

08th June 2026

Conduct Supervision

Tel: (+356) 21441155

Dear Chief Executive Officer,

Dear Compliance Officer,

Insurance entities: Outcomes Based Supervision 2025

You are receiving this letter as the Chief Executive Officer and/or Compliance Officer of an insurance undertaking authorised and supervised by the Malta Financial Services Authority (referred to herein as the "MFSA" or the "Authority").

INTRODUCTION

The MFSA seeks to promote and enhance compliance with the applicable legal and regulatory framework governing insurance licensed entities (also hereinafter referred to as "licensed entities" or "regulated persons"). This objective is pursued in furtherance of a fair, honest, and transparent financial market, thereby strengthening market confidence, with the aim of protecting policyholders.

To this end, the Authority's supervisory activities are aimed at fostering high compliance standards within the supervised licensed entities using diversified tools encompassing mystery shopping exercises, thematic reviews, off-site monitoring, supervisory meetings, and on-site inspections.

Marketing communications play a crucial role in shaping consumer behaviour and influencing their decisions. An advertisement can significantly influence the prospective client, particularly where such client may not have the knowledge about the products being promoted. Misleading or unclear marketing communications may not adequately disclose material terms and conditions of a product or may over emphasise benefits over risks. Accordingly, licensed entities are required to ensure that all marketing communications are fair, clear and not misleading, and are presented in a manner that is readily understandable to retail clients.

STRENGTHENING SUPERVISORY EFFECTIVENESS THROUGH COMPLIANCE OUTCOMES BASED SUPERVISION

A thematic review involves an in-depth assessment of identified risks and issues that may have broader implications for the financial services market. By examining specific matters in detail, such reviews facilitate meaningful comparisons across locally licensed entities and support the identification of common trends and areas of concern.

Throughout 2025, the Authority applied the Compliance Outcomes Based Supervision approach across its supervision of the financial services sector in Malta. This approach focuses on achieving the intended results of supervisory engagement in an efficient and effective manner, while upholding the core objectives of financial regulation: consumer protection, financial stability, and market integrity. Its primary aim is to ensure a broader reach

across the population by delivering tangible, measurable outcomes over a defined period. The compliance outcomes identified for 2025 were primarily guided by observations derived from prior supervisory engagements as well as trends observed through regulatory reporting.

For the purpose of this approach, the Authority follows a three-year supervisory engagement cycle with licensed entities. During the first year of this cycle, the Authority will engage with the sector via a thematic review or onsite inspections focusing on a particular area. During the second year, the Authority will communicate its findings and expectations with the industry and, expects that licensed entities conduct a compliance gap analysis and address any identified deficiencies. In the third year, the Authority will re-engage with and re-assess the licensed entities to evaluate the extent to which the prescribed outcomes have been achieved. This re-assessment serves to verify whether the licensed entities have effectively addressed the compliance gaps identified and whether appropriate corrective measures have been implemented to ensure full adherence to regulatory obligations.

The purpose of this letter is to provide guidance to licensed entities on the appropriate application of the relevant rules, regulations, and guidelines. It sets out key findings arising during the review and highlights observed practices, including both examples of good practice and areas of concern, and outlines the Authority's expectations in this regard.

BACKGROUND AND METHODOLOGY

During 2025, the Authority's high-level supervisory priorities included a focus on the importance of compliant marketing practices. The primary objective of this supervisory priority was to ensure that advertisements relating to financial products and services are fair, clear and not misleading, and that clients are not enticed to purchase products that do not align with their needs, objectives, and risk profile. This includes verifying that all promotional materials, advertisements, and disclosures accurately represent the nature, features, and risks of the products and services being offered.

In issuing marketing communications, regulated persons are expected to present information in a clear and comprehensible form, enabling clients to understand the key characteristics, risks, and potential benefits of the relevant product or service, and to take informed decisions. Disclosures are required to be provided in good time prior to the provision of the service or the conclusion of a contract, thereby allowing clients sufficient opportunity to consider the information before making a decision. This approach supports the Authority's overarching objectives of promoting transparency, protecting consumers, and maintaining confidence in financial markets by ensuring that marketing practices align with the applicable regulatory requirements.

The main areas assessed under this workstream were as follows:

1. Policies and procedures governing the production and approval of marketing communications;
2. Medium and format of disclosures ;
3. Compliance with the requirement that communications be fair, clear and not misleading ;
4. Record-keeping of marketing communications ;
5. Marketing communications issued by intermediaries ; and
6. Marketing communications relating to insurance-based investment products ("IBIPs")

A sample of eight (8) locally licensed entities was selected primarily based on the volume of marketing materials distributed during 2024. The sample was drawn from all relevant undertakings, brokers, and agents licensed by the Authority. While these eight entities

represent 10% of licensed retail market participants, they account for nearly 74% of all advertisements posted. In order to assess adherence to the requirements set out in the Conduct of Business Rulebook ("COBR"), the Authority issued a self-assessment questionnaire to the selected entities, to be completed by the compliance officer.

In addition, the Authority requested supporting documentation, including policies and procedures governing the production and approval of marketing communications, the compliance monitoring programme, marketing logs, and samples of marketing materials. This documentation was reviewed to assess the extent of compliance and alignment with the applicable marketing requirements.

The Authority communicated entity-specific findings to each respondent through separate correspondence, accompanied by supervisory expectations and recommended remedial actions.

The Authority is issuing this Dear CEO Letter to highlight the key findings and set clear expectations for remediation. This letter outlines the relevant regulatory requirements and provides guidance on how licence holders are expected to meet their obligations on an ongoing basis.

KEY FINDINGS

A. POLICY GOVERNING THE APPROVAL AND DISTRIBUTION OF MARKETING MATERIAL

In accordance with the COBR, licensed entities are required to establish, implement, and maintain adequate internal policies and procedures governing the approval and distribution of marketing communications. Such policies and procedures are expected to clearly set out the processes for the review, approval, and issuance of marketing material, ensuring compliance with the applicable provisions set out in Chapter 1, Section 2 of the COBR.

The findings set out below relate to the policies and procedures submitted by the sample of licensed entities selected for the purposes of this review.

[i] Granularity of Policies and Procedures

Regulatory Requirements and Guidelines

In accordance with Rule 1.2.10(b) of the COBR, Regulated Persons are required to establish and maintain internal procedures governing the approval of advertisements issued by the Regulated Person.

Key Findings

The Authority observed that, in a number of instances, the marketing policies and procedures submitted did not fully reflect the processes declared by Regulated Persons as being applied in practice. While respondents confirmed, through the self-assessment questionnaire, that certain controls and procedures were in place, these were not consistently documented within the relevant policies.

In particular, the following key processes and requirements were commonly not adequately captured within internal policies and procedures:

- The process of identifying the target market for whom the advertisement is intended, and for ensuring that the method of distribution is appropriate to that target market, as required by Rule 1.2.10(c) of the COBR.

- The requirement to ensure that marketing communications are not misleading and, where benefits are referenced, that the associated risks are also clearly disclosed, in line with Rules 1.2.6 and 1.2.7(i) of the COBR;
- The requirement that disclosures, warnings, and disclaimers are presented prominently, clearly, and intelligibly, as set out in Rule 1.2.13 of the COBR;
- The prohibition on the use of the name of the Authority or any other competent authority in a manner that suggests endorsement or approval, as stipulated in Rule 1.2.15 ;
- The obligation to ensure that advertisements are designed and presented in a manner that is likely to be understood by the identified target market, in accordance with Rule 1.2.8(a) of the COBR;
- The requirement to clearly define any initials or acronyms used within advertisements, as required by Rule 1.2.19; and
- The obligation for tied insurance intermediaries to disclose their tied status in all relevant advertisements, in accordance with Rule 1.2.45.

In one instance, it was observed that, although a process for the approval of marketing communications was being carried out in practice, as evidenced by supporting documentation, including the marketing log, such process was not formally documented within the licensed entity's marketing policy. The Authority emphasises that the existence of informal or undocumented practices does not satisfy regulatory expectations. Regulated persons are required to ensure that all key controls and procedures are clearly documented within their internal frameworks via formally approved policies and procedures.

Furthermore, in relation to marketing communications concerning insurance-based investment products ("IBIPs"), it was observed that certain entities had not incorporated specific requirements within their internal procedures. These include requirements relating to warning statements, product maturity, access to funds, charges, risks, and the use of terms such as "guaranteed." While evidence provided (including marketing logs) suggests that such factors may have been considered during the approval process, the absence of formalised procedures indicates a lack of completeness and consistency in the documented control framework.

Expectations

Licensed entities are expected to ensure that their marketing policies and procedures comprehensively document all processes and controls applied in practice in relation to the approval and distribution of marketing communications. Policies should clearly reflect the applicable regulatory requirements and provide sufficient detail to ensure consistent implementation.

The compliance officer is responsible for ensuring that internal policies are accurate, up to date, and aligned with the entity's actual practices. In addition, the Authority emphasises the importance of maintaining adequate records, in accordance with the requirements set out in the COBR, to evidence compliance with the applicable obligations.

Moreover, although the Rules do not specifically prescribe a version control log, it is deemed to be a best practice that policies and procedures show a record of the exact date of the last amendment thereto and the respective version of the policy along with the updates performed, so that a proper audit trail is kept. Such log shall also include the officials responsible for the drafting and approval of said policies and procedures.

In this regard, the Authority expects that licensed entities include a provision within their policies and procedures specifying the frequency for review. In turn, reviews are to be carried

out in accordance with the cycles set out in the policies and procedures and shall be reflected, where appropriate, within the licensed entity's CMP.

The Authority further emphasises that policies and procedures are expected to be fully aligned with the latest applicable regulatory framework.

[ii] Ensuring that Marketing Material on specific products is kept updated

Regulatory Requirements and Guidelines

Pursuant to Rule 1.2.21 of the COBR, a Regulated Person is required to ensure that any information contained within a marketing communication is consistent with the information provided to clients in the course of carrying out Services and Ancillary Services. Furthermore, in accordance with Rule 1.4.9(g) of the COBR, a Regulated Person shall ensure that the information referred to in Rule 1.4.8 meets specified conditions, including that such information remains up to date and appropriate to the means of communication utilised.

Key Findings

The Authority noted that within a particular licensed entity, no formal monitoring procedures were in place to verify whether published marketing materials remain accurate and aligned with the information approved and disseminated by the entity. This finding was further corroborated by the absence of such procedures within the entity's documented policies.

Other licensed entities indicated that post publication reviews are conducted on a sample basis. In certain cases, such reviews were not formally embedded within internal policies but were instead referenced within the compliance monitoring plan.

In a separate instance, while evidence was provided to demonstrate that monitoring activities are carried out in practice, such procedures were not formally documented within the licensed entity's policy framework. Consequently, the Authority was unable to confirm that these activities form part of a structured and consistently applied process.

Additionally, inconsistencies were identified whereby certain entities included post-publication marketing checks within their marketing policies; however, such checks were not reflected within the compliance monitoring programme. As a result, the Authority could not ascertain whether these controls are effectively implemented in practice.

Expectation

Regulated Persons are expected to implement robust monitoring mechanisms to ensure that all marketing communications remain accurate, up to date, and consistent with the information provided by the licensed entity.

Marketing procedures, including post-publication review controls, shall be formally documented or clearly referenced within the relevant policies to ensure consistency and compliance. Furthermore, such controls shall be incorporated within the compliance monitoring plan to evidence their ongoing execution and effectiveness, in line with the requirements outlined above.

[iii] Hyperlinks within the Undertaking's Website

Regulatory Requirements and Guidelines

Pursuant to Rule 1.1.11(e) of the COBR, where services are provided through the internet, a Regulated Person shall ensure that appropriate statements are included to inform clients or prospective clients when they are leaving the Regulated Person's website and accessing a third-party site via a hyperlink.

Additionally, Guideline 1.2.8(b) of the Conduct of Business Rulebook provides that, in respect of advertisements and information disseminated via the internet, Regulated Persons should include clear statements indicating when a user is being redirected to an external website.

Key Findings

The Authority noted that certain licensed entities do not consistently provide a disclosure statement when users are redirected via hyperlinks to external websites. Responses to the supervisory questionnaire indicated that, in some instances, such disclosures are not implemented.

Furthermore, the Authority identified discrepancies between self-declarations and actual practices. In particular, in at least one case where a licensed entity confirmed that appropriate disclosures were in place, a review of the licensed entity's website revealed that no such notification was presented upon accessing external links.

Expectations

Regulated Persons are expected to ensure that users are clearly informed when they are about to leave the licensed entity's website and access a third-party site. Such disclosures are necessary to prevent potential confusion regarding the identity of the service provider and the nature of the products or services being accessed.

Appropriate and prominent statements shall be implemented consistently across all hyperlinks directing users to external content, including but not limited to links to social media platforms. These controls should be embedded within the licensed entity's website governance framework to ensure ongoing compliance with the applicable regulatory requirements.

B. RECORD-KEEPING

The COBR, through its various provisions, highlights the importance of adequate record-keeping. For example, licensed entities are required to keep records of the marketing material they approve and issue for a period of not less than 5 years. Licensed entities are required to act in compliance with all the applicable rules and proper record-keeping practices are thus essential in demonstrating such alignment.

[i] Recording of Marketing Material

Regulatory Requirements and Guidelines

Pursuant to Rule R.1.2.10(d) of the COBR, when issuing or approving advertisements, Regulated Persons—excluding Tied Insurance Intermediaries and Ancillary Insurance Intermediaries—are required to maintain comprehensive records of all advertisements issued and approved. Such records shall include, inter alia:

- i. An approved certification in electronic format by the Compliance or the designated officer confirming that each advertisement complies with the applicable regulatory requirements;
- ii. The name of the individual who approved the advertisement;
- iii. The date of approval of the advertisements;
- iv. The publication or medium in which the advertisement was disseminated; and
- v. Documentary evidence in support of any statement made in the advertisement"

Key Findings

The Authority observed that, in the case of a particular licensed entity, the marketing log did not include the name of the individual responsible for approving the advertisements, as required under Rule 1.2.10(d)(ii).

Moreover, a particular licensed entity, did not provide the log of approved advertisements as requested within the Questionnaire, therefore it could not be ascertained whether appropriate records are being kept of the approvals in line with the requirements set out above.

Expectations

Marketing logs are expected to be appropriately maintained to ensure full traceability of the approval process, including clear identification of the approving individual.

Regulated Persons are expected to maintain complete, accurate, and up-to-date records of all marketing materials in accordance with the above requirements.

Such records must be readily available for review by the Authority upon request and should form part of the entity's broader compliance and record-keeping framework.

[ii] Recording of breaches relating to Marketing Material

Regulatory Requirements and Guidelines

Reference is made to the Insurance Rules issued under the Insurance Business Act ("IBA") which establish the responsibilities of a compliance officer, particularly to rule 1.2 of Appendix 1, found under Chapter 1 of the Insurance Rules, outlines the requirement to ensure that adequate and ongoing day-to-day monitoring activities are conducted.

Key Findings

The Authority observed that certain licensed entities do not maintain records of shortcomings identified following the publication or dissemination of marketing materials, in line with the observations relating to the monitoring, referenced in Section A[ii] of this letter. Consequently, there is insufficient evidence to demonstrate that breaches or non-compliance instances are systematically captured and addressed.

Expectations

The Authority expects Regulated Persons to implement effective post-issuance monitoring processes to ensure that marketing materials are disseminated in accordance with their approved content.

Any deficiencies, breaches, or instances of non-compliance identified through such monitoring shall be appropriately documented, including details of the issue, the corrective actions undertaken, and the timeline for remediation.

These records should form part of the licensed entity's compliance framework and be maintained in a manner that ensures traceability, accountability, and readiness for review by the Authority.

[iii] Record-keeping of advertisements issued by Tied Insurance Intermediaries (“TIIs”)

Regulatory Requirements and Guidelines

Pursuant to Rule 1.2.11 of the COBR, where a Regulated Person appoints Tied Insurance Intermediaries, Tied Agents, or Ancillary Insurance Intermediaries, it shall approve all advertisements relating to the business carried out on its behalf and issued by such intermediaries.

The Regulated Person shall assume full responsibility for such advertisements and ensure compliance with all applicable legal and regulatory requirements. Furthermore, the Regulated Person is required to maintain a separate and comprehensive record of all such advertisements, as well as the monitoring activities undertaken in this regard.

Key Findings

The Authority observed that a licensed entity does not maintain a separate record of advertisements issued by its TIIs in line with the requirement set out above.

Expectations

Regulated Persons that engage Tied Insurance Intermediaries are expected to ensure that all advertisements issued by such intermediaries are subject to prior approval and appropriate oversight.

A distinct and comprehensive record of such advertisements shall be maintained, including evidence of approval and monitoring activities. In light of the fact that such intermediaries may utilise independent communication channels, the Authority expects Regulated Persons to implement enhanced monitoring controls over these channels to ensure ongoing compliance with regulatory obligations.

Good Market Practices

The Authority acknowledges that a number of licensed entities have established sound frameworks and controls in relation to the governance of marketing material. These practices contribute to enhanced compliance with applicable regulatory requirements and support consistent, transparent, and effective communication with clients. The following observations highlight examples of good practices identified during the course of this exercise:

- It was noted that a number of marketing policies are subject to periodic review and updating, with some having been reviewed as recently as 2025. In this regard, these licenced entities undertake reviews on an annual basis or as otherwise required, thereby ensuring that their policies remain current and aligned with any amendments or additions to applicable regulatory requirements.
- A particular licensed entity has developed standardised templates for regulatory disclosures to be included within advertising material utilised by its intermediaries. Additionally, product-specific warning statements are incorporated within the policy to ensure that appropriate disclosures are consistently applied. Distinct guidance is also provided for different advertising channels, promoting clarity and consistency among all parties involved in the preparation and approval of marketing communications, and supporting a uniform approach to advertisement development.

- The Authority also observed that certain licenced entities conduct post-publication monitoring checks in accordance with their marketing policies, with such controls integrated into their compliance monitoring programmes. These practices support the ongoing review of marketing material and enhance the effectiveness of oversight mechanisms.

Way Forward

As outlined throughout the contents of this letter, the Authority's expectations are that licensed entities implement appropriate internal procedures to ensure that marketing material is fair , clear and not misleading to its ultimate target audience. It is therefore expected that licensed entities are, at all times, aligned with the requirements set out in Chapter 1 Section 2 of the COBR relating to Marketing Communications

The Authority will continue engaging with licensed entities as this three-year supervisory cycle progresses, through a follow-up to determine whether the findings outlined within this letter have been addressed.

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

Kindly be guided accordingly.

Yours sincerely,

Malta Financial Services Authority

Christopher P. Buttigieg
Chief Officer Supervision

Sarah Pulis
Head – Conduct Supervision

The MFSA ensures that any processing of personal data is conducted in accordance with Regulation (EU) 20161679 (General Data Protection Regulation), the Data Protection Act (Chapter 586 of the laws at Malta) and any other relevant European Union and national law. For further details, you may refer to the MFSA Privacy Notice available on the MFSA webpage www.mfsa.mt.