

Consultation Document for Proposed Amendments to the Conduct of Business Rulebook (COBR) Applicable to Insurance Business and Investment Firms

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NOTE: These proposals are not binding and are subject to changes and revisions following representations received from industry participants and other interested parties. It is important that persons involved in the consultation bear these considerations in mind.

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Section 1: Introduction

(A) Applicability

This document is addressed to all Regulated Persons specifically indicated in points (i) to (v) on page 2 of the Conduct of Business Rulebook originally issued by the Malta Financial Services Authority (“the Authority”) on 20 December 2017 and as amended thereafter. A copy of the revised draft Conduct of Business Rulebook can be found [here](#).

(B) Transposition of Directive (EU) 2024/2811 of 23 October 2024

Directive (EU) 2024/2811 of the European Parliament and of the Council of 23 October 2024 amending Directive 2014/65/EU (“MiFID II”) forms part of the European Union’s broader initiative to strengthen the Capital Markets Union by making public capital markets more attractive for companies and by facilitating access to financing, particularly for small and medium-sized enterprises (SMEs). The Directive introduces targeted amendments to the existing MiFID II framework with the aim of reducing unnecessary regulatory burdens, improving market transparency, and enhancing the efficiency and competitiveness of EU capital markets.

Directive (EU) 2024/2811 seeks to streamline certain regulatory requirements applicable to investment firms and market participants, while maintaining high standards of investor protection and market integrity. The amendments are intended to simplify disclosure and reporting obligations where appropriate, improve the availability and accessibility of market data, and address barriers that may discourage companies, especially SMEs, from accessing public capital markets. In doing so, the Directive supports the broader objective of fostering deeper and more integrated capital markets within the European Union.

The transposition of Directive (EU) 2024/2811 will require a number of amendments to the Conduct of Business Rulebook in order to ensure alignment with the revised MiFID II framework. These amendments are intended to reflect the updated EU requirements and to ensure that the regulatory framework remains consistent with the evolving European legislative landscape governing investment services and activities.

Member States are required to adopt and publish the necessary measures to transpose Directive (EU) 2024/2811 into Maltese Law by 5 June 2026. The amendments highlighted in this document are therefore intended to highlight the timely and effective implementation of these requirements within the Maltese regulatory framework.

(C) Home-Grown Regulatory Updates

In addition to the amendments arising from the transposition of Directive (EU) 2024/2811, the MFSA has identified several necessary updates to the Conduct of Business Rulebook that would stem from home-grown regulatory developments. These amendments are intended to clarify existing requirements, provide additional guidance, and ensure a consistent application of the Rulebook for licence holders.

Primarily, the MFSA proposes the introduction of new definitions within the Conduct of Business Rulebook to enhance clarity and ensure consistent interpretation of key concepts. Definitions relating to “issuer-sponsored research” and “metadata” are being introduced to reflect evolving regulatory and market developments, as well as the increasing relevance of structured data and issuer-funded research within the financial services landscape.

In addition to these definitions outlined above, updates are being included through home-grown provisions within Chapter 1 – Section 2 - Marketing Rules of the Conduct of Business Rulebook in order to ensure that the rules remain appropriate in an increasingly digital marketing environment. The proposed changes refine requirements relating to advertising disclosures, risk warnings, and the presentation of promotional material. The amendments also clarify certain guidance to better capture modern advertising channels such as social media, video and audio-based advertisements. The MFSA proposes the introduction of new provisions as well as addressing practices observed in the market, including the use of gifts and incentives in marketing initiatives and the need to appropriately highlight risks when promoting client re-categorization.

Finally, the MFSA proposes other amendments to different provisions of the Conduct of Business Rulebook. These amendments are intended to clarify certain regulatory expectations address identified issues and enhance the overall effectiveness of the existing conduct framework. The proposed amendments address record-keeping obligations, complaints handling, and the management of conflicts of interest, providing more detailed guidance to support compliance. Additionally, the Rulebook clarifies requirements relating to remuneration practices.

Overall, these amendments complement the broader regulatory changes introduced through EU directives, ensuring that the Rulebook remains a clear, practical, and proportionate framework for investment and insurance firms operating in Malta. They establish a stronger foundation for conduct of business standards and provide additional clarity on practical expectations for license holders.

Section 2: Why Are We Consulting?

The purpose of this Consultation Document is to seek feedback from the industry on the proposed amendments to the Conduct of Business Rulebook, and to obtain feedback on the **home-grown regulatory updates being introduced into the Rulebook**. These amendments include home-grown provisions aimed at providing clearer guidance and context intended to clarify expectations for license holders, enhance compliance consistency, and ensure that the Rulebook reflects best practices in both investment and insurance business conduct.

Section 3: Who Does This Consultation Concern?

This consultation is particularly relevant to investment firms, credit institutions providing investment services, insurance undertakings, and Insurance intermediaries operating within Malta that fall in scope of points (i) to (v) on page 2 of the Conduct of Business Rulebook originally issued by the Malta Financial Services Authority (“the Authority”) on 20 December 2017 and as amended thereafter. The proposed amendments will affect entities providing investment services and activities, including portfolio management, investment advice, and the provision or distribution of investment research.

The consultation is also relevant to market operators and investment firms operating multilateral trading facilities (MTFs), particularly those operating or intending to operate SME growth markets or segments thereof.

Accordingly, stakeholders falling within these categories are encouraged to review the proposed changes and provide their feedback as part of this consultation process.

Section 4: Main Changes to the MFSA Conduct of Business Rulebook

The purpose of this section aims to highlight the main changes which will be introduced within the COBR. These are being split as follows:

- (1) Amendments resulting from the Transposition of Directive (EU) 2024/2811 of 23 October 2024; and
- (2) Amendments resulting from home-grown Regulatory Updates

For ease of reference, the main changes in the COBR rules are being indicated below in blue text colour and collectively enclosed as [Annex A](#) at the end of this Consultation Document.

(A) Amendments resulting from the transposition of Directive (EU) 2024/2811 of 23 October 2024

The newly introduced or revised provisions stemming from Directive (EU) 2024/2811 and reflected in the proposed amendments to the Conduct of Business Rulebook applicable to insurance business and investment firms are the following:

- (1) **Introduction of a framework for issuer-sponsored research**
R.1.2.6A to R.1.2.6F

R.1.2.6A: *Research produced by Regulated Persons or by third parties and used by, or distributed to, investment firms, their clients or potential clients, shall be fair, clear and not misleading. Research shall be clearly identifiable as such or in similar terms, provided that all conditions laid down in Rules R.3.45 to R.3.57, applicable to the research, are met.*

R.1.2.6B: *Regulated Persons providing portfolio management or other investment services or ancillary services shall ensure that the research they distribute to clients or potential clients which is paid for, in full or in part, by an issuer shall be labelled as “issuer-sponsored research” only if it is produced in compliance with the EU code of conduct for issuer sponsored research which may be published in due course by ESMA.*

R.1.2.6C: *Any issuer may submit its issuer-sponsored research, as referred to in Rule R.1.2.6B above, to the designated collection body in Malta as defined in Article 2(2) of Regulation (EU) 2023/2859 ESAP Regulation.*

When submitting issuer-sponsored research to the designated collection body in Malta, as defined in Article 2(2) of [Regulation \(EU\) 2023/2859 ESAP Regulation](#), the issuer shall ensure that it is accompanied by metadata specifying that the information complies with the EU code of conduct for issuer sponsored research which may be published in due course by ESMA. Such research shall not be considered to be regulated information within the meaning of Capital Markets Rules issued by the MFSA nor investment research within the meaning of this Rulebook and shall therefore not be subject to the same level of regulatory scrutiny as regulated information or investment research.

R.1.2.6D: *Research that is labelled as “issuer-sponsored research” shall indicate on its front page in a clear and prominent way that it has been prepared in accordance with the EU code of conduct for issuer sponsored research which may be published in due course by ESMA. Any other research material paid, in full or in part, by the issuer but not prepared in compliance with the EU code of conduct for issuer sponsored research which may be published in due course by ESMA, shall be labelled as a marketing communication.*

R.1.2.6E: *Regulated Persons that produce or distribute issuer-sponsored research shall have in place organisational arrangements to ensure that such research is produced in compliance with the EU code of conduct for issuer sponsored research which may be published in due course by ESMA, and complies with Rules R.1.2.6A to R.1.2.6D above.*

R.1.2.6F: *For the purposes of R.1.2.6A to R.1.2.6E, trading commentary and other bespoke trade advisory services intrinsically linked to the execution of a transaction in financial instruments shall not be considered to be research.*

The Directive introduces regulatory framework governing research that is paid for by issuers. Such research may only be labelled as “issuer-sponsored research” where it is produced in accordance with an EU code of conduct yet to be developed by the European Securities and Markets Authority (ESMA). Investment firms producing or distributing issuer-sponsored research are required to establish appropriate organisational arrangements to ensure compliance with the code of conduct and to identify, prevent and disclose potential conflicts of interest. Issuer-sponsored research shall be fair, clear and not misleading. Issuer-sponsored research may be submitted to the collection body in Malta as defined in Article 2(2) of [Regulation \(EU\) 2023/2859 ESAP Regulation](#) (currently the Malta Stock Exchange (MSE)) provided that it is accompanied by metadata and shall not be considered as regulated information within the meaning of the Capital Markets Rules issued by the MFSA nor investment research within the meaning of the Rulebook. The trading commentary is not considered as research.

(2) Greater flexibility in the payment for investment research
Revised R.3.23 and new R.3.23A to R.23C

R.3.23: *The provision of research by third parties to a Regulated Person providing portfolio management or other investment or ancillary services to clients shall be regarded as fulfilling the obligations under R.3.2. if:*

- a. *an agreement has been entered into between the Regulated Person and the third-party provider of execution services and research establishing a methodology for remuneration, including how the total cost of research is generally taken into account when establishing the total charges for investment services;*
- b. *the Regulated Person informs its clients of its choice to pay either jointly or separately for execution services and research and makes available to them its policy on payments for execution services and research, including the type of information that can be provided depending on the Regulated Person's choice of payment method and, where relevant, how the investment firm prevents or manages conflicts of interest pursuant to R.3.20 and R.1.5.5 when applying a joint payment method for execution services and research;*
- c. *the Regulated Person assesses on an annual basis the quality, usability and value of the research used, as well as the ability of the research used to contribute to better investment decisions;*
- d. *where the Regulated Person chooses to pay separately for execution services and third-party research, the provision of research by third parties to the Regulated Person is received in return for either of the following:*
 - (i) *direct payments by the investment firm out of its own resources;*
 - (ii) *payments from a separate research payment account controlled by the investment firm.*

R.3.23A: *For the purposes of R.3.23, trading commentary and other bespoke trade advisory services intrinsically linked to the execution of a transaction in financial instruments shall not be considered to be research.*

R.3.23B: Where a Regulated Person receives research from a research provider who is not engaged in execution services and is not part of a financial services group that includes a regulated Person that offers execution or brokerage services, the provision of such research to the Regulated Person is regarded as fulfilling the obligations under R.3.2. In such cases, the Regulated Person shall comply with the requirement under R.3.23 (c)

R.3.23C: Where known to them, Regulated Persons shall keep a record of the total costs attributable to third-party research provided to them. Upon request, such information shall be made available on an annual basis to the Regulated Persons' clients.

Directive (EU) 2024/2811 introduces greater flexibility in the way investment firms may organise payments for execution services and third-party investment research. Investment firms may choose whether to pay for execution services and research separately or through a joint payment mechanism, given that transparency towards clients is maintained. This means that the Regulated Persons either do direct payments from their own resources or pay from a separate research payment account controlled by the Regulated Person. Firms are required to inform clients of the payment method adopted, make available their internal policy governing such arrangements, and on an annual basis assess the quality, usability and value of the research used in their investment decision-making processes. Furthermore, trading commentary is not considered as research, and Regulated Persons shall keep record of total costs attributed to third-party research which shall be made available to clients on an annual basis.

(B) Amendments resulting from home-grown Regulatory Updates

Following the amendments arising from the transposition of Directive (EU) 2024/2811, the MFSA is also proposing a number of additional changes to the Conduct of Business Rulebook aimed at enhancing clarity, addressing practical implementation issues observed in the market, and ensuring that the Rulebook remains aligned with evolving industry practices and consumer protection objectives.

(i) Definitions

(1) Introduction of a definition for “Issuer-Sponsored Research”

Issuer-Sponsored Research: Research commissioned and paid for by the issuer about its own securities, typically produced by a third-party research provider and made publicly available.

The MFSA is introducing the inclusion of a new definition within the Rulebook to clarify the concept of “issuer-sponsored research”. This is defined as research commissioned and paid for by an issuer in relation to its own securities, typically produced by a third-party research provider and made publicly available. The introduction of this definition aims to support the consistent application of rules governing such research, particularly in light of evolving EU requirements in this area.

(2) Introduction of a definition for “Metadata”

Metadata: Means structured information that makes it easier to retrieve, use, or manage an information resource, including by describing, explaining or locating the source of that information;

The MFSA is also introducing a new definition for “metadata” so as to enhance clarity and support the interpretation of relevant provisions within the Rulebook. Metadata is defined as structured information that facilitates the retrieval, use, or management of an information resource, including by describing, explaining, or identifying the source of that information. This addition reflects the increasing importance of structured data in regulatory and disclosure contexts.

(ii) Chapter 1 – Section 2 - Marketing Rules

(1) Clarification on exemptions for institutional advertising New R.1.2.7A and deletion of G.1.2.2.

R.1.2.7A: The Rules in this Section shall not apply where the Advertisement approved or disseminated, or the Information provided, consists only of one or more of the following:

- a) *The name of the Regulated Person;*
- b) *A logo or other image associated with the Regulated Person;*
- c) *A contact point.*

G.1.2.2: This Guidance has been deleted.

The main change is that G.1.2.2 is being deleted and instead re-introduced as a new Rule R.1.2.7A (instead of a guidance). This Rule provides an exemption and explains that the advertisements requirements existing under Chapter 1 – Section 2, do not apply in cases where the advertisement consists of one or more of the following:

- a) The name of the Regulated Person;
- b) A logo or other image associated with the Regulated Person;
- c) A contact point.

Question 1:

Do you consider that the exemption for advertisements provides sufficient clarity for regulated firms on what constitutes permissible marketing communications?

- Yes**
- No**

If No, kindly elaborate on potential alternative approaches:

(2) **Update requirements for advertising warnings and expanded scope to digital media** **Revised G.1.2.29**

G.1.2.29: *With respect to all types of Advertisements broadcast on television, radio, social media, video and audio (including but not limited to, websites, Mobile Apps, YouTube, TikTok, X formerly Twitter, Facebook and Instagram) apart from the guidance provided in the above-sections, Regulated Persons should:*

- a) *state the regulatory disclosure statement as set out in R.1.2.14;*
- b) *have clear and legible risk warnings indicated on a caption at the very bottom of the visual which should take up not less than 20% of the whole screen;*
- c) *indicate the captions **on a black background and using bold, white text**. Captions at the bottom of the screen should not exceed 4 lines each and should only be updated at intervals of not less than 4 seconds each during broadcast of the visual;*
- d) *include a voice over of all the relevant risk warnings relative to the investment;*
- e) *not include any reference to past or future performance rates if the broadcast is less than 30 seconds long.*

Amendments are proposed to provide greater flexibility regarding the presentation of warnings in video advertisements. This guidance has been amended to permit captions on a black background and using bold, white text. There is no need for such captions to be in italic.

In addition, the scope of the guidance is proposed to be expanded to ensure that the relevant requirements also apply to advertisements disseminated through digital channels, including online video and audio advertisements distributed via social media platforms and similar applications.

Question 2:

a) **Do you agree with the proposed flexibility in the presentation of warnings, allowing just bold white text on a black background, rather than requiring text to be in italics, for video advertisements?**

- Yes
- No

b) **Do you foresee any operational or compliance challenges in applying these advertising warning requirements to digital channels, including online video and audio advertisements on social media platforms and similar applications?**

- Yes
- No

If Yes, kindly elaborate:

c) **Do you consider the proposed expansion of the guidance to digital media to be appropriate and proportionate in ensuring client protection?**

- Yes
- No

If No, kindly elaborate:

(3) **Regulatory disclosures and risk warnings in space-limited advertisements**
New second proviso in R.1.2.14, Revised R.1.2.24 and new R.1.2.24A and R.1.2.24B

R.1.2.14: A Regulated Person shall include a regulatory disclosure statement in all the Advertisements it issues except for those Advertisements consisting of the information as provided in R.1.2.7A. This regulatory disclosure statement shall indicate that the Regulated Person is regulated by the MFSA or by a European regulatory authority, as applicable, as well as a reference to the legislation under which such regulation is afforded.

Provided that, in exceptional cases only, where the medium used for the publication of the Advertisement (such as website or Mobile App banners) is limited by time or space and does not permit the regulatory disclosure statement to appear in full, the Regulated Person may instead indicate that the full regulatory disclosure is found one click away from the Advertisement itself.

The MFSA is hereby proposing amendments to address situations where advertisements are disseminated through formats with limited space, such as website and mobile app banners. In such cases, Regulated Persons shall include a direct link to a webpage containing the full regulatory disclosure where the disclosure cannot be presented clearly within the advertisement itself (**R.1.2.14**).

R.1.2.24: A Regulated Person shall ensure that warning statements:

- a) are prominently situated and of a font size that **is visible and proportionate** to the predominant font size used throughout the document or Advertisement or Information; and*
- b) appear together with the benefits of the advertised Product or Service.*

In the case of non-print media, it is sufficient that the warning statements are mentioned at the end of the Advertisement.

R.1.2.24 was only slightly amended to ensure that warning statements are included in a font which is visible and proportionate to the predominant font size used throughout the advertisement or information.

R.1.2.24A: *By way of derogation from R.1.2.24 above, if the advertisement is limited by time or space and hence the risk warning cannot fit in full because it exceeds the available space of the medium used for the Advertisement or Information, the risk warning may instead be in the following format:*

Warning: *All investments carry risks*

R.1.2.24B: *If the risk warning specified in the R.1.2.24A above is used, the Advertisement or Information shall also include a direct link to the webpage of the Regulated Person containing the risk warning in full.*

Similarly, where space limitations prevent the inclusion of the full risk warning, firms may use a shorter warning stating that “All investments carry risks” provided that the advertisement also includes a direct link to the webpage containing the complete risk warnings (**R.1.2.24A and R.1.2.24B**).

Question 3:

- a) **Do you agree with the proposed approach allowing the use of direct links to full regulatory disclosures when space limitations in advertisements (e.g., web banners) prevent clear presentation of the information (R.1.2.14)?**
- Yes**
 - No**
- b) **Do you agree with the proposed use of a shortened risk warning (“All investments carry risks”) in space-limited advertisements, provided that a direct link to the full risk warnings is included (R.1.2.24)?**
- Yes**
 - No**

If No, kindly elaborate on potential challenges or alternative approaches:

(4) **Marketing of products with guarantees**
Revised R.1.2.40

R.1.2.40: An Advertisement should not describe a feature of a Product or Service as "guaranteed", "protected" or "secure", or use a similar or equivalent term unless the Regulated Person issuing the Advertisement has made an assessment of the guarantee in question and has found it to be adequate. If such terms are included, then the Regulated Person shall ensure that the terms used are capable of being a fair, clear and not misleading description of the advertised Product and that all relevant Information is communicated in the Advertisement with sufficient clarity and prominence, to make the use of those terms fair, clear and not misleading. Furthermore, such Advertisements should also include:

- a) *the name and a description of the guarantor, **where the guarantor is a third party;***
- b) ***specify the legally binding nature of the guarantee (such as for example, but not limited to, suretyship agreements, contracts between the service provider and guarantor) and what it relates to;***
- c) ***where the guarantee is subject to limitation, this should be clearly indicated as a risk warning within the Advertisement, and the Regulated Person shall include the following text:***

Warning: This product or service is guaranteed by a third party guarantor (Name of Guarantor and regulated status if applicable) subject to terms and conditions outlined in the product or service documentation

- d) *information as to whether there are any conditions, restrictions or other matters which may affect the Client's ability to benefit from it.*

Amendments to R.1.2.40 are being proposed to clarify the disclosure requirements applicable where financial products are marketed as being guaranteed. Rather than requiring the full description of the legally binding nature of the guarantee within the marketing communication itself, the proposed amendments permit reference to the relevant terms and conditions or product documentation. In addition, where a guarantee is subject to limitations, the marketing communication would be required to include a clear warning indicating that the guarantee is subject to the conditions outlined in the product documentation.

Question 4:

Do you agree with the proposed clarification relating to products presented as guaranteed and the requirement to include a clear warning where guarantees are subject to limitations?

- Yes
- No

If No, kindly elaborate on any concerns, including potential risks to consumer understanding or practical challenges in implementation:

(5) Clarification of performance information requirements Revised R.1.2.62 and G.1.2.40

*R. 1.2.62: In addition to the disclosure requirements made in terms of R.1.2.50, a Regulated Person shall ensure that, when providing any Information to Clients containing an indication of past performance of a financial index, or a Service or a Product, the Information **shall only** include appropriate performance Information which covers the preceding five years, or the whole period for which the Product has been offered, the financial index has been established, or the Service has been provided where less than five years, or such longer period as the Regulated Person may decide, and in every case that performance Information is based on complete 12-month periods.*

*G.1.2.40: With respect to R.1.2.62 Regulated Persons should ensure that all performance figures quoted in the Information or in the Advertisement are annualised **but are not the most prominent feature within such information or Advertisement**. In addition, where Regulated Persons annualise a rate of return using figures which do not span over a year, they should clearly disclose the basis period over which the annualised rate is calculated and include the following disclaimer or such other wording as is appropriate in the circumstances:*

'The annualised rate is an indication of the average growth of the investment over one year'.

The MFSA is proposing clarifications regarding the presentation of past performance information in marketing communications. R.1.2.62 is being slightly revised to ensure that past performance information “shall only” include appropriate performance information which covers the preceding five years. This is intended to ensure that no additional information is included that could mislead consumers.

These proposals also aim to ensure that performance figures are presented on an annualised basis where applicable, and that appropriate disclaimers are included where annualised rates are calculated over periods shorter than one year. G.1.2.40 is being revised to ensure that annualised past performance figures quoted in the advertisement or information document are not presented as the most prominent feature.

Question 5:

To what extent do you consider the proposed clarifications on the presentation of past performance information to be clear, proportionate, and practical to implement in marketing communications?

- Fully appropriate
- Not appropriate

If you select “Not appropriate”, kindly elaborate why:

(6) Clarification of the concept of prominence and use of regulatory references in marketing communications

New G.1.2.3A and New R.1.2.15A

G.1.2.3A: Disclosure shall be considered as shown prominently if, having regards to the content it is presented alongside, it is likely that the attention of the average Client would be drawn to it.

When providing disclosures electronically, disclosures are likely to be presented prominently as long as they consists of sufficient disclosures that are not solely dependent on having the Client access a separate webpage or providing him/her with the option to download and open a separate file containing disclosures.

The MFSA is proposing the introduction of new guidance to clarify when disclosures may be considered as being presented prominently in marketing communications. In such cases, disclosures should be displayed in such a manner that they are likely to draw the attention of the average client. The guidance further clarifies that, in the case of electronic communications, disclosures should not be considered prominent where they rely solely on the client accessing a separate webpage or downloading a separate document, thereby ensuring that key information is directly visible within the communication itself **(G.1.2.3A)**.

R.1.2.15A: Regulatory disclosures shall only be intended to ensure compliance with regulatory requirements and shall not purport to influence, promote or induce belief that the Products or Services are of a better quality than others. Regulatory disclosures shall not be used as a marketing or sales tool, nor shall they be communicated or displayed in such a way to be perceived as offering an advantage or incentive to the Client.

A new Rule is being proposed to discourage the use of specific references to being regulatory compliant as a promotional selling point, in order to avoid creating a misleading perception or false marketing tools. For example, Regulated Persons shall refrain from using the terms “MiFID Compliant” in its regulatory disclosures **(R.1.2.15A)**.

Question 6:

- a) **Do you agree that disclosures should be presented in a manner likely to draw the attention of the average client?**
- Yes**
 - No**
- b) **Do you consider the introduced rules as adequate and providing the necessary support to implement requirements?**
- Yes**
 - No**

If No, kindly elaborate:

(7) **Introduction of rules on gifts and incentives in marketing practices**
New R.1.2.8A and New R.1.2.8B

Gifts, Rewards and Giveaways

R.1.2.8A: Any gifts, rewards and giveaways offered by Regulated Persons to their Clients should:

- a) not be of substantial value when compared to the minimum amount required to acquire the product or service, including but not limited to cruises, holidays, jewellery, electronic gadgets);***
- b) not be given at the stage where the client merely makes an appointment with the Regulated Person with a view to discuss a Product or Service offered by the latter;***
- c) be related to the nature of the service being provided or enhance the nature of the Product or Service (example: roadside membership assistance offered with motor insurance)***

R.1.2.8B: Regulated Persons are prohibited from:

- a) offering gifts, rewards and giveaways purposely to entice Clients to purchase a Product or Service;***
- b) clouding the Client's decision by the potential acquisition of gifts, rewards, giveaways which are not linked to the product or service itself;***
- c) rush Clients into taking a decision by putting pressure to obtain any sort of gift, rewards, giveaways or enticing participation in lotteries;***
- d) Promoting gifts, rewards and giveaways in greater prominence than the main feature of the product or service being sold.***

The proposed two rules are being introduced to address the use of gifts and incentives in marketing campaigns. These provisions would reflect existing supervisory expectations and principles previously outlined in the [MFSA Circular: Marketing campaigns in relation to financial products or services linked to rewards or giveaways \(dated 22 July 2021\)](#). Any gifts offered should not be of a substantial value when compared with the product or service being offered, not offered at the initial appointment stage and it should be related to the service provided (**R.1.2.8A**).

Furthermore, gifts should not be presented in a manner that could unduly influence or pressure consumers to purchase the product or service. The use of gifts should also not rush clients to take immediate decisions nor should gifts be promoted in such a way that makes them more prominent than the product or service being sold (**R.1.2.8.B**).

Question 7:

Do you consider that the proposed rules on gifts and incentives in marketing practices will effectively prevent undue influence on consumers while remaining practical for firms to implement?

- Yes
- No

If you consider that adjustments are needed, kindly elaborate on the specific challenges or areas where further clarification or flexibility would be beneficial:

(8) Risk warnings relating to client categorisation
New R.1.2.38A and New G.1.2.14A

R.1.2.38A: When the Advertisement or Information promotes the possibility to be classified as Elective Professional Client, the Regulated Person shall ensure that the Advertisement or Information entails an explanation on the limitations to Client protection, that such different categorisation would entail.

G.1.2.14A: For the purposes of this Rule, Regulated Persons shall use the following wording or such other wording as appropriate in the particular circumstances:

Warning: Re-classification to Elective Professional Clients comes with less client protection, in view that Elective Professional Clients are deemed to be capable of making their own investment decisions.

This new rule and new guidance are proposed to address situations where firms promote the potential benefits of being categorised as elective professional clients. Where such benefits are referenced in marketing material or on websites, firms would also be required to clearly highlight the associated risks and the potential loss of regulatory protections when one is reclassified from retail client to elective professional client.

Question 8:

Do you consider that the proposed requirements to accompany any marketing of elective professional client status with clear risk warnings, highlighting the potential loss of retail investor protections, are sufficient to ensure balanced and informed client understanding?

- Yes**
- No**

If No, kindly elaborate on any concerns, including potential risks of misinterpretation or challenges in implementation:

(9) Modernisation of terminology and updating references to digital platforms
Revised R.1.2.77, G.1.2.8, G.1.2.30, G.1.2.37 and G.1.2.38

***R.1.2.77:** The Regulated Person shall ensure that its **website or Mobile App** contains the appropriate educational material aimed at guiding clients who are new to this kind of trading, including, inter alia, on the nature and specificities of these products; provide a clear explanation of how an online trade can be made over the system and explain what type of skills are required to carry out online trading activity and to limit trading risk.*

***G.1.2.8:** With respect to Advertisements and Information disseminated via the Internet, Regulated Persons should also:*

- a) include a statement indicating the identified target market which the website or email **or Mobile App** is intended for;*
- b) include appropriate statements that the Client is leaving the Regulated Person's website **or Mobile App** and accessing another in cases where the Regulated Person's website **or Mobile App** is hyperlinked to other sites.*

***G.1.2.30:** Social media" share the characteristic of being digital and can be defined as websites, **Mobile Apps** and **other** applications that enable users to create and share content or participate in social networking. The following is a non-exhaustive list: blogs, microblogs (**X formerly** Twitter), **BlueSky**, social and professional networks (Facebook **and**, LinkedIn), forums, image and video-sharing platforms (YouTube, Instagram, **TikTok**, Pinterest).*

*G.1.2.37: Where a recipient shares or **forwards** a Regulated Person’s communication, responsibility lies with the communicator (i.e. the recipient); therefore the Regulated Person would not be responsible. Notwithstanding, any breaches of rules in the original communication are still the responsibility of the Regulated Person and the MFSA will take up the matter with the Regulated Person.*

*G.1.2.38: If a Regulated Person **shares a client’s post, and if the Client’s post** endorses the benefits of a regulated financial Product or Service, sharing of such comment by the Regulated Person will constitute a promotion. Sharing by a Regulated Person of a Client’s post expressing satisfaction on good customer service, is not considered to be a promotion.*

The above proposed revisions propose few textual updates with a view to modernise and update terminology within the Conduct of Business Rulebook. The amendments proposed in bold above reflect developments in digital communication channels. These include references to mobile apps, in addition to website and email, replacing references to “web-portal” with “website”, updating examples of social media tools such as “share” and “forward”, and replacing terminology associated with outdated platforms or functionalities to ensure that the Conduct of Business Rulebook remains relevant and technology-neutral.

Question 9:

Do you consider that the proposed updates to terminology and references to digital platforms appropriately reflect current market practices and communication channels?

- Yes**
- No**

If No, kindly elaborate on any gaps, or suggestions for ensuring the terminology remains technology-neutral and future-proof:

(iii) Chapter 1 – Section 3 – Disclosure of Information on Regulated Persons

Removal of references relating to Lloyd’s representative in Malta

Deleted R.1.3.22

R.1.3.22: This rule has been deleted

Previously, R.1.3.22 referred to situations where the client’s insurance was held with an underwriting member of Lloyds. However, existing references to Lloyd’s within the Conduct of Business Rulebook are now being removed, including the removal of R.1.3.22, due to the fact that Lloyd’s representative can no longer be found in Malta. This deletion ensures that the Conduct of Business Rulebook provisions remain updated with current practices.

(iv) Chapter 1 – Section 5 – Disclosure on Conflicts of Interest

(1) Reinforcement of conflict-of-interest requirements

Revised R.1.5.1

R.1.5.1: The Rules and any relative Guidance set out under the heading “General Rules” shall apply to all Regulated Persons, except as otherwise indicated.

Amendments to Rule R.1.5.1 clarify the scope of certain provisions so that they apply more broadly beyond insurance-based investment products. Furthermore, this amendment transposes more faithfully the requirements of the IDD.

Question 10:

Do you agree with the proposed clarification and broader application of Rule R.1.5.1 beyond insurance-based investment products?

- Yes**
- No**

If No, kindly provide your reasoning:

(2) Clarification of pre-contractual information requirements
Revised R.1.5.17

*R.1.5.17: A Regulated Person shall, in good time before the conclusion of any Insurance contract, **including an invitation to renew (renewal notice) an insurance contract**, provide the Client with at least the following Information:*

- a) *the nature of the remuneration received by the Regulated Person in relation to the Insurance contract;*
- b) *whether, in relation to the Insurance contract, the Regulated Person works:*
 - (i) *on the basis of a fee, that is the remuneration paid directly by the Client;*
or
 - (ii) *on the basis of a commission of any kind, that is the remuneration included in the insurance premium; or*
 - (iii) *on the basis of other type of remuneration, including an economic benefit of any kind offered or given in connection with the Insurance contract; or*
 - (iv) *on the basis of a combination of both (i), (ii) and (iii);*

Where the fee is payable directly by the Client, the Regulated Person shall provide the amount of the fee or where this is not possible, the method for calculating it

Amendments are proposed to clarify that Regulated Persons must provide the required information to clients in good time before the conclusion of an insurance contract. This requirement will now also apply when an invitation to renew an existing insurance contract is issued, ensuring that clients receive the necessary information before deciding whether to renew the policy.

Question 11:

- a) **Do you consider that the proposed requirement to provide pre-contractual information in good time before the conclusion or renewal of an insurance contract will be effective in supporting client decision-making?**

- Yes**
- No**

If No, kindly provide your reasoning:

b) Are there particular challenges in applying this requirement to policy renewals or invitations to renew, and how could these be mitigated?

- Yes
- No

If Yes, kindly provide your reasoning:

c) Are there any additional measures or guidance that one would envisage to improve compliance with this requirement?

- Yes
- No

If Yes, kindly elaborate further:

(v) **Chapter 3 – Conflict of Interest**
Revised R.3.81

*R.3.81: Regulated Persons shall take all appropriate steps to identify and **avoid** conflicts of interest between themselves, including their managers, employees, Tied insurance intermediaries, Ancillary insurance intermediaries, or any person directly or indirectly linked to them by control and their Clients or between the interests of one Client and another, including those caused by the receipt of Inducements from third parties or by a Regulated Person’s own remuneration and other incentive structures.*

This rule was revised with a view to ensure that Regulated Persons take all appropriate steps to avoid conflicts of interest. The terms “manage” conflict of interest was replaced to read “avoid” conflict of interest. The purpose behind such amendment is to highlight that Regulated Persons should aim to proactively avoid conflict of interest in the first instance, rather than manage them retrospectively.

(vi) **Chapter 4 – Section 1 – General Principles of Sales Process and Selling Practices**

(1) **Enhanced record-keeping requirements**

Revised R.4.1.24

*R.4.1.24: In addition to any record keeping requirements resulting from this Rulebook, the Regulated Persons shall record in a Durable medium all relevant information related to relevant face-to face, **online and virtual meetings, and telephone** conversations with Clients. The information recorded is at the discretion of the Regulated Person but shall include at least the following:*

- a) Date of **the meeting, whether held in person, online/virtually, or by telephone.***
- b) location of meeting **in case of face-to-face meeting;***
- c) identity of the attendees;*
- d) initiator of the meeting;*
- e) The reason as to why the meeting was held, **whether in person, online/virtually, or by telephone***
- f) other relevant information about the order or the Insurance contract entered into.*

The MFSA is proposing to amend the existing record-keeping requirements to clarify that Regulated Persons are required to retain, in a durable medium, all relevant information not just relating to face-to-face interactions but also meetings held online or via telephone conversations with clients. The purpose of this amendment is to ensure that appropriate records are maintained for supervisory and evidentiary purposes, particularly where client interactions also occur through online and telephone communications.

Question 12:

Do you consider that the proposed amendment to require Regulated Persons to retain, in a durable medium, all relevant information from online and telephone interactions with clients is practical and proportionate?

- Yes**
- No**

If No, kindly provide your reasoning:

Please provide any feedback on potential operational challenges, costs, or impacts on client service that could arise from implementing this requirement:

(2) **Clarification of notification requirements for tied and ancillary insurance intermediaries**

Revised R.4.1.28 and New G.4.1.2A

R.4.1.28: *If the Client advises the Regulated Person enrolled as a Tied insurance intermediary or as an Ancillary insurance intermediary, of an incident which might give rise to a **substantial** claim, such Regulated Person shall, without delay, inform the Insurance undertaking of that incident and give prompt advice to the Client to pursue the matter further with the Insurance undertaking concerned.*

G.4.1.2A: *For the purposes of this Rule, the Tied Insurance Intermediary or the Ancillary Insurance Intermediary is expected to report without delay to the Insurance Undertaking, in cases of a substantial claims, such as for example, but not limited to: claims relating to flooding, claims relating to fatality and claims related to total loss of value.*

Amendments are proposed to clarify the obligations of tied insurance intermediaries and ancillary insurance intermediaries when they become aware of incidents that may give rise to claims. The revised rule clarifies that intermediaries should inform the insurance undertaking without delay when notified by a client of substantial claims (**R.4.1.28**).

Additional new guidance is also being proposed to provide examples of situations that may constitute substantial claims requiring prompt notification, such as incidents involving flooding, fatalities or total loss of value (**G.4.1.2A**).

Question 13:

- a) Do you consider that the clarified notification requirements for tied and ancillary insurance intermediaries (R.4.1.28) in case of substantial claims provide sufficient guidance on when and how to notify the insurance undertaking of potential claims?

- Yes
 No

If No, kindly explain why:

- b) Do you think the revised rule and guidance strikes the right balance between ensuring prompt notification to insurers and avoiding undue burden on intermediaries?

- Yes
 No

If No, kindly provide your reasoning:

(3) Enhanced transparency of remuneration and charges
Revised R.4.1.48(a)

R.4.1.48: The Regulated Person shall:

- a) *acknowledge receipt to the Client of all money received in connection with a Product, Service or Ancillary Service and that any charge or fee imposed in addition to the premium shall be disclosed separately.*

Provided that in the case of an Insurance contract, the Regulated Person shall distinguish the premium, document duty and motor vehicle licence fee, where applicable, and amount due by the Client, and the disclosures required in this Rule may be shown either on the invoice or on the receipt which would then refer to the invoice;

- b) *have printed on the receipt or contract note, the full name, business address, licence number (where applicable) of the Regulated Person;*
- c) *show the full name and address and official means of identification of the Client in the receipt, invoice or contract note;*
- d) *make reference in the receipt, invoice or contract note to the type of Product or Service in respect of which the money was paid including, where applicable, the policy number or other reference number;*
- e) *show, on the receipt, invoice or contract note, the name and address of the Product Manufacturer offering or issuing the Product; and*
- f) *sign and date the receipt or contract note and give the original to the Client whilst retaining sufficient copies.*

The MFSA is proposing amendments to point (a) above, requiring that any charges or fees imposed in addition to the insurance premium be disclosed separately to clients. This clarification aims to ensure greater transparency in relation to costs, including charges applied by distributors such as brokerage fees.

Question 14:

- a) **Do you agree that requiring separate disclosure of all charges or fees in addition to the insurance premium, including distributor fees such as brokerage, will enhance transparency for clients?**
 - Yes**
 - No**

Please provide reasons and any potential challenges in implementation.

- b) **From an operational perspective, do you foresee any difficulties or additional burdens for Regulated Persons in identifying and clearly disclosing all charges separately from the insurance premium? If so, please provide details and suggestions for mitigation.**

- Yes
- No

(vii) Chapter 4 – Section 6 - Complaint Handling by Regulated Persons

(1) Strengthening the complaints-handling framework
Revised R.4.6.5 proviso, R.4.6.10(b) and G.4.6.10

R.4.6.5: Regulated Persons shall have in place a complaints management function which enables them to investigate complaints fairly and to identify or mitigate any possible conflicts of interest.

Provided that, in the case of Regulated Persons which fall under points (i), (ii) and (v) of the definition of Regulated Person in the Glossary to these Rules, subject to the proportionality principle, the Regulated Person shall favour an organisation where the compliance function and the complaints management function are properly separated.

However, in those cases where the compliance function also acts as the Regulated Persons' complaints management function, the compliance report shall address any issues arising out of the implementation of the relevant arrangements the Regulated Person has in place to assess, minimise and manage any conflicts of interest between the said two functions (including, in particular, any failure identified as regards the Regulated Person's compliance with its complaints handling obligations).

*Provided that, in the case of Regulated Persons which fall under point (iii) and point (iv) of the definition of Regulated Person' in the Glossary to these Rules, **which have been vested with delegation of authority with respect to claims handling and / or processing**, the complaints management function shall not be entrusted to a person involved in the handling of the claim on which a complaint has been lodged.*

Provided that, the requirement of R.4.6.5 shall not apply in the case of Regulated Persons which fall under point (iv) of the definition of Regulated Person' and which are sole traders.

Amendments are proposed to reinforce the independence and transparency of complaints management processes. **R.4.6.5** relates to complaints management function, and its applicability has now been extended to insurance brokers, insurance agents, insurance managers, tied intermediaries and European insurance intermediaries which have established a branch in Malta. Where such Regulated Persons have been delegated authority for claims handling and/or processing, the complaints management function should not be entrusted to individuals involved in the handling of the claim (**R.4.6.5**).

R.4.6.10: Regulated Persons shall:

- a) *in writing, acknowledge receipt of any complaint upon receipt;*
- b) *where a complaint is made orally, the Regulated Person shall make a summary of the complaint and request the complainant to confirm in writing the said summary;*

*Provided that, the requirements of R.4.6.10(a) and (b) shall not apply to Regulated Persons falling under point (iv) of the definition of 'Regulated Person' in the Glossary to the Rules **unless such Regulated Person have been vested with the relevant delegation of authority with respect to complaints handling and/or processing.***

- c) *seek to gather and investigate all relevant evidence and information regarding the complaint;*
- d) *communicate in plain language, which is clearly understood;*
- e) *provide a response without unnecessary delay, or at least, by not later than fifteen working days from when the complaint was registered. Where the investigation of a complaint is not completed within fifteen days from receipt of the complaint, the Regulated Person shall:*
 - (i) *inform the complainant about the causes of the delay;*
 - (ii) *provide an indication as to when the investigation is likely to be completed.*
- f) *when providing a final decision in terms of (e) above that does not fully satisfy the complainant's demand, shall provide a thorough explanation of the Regulated Person's position on the complaint and that if the complainant is not satisfied with the way the complaint was resolved by the Regulated Person, the complainant may refer the complaint to the Office of the Arbiter for Financial Services established under the Arbiter for Financial Services Act (Cap.555). Such decision shall be provided in writing.*

R.4.6.10 relates to the procedure to be used when responding to complaints. In this regard, a clarification is being proposed with a view that these complaints procedure requirements are now also becoming applicable to insurance brokers, insurance agents, insurance managers, tied intermediaries and European insurance intermediaries which have established a branch in Malta and have been vested with delegation of authority with respect to complaints handling. If, for example, insurance brokers have been vested with the relevant delegated authority, they can handle the complaints to insurance undertakings themselves. The purpose of this amendment is to ensure that the complaints handling procedure is now followed also by insurance brokers, insurance agents, insurance managers, tied intermediaries and European insurance intermediaries which have established a branch in Malta who have a delegated authority to do so.

G.4.6.10: *For the purposes of paragraph (b) in the above Rule, Regulated Persons should publish details of their complaints handling process **in the pre-contractual documentation and** in brochures, pamphlets, contractual documents or via the Regulated Person's website **or Mobile App.***

For the purposes of paragraph (c)(i), in the above Rule, Regulated Persons should include the type of information to be provided by the complainant and the identity and contact details of the person or department to whom this complaint should be directed.

For the purposes of paragraph (c) (ii), in the above Rule, Regulated Persons should provide information on when the complaint will be acknowledged, an indication of handling timelines, and the availability of the Office of the Arbiter for Financial Services as established by the Arbiter for Financial Services Act and of alternative dispute resolution mechanisms in the case that a dispute remains unresolved.

Further guidance clarifies that Regulated Persons should make available details of their complaints handling procedures both in pre-contractual documentation and on their Mobile App (**G.4.6.10**).

Question 15:

- a) **Do you agree with the proposed and revised R.4.6.10(b) proviso?**
- Yes**
 - No**

b) Do insurance brokers, insurance agents, insurance managers, tied intermediaries foresee any operational or compliance challenges arising from R.4.6.5?

- Yes
- No

If Yes, kindly elaborate:

c) Do you consider the proposed enhancements to transparency, including the disclosure of complaints-handling procedures in pre-contractual documentation and on websites (G.4.6.10), to be appropriate and proportionate?

- Yes
- No

Please provide any additional comments (if any):

(2) Deletion of redundant provisions relating to external Office of the Arbiter for financial services decisions

Deleted Previous R.4.6.12

R.4.6.12: This Rule has been deleted.

Previously, R.4.6.12 related to decisions by the Office of the Arbiter for Financial Services, which should have been communicated to the MFSA. However, R.4.6.12 is now being deleted, given that the relevant judgments issued by the Office of the Arbiter for Financial Services are already publicly available and accessible to the MFSA.

Section 5: Conclusion and What Will We Do?

In view of the proposed amendments to the Conduct of Business Rulebook applicable to insurance business and investment firms, the MFSA invites all relevant stakeholders, including investment firms, insurance undertakings, intermediaries, and other entities falling in scope of the Conduct of Business Rulebook, to participate in this consultation process by providing feedback and comments on the proposals and questions outlined in this document to conduct.policy@mfsa.mt by **11 May 2026**. Following a consultation period, the MFSA will be considering relevant feedback as deemed necessary and the proposed amendments are targeted to become in force by 5 June 2026.

Annex A – Main Changes to the COBR

Definitions / Glossary	
Issuer-sponsored research	Newly inserted definition
Metadata	Newly inserted definition
Chapter 1 – Disclosure	
Chapter 1 – Section 2 – Marketing Rules	
R.1.2.6A	New (Transposing Directive 2024/2811)
R.1.2.6B	New (Transposing Directive 2024/2811)
R.1.2.6C	New (Transposing Directive 2024/2811)
R.1.2.6D	New (Transposing Directive 2024/2811)
R.1.2.6E	New (Transposing Directive 2024/2811)
R.1.2.6F	New (Transposing Directive 2024/2811)
R.1.2.7A	New
G.1.2.2	Deleted
R.1.2.8A	New
R.1.2.8B	New
G.1.2.3A	New
R.1.2.14 (second para)	New
R.1.2.15A	New
G.1.2.8	Revised
R.1.2.24	Revised
R.1.2.24A	New
R.1.2.24B	New
R.1.2.38A	New
G.1.2.14A	New
R.1.2.40	Revised
G.1.2.16	Revised (typo error)
G.1.2.29	Revised
G.1.2.30	Revised
G.1.2.37	Revised
G.1.2.38	Revised
R.1.2.62	Revised
G.1.2.40	Revised
R.1.2.74	Revised (typo error)
R.1.2.77	Revised

Chapter 1 – Disclosure	
Chapter 1 – Section 3 – Disclosure of information on regulated persons	
R.1.3.22	Deleted
Chapter 1 – Disclosure	
Chapter 1 – Section 5 – Disclosure on conflict of interest	
R.1.5.1	Revised
R.1.5.17	Revised
Chapter 3 – Conflict of Interest	
R.3.23	Revised (Transposing Directive 2024/2811)
R.3.23A	New (Transposing Directive 2024/2811)
R.3.23B	New (Transposing Directive 2024/2811)
R.3.23C	New (Transposing Directive 2024/2811)
R.3.81	Revised
Chapter 4 – Sales Process and Selling Practices	
Chapter 4 – Section 1 – General principles	
R.4.1.24	Revised
R.4.1.28	Revised
G.4.1.2A	New
R.4.1.48(a)	Revised
Chapter 4 – Sales Process and Selling Practices	
Chapter 4 – Section 4 – Assessment of client’s suitability and appropriateness	
R.4.4.80	Revised (typo error)
Chapter 4 – Sales Process and Selling Practices	
Chapter 4 – Section 6 – Complaint handling by Regulated Person	
R.4.6.5 (last para)	Revised
G.4.6.10 (first para)	Revised
R.4.6.10 (b)	Revised
R.4.6.12	Deleted