MFSA MALTA FINANCIAL SERVICES AUTHORITY

21 July 2026

Dear Chief Executive Officer,
Dear Compliance Officer,

Outcome-based supervision: Questionnaire issued by the Authority to firms which fall within the scope of Transaction Reporting Obligation Article 26 of Markets in Financial Instruments Regulation (EU) No 600/2014 ('MiFIR') and the accompanying Markets in Financial Instruments Directive 2014/65/EU ('MiFID II').

You are receiving this letter as the Chief Executive Officer and/or Compliance officer of Banks, credit institutions, and all entities licensed or required to be licensed to provide investment services and/or activities, as defined under MiFID II, hereinafter referred to as 'Investment Firm' supervised by the Malta Financial Services Authority (referred herein as the 'MFSA' or 'the Authority') and which falls within the scope of MiFIR.

Background

MiFIR is one of the EU's core legislative pillars governing securities markets. It works alongside MiFID II to create a harmonised rulebook for trading, transparency, and investor protection across the EU. The framework has recently undergone significant reform, with amendments adopted in 2024 (the 'MiFIR Review') and further changes introduced through the Regulation (EU) 2024/2809 part of the EU Listing Act[1].

The framework sets-out a comprehensive and legally binding body of requirements applicable to all entities within its scope. Regulatory obligations under MiFIR are continuously strengthened through successive amendments and evolving supervisory priorities. Particular emphasis is placed on strict compliance with transaction reporting requirements, the accuracy

[1] The EU Listing Act, adopted in October 2024, is a package of measures designed to simplify listing rules aiming at making EU capital markets more attractive. It amends among others, MiFID II and MiFIR to reduce administrative burdens, and boost SME access to public capital markets. Key changes include easing investment research rules (unbundling), creating an EU code of conduct for issuer-sponsored research, and enhancing market transparency for bonds. This latter changes aim to improve data quality and the availability of information. It includes a tailored approach to pre- and post-trade transparency for non-equity instruments (like bonds), moving away from instrument-by-instrument approaches to categories of bonds, and limiting transparency obligations for some systematic internalisers.

and integrity of reported data, and the effective implementation of robust investor protection measures.

In order to promote and ensure effective compliance with MiFIR obligations, the Authority conducted during Q4 2025, a targeted supervisory exercise by means of a questionnaire addressed to a selected sample of twenty firms. This exercise was undertaken to assess the firms' compliance with the applicable regulatory requirements, as well as to evaluate their operational readiness and the robustness of their governance and compliance arrangements in meeting the transaction-reporting obligations under MiFIR and MiFID II.

The selection of the sampled firms was informed by a risk-based supervisory approach taking into consideration, *inter alia*, the firms' regulatory classification, the volume and nature of reportable transactions, and other relevant risk indicators indicative of their exposure to MiFIR transaction-reporting obligations.

The purpose of this letter is to communicate the Authority's key observations stemming from this supervisory exercise and to outline the MFSA's intended supervisory actions aimed at addressing identified weaknesses and reinforcing sustained compliance with MiFIR transaction-reporting requirements across the sector.

1. Structure of the Questionnaire

The Questionnaire issued by the MFSA in October 2025, entitled *MFSA – Investment Firms Compliance with MiFIR – Questionnaire*, was structured around three principal thematic sections, each designed to obtain comprehensive, consistent, and demonstrable information on the extent to which supervised entities are aligned with (i) MiFIR as amended by Regulation (EU) 2024/791 (the 'MiFIR review'); (ii) the relevant Level 2 measures, including Commission Delegated Regulation (EU) 2017/590 ('RTS 22') and (iii) the applicable guidance issued by the European Securities and Markets Authority ('ESMA').

First section – methodologies and governance

The first section of the questionnaire was intended to assess, in a structured and granular manner, the internal methodologies, operating procedures and governance arrangements adopted by investment firms to discharge their transaction-reporting obligations under MiFIR.

In particular, respondents were asked to evidence the existence, adequacy, and ongoing review of documented policies and procedures; to clearly identify the relevant control functions and formal escalation channels established for the identification and remediation of reporting deficiencies, and to describe the oversight arrangements through which the management body exercises effective oversight of compliance with Article 26 MiFIR (transactions-reporting obligation) and Article 25 MiFIR (record-keeping requirements).

Second section – technical preparedness under the MiFIR review

The second section of the questionnaire was addressed exclusively to firms that undertake transaction reporting on a direct basis[2], that is, without the recourse to an Authorised Reporting Mechanism ("ARM"). This section required respondents to demonstrate their technical readiness for the MiFIR/MiFID review reforms including systems and infrastructure capability to accommodate amended reporting fields, data scopes, identifiers, validation checks and reconciliation processes. Respondents were also required to evidence their preparedness for the forthcoming changes to the pre- and post-trade transparency regimes as well as adequacy and calibration of their exception-monitoring, escalation and remediation workflows.

The MFSA's supervisory focus under this section was aligned with the core objectives of the MiFIR review, namely (i) strengthening the quality and transparency of regulatory data, (ii) removing structural impediments to the establishment and effective functioning of consolidated tapes, (iii) refining and optimising the trading obligation framework, and (iv) implementing the prohibition of "payment for order flow", as introduced by MiFIR Review[3]

Third section – general and cross-cutting requirements

The third section of the questionnaire assessed a range of broader regulatory requirements arising under the MiFIR/MiFID II framework, that extended beyond transaction reporting requirements.

In this context, and where relevant to the nature of the services provided and/or activities carried-out, respondents were requested to provide detailed information, *inter alia*, on the following areas:

a) Compliance with pre- and post-trade transparency obligations, including where relevant the use of Approved Publication Arrangements ("APAs");

b) The governance, controls and safeguards applicable to algorithmic and high-frequency trading activities;

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[2] This section of the questionnaire covers only transaction reporting performed by firms on a direct basis other than reports submitted by the local trading venue on behalf of its members. Transactions executed on the local trading venue are reported by the venue itself; therefore, this section applies solely to off-venue transactions by members, or to firms that are not venue members.

[3] [Regulation - EU - 2024/791 - EN - EUR-Lex](). Article 39a

c) The implementation and effectiveness of best-execution policies and arrangements;

d) outsourcing and third-party arrangements, including those involving ARMs and market data service providers;

e) internal audit and compliance testing frameworks;

f) staff training programmes and regulatory engagement practices;

g) data protection and secure data transmissions arrangements (including alignment with GDPR requirements); and

h) branch-level transaction reporting arrangements and the transmission of orders.

The matters covered under this section are directly grounded in MiFIR's operative provisions and in the revised transparency and market-structure requirements introduced through the MiFIR review package.

Cut-off date for analysis

Responses were received from 20 entities comprising both credit institutions and investment firms. Of these three respondents were classified primarily as credit institutions while the remaining 17 comprised investment firms and other investment services providers, including firms engaged in stockbroking, portfolio management, wealth management and trading/investment services. Accordingly, the thematic review launched in 2026 was informed by a broad cross-section of entities subject to transaction reporting requirements under MiFIR.

The findings and observations set out in the accompanying analysis represent a consolidated snapshot based on information reported by firms **as of 31 October 2025**, being the deadline established by the MFSA for the submission of responses to the Questionnaire.

Accordingly, the analysis reflects the compliance posture, technical readiness and preparedness, and governance arrangements as declared by supervised entities at the close of the assessment period.

These findings should be read and interpreted in light of ongoing Level 1 developments, including the MiFIR Review, which entered into force on 28 March 2024, as well as ongoing and forthcoming Level 2 and Level 3 measures.

1.1 Key Findings of the Questionnaire

Having set out the structure of the questionnaire established, this section summarises the Authority key observations arising from each component of the assessment. The analysis is presented sequentially, beginning with firms' internal policies and procedures and concluding with the arrangements in place to safeguard sensitive client data.

Internal policies and procedures

Introduction & legal basis

Firms are required to establish, implement, and maintain effective policies and procedures to ensure ongoing compliance with their obligations under MiFID II/MiFIR.

Article 16 of MiFID II requires investment firms to maintain robust governance, policies, controls, record-keeping and safeguarding arrangements to ensure operational resilience, effective supervision, market integrity and the protection of clients' assets and interests. These organisational requirements are further detailed within the Commission Delegated Regulation (EU) 2017/565, which specifies, inter alia, expectations regarding senior management responsibilities, compliance monitoring, internal reporting lines and control frameworks.

Where such policies and procedures relate to MiFIR transaction reporting and record-keeping obligations, they must ensure compliance with the completeness, accuracy, and timeliness requirements set out under Articles 25 and26 of MiFIR, as further operationalised through the field-level specifications and validations prescribed under Commission Delegated Regulation (EU) 2017/590 ("RTS 22").

Authority expectations

The Authority expects each entity to maintain documented, board-approved, up-to-date policies that (i) clearly allocate responsibilities for MiFIR reporting and record-keeping, (ii) embed first- and second-line controls including escalation and remediation mechanisms, and (iii) are reviewed and updated on a risk-based and proportional basis, at least annually, and in response to material regulatory, operational or business change. Related procedures must demonstrably support compliance with Articles 25 and26 of MiFIR and the requirements of the RTS 22. Firms are expected to evidence the effective implementation of these arrangements through, inter alia, change logs, staff training and attestation processes, and periodic compliance testing and assurance activities.

Observations

All the respondents confirmed that they currently have internal policies and procedures in place they consider to be aligned with MiFIR and the requirements of RTS 22.

Furthermore, as shown within Figure 1, 95% of respondents indicated that they have initiated a Post-Implementation Compliance Review exercise aimed at assessing and aligning their internal policies, processes and systems with the applicable regulatory requirements set out in the MiFIR Review.

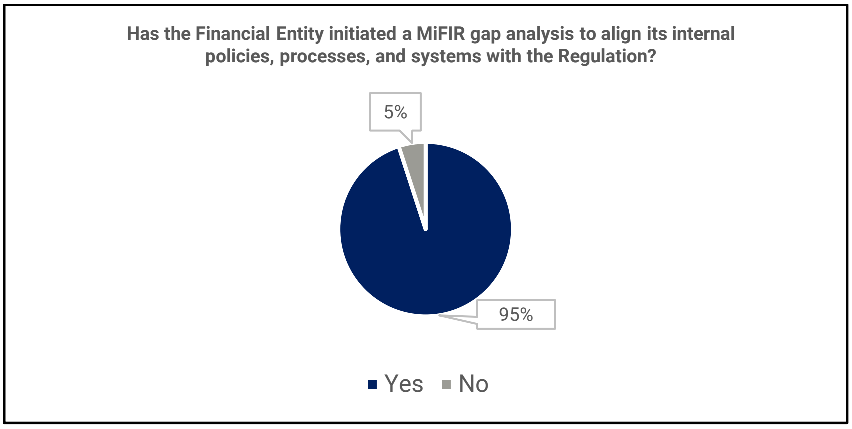

Figure 1

In the majority of cases, respondents further confirmed that they have identified the full spectrum of MiFIR obligations relevant to their respective business models and activities, including, inter alia, requirements relating to transparency, transaction reporting, best execution and trading obligations.

Record-Keeping and Transaction Reporting

Introduction & legal basis

Article 25 of MiFIR requires investment firms to keep at the disposal of the competent authority for five years, the relevant data relating to all orders and all transactions in financial instruments which they have carried out, whether on own account or on behalf of a client, including client identifiers and the full linkage from order reception to execution. Trading venues are further required to retain machine-readable order data in a standardised format.

Article 26 of MiFIR imposes an obligation on investment firms to report comprehensive and accurate details of reportable transactions no later than the close of the following working day.

The scope, content, and level of data granularity applicable to such reports are specified in RTS 22.

These requirements are supplemented by ESMA's Single Rulebook guidance and further clarified through ongoing level-2 amendments and technical updates introduced under the MiFIR review, including, revisions to RTS 22/24.

Authority expectations

The Authority expects investment firms to operate end-to-end controls frameworks covering all processes under Article 25–26. Such frameworks should include, *inter alia*, a comprehensive inventory of reportable instruments, clear front-to-back data lineage, regular reconciliation between internal records and reports submitted via ARM, as well-defined exception identification, escalation and remediation processes supported by appropriate documentation.

Controls must be designed and implemented so as to evidence, on field-by-field basis, the completeness, accuracy, timeliness, and traceability of reported data, in line with the requirements of RTS 22 and relevant ESMA guidance. Firms are expected to be able to demonstrate the ongoing effectiveness of these controls as part of the Authority's supervisory engagement.

Observations

Respondents generally confirmed that documented procedures governing transaction reporting activities are in place and that the management body is kept informed through periodic updates on the firm's transaction reporting compliance status. The respondents further indicated that comprehensive records of all orders are retained in accordance with Article 25 of MiFIR and that processes and controls have been implemented to support the accurate and timely reporting of transaction pursuant to Article 26 of MiFIR.

Respondents reported that access to historical transactions data and recorded communications is limited to authorised personnel only. In addition, governance and oversight arrangements, including the involvement of the compliance function, are in place to monitor and oversee compliance with the firm's record-keeping obligations under Article 25 of MiFIR.

The scope of Article 26 of MiFIR extends reporting obligations to financial instruments whose underlying is an index. In this regard, the majority of respondents confirmed that such instruments are appropriately identified and flagged within their reporting frameworks.

Finally, respondents indicated that regular (daily, weekly, monthly) reconciliations between records maintained under Article 25 and transaction reports submitted under Article 26 are performed, as part of their ongoing controls to ensure data completeness and consistency

Pre- and post-trade transparency obligations

Introduction & legal basis

MiFIR establishes a comprehensive and granular transparency framework applicable to both equity and non-equity financial instruments. For non-equities, Articles 8 to 11 of MiFIR, further operationalised by Commission Delegated Regulation (EU) 2017/583, ("RTS2") set out the applicable pre-trade transparency requirements, waivers, post-trade publication obligations, and deferral regimes. For equities and equity-like instruments, including ETFs, the equivalent framework is prescribed under the Commission Delegated Regulation (EU) 2017/587, ("RTS1").

The MiFIR review recalibrates several key transparency mechanics, including adjustment to the volume caps regime and changes aimed at facilitating the establishment and effective functioning of consolidated tapes. These changes are being progressively operationalised through Level-2 measures updates.

Firms are accordingly required to ensure that they are able to accurately determine the applicability of transparency requirements, apply waivers and deferrals strictly in line with the applicable conditions, and publish transactions through the appropriate elected channels (e.g., APA, Trading venue) within the prescribed timeframes.

Authority expectations

The Authority expects investment firms to maintain documented assessments of their pre-and post-trade transparency obligations, segmented by asset class and instrument type. Such assessments should clearly address liquidity determination, applicable thresholds, permissible waivers and deferrals, publication timelines, and the interaction with trading venues and APAs.

Policies and procedures must ensure that only permitted waivers and deferrals are used, that publication deadlines are consistently met, and that rationales and supporting data underpinning the use of waivers or deferrals are fully documented and retained in an audit-ready manner for supervisory review.

Observations

In most cases, respondents confirmed that an assessment of the pre- and post-trade transparency requirements under Article 8-11 of MiFIR has been carried out.

Respondents further indicated that in most instances, pre-trade transparency obligations are subject to periodic review, particularly in response to changes in trading activity or business models.

Trading Obligations

Introduction & legal basis

MiFIR establishes two principal trading obligations: the share trading obligation under Article 23 of MiFIR and the derivatives trading obligation under Article 28 of MiFIR. Article 28 requires that derivatives subject to the trading obligation are executed on a regulated market ("RM"), a multilateral trading facility ("MTF"), an organised trading facility ("OTF"), or an equivalent third-country venue subject to the application of Articles 32 to 34 of MiFIR and relevant equivalence decisions adopted by the European Commission.

The ESMA Single Rulebook provides further interpretative guidance on scope, applicable exemptions, and the operation of the equivalence regime.

Authority expectations

The Authority expects firms to retain documented assessments evidencing how compliance with Articles 23 and 28 of MiFIR is achieved, including evidence of venue eligibility, equivalence determination where applicable, and controls to prevent off-venue execution of in-scope instruments. Firms should also maintain procedures to monitor ongoing regulatory developments, including additions, amendments, suspensions, or removals of financial instruments subject to the trading obligation.

Observations

While the majority of respondents confirmed compliance with Article 23 and Article 28 of MiFIR, Figure 2 indicates that a material proportion of respondents (25%) reported that the relevant steps have not yet been implemented.

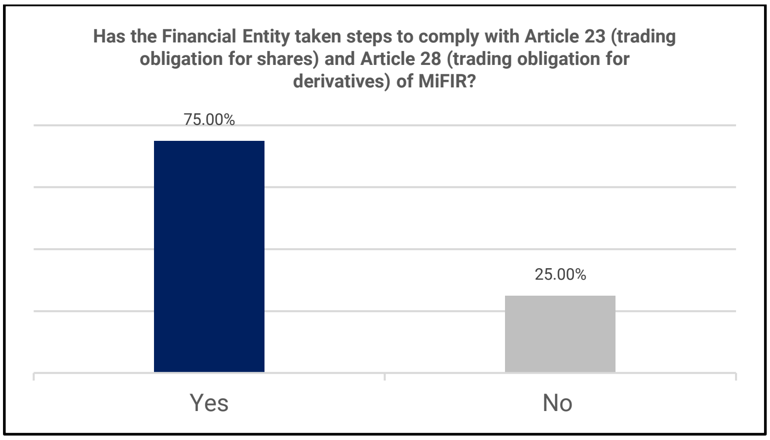

Figure 2

Waivers and Deferrals

Introduction & legal basis

MiFIR allows competent authorities to waive the obligation to publish pre-trade information ("pre-trade waivers") or to defer the publication of post-trade information ("post-trade deferrals") under narrowly defined conditions to mitigate liquidity risk and protect risk positions. The detailed technical calibration of this regime is set out in RTS 1 for equity and equity like-instruments, and RTS 2 for non-equities instruments. These standards specify, *inter alia*, large-in-scale thresholds, size-specific-to-the instrument parameters, and the classes of instruments deemed not to have a liquid market.

The MiFIR review amends the transparency framework and introduces mandates to update RTS 1 and RTS 2 to fully reflect the revision of the framework.

Firms are required to ensure that any waivers/deferrals applied are duly authorised, and published in accordance with the applicable regulatory timeframes

Authority expectations

The Authority expects firms to maintain comprehensive audit-ready records supporting each instance in which a waiver or deferral is applied. This should include *inter-alia*, documentation evidencing threshold calculations, liquidity determinations and relevant timestamps.

Firms are also expected to implement effective monitoring arrangements capable of detecting misapplied waivers and/or deferrals, with prompt remediation and, where required, notification to the competent authority.

Observations

The Authority notes, with concern, that less than half of the respondents indicated that they have systems in place to identify and apply waivers and deferrals, where permitted under the regulatory framework.

Approved Publication Arrangement (APA)

Introduction & legal basis

Where investment firms are obliged to make transactions public post-trade, this must be done through an APA (e.g., MiFIR Articles 20–21; Article 21 explicitly states the APA channel for bonds, structured finance products, emission allowances and certain OTC derivatives, with timelines and content aligned to RTS 2). Operational and data-quality requirements for data reporting service providers (APAs/ CTPs) are further elaborated in MiFID II/MiFIR level-2 measures, with the MiFIR review introducing, among other things, a Designated Publishing Entity (DPE) regime to improve clarity over "who publishes".

The operational, governance, and data-quality requirements applicable to data reporting service providers (e.g., APAs, CTPs) are further detailed in MiFID II/MiFIR level-2 measures. The MiFIR review introduces, among other changes, a Designated Publishing Entity (DPE) regime aimed at enhancing clarity regarding publication responsibilities by transferring the obligation to publish Over-the-Counter (OTC) transactions from Systematic Internalisers (SIs) to these newly created categories. This shift improves accountability and reduces the administrative burden on firms.

Authority expectations

Firms should ensure contractual and technical readiness with their APA or, where applicable their DPE, includes, *inter alia*, conformance testing, fallback arrangements, timely publication of transactions, and reconciliations between internal trade data and information published through APAs or DPEs.

Governance arrangements relating to the use of APAs or DPEs should be appropriately documented and reflected in internal policies, SLAs, and periodic reporting to senior management and the board.

Observations

As part of the Authority's assessment of compliance with the transparency obligations under MiFIR and MiFID II, investment firms were asked whether transaction data is published through an APA[4] where required.

The responses received indicate a mixed level of compliance across the sector. While a number of firms confirmed that they publish transaction data through an APA in accordance with the applicable requirements, a considerable proportion indicated that they do not currently do so. These findings suggest that, although some firms have implemented the necessary arrangements to comply with the post-trade transparency framework, others may not yet have fully aligned their practices with the applicable regulatory obligations.

Firms are therefore reminded to ensure that appropriate processes, controls and arrangements are in place to meet the applicable transparency requirements, including the use of an APA or a DPE where publication obligations arise.

The Authority will continue to keep the above matters under review. Responses received will inform the Authority's ongoing supervisory assessment, but will not, of themselves, be regarded as conclusive evidence of compliance. Accordingly, Authority may, at any point in time, seek to verify the effective implementation of post-trade transparency arrangements, including the actual use and governance of APAs and DPEs.

Where responses indicate potential gaps or inconsistencies, the Authority may engage further with the relevant entities to better understand the circumstances and assess alignment with the applicable regulatory requirements. Firms are therefore expected to be in position to demonstrate, upon request, that appropriate processes, controls and governance arrangements are in place to meet their obligations under the transparency framework.

Control and Internal Audit Function

Introduction & legal basis

MiFID II requires firms to establish and maintain effective organisational and administrative arrangements, including a compliance function responsible for monitoring and assessing the adequacy and effectiveness of policies and procedures, and advising the business accordingly. Where appropriate, having regard to the firm's size, nature, scale and complexity, firms are also required to maintain an independent internal audit function. These requirements

[4] As defined in Article 4(1)(52) of Directive 2014/65/EU (MiFID II), An Approved Publication Arrangement (APA) is an entity authorised under MiFID II to publish post-trade transparency reports on behalf of investment firms.

are specified in Article 16 MiFID II and further elaborated in Commission Delegated Regulation 2017/565, including provisions relating to compliance risk assessment, annual compliance plans and reporting lines.

These control requirements extend to firm's obligations under MiFIR, including transaction reporting and transparency obligations.

Authority expectations

The Authority expects firms to maintain documented, risk-based second-line monitoring plans covering, *inter alia*, Articles 25 and Article 26 of MiFIR, transparency obligations, and trading obligations requirements. These arrangements should be complemented by internal audit testing of both the design and operating effectiveness of relevant controls, with appropriate issue tracking and oversight of remediation by senior management and the board.

Observations

Most firms indicated that they review their MiFIR-related procedures either once a year or on a more flexible, risk-based schedule, typically under the responsibility of the compliance function and in some cases, with the support from internal audit or other control functions. Several firms, also reported ongoing initiatives to strengthen their control frameworks, including the implementation of checks against MiFIR requirements and the related technical standards. Governance structures to oversee record-keeping obligations are generally in place, and firms commonly perform reconciliations between Article 25 records and Article 26 transaction reports, on either daily or quarterly basis.

However, the responses also reveal differences in the depth and consistency of these controls across firms. In particular, the extent of internal audit involvement, the frequency and scope of reconciliations, and the allocation of control responsibilities vary significantly. These variations suggest that, while the core governance arrangements are generally present, certain firms may need to further refine and strengthen their oversight and control frameworks to ensure that they remain proportionate, sufficiently robust, and fully aligned with the nature, scale, and complexity of their activities.

Evaluation of Third-Party and Outsourcing Arrangements

Introduction & legal basis

Pursuant to Article 16 MiFID II and Commission Delegated Regulation (EU) 2017/565, outsourcing arrangements, including those involving ARMs, APAs, data providers, and technology vendors, must not impair a firm's regulatory responsibilities. Firms are required to ensure unrestricted access for supervisory purposes, and to support such arrangements with appropriate due diligence, risk assessment, and robust contractual provisions, including those related to performance standards, information security, sub-outsourcing, and audit rights. Outsourcing must not adversely impair the effectiveness of internal controls, business continuity arrangements, or the quality of service provided to clients.

Authority expectations

The Authority expects firms to maintain a central register of outsourcing arrangements, supported by documented due diligence and risk assessment. Contracts should include provisions ensuring audit and inspection rights, data protection, and access to information. Firms should also implement ongoing monitoring of all third-party performance, particularly where outsourcing arrangements support MIFID II and MiFIR related activities, including reporting, transparency, data quality.

Observations

The majority of firms indicated that they have undertaken an evaluation of their third-party arrangements and assessed whether such outsourcing may have an impact on their compliance with MiFIR, including in respect of their reporting obligations. Several firms also confirmed that outsourcing agreements have been updated to reflect requirements regarding data provision, access to records, and regulatory inspection rights. However, a number of firms indicated that such assessments or contractual updates have not yet been undertaken.

These findings underscore the need for firms to periodically review outsourcing arrangements and ensure that contractual frameworks adequately support compliance with applicable regulatory requirements, including the Authority's ability to access relevant data and records where necessary.

MiFIR Transaction Reporting (Article 26)

Introduction & legal basis

Under Article 26 of MiFIR and RTS 22, firms must submit accurate and complete transaction reports for financial instruments within scope. Transaction reports must include all mandatory data fields, including instrument identifiers, buyer/seller details, timestamps, and decision-maker details, to enable the Authority's ability to detect market abuse, monitor market activity and firms compliance with their obligations. Firms must ensure that all reportable events including multi-leg transactions, are captured correctly and without duplication.

Authority expectations

The Authority expects firms to maintain clear and comprehensive documentation of their MiFIR transaction reporting processes, supported by controls that ensure accurate population of data fields, consistent use of identifiers, and regular reconciliations against trading systems and ARM submissions. Any discrepancies should be promptly investigated and resolved Firms are also expected to update their processes in line with evolving regulatory guidance and any amendments to RTS 22.

Observations

Most firms indicated that they have established core reporting frameworks. These typically include processes for identifying reportable instruments, validating Legal Entity Identifiers (LEIs), maintaining audit trails, and ensuring that systems capture the requisite RTS 22 data fields. Many firms make use of automated data extraction from front-office systems and perform reconciliations between internal trading record and ARM submissions.

However, implementation remains uneven across firms. Certain firms reported gaps relating to documentation supporting exemption decisions, field-level validations, reconciliation controls, and methodologies for identifying the primary decision maker. Variations were also observed in the treatment of complex transactions and the identification of the responsible person or algorithm.

These findings suggest that while foundational frameworks are generally in place, some firms are required to further strengthen documentation, validation, and control arrangements to ensure accurate and consistent transaction reporting.

Use of Algorithms

Introduction & legal basis

Firms engaging in algorithmic trading are required to comply with Article 17 MiFID II and Commission Delegated Regulation (EU) 2017/589, RTS 6, which set out requirements relating to governance, testing (including conformance and stress testing), real-time monitoring, kill switches, surveillance for market abuse, and business continuity.

From a reporting perspective, RTS 22 requires Firms to identify the person or algorithm responsible for the investment decision and/or execution within the transaction reports.

Authority expectations

The Authority expects firms to maintain formalised algorithm governance frameworks, including change control, versioning and approvals procedures. These arrangements should be supported by pre-deployment testing, post-deployment monitoring, and periodic self-assessments and independent reviews, proportionate to the nature and scale of the firm's algorithmic trading activity.

Observations

Responses indicate a mixed level of compliance across firms. While most respondents reported having conducted a self-assessment to determine whether their trading activity qualifies as algorithmic (Figure 3), these assessments were not always supported by control frameworks aligned with the requirements of RTS 6 (Figure 4).

Several firms reported both the existence of self-assessments and documented procedures for testing, monitoring, and validating algorithms. However, others reported gaps, particularly where algorithmic trading activity was identified but corresponding governance and control arrangements had not been established.

The Authority notes that in most cases, investment firms completing the questionnaire performed a self-assessment to determine whether its trading constitutes algorithmic or high-frequency trading.

These findings indicate that, although awareness of the applicable regulatory obligations is generally present, implementation remains uneven, with some firms needing to further strengthen their algorithm governance and associated control arrangements.

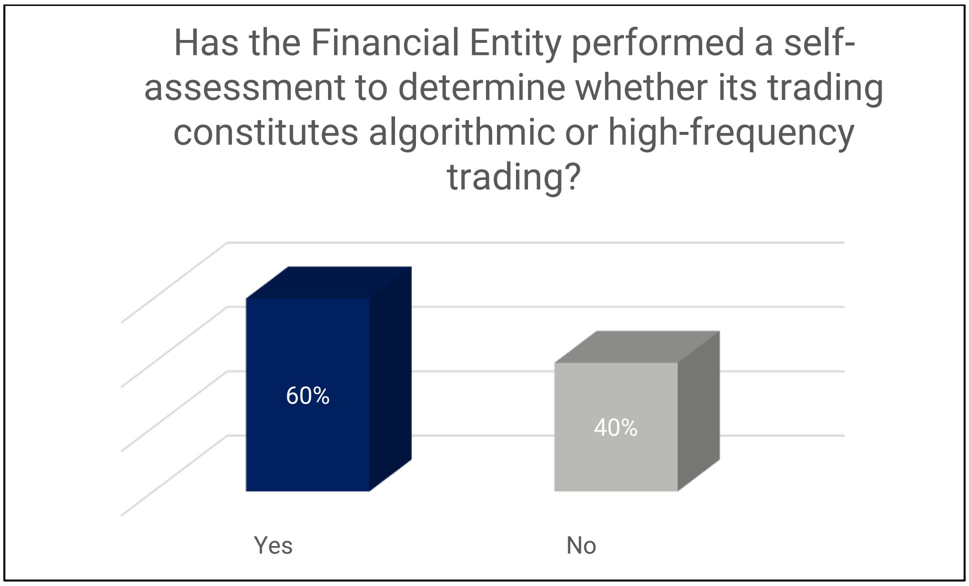

Figure 3

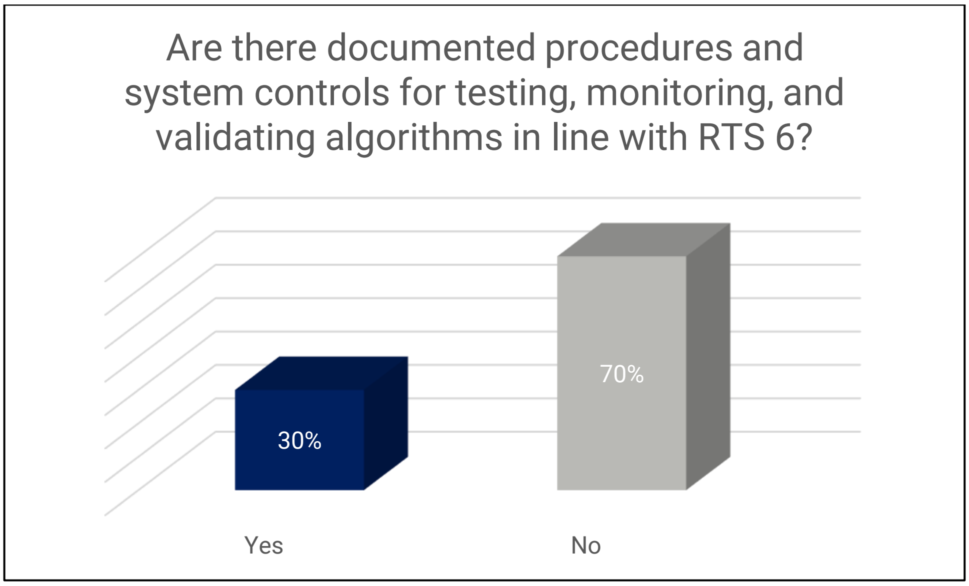

Figure 4[5]

[5] For the avoidance of doubt, the questionnaire did not specifically seek to determine whether respondents engage in algorithmic trading activities. Rather, it focused on firms' governance, systems and controls under RTS 6, including whether firms distinguish between high-frequency algorithmic trading and other algorithmic trading strategies. The percentages presented are based on the total number of respondents and, therefore, responses indicating "No" may include firms that do not maintain RTS 6 testing, monitoring and validation arrangements, as well as firms that consider their activities to fall outside the scope of the algorithmic trading requirements.

Field-by-Field Consistency Check

Introduction & legal basis

Pursuant to Article 26 MiFIR and RTS 22, firms must ensure that each reportable field within a transaction report is populated accurately and in accordance with the prescribed format, permissible values and internal consistency requirements. Transaction reports must also be fully aligned with the firm's internal records and relevant market and reference data.

ESMA and national competent authorities issue validation rules and interpretative guidance to support these requirements (e.g., Q&As). In addition, ESMA's consultation on amending RTS 22 and Commission Delegated Regulation (EU) 2017/580 ('RTS 24') under the MiFIR review includes proposed amendments to further refine fields and linkages, while supervisory resources illustrate validation and reconciliation expectations.

Authority expectations

The Authority expects firms to maintain documented field dictionaries, implemented automated validation controls, and conduct routine reconciliations against files submitted by ARMs, APAs (or DPEs where applicable) as well as against reference data. Firms should also operate effective exception handling workflows that capture errors or omissions, enable timely corrective action, and provide documented evidence of remediation processes, including root-cause analysis for recurring data-quality issues.

Observations

Based on the responses received through the questionnaire, the Authority notes positively that, in most cases, firms are performing field-by-field consistency check[6] as part of their transaction-reporting validation processes.

Personnel Training

Introduction & legal basis

Pursuant to Articles 9(3) and 16 of MiFID II, investment firms are required to establish organisational arrangements, systems, and controls that enable them to comply effectively with the requirements stemming from MiFID II and MiFIR and all associated delegated acts. This includes ensuring that all firms personnel possess the necessary knowledge, skills, and

[6] field-by-field consistency check: a data validation procedure that verify the accuracy and logical integrity of individual data elements within a dataset (e.g., formatting restrictions, acceptable ranges, data types, logical compatibility and consistency)

expertise to support the firm's ongoing compliance with its regulatory obligations, taking into account the nature, scale, and complexity of the firm's business.

In this regard, Commission Delegated Regulation (EU) 2017/565 further requires that firms ensure that control functions, including the compliance function, are adequately resourced and staffed by suitably qualified personnel, and that firms retain sufficient expertise to oversee outsourced functions and manage any associated regulatory risks.

Authority expectations

The Authority expects firms to maintain structured training and competence frameworks mapping roles to the requisite knowledge and skills, ensure regular CPD, and retain audit-ready records including qualifications, training logs, and assessments outcomes. Governance arrangements should ensure that any skills gaps identified by compliance or internal audit are addressed promptly.

Observations

The Authority notes that, while a slight majority of respondents (55%) reported having provided MiFIR-specific training to relevant front-office and compliance staff during the 12 months preceding submission of the questionnaire, a significant proportion (45%) had not done so, which remains a concern given the materiality of the regulatory obligations involved. These findings are illustrated in Figure 5 till Figure 6.

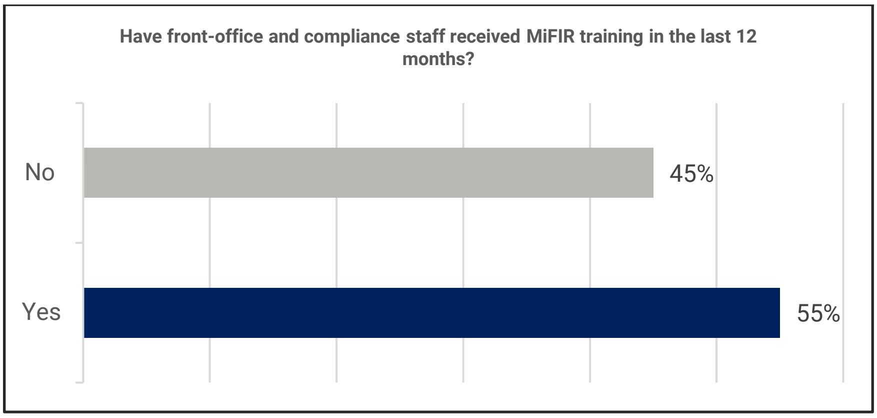

Figure 5

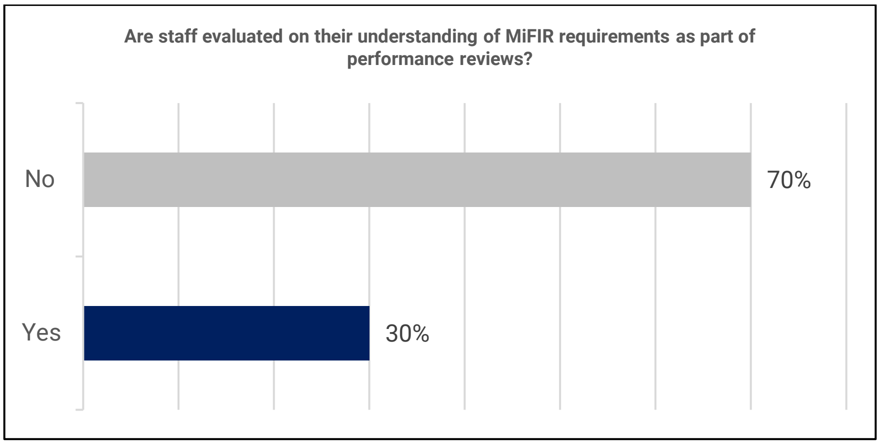

Figure 6

Protection of Personal Client data

Introduction & legal basis

The processing of personal data for MiFIR reporting and related transparency obligations must comply with the General Data Protection Regulation (GDPR)—notably Articles 5 and 32 which address respectively data minimisation, purpose limitation, integrity and confidentiality and security of processing.

While MiFIR requires the retention and transmission of specified data elements, including under Articles 25 and 26, firms acting as controllers or processors must implement appropriate technical and organisational measures proportionate to the risk involved. Such measures may include among other encryption, access controls, secure transmission protocols and corresponding monitoring arrangements as relevant.

Authority expectations

The Authority expects firms to conduct data-protection impact assessments regularly, notably in case of a material change in their processes (e.g., new outsourcing arrangements are incepted, new tool is put in production). Accordingly, firms are required to implement secure data-handling arrangements including role-based access controls and demonstrable data minimisation within reporting workflows. Firms should regularly assess the effectiveness of these controls and ensure prompt remediation of any identified weaknesses.

The Authority also takes this opportunity to remind firms that the transmission of personal data outside the European Union is subject to strict requirements under GDPR. Accordingly, firms are reminded that Article 6.1.(a) of GDPR[7] (consent) cannot be relied upon as a legal basis for the collection and processing personal data for the purposes of MiFIR transaction reporting.

Observations

Based on the responses received, the majority of respondents indicated that they have implemented measures to protect personal data during the reporting process including secure access controls (role-based permissions), data encryption, internal firewalls, and relevant monitoring arrangements.

Section 2: Conclusion

The Authority notes the positive steps taken by several entities to align their processes with MiFIR and MiFID II requirements, particularly in the areas of reporting governance, transparency assessments, and data controls frameworks. At the same time, the questionnaire has identified several areas where further enhancement is necessary to ensure consistently exacting standards across the sector.

Entities are therefore encouraged to consider the observations set out in this Letter and to assess whether further enhancements to their internal frameworks are required.

Strengthening controls relating to transaction reporting, transparency obligations, outsourcing oversight, algorithm governance, and staff training will support the continued accuracy, timeliness, and resilience of regulatory reporting.

While recognising the efforts already undertaken, the Authority, expects firms to take appropriate action where gaps have been identified and to demonstrate ongoing commitment to maintaining robust compliance practices. Continued improvements in data quality and internal oversight will contribute to effective supervision and support well-functioning and transparent markets.

[7] Lawfulness of processing

As outlined in the MFSA Supervision Priorities Documents for 2023[8], 2024[9], 2025[10], and 2026[11], a key supervisory priority remains the quality of data received from the industry and including the identification and remediation of inconsistencies. Although the data currently received is generally satisfactory, the Authority considers that further enhancements remain necessary.

In this regard ESMA's Follow-Up Report to the peer review into supervisory actions aiming at enhancing quality of data, reiterates that data remains a key supervisory focus and that national NCAs should make use of appropriate supervisory and enforcement tools, , when necessary, to ensure compliance with regulatory requirements.

The MFSA will continue to monitor developments through supervisory reviews and ongoing engagement with entities. The Authority thanks all participants for their cooperation and looks forward to continued collaboration to further enhance regulatory standards across the industry.

For any queries in relation to this letter or its implications, entities are invited to contact the Capital Markets Supervision Function at MarketInfrastructures@mfsa.mt.

Yours Sincerely,
Malta Financial Services Authority

Christopher Peter BUTTIGIEG (Signature) Digitally signed by Christopher Peter BUTTIGIEG (Signature) Date: 2026.07.21 13:00:50 +02'00'

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[8] MFSA Supervision Priorities 2023

[9] MFSA Supervision Priorities 2024

[10] MFSA Supervisory Priorities 2025

[11] MFSA Supervisory Priorities 2026