

**22<sup>nd</sup> April 2026****Conduct Supervision**  
Tel: (+356) 21441155Dear Chief Executive Officer,  
Dear Compliance Officer,**Re: Outcomes Based Supervision: Investment Firms – Complaints Handling**

You are receiving this letter as the Chief Executive Officer and Compliance Officer of an investment firm supervised by the Malta Financial Services Authority (referred to herein as the 'MFSA' or the 'Authority').

**1. Background**

The Authority remains steadfast in its commitment to promoting a sound and effective regulatory framework in which Licensed Entities are expected to uphold high standards of compliance, conduct their operations with integrity, and act consistently in the best interests of their clients. Adherence to all applicable legal and regulatory requirements, as well as to supervisory expectations is essential not only to safeguard consumers, but also for maintaining trust, stability, and confidence within the financial services sector. By enforcing these standards, the Authority seeks to foster a fair, transparent, and resilient market environment that supports sustainable growth and safeguards the interests of all stakeholders.

In pursuit of this objective, the Authority utilises a comprehensive range of supervisory tools, including on-site inspections, regulatory engagements, thematic reviews, and ongoing monitoring activities. These tools enable the Authority to assess whether licensed entities are operating with the required levels of transparency, fairness, and professionalism across all aspects of their business activities.

A key element of this framework is the effective handling of clients' complaints. Investment firms are required to maintain complaints management processes that are clear, accessible, fair and responsive, thereby enabling clients to raise concerns in a structured and transparent manner. The provision of timely and well-reasoned responses to complaints is indicative of an undertaking's commitment to fair customer outcomes and serves as an important mechanism for identifying potential systemic issues. Robust complaints handling arrangements contribute to enhanced accountability, improved consumer outcomes, and the overall integrity and stability of the financial services sector.

Section six (6) of Chapter 4 of the Conduct of Business Rulebook (hereinafter referred to as the "CoBR") establishes a comprehensive regulatory framework governing complaints handling by investment firms operating in and from Malta. This framework requires undertakings to implement and maintain a robust, transparent, and consumer centric

complaints management system. Investment Firms are required to adopt a formal complaints management policy that is designed, approved, and overseen by senior management. Senior management is responsible for ensuring the effective implementation of such policy and for ensuring ongoing compliance.

Furthermore, investment firms are required to establish an independent complaints management function with the necessary authority and capability to conduct impartial investigations and to identify and appropriately manage potential conflicts of interest. The CoBR also requires undertakings to maintain an adequate and up-to-date complaints register, to provide complaints related information to the MFSA upon request, and to publish clear and accessible information on complaints procedures across marketing and disclosure materials for consumers.

The CoBR further prescribes specific timelines for the acknowledgement and resolution of complaints, supported by structured procedures designed to ensure that investigations and responses are conducted in a fair, objective, and thorough manner. In addition, undertakings are required to implement ongoing monitoring and follow-up processes to identify recurring or systemic issues and to take appropriate remedial action. Collectively, these requirements are intended to provide consumers with an effective and accessible mechanism for raising concerns prior to seeking external dispute resolution.

During 2025, the Conduct Supervision function within the MFSA carried out a Thematic Review (“the Exercise”) amongst a number of licensed entities to assess the adequacy and effectiveness of their complaint’s procedures and processes. The aim of this exercise was to obtain a comprehensive understanding of how undertakings manage complaints received from clients, including the adequacy of internal procedures, the effectiveness of escalation mechanisms, and the timeliness and quality of responses issued.

Particular attention was given to assessing whether investment firms provide clear, accessible, and accurate information to clients regarding the manner in which complaints may be submitted and processed. The Exercise also sought to evaluate whether the complaints handling framework in place ensures fair treatment of clients, facilitates effective resolution, and aligns with the regulatory requirements and supervisory expectations set out by the Authority. Through this review, the MFSA aimed to identify good practices, highlight potential weaknesses, and promote a consistent, transparent, and consumer-centric approach to complaints handling across the sector.

This letter sets out the MFSA’s key findings arising from the Exercise and outlines the Authority’s supervisory expectations for investment firms in this area. It also provides guidance, observations, and examples of good practices which investment firms are expected to consider and, where appropriate, implement to enhance the effectiveness, transparency, and governance of their complaints handling arrangements.

## 2. Scope and Methodology

A thematic review constitutes an important supervisory instrument through which the Authority focuses its oversight towards specific areas of regulatory focus or concern across a broad spectrum of regulated entities. Rather than examining the practices of a single authorised person, this approach enables the Authority to identify, assess and analyse recurring issues, emerging risks, and common practices at a sector-wide level.

The effectiveness of a thematic review is further strengthened through the publication of its outcomes, thereby enhancing transparency and ensuring that Authority's observations, insights, and supervisory expectations are clearly communicated to both the industry and the public. Such transparency contributes to strengthening trust and confidence in the regulatory framework and underscores the Authority's commitment to accountability.

Moreover, thematic reviews serve to promote continuous improvement both within regulated entities and in the supervisory process itself. By assessing prevailing industry practices and levels of compliance, such reviews assist stakeholders in identifying areas requiring enhancement, implementing corrective measures, and raising overall standards across the sector. Accordingly, thematic reviews serve as a catalyst for better governance, more effective risk management, and better outcomes for consumers and the financial system.

The scope of this thematic review as part of an Outcomes-Based Supervision initiative, was to assess the extent to which Investment firms are adhering to the complaints handling requirements set out in the CoBR. These requirements apply equally to business conducted on a cross-border basis.

The findings arising from this exercise enabled the Authority to assess whether investment firms have established and maintained complaints handling frameworks that are robust, effectively governed, and aligned with applicable regulatory requirements and supervisory expectations.

As a result of this analysis, the Authority identified a range of observations, including deficiencies in internal processes, as well as gaps in governance and implementation. The investment firms included within the scope of the review have been individually notified of the Authority's findings and are required to take appropriate remedial action. Investment Firms not directly included in the sample are nevertheless expected to take due consideration of the outcomes of this letter and, where necessary, enhance their complaints handling arrangements accordingly.

Through this exercise the Authority sought to obtain a comprehensive understanding of how effectively a sample of **ten (10) investment firms**, which in total represent **fourteen percent (14%)** of all the investment firms servicing retail clients, have implemented its governance arrangements, procedural safeguards, and operational standards required under the COBR, particularly in relation to the fair, timely, and transparent handling of client complaints. The sample was selected based on criteria including the number of complaints received in 2024, the firm's business model, and the extent of cross-border activity. Notably, **five (5)** of the

selected firms operate on a cross-border basis, representing **twelve percent (12%)** of the sample.

Given that this thematic review forms part of a multi-year Outcomes-Based Supervision initiative, undertakings have been afforded a remediation period of one (1) year to address the issues identified. The Authority intends to conduct a follow-up assessment during the third year of the supervisory cycle (2027) to evaluate the extent to which the required improvements have been implemented and to assess progress relative to the initial findings.

The following parts of this letter are divided into three sections:

- **Findings** which set out key market-wide observations together with MFSA's expectations;
- **Good Market Practices** which highlight examples of good practices identified during the exercise; and
- **General MFSA Expectations** which outline the Authority's overarching supervisory expectations following the completion of this exercise.

### **3. Key Findings**

#### **3.1 Complaints Management Policy (the "Policy")**

##### Regulatory Requirements

Reference is being made to Rule R.4.6.4 of the [Conduct of Business Rulebook](#), which states that *"a Regulated Person shall ensure that complaints management policy is put in place and is set out in a written document. This policy shall be defined and endorsed by the Regulated Person's senior management, who shall also be responsible for its implementation and for monitoring compliance with it. The Complaints management policy shall be made available to all relevant staff of the Licence Holder through an adequate internal channel."*

Guideline G.4.6.1 of the Conduct of Business Rulebook also outlines a comprehensive list of elements that should be included in a robust complaint handling policy. Incorporating these guidelines will help ensure that the Company's policy is clear, consistent, and aligned with regulatory expectations, while also promoting transparency and fair treatment of complainants.

##### Findings

The Authority noted several shortcomings relating to the complaints-management policies and procedures reviewed as part of this compliance outcomes-based supervision. These findings have been categorised and grouped into thematic sections to highlight the key issues observed across the sampled investment firms.

#### **a. Finding - Maintenance and Update of Policies and Procedures**

The Authority noted that all sampled investment firms had established a complaints-handling policy, a procedure, or both. However, the majority had not updated or reviewed these documents on at least an annual basis. In one case, the most recent update dated back to

2018, while another firm reviewed its policy only every three years. Moreover, the Authority noted the repeated inclusion of outdated information, particularly the incorrect address of the Office of the Financial Services Arbiter which indicates that these policies have not been updated to reflect the recent regulatory changes. Several firms also failed to maintain a proper version control log, making it impossible to determine when updates were made or whether the policy had been reviewed regularly. The absence of a clear audit trail indicates weak governance over the complaints-handling framework.

A common shortcoming identified relates to investment firms not having a single, overarching complaints-management policy that clearly outlines the full complaints-handling framework. With respect to one particular investment firm, three separate policies and procedures were submitted, and the Authority could not determine how these policies and procedures operate together or interact in practice. Similarly, another investment firm included three different policies and procedures in view of the cross-border nature of its business. It was noted that the complaint handling process is split across different documents, with various elements addressed separately in the firmwide level and an entity level. This fragmented approach means there is no single, clear procedure to be followed thereby creating a risk of confusion as staff must cross refer to multiple documents to understand the full process. For instance, the tracking of complaints was solely included in the policy and not replicated in the local procedures. Although, the emphasis was placed on communicating in plain, accessible language, the policy did not consider the languages of the home Member States to ensure clarity and accessibility for all clients.

Another issue noted by the Authority is that several investment firms did not indicate who is responsible for drafting or updating the complaints-handling policy. No evidence was provided to confirm that the policy had been endorsed or approved by senior management. This lack of clarity raises concerns regarding governance, accountability, and oversight of the complaints-handling framework.

An investment firm submitted a policy consisting of only four broad sections made up of a few pages, indicating a lack of structure and granularity. The absence of detailed subsections makes it difficult to identify specific responsibilities, escalation paths, and operational procedures, thereby weakening the clarity and effectiveness of the complaints-handling framework.

The Authority is concerned to note several deficiencies within the policies and procedures submitted, indicating material weaknesses in the governance and oversight of the complaints-handling process.

#### MFSA Expectations

It is crucial that investment firms have in place a comprehensive complaints management policy as it sets clear expectations how complaints are received, assessed, and resolved, ensuring fairness and consistency towards its clients. It is important to note that the complaints management policy strengthens governance by defining clearly the

responsibilities and supporting the effective oversight of the firm's handling of clients' dissatisfactions and concerns.

**b. Finding - Complaints Handling Responsibility and Reporting Mechanisms**

Certain complaints handling policies did not identify a single individual responsible for managing complaints. On the other hand, the respective complaints registers being provided listed multiple assignees/complaints handlers within the same investment firm. As a result, the lack of reporting mechanism within such policies raises significant concerns regarding the accountability and effective oversight of such complaints handling framework. This further undermines the robustness and clarity of the firm's internal controls in relation to the complaints handling framework.

**c. Finding - Complaints Handling, and Fair Treatment Standards**

The majority of the sampled investment firms did not provide sufficient detail of how they ensure the fair and efficient treatment of complainants. This is a major concern, as unclear procedures increase the risk of inconsistent handling, potential bias, and inadequate protection of clients' rights. Hence, this limited the Authority's ability to assess compliance with regulatory obligations and the effectiveness of firms' complaints-management framework.

**d. Finding - Template for Acknowledging Complaints**

The Authority also observed inconsistencies in the use of templates for acknowledging complaints. In some cases, templates for acknowledging complaints were embedded within the policy itself. On the other hand, templates were provided separately with no cross-reference in the respective policy.

**e. Finding - Management of Conflicts of Interest and Complaints Handling**

Another shortcoming noted by the Authority relates to the absence of any measures addressing conflicts of interest within the complaints-management framework. The policies and procedures did not outline how the Company intends to prevent, identify, or manage potential conflicts of interest, raising concerns about the impartiality and integrity of the complaints-handling process, as outlined in Section of B of this Dear CEO Letter, which also refers to Rule R.4.6.5 of the CoBR.

**f. Finding - Complaints Management in Cross-Border Activities**

It was noted that only few investment firms which operate on a cross-border basis made any reference to the cross-border aspect of their operations, and most failed to include a dedicated section explaining how aggrieved and dissatisfied customers may lodge a complaint in the language of the host Member State where services are provided. One investment firm included a brief cross-border section and referenced the respective applicable

rulebooks and alternative dispute-resolution mechanisms of other European jurisdictions yet did not provide the required complaint templates in the relevant EU languages.

Two investment firms submitted group-level policies that were primarily tailored to other jurisdictions. The policy reviewed made no reference to the Maltese entity and relied exclusively on the requirements of a foreign National Competent Authority, without addressing the obligations arising under the Authority's Conduct of Business Rulebook. This demonstrates that these firms did not adequately adapt their complaints-handling framework to the regulatory requirements and operational realities of its activities arising in Malta. Furthermore, the policy did not include any reference to the [Office of the Financial Services Arbiter](#).

An investment firm included a section in its policy outlining that certain types of complaints were being excluded. For instance, complaints submitted to the Regulatory Authorities or other regulatory bodies are excluded from being handled by the firm via its internal complaints management system. The Authority deems that this approach is considered as unacceptable, as all client complaints must be addressed and considered by the investment firm receiving them in a fair and consistent manner, irrespective of whether these were also submitted to other regulatory authorities or alternative dispute settlement entities.

#### MFSA Expectations

The Authority emphasises that the complaints-management policy must not merely replicate the generic provisions of the Conduct of Business Rulebook. Instead, it must be tailored to the firm's specific operations and provide clear, practical guidance to staff on the handling of complaints. A policy that lacks the firm's specific detail undermines its effectiveness and fails to support a robust and compliant complaints-handling framework. Accordingly, investment firms are expected to update their procedures to eliminate any ambiguities, ensure consistency, and provide clear guidance to staff, thereby safeguarding transparency, accuracy, and fair treatment of clients throughout the complaint-handling process.

### **3.2 Complaints Management Function**

#### Regulatory Requirements

Reference is being made to Rule R.4.6.5 of the CoBR, which states that "*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.*" Furthermore, investment firms are obliged to inform the Authority the identity and contact details of the individual/s involved in the complaints management function, as per Rule R.4.6.6 of the Conduct of Rulebook.

Reference is also being made to Guidance G.4.6.3 of the Conduct of Business Rulebook whereby the Company should:

- i. Appoint one or more senior manager(s) with overall regulatory responsibility for the complaints management function or process, as appropriate.
- ii. Ensure the necessary internal flows of information and reporting lines for complaints management, as appropriate.
- iii. Control the effective and efficient treatment of complaints.

In line with the Regulated Person should, wherever possible and in line with the principle of proportionality, adopt an organisational structure in which the compliance function and the complaints-management function are properly separated. Such separation is intended to safeguard independence, ensure objective handling of complaints, and minimise the risk of conflicts of interest.

### Findings

The Authority is concerned to note that, in many instances, the individual responsible for managing the complaints process was either: a group of employees who would handle investment firm's complaints (customer complaints group), the Company's Compliance Officer, the Chief Executive Officer, or a member of the Board of Directors.

Several investment firms did not recognise that assigning these roles to such senior individuals inherently creates a potential conflict of interest. For instance, the Compliance Officer is expected to independently monitor the Company's activities, while the Chief Executive Officer is primarily focused on business development and profitability. These competing responsibilities may compromise the impartiality required for the fair and effective handling of complaints.

In other cases, firms did not designate any specific individual to oversee the Complaints Management Function, nor did they outline how internal communication channels would operate to ensure staff can easily identify and contact the responsible person. This lack of clarity restricts employees' ability to seek guidance and undermines the effectiveness of the complaints-handling framework.

Overall, the policies and procedures submitted did not provide a sufficiently detailed explanation of how such conflicts would be identified, assessed, and managed in practice. Furthermore, the Authority was concerned to note that investment firms are relying heavily on the perceived personal integrity of the respective individual rather than establishing a robust, documented framework to ensure independence and mitigate conflicts of interest on an organisational level.

### MFSA Expectations

The Authority expects all investment firms to ensure that their policies and procedures clearly identify the individual(s) responsible for complaints management. These policies must always be readily accessible to all relevant staff. Firms must also ensure that the designation of the responsible individual remains current and is promptly updated whenever changes occur.

Accordingly, investment firms are required to proactively notify the Authority of any change in the individual responsible for complaints management through the Licence Holder Portal.

Nevertheless, in line with their fundamental obligation to prevent, identify, and manage potential conflicts of interest within their complaints-management framework, investment firms must maintain clear, effective, and robust arrangements that safeguard the integrity and impartiality of the complaints-handling process.

Overall, the Authority expects that the complaints management **should not** be handled by the Board of Directors. In cases where proportionality applies, the Compliance Officer should be designated as the responsible manager, in line with Rule R.4.6.5 of the COBR. The Board's role is to provide strategic oversight and ensure that an effective complaints-handling framework is in place, rather than becoming directly involved in the operational management of individual complaints. The Authority expects firms to designate appropriately independent and competent functions to manage complaints, with the Board retaining responsibility for monitoring the effectiveness of the process and ensuring that any systemic issues identified are addressed in a timely manner.

### **3.3 Registration of Complaints**

#### Regulatory Requirement

Reference is being made to Rule R.4.6.7 of the Conduct of Business Rulebook, which states that *"Regulated Persons shall register any complaints it receives in an appropriate manner, (for example through a secure electronic register) as soon as these are received together with any action taken with respect to such complaints. The MFSA may at any time require the register to be produced for its review."*

#### Findings

As part of this exercise, the Authority requested copies of the latest version of the investment firms' Complaints Register. The Authority noted that certain investment firms reported absolutely no complaints or only a limited number, whilst others recorded several complaints throughout the years. On the other hand, other complaints were noted which arose from cross-border activities.

One common shortcoming being noted across most investment firms, relates to the omission of the dedicated sections within the complaints register, related to the escalation to the Office of the Arbiter for Financial Services and the formal subsequent reporting to the Authority. In other instances, the Authority was concerned to note that investment firms did not clearly outline whether the complaint/s originated from cross-border activities by having a specific column within the complaints register. Certain investment firms included the class of business or financial instrument as a separate field within the complaints register; however, this was not applied consistently.

It was further observed that complaints being recorded in the complaints register were being received directly by the Company's employees. However, the policy and procedures did not establish a formal process outlining how such complaints are to be managed and did not

identify the Company's official responsible for the complaints handling. This absence of a defined process creates uncertainty, increases the risk of inconsistent handling, and undermines the effectiveness of the complaints-management framework.

The Authority is noted that, although certain registers included a column titled "*Action Plan*," they lacked a corresponding field capturing the result or outcome of each complaint. Similarly, while certain investment firms recorded the "*Number of working days to resolve*," these firms failed to include a column specifying the actual closure date.

The Authority noted with concern that the Complaints Register of a particular investment firm was divided into separate periods over the years, and that certain complaints recorded within one of these periods lacked sufficient granular information. Specifically, several fields, such as "*relationship manager*," "*amount invested*," and "*date answered*" were either left blank or marked with question marks (e.g., "?" or "??").

Such an approach is not considered appropriate, as the absence of complete and accurate information prevents the Company from obtaining a clear and reliable understanding of the status of the complaints under review.

A lack of granular detail was also observed in another Company's complaints register submitted for review. For example, one complaint related to a specific local bond distributed by the Company, yet no ISIN was provided to properly identify the financial instrument. In another case, the ISIN was recorded but the title of the financial instrument was omitted, limiting the clarity and traceability of the record.

Furthermore, in another complaint, the summary merely stated "*recent transaction executed*" without providing any information on the nature of the transaction, the financial instrument involved, or whether it related to a particular class of business. Such vague descriptions do not allow for a proper assessment of the complaint or its context.

Overall, the Authority observed a lack of consistency and insufficient granularity in the information recorded within the complaint's registers. As a result, such lack of detail limits transparency, traceability, and the effective monitoring of firms' complaints-handling processes.

#### MFSA Expectations

While the CoBR provides a broad definition of a complaint, capturing any general expression of dissatisfaction, the Authority expects investment firms to establish clear and proportionate internal procedures that distinguish between matters requiring formal treatment and those that do not. Institutions should therefore internally define which types of "*expressions of dissatisfaction*" qualify as formal complaints and hence need to be recorded in the Complaints Register and hence subject to the institutions' complaints management process, and which constitute simple enquiries or issues resolved immediately and therefore fall outside the scope of formal reporting. This ensures consistency, proportionality, and regulatory compliance in the complaints-handling process.

The Authority considers that complaints register that lacks essential details undermines the effectiveness of the complaints-handling framework and raises concerns regarding the firm's record-keeping practices and overall governance. In particular, the Authority expects the

Complaints Register incorporates granular information which is required for the Compliance Function to carry out trend analysis and identify root causes which should be eventually tackled to provide a better customer experience. Accordingly, investment firms are expected to maintain a complete and accurate complaints register that records every complaint received in a timely manner, together with its status and final resolution. Firms must ensure that the register is updated promptly to remain current and reliable, and that entries are documented consistently so the register serves as a dependable source of information for internal oversight and for supervisory review. The Authority will not consider registers that lack completeness, timeliness, or consistency to be compliant with regulatory expectations.

The Authority expects that the Compliance Officer be granted unfettered access to records relating to client complaints. Such access is essential to enable the Compliance Officer to effectively monitor the operation of the complaints-handling process and to ensure that complaints are treated as a meaningful source of information within the firm's ongoing compliance monitoring activities, including root cause analysis. The Complaints Management Policy should therefore include a dedicated section outlining how the Compliance Officer intends to internally follow up on complaints. This section should clearly detail the procedures for monitoring, escalation, and resolution, thereby ensuring accountability and supporting continuous improvement.

Furthermore, the Authority stresses the importance of the Compliance Officer providing the Board of Directors with regular updates on complaints received, particularly during quarterly Board meetings. This ensures that the Board maintains adequate oversight and can review trends, emerging risks, and the effectiveness of the firm's complaints-handling arrangements. The compliance report should therefore include comprehensive information on complaint volumes, categories, resolution timelines, and any systemic issues identified. Such reporting is crucial to enabling the Board to exercise its governance responsibilities and to ensure that fair client outcomes remain central to the firm's operations.

### **3.4 Internal Follow-up of Complaints and Root Cause Analysis**

#### Regulatory Requirements

Reference is being made to Rule R.4.6.8 of the Conduct of Business Rulebook, which states that *"Regulated Persons shall analyse on an on-going basis, complaints handling data to ensure that they identify and address any recurring or systemic problems, and potential legal and operational risks."*

As a measure of best practice, reference is being made to Guidance G.4.6.9 of the Conduct of Business Rulebook whereby the investment firms should include proper internal follow up of complaints:

- a) The collection of management information on the causes of complaints and the Products and Services complaints relate to.
- b) A process to identify the root causes of complaints and to prioritise dealing with the root causes of complaints.

- c) A process to consider whether the root causes identified may affect other processes or products.
- d) A process for deciding whether root causes discovered should be corrected and how this should be done.  
Regular reporting or information on recurring problems to senior manager.

### Findings

The Authority was concerned to note that the policies submitted did not comprehensively outline how complaints handling data will be analysed to identify and address recurring or systemic issues. Specifically, the documentation lacked a clear framework for conducting root cause analysis and did not specify the procedures through which the Compliance Officer would follow up on identified concerns.

In view of the above finding, the Authority noted that most investment firms did not establish a tailored root-cause analysis framework. This omission indicates that their complaints-handling processes may not be adequately identifying or addressing underlying systemic issues within their operations. Such a deficiency weakens the overall effectiveness of the complaints-management framework and falls short of regulatory expectations for robust oversight, risk identification, and continuous improvement.

With respect to investment firms that have implemented a root-cause analysis framework, it was noted that the relative information was often presented only as a brief or high-level overview. In several instances, the root-cause analysis lacked sufficient detail and did not adequately outline the main underlying issues contributing to the complaints. This limited level of analysis reduces the firm's ability to identify systemic weaknesses, implement meaningful corrective actions, and prevent recurrence of similar issues.

### MFSA Expectations

The Authority expects investment firms to conduct a comprehensive Root Cause Analysis of the complaints they receive, regardless of volume or complaint type. This analysis must go beyond simple categorisation and should identify the underlying drivers, systemic weaknesses, process gaps, or operational issues contributing to recurring complaints.

Each investment firms is therefore expected to:

- Perform regular and structured Root Cause Analysis as part of their complaints-handling framework.
- Document the Root Cause Analysis in a formal report, approved internally and available for supervisory review.
- Ensure the analysis is substantive and granular while clearly demonstrating an understanding of the underlying causes of complaints rather than simply categorising them.  
Use the findings to implement corrective and preventive measures, showing a continuous effort to improve internal processes and customer outcomes.

The Authority emphasises that conducting a proper Root Cause Analysis is an essential component of an effective complaints-management system, and all investment firms are expected to meet this standard consistently.

### **3.5 Provision of Information**

#### Regulatory Requirements

Reference is being made to Rule R.4.6.9 of the Conduct of Business Rulebook, which states that "*Regulated Persons shall:*

- a) on request or when acknowledging receipt of a complaint, provide written information regarding their complaints handling process;*
- b) publish details of their complaints handling process in an easily accessible manner;*
- c) provide clear, accurate and up-to-date information about the complaints – handling process including:
 
  - i. details of how to make a complaint and*
  - ii. the process that will be followed when handling a complaint.**
- d) Keep the complainant informed about further handling of the complaint."*

#### Findings

As part of this supervisory workstream, the Authority conducted website-disclosure checks relating to firms' complaints-handling processes. The Authority was concerned to note that thirty three percent (**33%**) of investment firms failed to provide any complaints-handling disclosure on their website, including information on how clients may lodge a complaint, the steps the investment firm will follow in addressing it, the timeframe for acknowledging a complaint, expected handling timelines, and reference to the Office of the Arbiter for Financial Services as an external escalation channel. The absence of such disclosures undermines transparency and accessibility for clients and does not align with regulatory expectations for clear, visible, and comprehensive communication of client rights and procedures.

The Authority was concerned to note that the complaints policy was not prominently displayed on a number of investment firms' website, for example at the top of the homepage or in another clearly visible location. In another instance, it was observed that multiple searches were required to locate the relevant disclosure, indicating that the information was not easily accessible to clients. Such shortcomings undermine transparency and do not align with the expectation that complaints-handling information should be straightforward to find and readily available. Furthermore, the Authority noted that certain investment firms did not present a consolidated section outlining the complaints-handling process, but instead only uploaded its internal complaints policy. This approach creates confusion as clients should be provided with a simplified version of the policy explained using simplified language.

The Authority noted that the complaints section with respect to two investment firms' websites referred to an address in another jurisdiction. Furthermore, these investment firms directed clients to that respective jurisdiction's financial services arbiter rather than including reference to the domestic arbiter as well and the information relating to cross border complaints on the Arbiter's website. Another shortcoming noted relates to the complaints policy available only upon request, despite the policy later being uploaded. These inconsistencies in disclosure remain a concern.

One investment firm included a dedicated complaints section on its website providing clear information on how a client may lodge a complaint and the steps the Company will follow in addressing it. While this approach is to be commended, a comparative review of the website disclosures and the firm's Complaints Policy revealed inconsistencies in the timelines for acknowledgement and resolution relating to:

- i) days to acknowledge a complaint.
- ii) days to resolve a complaint on a best-effort basis; and
- iii) the maximum number of days to fully resolve a complaint.

Such inconsistencies between the policy and the website risk creating confusion for clients and undermine the clarity and reliability of the firm's complaints-handling framework.

#### MFSA Expectations

The Authority expects all investment firms to ensure full compliance with the website-disclosure obligations set out in Rule R.4.6.9 of the Conduct of Business Rulebook. Firms must present their complaints-handling information in a clear, prominent, and easily accessible manner on their website, and such updates are to be implemented without delay.

In an increasingly digitalised environment, where customers rely heavily on online platforms for information, services, and support, it is essential that all relevant and helpful information is made available online to facilitate ease of access and promote transparency.

This information must be complete, current, and prominently displayed so that clients can readily understand how to submit a complaint and what to expect from the process. Investment firms are expected to maintain full transparency in this regard, and the absence of published procedures will be considered a failure to meet regulatory obligations.

### **3.6 Procedure for Responding to Complaints**

#### Regulatory Requirements

Rule R.4.6.10 of the Conduct of Business Rulebook requires Regulated Persons to operate a clear and timely complaints-handling process. Firms must acknowledge complaints, document oral complaints, gather all relevant information, communicate in plain and understandable language, and issue a response without undue delay and no later than fifteen working days. If this deadline cannot be met, the complainant must be informed of the reasons for the delay and given an expected completion date. Where the outcome does not fully uphold

the complainant's position, the firm must clearly explain its reasoning and inform the complainant of their right to refer the matter to the Office of the Arbiter for Financial Services.

### Findings

The Authority noted that the procedure for responding to complaints was either submitted as a standalone document or integrated within the broader policy framework. However, the investment firms demonstrated significant variation in how they structured and addressed complaint-handling within their internal policies. In several instances, key regulatory requirements were either insufficiently detailed or omitted altogether, resulting in policies that did not fully reflect the standards set out under the CoBR. Moreover, the Authority noted the following shortcomings across the procedures, namely:

- i. **Acknowledgement of Complaints:** The policies do not explain how the investment firms will formally acknowledge receipt of complaints upon submission.
- ii. **Verbal Complaints Procedures:** No clear procedures are outlined for handling verbal complaints, including the requirement to provide complainants with a written confirmation summarising their complaint.
- iii. **Evidence Gathering and Investigation:** The Policies submitted lack sufficient detail on how the Companies will collect, review, and investigate all relevant evidence and information relating to complaints.
- iv. **Plain Language and Multilingual Communication:** The Policies do not emphasise the need for clear, plain-language communication. Given that most of the investment firms operate on a cross-border basis, they also fail to consider the languages of the host Member States to ensure accessibility for all clients.
- v. **Timely Responses to Complaints:** The Policies do not specify the timeframe for responding to complaints, and in some cases refer to periods exceeding the regulatory requirement of fifteen (15) working days from the date of registration. Additionally, no information is provided on how complainants will be informed of delays or advised when investigations are expected to be completed.
- vi. **External Escalation Procedure:** No specific reference was made to the external escalation procedure, namely the Office of the Arbiter for Financial Services.

In certain instances, it was noted that investment firms submitted copies of their acknowledgement templates. However, these templates were not cross-referenced within the Complaints Policy, nor did the policy outline how staff are expected to use them. Moreover, observed that the policies, procedures, and communication templates did not specify that a client signature is required on the summary prepared by the firm when a complaint is submitted verbally. This omission may result in insufficient documentation and can undermine the integrity of the complaints-handling process. Additionally, no reference to the templates was included in the acknowledgements section of the firm-wide Complaints Policy, further contributing to inconsistencies in the firm's internal framework.

With respect to the policies submitted by one investment firm, the Authority was concerned to note that no information was included regarding the fifteen-working-day requirement, nor was any procedure outlined for situations where this timeline cannot be met. Furthermore, supervisory checks revealed that the firm's website referred instead to an eight-week

timeframe, with no reference made to the local Financial Services Arbiter. These inconsistencies between the firm's internal policy and its public disclosures create a risk of misleading clients and undermine the transparency and reliability of the firm's complaints-handling framework.

#### MFSA Expectations

The Authority expects investment firms to strengthen their complaints-handling frameworks to ensure full compliance with regulatory requirements. Firms should implement a formal process for acknowledging complaints upon receipt, establish clear procedures for managing oral complaints, and adopt a structured approach for gathering and assessing all relevant evidence. Communications should be drafted in clear and accessible language and, given firms' cross-border activities, made available in the appropriate languages of the relevant host Member States. Firms are also expected to adhere to the regulatory timeframe of fifteen (15) working days for issuing responses, inform complainants of any delays, and provide an indicative completion date. Furthermore, investment firms should clearly outline the external escalation mechanism available to clients, including explicit reference to the Office of the Arbiter for Financial Services.

Any explanations provided to clients, including those relating to the outcome of their complaint, must be sufficiently detailed, transparent, and easy for the customer to understand by using simple and plain language, enabling them to make an informed assessment of the investment firm's position. Firms are therefore required to formalize this obligation within their documented complaints-resolution frameworks and ensure that staff responsible for complaints handling apply this requirement consistently in practice.

By implementing this requirement rule, investment firms promote transparency, reduce unnecessary escalations, and foster fair treatment of customers through enhanced clarity and accountability in the complaints-handling process.

#### **4. Good Market Practices Identified**

The following section provides an overview of the good practices observed across the sample of investment firms reviewed. These examples highlight areas where firms have demonstrated sound governance, effective implementation of regulatory requirements, and a commitment to enhancing client outcomes. By outlining these practices, the Authority aims to illustrate standards that may serve as a benchmark for the wider industry and support firms in strengthening their own internal frameworks.

The Authority noted that an investment firm, which conducts substantial cross-border activities across various European jurisdictions, has included a dedicated section within its policies and procedures that outlines the regulatory requirements applicable in those jurisdictions. Furthermore, the firm's documentation contains a dedicated appendix listing the relevant email addresses, postal addresses, countries, applicable alternative dispute resolution authorities, and the languages used in the complaint-handling process.

Furthermore, the Authority noted that an investment firm, which conducts substantial cross-border activities across various European jurisdictions, included a dedicated section in its complaints register indicating the country of origin of each complaint. This practice enhances transparency and allows for better monitoring of trends and issues arising from different jurisdictions.

One investment firm submitted a copy of its customer complaints report for the year 2024, which provided a detailed statistical summary of the complaints received including the cross-border complaints, together with the decisions adopted, including whether each outcome was favourable or unfavourable to the complainant. Details also included information related to adjustments and refunds being provided by the Company and why such complaints have been dismissed in view of insufficient evidence being provided by the complainant. The report also included a set of recommendations aimed at improving the complaints-handling process.

Another investment firm submitted a copy of the complaints report presented to its Board of Directors. The report included several graphical representations illustrating the volume of complaints received, the distribution across the various group entities, and the number of complaints resolved, distinguishing between those upheld and those not upheld. A dedicated section on root-cause analysis was also provided, outlining the primary causes of complaints together with their respective percentages, including further detail on the category with the highest root cause. The report also provided detailed insights into the main trends observed, including the key factors contributing to the increase in complaints. A comparative analysis covering the years 2024 and 2025 was included, offering a clearer view of year-on-year developments. Furthermore, the firm assigned internal key performance indicators (KPIs) to monitor the effectiveness of its complaints-handling process. These KPIs focused on the timeliness of acknowledgements, the quality and timeliness of responses, and the tracking of complaint closure, with the report presenting detailed percentages reflecting the firm's performance against each metric.

## **5. Other General MFSA Expectations**

Clients must be treated fairly and, when dissatisfied, must have clear access to an effective complaints' mechanism. Investment firms are expected to investigate complaints thoroughly and provide redress where appropriate. However, supervisory intelligence gathered by the Authority throughout the years shows that complaints handling remains an area where outcomes are often unsatisfactory. Firms are therefore expected to strengthen their complaints-handling frameworks to ensure that all consumers, particularly those who are dissatisfied are treated fairly, supported appropriately, and provided with an effective avenue for redress.

Nevertheless, investment firms are expected to handle complaints fairly, promptly, and competently, ensuring that dissatisfied consumers can raise concerns without undue difficulty. The complaints process must remain straightforward, accessible, and free from unnecessary barriers. Where appropriate, investment firms should provide redress in a timely and transparent manner, thereby reinforcing trust in the financial services sector.

From a cross-border perspective, investment firms must ensure that cross-border clients face no hindrance when submitting a complaint, thereby maintaining a consistent standard of consumer protection across all jurisdictions in which they operate. As investment services are increasingly offered across borders, clients residing out of the home Member State must receive the same level of accessibility and support as domestic clients.

Any procedural, linguistic, or operational barriers undermine the effectiveness of the complaints-handling framework. Such limitations weaken trust in the investment firm and the wider sector. Ensuring seamless access for cross-border clients is therefore a non-negotiable regulatory expectation and a core element of a robust complaints handling process.

The Authority expects all investment firms to act immediately and decisively in addressing the shortcomings identified. Strengthening complaints-handling frameworks is a regulatory requirement and a critical safeguard for consumers and the integrity of the financial services sector.

Furthermore, the Authority expects that all staff involved in complaints handling receive regular and up-to-date training on the requirements of the COBR, including the relevant provisions under Chapter 4, Section 6 of the COBR, as well as on internal procedures, escalation processes, and standards for drafting clear, accurate, and well-reasoned responses, and broader consumer-protection expectations. In addition, investment firms should ensure that policies and standards are applied consistently across all business units and customer service channels

An effective complaints management function is essential to ensuring fair client treatment and maintaining confidence in the firm's processes. A critical component of this framework is the proper management of conflicts of interest, as unresolved or poorly handled conflicts can compromise the impartiality of complaint outcomes and undermine the credibility of the entire system.

In circumstances where the Compliance Function also assumes responsibility for the complaints-management function the Regulated Person must ensure that adequate safeguards are in place. In such cases, the compliance report submitted to the Board of Directors should clearly outline the arrangements implemented to identify, assess, minimise, and manage any conflicts of interest arising from the dual role. This should include details on oversight mechanisms, escalation procedures, and any compensating controls designed to preserve the integrity and impartiality of both functions.

A proper complaints register is essential, as it enables firms to track each complaint from receipt to resolution, ensuring consistent handling and timely follow-up. Moreover, it also allows investment firms to identify recurring issues or emerging risks. On the other hand, the complaints register provides the Authority with clear evidence of how complaints are managed and whether regulatory obligations are being met.

Undeniably, internal follow-ups are a critical component of an effective complaints-handling framework. They ensure that once a complaint is logged, it is actively monitored, progressed,

and brought to a proper conclusion rather than left unresolved. Regular follow-ups reinforce accountability, enable the timely identification of delays or procedural gaps, and ensure that issues are escalated appropriately when required. This ongoing oversight is essential to maintaining the integrity of the complaints-handling process and safeguarding fair client outcomes.

Investment firms should communicate information in clear, simple, and easily understandable language to ensure that clients can make informed decisions and that the Authority can exercise effective oversight. This requires that all client-facing documentation including websites, brochures, and pamphlets presents information in a straightforward and accessible manner. When information is communicated clearly and kept up to date, firms are better positioned to assess complaints effectively, identify emerging risks, and detect potential systemic issues. Without such clarity, the complaints-handling framework cannot operate in a controlled, reliable, or compliant manner.

## **6. Way Forward**

The observations and findings arising from this supervisory workstream are being highlighted in this letter with a view to sharing experiences, learning valuable lessons, and identifying good practices for the benefit of the financial market and the end consumer.

The Board or Executive Committee is therefore urged to consider which of the observations indicated in this letter are applicable to its business. To this end, firms are expected to carry out a comprehensive gap analysis with respect to the practices and processes of the firm and then to take prompt action to address any identified shortcomings accordingly to enhance the complaints handling processes.

Kindly note that the Authority will be continuously monitoring compliance by investment services licence holders with the applicable regulatory requirements and may engage with particular investment firms on the matters forming the subject of this letter.

Should you require any clarification on the above, please do not hesitate to contact the Authority's Conduct Supervision Function on [csuinvestments@mfsa.mt](mailto:csuinvestments@mfsa.mt)

Yours faithfully,  
**Malta Financial Services Authority**

**Christopher P. Buttigieg**  
**Chief Supervision Officer**

**Sarah Pulis**  
**Head Conduct Supervision**

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