substance and delegation requirements, the revised loan origination regime, as well as the requirement to select at least two liquidity management tools from a specified list after taking into consideration the investment strategy, the liquidity profile, and the redemption policy of the AIF in line with the issued [ESMA Guidelines and Regulatory Technical Standards on Liquidity Management Tools](#). In addition, the MFSA also intends to avail of the depositary derogation allowed in terms of Article 21(5) of the AIFMD II, whereby AIFMs may appoint depositaries outside the home member state of the AIF subject to a number of conditions, including a case-by-case assessment by the MFSA. Furthermore, the MFSA has issued a [Consultation Document](#) on the implementation of the AIFMD II and UCITS VI. The MFSA has also launched a desk-based thematic to assess the level of preparedness of local UCITS ManCos and AIFMs in anticipation of the imminent implementation of AIFMD II and UCITS VI.

The Authority will continue to assess new business models and trends, such as firms who have obtained MiCA notifications. The effective and proportionate implementation of MiCA, where crypto-asset services are offered through investment firms and UCITS/AIF Management Companies, will be a key area to ensure better investor protection and financial stability. As Investment firms and Management companies expand their services into MiCA-regulated activities, such as custody of crypto-assets or portfolio management of crypto-asset portfolios, the MFSA must ensure that investor protection is maintained, while also addressing crypto-specific risks. The MFSA will also be carrying out a thematic review on funds investing in crypto-assets, to assess the areas of governance, valuation of crypto-assets, wallet-security, and counterparty due diligence and verification checks, as well as adequate governance arrangements and controls around pricing inputs. The Authority will continue to implement the SREP in the context of a sample of selected investment firms through onsite interactions, focusing on, inter alia, the business model, capital adequacy, services provided, liquidity and governance arrangements.

Moreover, as part of ESMA's objective to increase supervisory convergence, a Common Supervisory Action is planned to be launched in 2026 on Risk Management functions of AIFMs and UCITS managers. The MFSA will be participating with the objective to assess the level of compliance with applicable requirements. In addition, the MFSA will also be considering valuation methodologies applied in the context of illiquid assets and will continue monitoring the value for money generated by investors as part of its annual Total Expense Ratio Review exercise.

The MFSA will also keep pursuing proportionate supervision in line with the EU's simplification and burden-reduction objectives. This means tailoring supervisory expectations to the scale, complexity and risk-profile of the business as well as developing initiatives to minimise duplicative or unnecessary reporting obligations. The MFSA is currently in the process of revising the depositary rulebook by aligning the relevant rulebook with the AIFMD provisions and revising a number of returns such as consolidating returns applicable to depositaries and revising the Annual Fund Return to eliminate duplication of information submitted.

In the Capital Markets sector, in preparation for the implementation of the Listing Act, the MFSA has reviewed and updated internal processes to reflect upcoming changes in the regulatory framework, including in relation to the minimum free float requirement. It has also worked to ensure that supervised entities are adequately informed and supported in meeting new compliance expectations. The revamp of the Sponsor's Regime, which addresses Pillar III of the MFSA's Capital Markets Strategy, has been finalised. The MFSA will ensure that stakeholders are provided with the necessary guidance with respect to the registration process and to ensure ongoing compliance with MFSA's expectations thereafter.

Moreover, in 2025, the MFSA carried out a thematic review on the potential enhancement of communication by way of Company Announcements by listed entities, findings of which were published by way of "Dear CEO Letter". In 2026, the MFSA shall continue to focus on the issuers' transparency with investors and aims to follow up on the findings of the thematic review.

In the Trustees sector, the MFSA's supervisory efforts will focus on the continuation of the previously communicated three-year-plan for the compliance outcomes-based approach vis-à-vis accuracy and timely reporting of beneficial ownership information of trusts. Governance, risk and compliance will remain key areas of focus in this sector as well. All supervisory interactions carried out on authorised trustees and fiduciaries will therefore invariably include an element of scrutiny of its governance and compliance systems. This is mainly due to the nature of findings emanating from the "Dear CEO Letter" dated 1st April 2024, issued by the MFSA which details the Thematic Review on Governance and the Compliance Function in relation to Trustees and Company Service Providers.

In 2025, the MFSA requested and analysed gap analyses carried out by various trustees and fiduciaries against the findings in the said "Dear CEO Letter". This proved to be a very useful tool to assess where such authorised entities stand when benchmarked against the expectations in the "Dear CEO Letter", and to track progress where any gaps were identified, and therefore likely to continue being used as a reference point by the MFSA throughout 2026 as well.

In addition, the segregation of funds and assets is an important requirement for all types of asset-holding financial services, but particularly fundamental in the area of trusts. Any shortcomings relating to segregation of funds may pose a major concern from a governance perspective as lack of segregation increases the risk of fraud, error, and misuse of funds. Proper segregation is a fundamental internal control that ensures accountability, transparency, and the integrity of financial processes, making it a direct reflection of a strong governance system. Therefore, given that in 2025 focus was also placed on the segregation of funds and assets, through the issuance of a thematic questionnaire to a sample of authorised trustees, in 2026 the MFSA intends to publish its findings, on an anonymised basis, which will also be accompanied by observed best practices and the MFSA's expectations in this area.

Cross-Border Supervision

The MFSA maintained a strong commitment to cross-border supervisory cooperation throughout 2025 and will take this forward into 2026. The Authority will continue to actively participate in ESMA-led Common Supervisory Actions, peer reviews, and technical committees, contributing to the consistent application of EU legislation such as EMIR 3, MiFIR, and the Listing Act.

From a conduct perspective, the MFSA has also drafted a specific question bank to further enhance supervision related to the cross-border activities of investment firms. The question bank delves into a supervised entity's cross-border activity, marketing strategies, complaints, outsourcing, compliance checks and use of tied agents and their respective monitoring. This questionnaire will be used during all applicable onsite inspections as a supplement to the main supervisory area/s being inspected. In 2026, the Authority will also maintain a robust focus on the cross-border supervision of insurance undertakings, with specific emphasis on ensuring that consumer protection standards are consistently upheld across all jurisdictions in which insurance products are distributed.

The Authority will also continue to engage in bilateral exchanges of information with other NCAs, both in response to formal requests and through proactive sharing of

relevant market data. These efforts reinforce supervisory convergence and support the MFSA's broader strategy of aligning national practices with European standards.

Conclusion

This document sets out the MFSA’s supervisory priorities for 2026, outlines key focus areas addressed during 2025, and explains how the Authority intends to build on these efforts in 2026. While the document seeks to provide visibility on the main areas of supervisory focus for the upcoming calendar year, the priorities outlined should be understood as forming part of a broader range of activities being undertaken by the Authority throughout 2026.

As part of its ongoing commitment to upholding the highest standards of effective supervision, the MFSA is working towards the achievement of the key compliance outcomes set in 2024 and 2025. These compliance outcomes consist of standards that the Authority seeks to attain through its supervisory practices and/or standards that are expected to be met by supervised entities. The achievement of these outcomes will be capable of being evidenced and measured through data gathered by the MFSA via its supervisory tools and engagements. In 2026, the MFSA will further strengthen its supervisory capabilities through an increased focus on artificial intelligence, including the development and application of relevant regulatory and supervisory expertise. In parallel, the MFSA will continue to foster supervisory convergence across the EU by collaborating with foreign NCAs to enhance effective cross-border supervision. Supervised entities are expected to discuss the contents of this document at board level, or within the equivalent administrative body, and to assess the implications for their business activities.

