Overview of the Enforcement Work Carried Out by the MFSA in 2025

The Malta Financial Services Authority ("MFSA" or the "Authority") aims to ensure that all entities and/or individuals authorised to provide financial services, in or from within Malta, as well as those falling within its regulatory or supervisory remit remain compliant with the applicable EU and local financial services legislation and regulatory framework.

All entities regulated to provide financial services are subject to ongoing supervisory work undertaken through various onsite and desk-based supervision. Through this work, the MFSA continuously assesses the regulated entities' compliance with all ongoing requirements applicable in terms of the financial services legislation and the regulatory framework. Individuals approved by the MFSA to carry out any approved positions within a licenced entity who are subject to the fitness and properness are also reminded that they are required to satisfy such 'fit and proper' requirement on an ongoing basis.

This document summarises the work that was carried out by the Enforcement Function within the MFSA in 2025.

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Overview of the Enforcement Function's Work

The Enforcement Function is responsible for conducting investigations into potential breaches of financial services laws and/or regulations by entities and/or individuals authorised by the MFSA. Such potential breaches may be brought to the Enforcement Function's attention through various sources including the public or the supervisory functions within the Authority.

Further to the outcome of such investigations, should the Enforcement Function determine that there appears to be a potential breach of any financial services laws and/or regulations, a recommendation is made to the Authority's decision-making body for any enforcement action to be imposed against the entities and/or individuals investigated. Prior to the recommendation to the decision-making body for the imposition of a regulatory action, the Enforcement Function ensures that such proposed action would be deemed to be fair, proportionate, dissuasive and effective. By virtue of such regulatory actions, the MFSA intends to educate those subject to such proposed action as well as to deter future non-compliance.

The list[1] below includes examples of the regulatory actions which may be imposed on entities and/or individuals authorised by the MFSA and also, in cases relating to entities or individuals

[1] The list of regulatory actions included in this document is not exhaustive of all the actions that may be imposed by the Authority. Therefore, the Enforcement Function may recommend to the decision-making body other regulatory actions not included in this list.

potentially offering financial services without having obtained the required authorisations by the Authority:

[a] A public reprimand being issued on the MFSA's website or any other medium as may be deemed warranted;
[b] The imposition of Directives (which may include restrictive Directives such as ceasing the onboarding of new clients, transfer of assets, transfer of existing clients to other Licence Holders and/or other actions such as the engaging of a Qualified/Competent Person);
[c] Suspension of a licence (partial or full);
[d] Removal or restriction of authorised individuals;
[e] The imposition of an administrative penalty; and
[f] Cancellation of a licence.

The purpose of an investigation is to obtain a full understanding of the issues identified and determine whether an enforcement action is merited in the circumstances. It should be noted that following its analysis of all the evidence and circumstances of a case, the Enforcement Function may consider that no enforcement action is merited.

If, on the basis of the investigation, the Enforcement Function deems that action is appropriate, recommendations are made to the decision-making body of the Authority on what administrative measures should be taken by the MFSA.

The total sum of the penalties issued in 2025 amounted to €570,673. This included a total of 63 cases relating to late/non-submission of statutory documents, out of which 25 cases were concluded by means of a settlement[2] with respective Licence Holders. A total of 91 enforcement actions, as outlined in Figure 1 below, were imposed by the MFSA which can be viewed on the MFSA's official website: Administrative Measures and Penalties - MFSA and Settlement Notices - MFSA.

[2] The possibility of resolving investigations in the shortest time possible, by entering into Settlement Agreements, was provided for by the Settlement Notices - MFSA published by the Authority on 8 November 2022. In the interest of time, a settlement proposal letter is issued to the Investigated Person together with the Authority's minded position. However, the Settlement Policy provides Investigated Persons with the possibility to enter into settlement discussions from the moment they become aware that the Authority has commenced an investigation.

Sectors	Cancellation of Licence	Directive	Settlements	Appointments of inspectors	No longer deemed as fit and proper	Admin. penalties	Total amount of € imposed
Investment Services	6	5	10	-	-	22	€225,143
Capital Markets	-	-	3	-	-	7	€164,600
Company Service Providers	-	1	9	-	-	5	€143,150
Trustees	-	-	3	-	-	4	€27,160
Financial Institutions	1	2	-	-	-	-	€8,300
Insurance & Pensions	-	-	1	-	-	1	€2,320
Individuals	-	-	-	-	3	-	-

Figure 1: Administrative Measures Imposed in 2025[3]

The Enforcement Function also filed 10 Police Reports, issued 40 Public Warnings and 3 Consumer Notices in cases involving scams and unauthorised business.

In 2025, the Enforcement Function had a total of 943 ongoing investigations[4] which had come to its attention through various sources. In the course of the supervisory work carried out by the Supervisory Function, a substantial number of investigations were referred to the Enforcement Function relating to cases of late/non-submission of statutory documentation by regulated entities. As will be further highlighted below, investigations were also conducted which involved persons or entities, licensed or otherwise, suspected of undertaking licensable activities without having obtained the necessary authorisations. Other investigations included potential breaches whereby the Authority considered that the regulated entities in question appeared to not have adequate governance arrangements in place.

[3] 26 cases out of the 68 administrative penalties imposed were concluded by means of a settlement.
[4] It should be noted that these investigations included 83 complex cases, 311 non-complex cases, 37 cases involving the potential provision of unauthorised business, and 512 cases relating to late/non-submission of regulatory reporting. Out of the 943 ongoing investigations, in 2025, the Enforcement Function concluded 492 investigations.

Figure 2: Investigations per Sector[5]

	Complex Investigations	Non-Complex (including late submissions)
Capital Markets	14	96
Investment Services	24	239
Individuals	15	-
Virtual Financial Assets	1	14
Scams	-	241
Unauthorised	6	106
Financial Institutions	6	21
Insurance & Pensions	6	27
Trustees	5	56
CSPs	5	57
Credit Institutions	2	2

Figure 2 includes all investigations handled by the Enforcement Function in 2025 including those carried forward from previous years

[5] When an authorised entity has been issued more than one authorisation by the MFSA, the investigation has been recorded against the activity being investigated. This data includes investigations carried out in relation to the late/non-submission of statutory documentation.

Figure 3: Issues Identified & Investigated

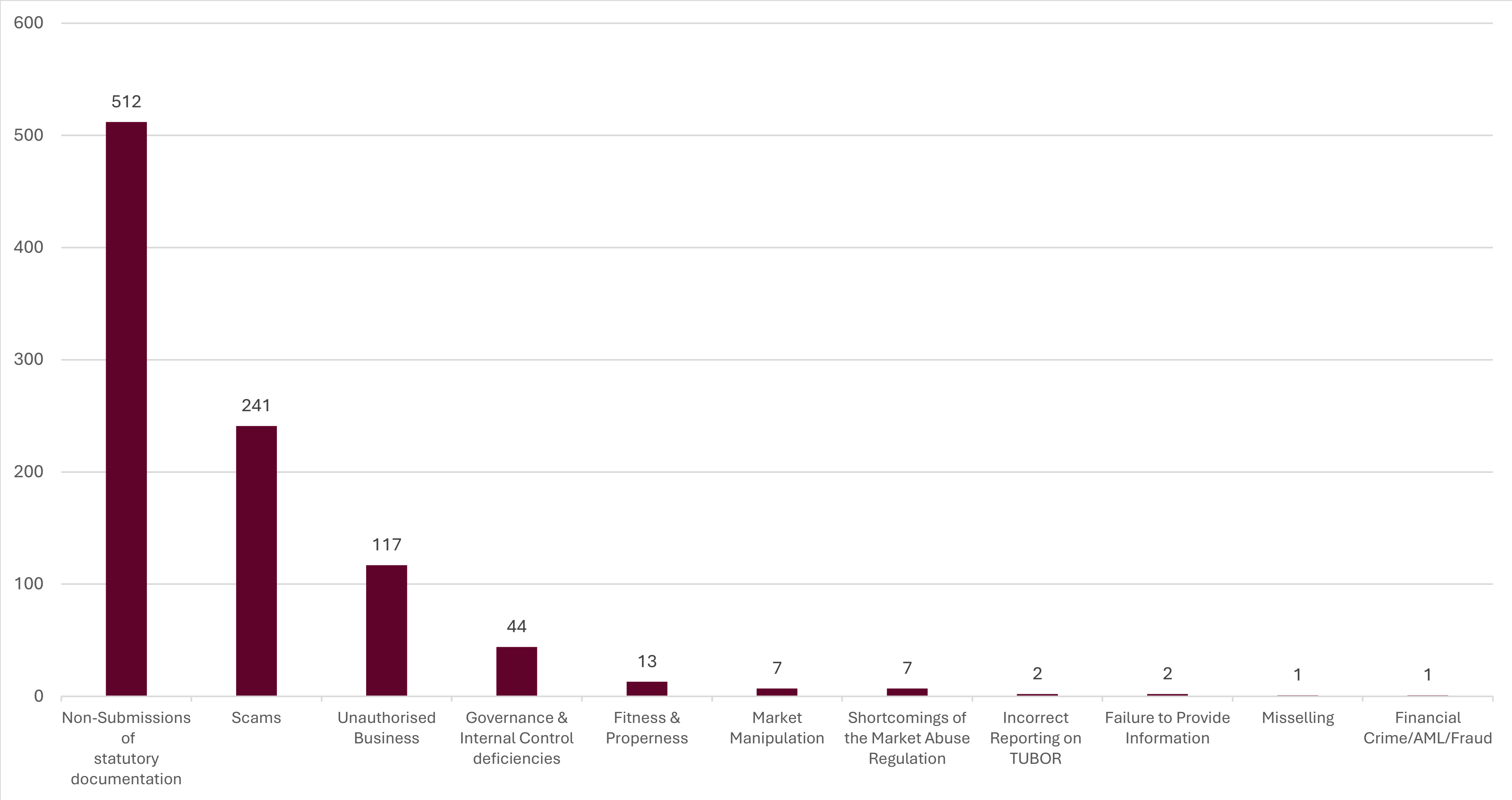

Figure 3 includes issues which were identified in 2025 by the Enforcement Function both in concluded investigations and, in investigations that were ongoing in 2025.

Regulatory Reporting Breaches

Licence Holders are required to comply with all applicable regulatory reporting obligations within the timeframes and deadlines established from time to time by the MFSA, or expressly set out in EU regulations, local legislation, regulations, rulebooks and any other documents which may be issued by the MFSA.

Timely and accurate submission of all regulatory reporting is essential for the MFSA to effectively carry out its supervisory work and assess whether licensed entities are complying with applicable requirements. Responsibility for meeting reporting requirements rests solely with the Licence Holders, irrespective of whether the relevant task has been delegated to other third-party service providers. Licence Holders are expected to maintain adequate systems and controls to ensure that submissions are complete, accurate and submitted within the stipulated deadlines.

Late or non-submission of regulatory reporting, as outlined in the MFSA Guidance Note, generally constitutes a non-material breach. Such breaches are typically identified through the MFSA's ongoing supervisory work and while these may be considered administrative in nature, failure to submit the required regulatory reporting within the stipulated timeframes may constitute a breach.

The MFSA does not issue reminders before or after the expiration of any deadlines relating to regulatory submissions. Furthermore, extensions are not generally granted and will only be considered in very exceptional cases affecting a particular sector or the financial services industry.

All submissions are required to be complete, accurate and of good quality. Where submissions are late, incomplete or of insufficient quality, the MFSA may take appropriate regulatory action in accordance with the applicable laws, rules and regulations.

Where a Licence Holder has failed to make the necessary submissions within the stipulated deadlines, the MFSA may initiate its enforcement process and proceed with the imposition of an enforcement action, in the form of an administrative penalty. In determining the quantum of such administrative penalties, the MFSA considers various aggravating and mitigating factors, including the duration of the delay in submitting the regulatory information and the repetition of the breach of the same regulatory provision/s in respect of which the MFSA would have already imposed an administrative penalty on the Licence Holder during the previous three (3) financial years.

In cases where the MFSA considers that an enforcement action is warranted in relation to non-material breaches, the Licence Holder is notified in writing by means of a Minded Letter. Such letter outlines the potential enforcement action which the MFSA is minded to take and the Licence Holder is, generally, granted fourteen (14) calendar days from the date of receipt of the minded letter to submit written representations. Following the receipt of the representations, these are assessed to determine whether a regulatory action is still warranted or otherwise. The MFSA takes into consideration any substantial evidence provided by the Licence Holder which proves, to the satisfaction of the MFSA, timely and complete adherence to the respective regulatory or legislative requirement. If no representations are received by the MFSA or in the eventuality that the representations do not provide substantial evidence which proves, to the satisfaction of the MFSA, timely and complete adherence to the respective regulatory requirement, the MFSA will proceed with taking regulatory action.

It should be highlighted that, in line with the Settlement Policy, following the issuance of a Minded Letter, discussions with the aim of concluding the investigation by means of a settlement agreement may be initiated by the Licence Holder. Given that an investigation letter is not issued in relation to investigations pertaining to non-material breaches, a reduction between 20% and 40% may be applied in cases where settlement is reached at 'Minded Action' stage.

The MFSA considers all representations to determine whether the proposed enforcement action merits reconsideration or whether the representations justify a reconsideration or whether the regulatory action should not be imposed on the Licence Holder. Should the Authority decide to proceed with the imposition of an enforcement action in relation to a non-material breach, this will be published on the MFSA website in terms of the Publication Policy.

The MFSA remains concerned with the continued failure by Licence Holders to submit statutory documentation within the stipulated timeframes, as reflected by the high number of investigations relating to non-material breaches in 2025, which resulted in the imposition of 63 administrative penalties relating to late/non-submission of statutory documents out of which, 25 cases were concluded by means of a settlement. These administrative penalties made up circa 69% of all the enforcement actions imposed by the MFSA last year.

Figure 4: Penalties Imposed per Sector in relation to Late/Non-Submission of Statutory Documentation

Sectors	Total amount of € imposed
Investment Services	€95,143
Capital Markets	€58,500
Company Service Providers	€38,150
Trustees	€27,160
Financial Institutions	€8,300
Insurance & Pensions	€2,320

Financial Institutions - Safeguarding of Clients Funds

The obligation for financial institutions, including payment institutions and electronic money institutions, to safeguard client funds is crucial and remains a key priority for the MFSA. In 2025, the Enforcement Function carried out several investigations relating to financial institutions which appeared to potentially not be adhering to applicable safeguarding requirements emanating from the Financial Institutions Act (Chapter 376 of the Laws of Malta) and the applicable rules and regulations, following several reviews conducted by the Authority.

Safeguarding requirements constitute both a condition for authorisation and an ongoing requirement that must consistently be adhered to thereafter. Their primary objective is to ensure that client funds are used solely for their intended purpose and are adequately safeguarded at all times. Financial institutions are required to implement appropriate safeguarding mechanisms, including the segregation of client funds from their own funds and their placement in designated safeguarding accounts with credit institutions, or the use of other recognised safeguarding methods in line with applicable regulatory requirements. These measures are intended to mitigate the risk of loss or misuse of client funds, including in the event of insolvency.

In the course of the investigations undertaken in 2025, the Authority identified a number of financial institutions that did not appear to be fully adhering to the safeguarding requirements. The findings revealed that several financial institutions were not conducting frequent reconciliations while in other instances client monies were not properly segregated but rather used for the daily operations of the financial institution. Another finding noted was that despite certain financial institutions holding segregated accounts for client monies, only a small amount was being considered as safeguarded money, creating a risk that not all client money was adequately protected.

These identified shortcomings suggest weaknesses pertaining to the internal controls and governance arrangements as well as a lack of effective oversight of safeguarding arrangements. Financial institutions are expected to ensure that robust policies and internal control mechanisms are implemented to minimise the risk of loss of relevant funds through fraud, misuse or negligence. In addition, reconciliation should be properly documented, dated and signed for record-keeping purposes.

In 2025, the MFSA cancelled the licence of a financial institution following the identification of a number of breaches, including failure to comply with safeguarding obligations. The Enforcement Function continues to conduct investigations into other financial institutions in relation to similar shortcomings.