

**MALTA FINANCIAL SERVICES AUTHORITY**

**CAPITAL MARKETS RULES**

## Malta Financial Services Authority

### Capital Markets Rules

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Malta Financial Services Authority

Capital Markets Rules

Definitions

Term	Meaning
Accountant/s	<p>In the case of an Issuer registered in Malta, an individual who holds a warrant to practise the profession of accountant issued under the Accountancy Profession Act (Cap. 281 of the Laws of Malta) or an accountancy firm as defined by the said Act.</p> <p>Where the Issuer is registered or incorporated in any State other than Malta, a person in possession of an equivalent authorisation to act as an accountant or to practise as an accountancy firm.</p>
Administrator	A person who may or may not be the Manager or who carries out all or part of the general administration of a Collective Investment Scheme.
Accountancy Profession Act	Accountancy Profession Act 1987 (Cap. 281 of the Laws of Malta).
Admissible to Listing	Admissible to Listing in accordance with the provisions of Article 12 of the FMA and “Admissibility to Listing” and “Admissibility” shall be construed accordingly.
Admission to Listing or Trading	Admission to Listing or Trading on a Regulated Market in accordance with the provisions of Article 12 of the FMA and “Admitted to Listing or Trading” or “Admission” or “Admit to Listing” shall be construed accordingly.
Advertisement	Announcements directly or indirectly relating to a specific offer to the public, or part thereof, of securities or to an admission to trading on a regulated market and aiming to specifically promote the potential subscription or acquisition of securities.
Announcement	Company announcements made by the Issuer in compliance with the ongoing listing obligations and “Company Announcement” shall be construed accordingly.
Annual Accounts	The individual or consolidated accounts of a Company or a Group of Companies, as the case may be, prepared in accordance with the national law of the State in which the Company or the parent Company of the Group is registered or incorporated and “Annual Financial Statements” shall be construed accordingly.
Annual Financial Report	The report that is required to be prepared in terms of Capital Markets Rules 5.55 or 8.114.
Applicant	An Issuer which is applying for the Admission of its Securities to Listing.
Approval	The positive act at the outcome of the scrutiny of the completeness of the Prospectus by the MFSA including the consistency of the information given and its comprehensibility.

Auditor	<p>In the case of an Issuer registered in Malta, a person holding a practising certificate to practise in the field of auditing or an audit firm as defined by the Accountancy Profession Act.</p> <p>Where the Issuer is registered or incorporated in any State other than Malta, a person in possession of an equivalent authorisation to practise as an auditor or as an audit firm.</p>
Available to the public	<p>The information shall be deemed to be available to the public when published either</p> <ul style="list-style-type: none"> <li>a) by insertion in one or more widely circulated newspapers; or</li> <li>b) in a printed form to be made available, free of charge, to the public at the offices of the market on which the securities are being traded or proposed to be traded, or</li> <li>c) in a printed form to be made available, free of charge, at the registered office of the Issuer and, if applicable, at the offices of the financial intermediaries placing or selling the securities, including Paying Agents; or</li> <li>d) in an electronic form on the Issuer’s website or, if applicable, on the website of the financial intermediaries placing or selling the securities, including Paying Agents; or</li> <li>e) in an electronic form on the website of the Regulated Market where the securities are being traded or proposed to be traded; or</li> <li>f) in an electronic form on the website of the MFSA if the said Authority has decided to offer this service.</li> </ul> <p>Where, however, the information is made available to the public in accordance with paragraphs (a), (b), or (c), the Issuer or persons responsible for drawing up a prospectus, shall also publish the said information in terms of paragraph (d).</p>
Base Prospectus	<p>A Prospectus containing all relevant information as specified in Chapter 4 concerning the Issuer and the securities Admitted to Trading, and, at the choice of the issuer, the final terms of the offering.</p>
Business Day	<p>(1) (In relation to anything done or to be done in (including to be submitted in place to a place in) Malta), any day which is not a Saturday or a Sunday or public holiday in terms of the National Holidays and other Public Holidays Act (Cap. 252 of the Laws of Malta);</p> <p>(2) (In relation to anything done or to be done by reference to a market outside Malta) any day on which that market is normally open for business; and the term “Working Day” shall be construed accordingly.</p>
Capital Markets Rules	<p>The Rules issued by the competent authority under Part III of the FMA..</p>
Central Securities Depository	<p>As defined in Article 2 of the FMA.</p>

Certificate Representing Shares	<p>An instrument which confers a contractual or property right (other than a right consisting of an option):</p> <p>(a) in respect of any shares held by a person other than the person on whom the rights are conferred by the instrument; and</p> <p>(b) the transfer of which may be effected without requiring the consent of that person but excluding any instrument which confers rights in respect of two or more investments issued by different persons.</p>
Circular	The document that is sent by an Issuer to the holders of its Securities in terms of Chapter 6.
Class	Securities the rights attaching to which are, or will be, identical and which form a single issue or series.
Collective Investment Scheme or Scheme	As defined in Article 2(1) of the Investment Services Act (Cap. 370 of the Laws of Malta).
Commission Delegated Regulation (EU) 2019/815	Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format as may be further amended from time to time.
Companies Act or CA	Companies Act 1995 (Cap. 386 of the Laws of Malta).
Company	As defined in Article 2(1) of the FMA.
Connected Person of a Director	<p>A person is a Connected Person of a Director of a Company if that person is:</p> <p>a) a member of the Director's family, including, without limitation, the Director's spouse or a partner, the Director's child or step-child, the Director's parents and any other dependants of the Director; or</p> <p>b) a body corporate in which the Director, any of the persons mentioned in paragraph (a) or both (i) holds or hold Shares of a nominal value equal to at least twenty percent (20%) of the share capital of that body corporate; or (ii) is or are entitled to control the exercise of more than twenty percent (20%) of the voting power at any general meeting of that body corporate; or</p> <p>c) acting in a capacity as trustee of any trust, the beneficiaries of which include: (i) the Director, the Director's dependants, including, without limitation, the Director's spouse, children or step-children ; or (ii) a body corporate with which one is associated as set out above; or</p> <p>d) acting in a capacity as a business partner of that Director or of any person who, by virtue of paragraph (a), (b) or (c) is connected with the Director.</p>

<p>Connected Client</p>	<p>In relation to a Sponsor, any client who is:</p> <ul style="list-style-type: none"> <li>a) a partner, Director, employee or controller of the Sponsor or of an undertaking described in (d) below;</li> <li>b) the dependants, including, without limitation, the spouse or child of any individual described in (a) above;</li> <li>c) a person in his capacity as trustee of a private trust (other than a pension scheme and an employees' share scheme) the beneficiaries of which include any person described in (a) or (b) above; or</li> <li>d) an undertaking which in relation to the Sponsor is a Group company.</li> </ul>
<p>Consolidated Accounts</p>	<p>The financial statements of a Group presented as those of a single economic entity in accordance with the Generally Accepted Accounting Principles or with equivalent standards.</p>
<p>Controlled Undertaking</p>	<p>Any undertaking</p> <ul style="list-style-type: none"> <li>a) in which a natural or legal person has a majority of the voting rights; or</li> <li>b) of which a natural or legal person has the right to appoint or remove a majority of the members of the administrative, management or supervisory body and is at the same time a shareholder in, or member of, the undertaking in question; or</li> <li>c) of which a natural or legal person is a shareholder or member and alone controls a majority of the shareholders' or members' voting rights, respectively, pursuant to an agreement entered into with other shareholders or members of the undertaking in question; or</li> <li>d) over which a natural or legal person has the power to exercise, or actually exercises, dominant influence or control;</li> </ul> <p>For the purposes of paragraph (b), the holder's rights in relation to voting, appointment and removal shall include the rights of any other undertaking controlled by the shareholder and those of any natural or legal person acting, albeit in its own name, on behalf of the shareholder or of any other undertaking controlled by the shareholder.</p>
<p>Convertible Securities</p>	<p>Securities which are convertible into or exchangeable for other Securities or Securities accompanied by warrants or options to subscribe or purchase other Securities, and "Conversion" and "Convertible" shall be construed accordingly.</p>
<p>Credit Institutions</p>	<ul style="list-style-type: none"> <li>a) An undertaking whose business is to receive deposits or other repayable funds from the public and to grant credits for its own account; or</li> <li>b) An electronic money institution within the meaning of Directive 2000/46/EC on the taking up, pursuit of and prudential supervision of the business of electronic money institutions</li> </ul>

Custodian	any trustee appointed pursuant to a deed of trust or declaration of trust or any entity appointed by a Collective Investment Scheme or by a sub-fund of a Scheme, its directors, trustee, or general partner, as the case may be, to hold and keep safe any of the assets of such Scheme or sub-fund.
Debt Securities	Instruments which create or acknowledge indebtedness.
Directive 85/611/EEC	Council Directive 85/611/EEC OF 20 December 1985 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS).
Directive 2004/39/EC	Council Directive 2004/39/EC of 21 April 2004 on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC.
Directive 2004/25/EC	Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on Takeover Bids
Directive 2014/59/EU	Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council.
Director	Includes any person occupying the position of director of a Company by whatever name he may be called carrying out substantially the same functions in relation to the direction of the Company as those carried out by a director and in relation to an Issuer which is not a body corporate, a person with corresponding powers and duties.
EEA State	A State which is a contracting party to the agreement on the European Economic Area signed at Oporto on the 2 <sup>nd</sup> May 1992 as amended by the Protocol signed at Brussels on the 17 <sup>th</sup> March 1993 and as amended from time to time.
Electronic means	Means of electronic equipment for the processing (including digital compression), storage and transmission of data, employing wires, radio, optical technologies, or any other electromagnetic means.
Equity Securities	Shares and other transferable securities equivalent to shares in companies, as well as any other type of transferable securities giving the right to acquire any of the aforementioned securities as a consequence of their being converted or the rights conferred by them being exercised, provided that securities of the latter type are issued by the Issuer of the underlying shares or by an entity belonging to the Group of the said issuer.
Equivalent Offering Document	Document published or required to be published by certain classes of Issuer and in respect of certain types of Securities in place of the Prospectus.
Expert	Any person whose profession gives authority to a statement made by him.
Financial Markets Act or	Financial Markets Act (Cap. 345 of the Laws of Malta)

FMA	
Financial Institution	<p>Any person who regularly or habitually acquires holdings or undertakes the carrying out of any activity listed in the Schedule to the Financial Institutions Act (Cap.376 of the Laws of Malta) for the account and at the risk of the person carrying out that activity:</p> <p>Provided that these activities are not funded through the taking of deposits or other repayable funds from the public as defined in the Banking Act (Cap.371 of the Laws of Malta):</p> <p>Provided further that this definition shall not apply to any of the above activities which is regulated under the Investment Services Act (Cap. 370 of the Laws of Malta).</p>
Generally Accepted Accounting Principles and Practice	International accounting standards as adopted by the European Commission in terms of Article 3 of Regulation No. 1606/2002 of the European Parliament and of the Council of the European Union of 19 July 2002 on the application of international accounting standards.
Group Company	In relation to any company, means any body corporate which is that Company's subsidiary or parent Company, or a subsidiary of that Company's parent Company, and the term "Group" shall be construed accordingly.
Home Member State	As defined in Article 2(1) of the FMA.
Host Member State	As defined in Article 2(1) of the FMA.
International Standards on Auditing	The International Standards on Auditing formulated by the International Auditing and Assurance Standards Board (IAASB) a committee of the International Federation of Accountants.
Investment Adviser	A person who is authorised in terms of Directive 2004/39/EC to provide investment advice to investors or potential investors.
IOSCO	The International Organisation of Securities Commissions.
Issuer	As defined in Article 2(1) of the FMA.
Key Information	<p>Essential and appropriate structured information which is to be provided to investors with a view to enabling them to understand the nature and the risks of the Issuer, guarantor and the securities that are being offered to them or admitted to trading on a regulated market and, without prejudice to Capital Markets Rule 4.10.2, to decide which offers of securities to consider further. In light of the offer and securities concerned, the key information shall include the following elements:</p> <p>(a) a short description of the risks associated with and essential characteristics of the Issuer and any guarantor, including the assets, liabilities and financial position;</p> <p>(b) a short description of the risk associated with and essential characteristics</p>



	<p>of the investment in the relevant security, including any rights attaching to the securities;</p> <p>(c) general terms of the offer, including estimated expenses charged to the investors by the Issuer;</p> <p>(d) details of the admission to trading;</p> <p>(e) reasons for the offer and use of proceeds.</p>
Legal Entity	As defined in Article 2(1) of the FMA.
Manager	The legal entity appointed by a Scheme that has overall responsibility for the management and performance of the functions of the Scheme. The functions may include the provisions of investment advice and operational services. Where the Scheme does not appoint a Manager, the functions of the Manager must be delegated by the board of Directors of the Scheme to a managing Director.
Management Company	A Company as defined in Article 1a(2) of Council Directive 85/611/EEC
Material related party transactions	Transactions entered into by the Issuer with a Related Party, where any of the tests mentioned in Capital Markets Rule 5.151 to Capital Markets Rule 5.155 (the gross assets test), Capital Markets Rule 5.156 (the profits test) and Capital Markets Rules 5.157 to 5.160 (the consideration test) result in 5% or more. In determining the materiality of the related party transactions, the audit committee shall take into account and ensure that those transactions with the same related party that have been concluded in any twelve month period or in the same financial year, and have not been subject to the requirements listed in Capital Markets Rule 5.141, are aggregated.

Market Maker	A person who holds himself out on the financial markets on a continuous basis as being willing to deal on own account by buying and selling financial instruments against his proprietary capital at prices defined by him.
Market Value	Means the average of the prices for that Security published in the daily Official List of the Regulated Market on which such Security is Admitted to Listing and/or Trading over the last 10 Business Days prior to the relevant date or as the MFSA may calculate from time to time.
Memorandum and Articles of Association	The memorandum and articles of association of a Company and/or equivalent constitutional documents of an Applicant or Issuer.
Member State	A Member State of the European Community established by the Treaty of Rome in 1957 and amended institutionally and otherwise in 1986 by the Single European Act, in 1993 by the Treaty on European Union, in 1997 by the Treaty of Amsterdam and in 2001 by the Treaty of Niece, and as amended by accession agreements and as may be further amended from time to time.
Malta Financial Services Authority or MFSA	The competent authority as defined in the FMA
Minister	The Minister responsible for finance.

Net Annual Rent	<p>The current income or income estimated by the valuer:</p> <ul style="list-style-type: none"> <li>(i) ignoring any special receipts or deductions arising from the Property;</li> <li>(ii) excluding value added tax (where applicable) and before taxation (including tax on profits and any allowances for interest on capital or loans); and</li> <li>(iii) after making deductions for superior rents (but not for amortisation), and any disbursements including, if appropriate, expenses of managing the Property and allowances to maintain it in a condition to command its rent.</li> </ul>
Non-equity Securities	All securities that are not Equity Securities.
Normal Business Hours	9.00 am to 5.00 pm on each Business Day or any other times specified as such by the MFSA.
Offering Programme	A plan which would permit the issuance of Non-equity Securities, including warrants in any form, having a similar type and/or class, in a continuous or repeated manner during a specified issuing period.
Officer	In relation to a Company, includes a Director, manager or company secretary, but does not include an Auditor.
Officially Appointed Mechanism	A mechanism whereby an Issuer or the person who has applied for admission to trading on a Regulated Market without the Issuer's consent, discloses Regulated Information in a manner ensuring fast access to such information on a non-discriminatory basis.
Ordinary Business	<p>In relation to an annual general meeting:</p> <ul style="list-style-type: none"> <li>(a) receiving or adopting the Annual Accounts;</li> <li>(b) declaring a dividend;</li> <li>(c) reappointing Directors and appointing Directors to replace those retiring at the meeting and not offering themselves for reappointment; and</li> <li>(d) reappointing Auditors and authorising the Directors to fix their emoluments.</li> </ul>
Overseas Company	A body corporate constituted or incorporated outside Malta.
Overseas Collective Investment Scheme or Overseas Scheme	A Collective Investment Scheme formed or established other than in accordance with the Laws of Malta.

Parent Company or Parent Undertaking or Parent	In the case of a Company registered in Malta, as defined by Article 2(2) of the CA; In the case of a Company registered or incorporated outside Malta, as defined in Articles 1 and 2 of Seventh Council Directive 83/349/EEC of 13 June 1983 on consolidated accounts.
Paying Agent	A person licensed to provide investment services and duly authorised to remit transfers on behalf of an Issuer or a Scheme.
Primary Listing	A listing by virtue of which the Issuer is subject to the full requirements of the Capital Markets Rules.
Property	Immovable property as defined in articles 308 to 311 of the Civil Code.
Property Company	A Company whose principal activity is (and includes a closed-ended scheme investing or intending to invest 20% or more of its gross assets in Property): (i) the holding of Properties, both directly and indirectly and development of Properties for letting and retention as an investment; or (ii) the purchase or development of Properties for subsequent sale; or (iii) the purchase or development of Properties for retention as investments; or (iv) all or any of the above.
Prospectus	A document in such form and containing such information as may be required by or under the Prospectus Regulation
Prospectus Regulation	As defined in Article 2(1) of the FMA
Public Offer	offer of securities to the public as defined in Article 2(1) of the FMA.
Public Sector Issuers	States and their regional and local authorities, public international bodies, the European Central Bank and the central banks of States.
Published	See definition of 'Available to the public'
Recognised Jurisdiction	Any state that is a state, country or territory that may be formally declared by directive of the MFSA to be a "Recognised Jurisdiction" and the term "non-Recognised Jurisdiction" shall be construed accordingly.
Recognised List	As defined in Article 2(1) of the FMA
Regulated Information	For the purposes of Chapter 5 - all the information which the Issuer or any other person who has applied for the admission of securities to trading on a Regulated Market without the Issuer's consent, is required to disclose in terms of Capital Markets Rules 5.16.9, 5.16.10, 5.16.12, 5.16.14, 5.55, 5.73A, 5.74, 5.176, 5.182, 5.187 and 5.197, as well as Article 6 of Directive 2003/6/EC on insider dealing and market manipulation (market abuse).
Regulated Market	As defined in Article 2(1) of the FMA
Registrar	The person appointed as the Registrar of Companies pursuant to article 400 of

	the CA.
Related Party	Related Party shall have the same meaning as in the international accounting standards adopted in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council.
Secondary Listing	A listing which is not a Primary Listing.
Securities	As defined in Article 2(1) of the FMA.
Securities issued in a continuous or repeated manner	Debt Securities of the same Issuer on tap or at least two separate issues of securities of a similar type and/or Class over a period of 12 months.
Share	(In accordance with article 2(1) of the CA) a share in the share capital of a Company, and includes: (a) stock (except where a distinction between stock and shares is expressed or implied); and (b) preference shares.
Shareholder	For the purpose of Chapter 5, any natural person or Legal Entity who holds, directly or indirectly: a) shares of the Issuer in its own name and on its own account; b) shares of the Issuer in its own name, but on behalf of another natural person or Legal Entity or undertaking; c) depository receipts, in which case the holder of the depository receipt shall be considered as the shareholder of the underlying shares represented by the depository receipts.
Single electronic reporting format	The single electronic reporting format as specified by Commission Delegated Regulation (EU) 2019/815 as may be further amended from time to time.
Sponsor	Sponsor appointed in terms of Chapter 2.
Statutory Audit Regulation	Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Directive 2005/909/EC
Subsidiary Company, Subsidiary Undertaking or Subsidiary	As defined in Article 2 of the CA
Substantial Shareholder	Anyone entitled to exercise or control the exercise of ten percent (10%) or more of the votes able to be cast at general meetings of an Issuer or is in a position to control the composition of a majority of the Board of Directors of an Issuer.
Tap Issue	An issue of Securities whereby the terms of those Securities are identical to those of a previous issue other than the date of Admission and such Securities

	are in all respects fully fungible with those previously Admitted to Listing and to which previous Admission they relate.
Tribunal	Financial Services Tribunal established under Article 42 of the FMA
Umbrella Fund	A Collective Investment Scheme that offers access to separate portfolios or sub-funds, covering different types of investment and represented by different classes of units.
Undertaking	As defined in Article 2 (1) of the CA.
Units of a Collective Investment Undertaking or “Units”	A share in a closed-ended scheme, units in a Unit Trust or unit in any other form of Collective Investment Scheme which relate to the proportionate holding, right or interest that an investor has in such a Scheme. Any reference to fractional units relates to whole units carrying a fraction of the rights carried by whole standard units. The extent of the right to participate in Property conferred by fractional Shares in relation to standard Shares must be fixed by the constitutional documents of the Scheme.
Unit Trust	A Collective Investment Scheme constituted by a trust deed between a management Company (operator) and a trustee whereby the assets which constitute the Collective Investment Scheme are held on trust for unit holders.
Validation	Process of checking that the Annual Financial Report meets the applicable requirements in terms of Commission Delegated Regulation (EU) 2019/815 and other requirements as may be applicable.

## CHAPTER 1

### Malta Financial Services Authority, Compliance with and Enforcement of the Capital Markets Rules

This Chapter describes the information relating to the authority of the Malta Financial Services Authority, and of Compliance with the rules regarding enforcement of the Capital Markets Rules, and how information may be communicated.

*General*

- 1.1 Issuers must comply with all Capital Markets Rules applicable to them.
- 1.2 Issuers must pay to the MFSA as they fall due the fees set out in Appendix 1.3 in relation to an application for Admissibility and in relation to their continued Admissibility to Listing status.

*Procedure for Admissibility*

- 1.6 All matters concerning applications for Admissibility to Listing of Securities must be dealt with between the MFSA and the Sponsor (see Chapter 2).

*Application for Admissibility*

- 1.7 Applications for Admissibility to Listing of Securities shall be authorised by the MFSA. It is entirely at the discretion of the MFSA to accept or reject such applications for Admissibility to Listing of Securities.
- 1.8 No application for Admissibility to Listing of Securities may be entertained by the MFSA unless it is made by, or with the consent of, the Issuer of the Securities concerned, evidenced by appropriate corporate authority.
- 1.9 In particular the MFSA may refuse a request for Admissibility to Listing of Securities:
  - 1.9.1 if it considers that the Applicant's situation is such that an authorisation for Admissibility to Listing of the Securities would be detrimental to the interests of investors;
  - 1.9.2 in respect of Securities already listed in a Recognised Jurisdiction if the Applicant has failed to comply with the obligations to which it is subject by virtue of that listing; or
  - 1.9.3 if it considers that the Applicant does not comply or has not complied with the requirements of the Capital Markets Rules or with any special condition imposed upon the Applicant by the MFSA.

### *Information Gathering and Additional Information*

- 1.10 Issuers must provide to the MFSA without delay:
- 1.10.1 all the information and explanations that the MFSA may reasonably require for the purpose of any decisions of the MFSA as to whether to grant an application for Admissibility to Listing of Securities;
  - 1.10.2 all the information that the MFSA considers appropriate in order to protect investors or to ensure the smooth operation of any Regulated Market;
  - 1.10.3 any other information or explanations that the MFSA may reasonably require for the purpose of verifying whether the Capital Markets Rules are being and have been complied with.
- 1.11 Additionally, in order to maintain high standards of disclosure and for investor protection, the MFSA may:
- 1.11.1 require an Issuer to provide the MFSA for publication in such form and within such time limits as the MFSA considers appropriate, further information not specified in these listing requirements;
  - 1.11.2 impose, and make Admissibility to Listing of Securities subject to, additional requirements, provided that these apply generally for all Issuers or for individual classes of Issuers.
- 1.12 The MFSA may require information or documents from;
- 1.12.1 issuers or persons seeking for admissibility to listing, and the persons that control them or are controlled by them,
  - 1.12.2 Auditors and managers of the Issuer or person seeking for admissibility to listing, as well as financial intermediaries commissioned to ask for admissibility to listing,
  - 1.12.3 any other person subject to the Capital Markets Rules:
- Provided that no duty, including the duty of professional secrecy, to which an Auditor referred to in Capital Markets Rule 1.12.2 may be subject, shall be regarded as contravened by reason of his communication in good faith to the MFSA, whether or not, in response to a request from it, any information or opinion on a matter of which the Auditor has become aware in his capacity as Auditor and which is relevant to any functions of the MFSA and such communication shall not involve the Auditor in liability of any kind
- 1.13 The Issuer must comply with such requirements to provide information, and, if it fails to do so, the MFSA may itself publish such information after having heard the representations of the Issuer.

### *Suspension of Trading*

- 1.14 If the MFSA establishes that the Capital Markets Rules have been infringed or has reasonable grounds for suspecting that the Capital Markets Rules have been infringed, it may;
- 1.14.1 Suspend an admission to trading for a maximum of 10 consecutive working days on any single occasion;
  - 1.14.2 prohibit or suspend advertisements for a maximum of 10 consecutive working days on any single occasion;



- 1.14.3 suspend or ask the relevant regulated markets to suspend trading on a Regulated Market for a maximum of 10 consecutive working days on a any single occasion;
  - 1.14.4 prohibit trading on a regulated market;
  - 1.14.5 make public the fact that an Issuer or any other person subject to the Capital Markets Rules is failing to comply with its obligations.
- 1.15 The MFSA shall suspend the listing of a security to protect investors or where the smooth operation of a Recognised Investment Exchange market otherwise is, or may be, temporarily jeopardised.
- 1.16 Suspension may be either with or without the request of the Issuer. Any request by the Issuer to suspend the listing of any securities must be made to the Recognised Investment Exchange and the MFSA.
- 1.17 An Issuer, the listing of whose Securities is suspended, must continue to comply with all Capital Markets Rules applicable to it, unless the MFSA otherwise agrees.
- 1.18 Where listing has been suspended, the procedure for lifting the suspension will depend on the circumstances and the MFSA reserves the right to impose such conditions and/or sanctions as it considers appropriate in such circumstances.
- 1.19 The continuation of a suspension for a prolonged period without the Issuer taking adequate action to obtain restoration of the listing of the relevant securities shall constitute sufficient reason for the MFSA in its absolute discretion, to discontinue the listing.
- 1.20 There may also be cases where Listing should be cancelled without suspension intervening (for example a significant change in the Issuer rendering its Securities unsuitable for Admission to Listing).

*Discontinuation of Listing*

- 1.21 The MFSA may discontinue the listing of any Security if, inter alia, it is satisfied that, owing to special circumstances normal regular dealings in any Security are no longer possible or upon the request of the Issuer or a Recognised Investment Exchange.

*Discontinuation of Listing upon the Issuer's Request*

- 1.22 An Issuer intending to make an application for the discontinuation of Listing of any of its Securities (hereinafter in this chapter referred to as "Application for Discontinuation of Listing") shall:
- 1.22.1 obtain approval from its board of Directors or any other equivalent governing body (hereinafter in this Capital Markets Rule 1.22 referred to as the "Directors") duly convened for the purpose;
  - 1.22.2 formulate a resolution in writing that shall be submitted for approval at a meeting of the holders of that Security (hereinafter in this chapter referred to as the "Security Holders") duly convened for that purpose within one month from the date of the said approval by the Directors;
  - 1.22.3 give advance notice to the Security Holders of the convening of any meeting in accordance with Capital Markets Rule 1.22.2 above at least fourteen (14) days prior to the date of such meeting and shall provide the text of the resolution together with an appropriate explanatory memorandum setting out the reasons for the Application for Discontinuation of Listing. The notice, resolution and explanatory memorandum shall be in the English and Maltese

languages and shall be delivered to the MFSA on the same day of despatch to the Security Holders; and

- 1.22.4 ensure that any meeting convened in accordance with Capital Markets Rule 1.22.2 above complies with the matters set out in Appendix 1.1.
- 1.23 A resolution which becomes effectual upon satisfaction of the criteria laid down in paragraph 3 of Appendix 1.1 shall form the subject of an application for the Discontinuation of Listing of a Security upon an Issuer's request in the format set out in Appendix 1.2. Such duly completed application for the Discontinuation of Listing shall be submitted to the MFSA by the Issuer by the opening of trading of the Business Day next following the date of the holding of the meeting referred to in Capital Markets Rule 1.22.2.
- 1.24 An application for Discontinuation of Listing made in accordance with Capital Markets Rule 1.22 above shall be considered by the MFSA as soon as practicable upon receipt thereof by the MFSA. It shall determine whether, on the basis of the information submitted by the Issuer in the application, the requirements as set out in Capital Markets Rule 1.22 in respect of the application for Discontinuation of Listing have been satisfied.
- 1.25 If the MFSA determines that on the basis of the said information the requirements as set out in Capital Markets Rule 1.22 and 1.23 in respect of the application for Discontinuation of Listing have been satisfied, it shall publish a notice announcing the Discontinuation of Listing of the relevant Security and the effective date of Discontinuation of Listing which shall be ninety (90) days following the date of submission of the relevant application for Discontinuation of Listing.
- 1.26 An Issuer who intends to make or has made an Application for Discontinuation of Listing shall forthwith make a Company Announcement as provided in Capital Markets Rule 5.16 below on any of the following matters as appropriate:
- 1.26.1 the date fixed for any meeting of the board of Directors at which the Issuer's intention to make an application for Discontinuation of Listing is expected to be considered;
  - 1.26.2 whether the resolution of the Directors referred to at Capital Markets Rule 1.22.2 was carried or not;
  - 1.26.3 the date fixed for any meeting of the Security Holders convened in accordance with Capital Markets Rule 1.22.2 above;
  - 1.26.4 the result of any vote of the Security Holders taken at a meeting convened in accordance with Capital Markets Rule 1.22.2 above (and in compliance with paragraph 7 of Appendix 1.1); and
  - 1.26.5 the delivery to the MFSA of an application for Discontinuation of Listing.

#### *Dispensing and Modification of Capital Markets Rules*

- 1.27 The MFSA may dispense with, vary or not require compliance with any of the terms of these Capital Markets Rules to suit the circumstances of a particular case. In circumstances where this discretion is availed of by the MFSA, a statement to this effect shall be included in the Prospectus. Furthermore, the Issuer concerned may be required to enter into an ancillary agreement prepared by the MFSA as a precondition of such dispensation, variation or non-compliance.

#### *Investigations and Imposition of Sanctions*

- 1.28 The MFSA may appoint one or more competent persons as investigators to conduct an investigation on its behalf into circumstances suggesting contravention of the Capital

Markets Rules or the rules or bye-laws of any Recognised Investment Exchange. The powers of any such investigators are governed by the relevant provisions of the FMA.

- 1.29 If the MFSA considers that an Applicant or Issuer or any other person subject to the Capital Markets Rules has contravened any provision of the Capital Markets Rules it may impose on the Applicant or Issuer or any other person subject to the Capital Markets Rules a financial penalty or publish a statement censoring the Applicant or Issuer subject to the provisions of the FMA or both.

Notwithstanding the above, no person shall be liable for statements made in a summary which is part of a Prospectus in terms of Capital Markets Rule 4.9, including the translation thereof, except when such statements are untrue when read together with the other parts of the Prospectus or the summary does not provide, when read together with other parts of the Prospectus, Key Information in order to aid investors when considering whether to invest in such securities.

- 1.30 An Issuer is obliged to give effect to, comply with and ensure the fulfilment of the terms of the prospectus as approved by the MFSA. Failure to strictly adhere to these obligations is considered a very serious breach and shall result in an administrative sanction, including but not limited to the imposition of a penalty, the publication at the Issuer's expense of a public statement relating to the breach, or to both, or to other sanctions allowed by the Capital Markets Rules or by the FMA commensurate to the seriousness of such breaches.

*Cooperation with other regulatory authorities*

- 1.31 The MFSA shall cooperate with other regulatory authorities for the purpose of assisting other regulatory authorities in carrying out their duties and making use of their powers, particularly for the following purposes:

1.31.1 Exchange of information and cooperation when an Issuer has more than one home regulatory authority;

1.31.2 Transfer of the Approval of a Prospectus to the regulatory authority of another Member State or EEA State.

1.31.3 When requiring suspension or prohibition of trading for securities traded in various Member States or EEA States in order to ensure a level playing field between trading venues and protection of investors.

- 1.32 Where Malta is the Host Member State and the MFSA finds that breaches have been committed by the Issuer or the financial institutions responsible for seeking admissibility to listing or any other person subject to the Capital Markets Rules, it shall refer those findings to the regulatory authority of the Home Member State or EEA State.

- 1.33 If measures taken by the regulatory authority of the Home Member State or EEA State do not prevent the Issuer or the financial institutions responsible for seeking admissibility to listing or any other person subject to the Capital Markets Rules, from breaching the relevant provisions of these Capital Markets Rules, the MFSA shall, after informing the regulatory authority of the Home Member State or EEA State, take all the appropriate measures in order to protect investors. The European Commission shall be informed of such measures at the earliest opportunity.

## Appendix 1.1

### Meetings of Security Holders in Relation to Discontinuation of Listing

- 1 No business shall be transacted at any such meeting convened as provided in Capital Markets Rule 1.22.2 of this Chapter unless a quorum of Security Holders is present at the time when the meeting proceeds to business. A Security Holder or Security Holders present in person or by proxy holding in aggregate more than fifty percent (50%) of the nominal value of the Security outstanding at the date of the holding of the meeting shall be a quorum. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting shall be dissolved.
- 2 The Chairman or the deputy Chairman, if any, of the Issuer's board of Directors or any other equivalent governing body, shall preside as Chairman of the meeting or if there is no Chairman or deputy Chairman, or if any such person shall not be present within fifteen (15) minutes after the time appointed for the holding of the meeting or is unwilling to act, the Directors present shall elect one of their number to be Chairman of the meeting, and that failing, the Security Holders present and entitled to vote shall appoint one of their number to be Chairman.
- 3 A resolution for the Discontinuation of Listing of a Security shall be ineffectual unless such resolution is:
  - 3.1 taken by a poll called exclusively for this purpose;
  - 3.2 approved by the Security Holders represented and entitled to vote at the meeting for this purpose, holding in the aggregate not less than seventy five percent (75%) of the nominal value of the outstanding issued amounts of the relevant Security of the Issuer or such other higher percentage as the Memorandum and Articles of Association of the Issuer may prescribe;
  - 3.3 not disapproved by Security Holders represented at the meeting holding 5% or more of the nominal value of the issued securities of the Issuer.
- 4 On the occasion of such a poll, every Security Holder shall have one (1) vote for each Security of which he is a holder. Votes may be given either personally or by proxy.
- 5 The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a copy of the power or authority duly certified by a notary public, lawyer or legal procurator shall be deposited at the registered office of the Issuer or at such other place in Malta as is specified for that purpose in the notice convening the meeting, or in any instrument of proxy sent by the Issuer in relation to the meeting, not less than twenty four (24) hours before the time appointed for the taking of the poll or such longer time as required by the Memorandum and Articles of Association of the Issuer, and in default the instrument of proxy shall not be treated as valid.

When two (2) or more valid but differing instruments of proxy are delivered in respect of the same Security for use at the same meeting, the one which is last delivered (regardless of its date or of the date of its execution) shall be treated as replacing and revoking the others as regards that Security. If the Issuer is unable to determine which was last delivered, none of them shall be treated as valid in respect of that Security. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting or poll concerned. An instrument of proxy shall be designed by the Issuer as provided in Paragraph 10 of Appendix 5.2.
- 6 No objection shall be raised to the qualification of any voter except at the meeting at which the vote objected to is given or tendered, and every vote not disallowed at such meeting shall

be valid for all purposes. Any such objection made in due time shall be referred to the Chairman of the meeting, whose decision shall be final and conclusive.

- 7 A resolution which becomes effectual upon satisfaction of the criteria laid down in paragraph 3 of this Appendix 1.1 shall also form the subject of a Circular to be issued by the Issuer to all Security Holders of the Issuer as soon as practicable after the meeting referred to in the said paragraph 3, but in no case later than twenty four (24) hours after the result of the poll is announced at that meeting.

Appendix 1.2

Application for the Delisting of a Security upon an Issuers Request

1. Name of Issuer: \_\_\_\_\_
  
2. Name, Class and Nominal Value per Security of the Security for which Delisting is being sought: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
  
3. Number of issued securities for which Delisting is being sought: \_\_\_\_\_
  
4. Date of Meeting of the Board of Directors or other equivalent Governing Body of the Issuer held in terms of Capital Markets Rule 1.22.2: \_\_\_\_\_
  
5. Result of the Vote taken at the Meeting referred to in paragraph 4 above:  
\_\_\_\_\_
  
- (Please attach a certified true copy of the Minutes of the Meeting when the said vote was taken and the result of the said vote)
  
6. Date of circulation of Notice, Resolution and Explanatory Memorandum to the holders of the Security to be delisted in terms of Capital Markets Rule 1.22:  
\_\_\_\_\_
  
7. Date of Meeting of the holders of the Security to be delisted in terms of Listing Rule 1.22:  
\_\_\_\_\_
  
8. Percentage amount of the Nominal Value of the Security to be delisted held by the holder/s represented at the meeting referred to in paragraph 7 above:  
\_\_\_\_\_
  
9. Name of the Chairman presiding at the Meeting referred to in paragraph 7 above:  
\_\_\_\_\_
  
10. Results of the poll taken at the Meeting referred to in paragraph 7 above in terms of percentage levels to the nearest three decimal places of the Nominal Value of the Issued Security held by security holders signifying :
  - (a) Approval of the Resolution: \_\_\_\_\_; and
  - (b) Disapproval of the Resolution: \_\_\_\_\_

(Please attach a certified true copy of the minutes of the Meeting when the said poll was taken and of the result of the said poll).

11. Date of Issue of the Circular referred to in Capital Markets Rule 1.22:

\_\_\_\_\_

NAME: \_\_\_\_\_ SIGNATURE \_\_\_\_\_

12. Date of this Application for delisting: \_\_\_\_\_

\_\_\_\_\_  
For Office Use :

Date and time of delivery of this Application for Delisting:

.....

### Appendix 1.3

#### Admissibility to Listing Fees

In accordance with Capital Markets Rule 1.2 of the Capital Markets Rules, every Application for Admissibility to Listing must be accompanied by an initial (processing) non-refundable fee in accordance with the following scales.

A: Fees applicable to the Admissibility to Listing of Equities on both the Official and the Second Tier Markets

Market Capitalisation	Initial Fee
On the first €12,500,000	Increment per 2,500,000 - €1,500 – Minimum €12,500
On the next €12,500,000	Increment per 2,500,000 - €2,500
On the next €25,000,000	Increment per 2,500,000 -€2,000
On the excess	Increment per 2,500,000 - €1,500
	Maximum €60,000

B: Fees applicable to the Admissibility to Listing of Fixed Income Securities

Market Capitalisation	Initial Fees
On the first €12,500,000	Increment per 2,500,000 - €1,500 – Minimum €12,500
On the next €12,500,000	Increment per 2,500,000 - €2,500
On the next €25,000,000	Increment per 2,500,000 -€2,000
On the excess	Increment per 2,500,000 - €1,500
	Maximum €60,000

C: Fees applicable to the Admissibility to listing of Collective Investment Schemes

The Scheme	Initial Fees
The Scheme	€2,000

Note: If the CIS has a Primary Listing on an Overseas Exchange, the Initial Fees due shall be equivalent to 50%



## CHAPTER 2

### Sponsors and Their Responsibilities

This Chapter contains the requirements relating to Sponsors and the Sponsor's responsibilities to the Issuer and the Malta Financial Services Authority (MFSA).

### *Introduction and General Information*

- 2.1 An Applicant applying for a primary listing of its Securities which requires the production of a Prospectus or equivalent document is required to appoint a Sponsor.
- 2.2 Public Sector Issuers are not required to appoint a Sponsor.
- 2.3 The Applicant shall ensure that, up to the time of listing, all communications and/or meetings with the MFSA are made through its Sponsor.
- 2.4 The MFSA attaches particular importance to the Sponsor's role in satisfying itself that the Securities in respect for which an application has been made in terms of Chapter 4 of these Capital Markets Rules are suitable for authorisation for Admissibility to Listing.

### *Qualifications and obligations of a Sponsor*

- 2.5 A Sponsor appointed under this Chapter shall:
  - 2.5.1 be in possession of a Category II or III licence in terms of the Investment Services Act or exempt from authorisation in terms of regulations issued under the Investment Services Act or authorised to provide investment services under Directive 2004/39/EC;
  - 2.5.2 be independent of the Issuer;
  - 2.5.3 have adequate resources to fulfil the role expected of a Sponsor under these Capital Markets Rules and be capable of giving the Applicant impartial advice before agreeing to accept the role.

### *Responsibilities of a Sponsor*

- 2.6 The responsibilities of a Sponsor are owed solely to the MFSA. In carrying out its responsibilities, the Sponsor shall ensure that:
  - 2.6.1 to the best of its knowledge and belief, having made due and careful enquiry, the Applicant has satisfied all applicable conditions for Admissibility to Listing and other relevant requirements of the Capital Markets Rules;
  - 2.6.2 it has advised and guided the Applicant as to its responsibilities and obligations to ensure compliance with the Capital Markets Rules;
  - 2.6.3 all matters known to it which should be taken into account by the MFSA in considering the particular application for Admissibility to Listing have been disclosed in the Prospectus or otherwise in writing to the MFSA;
  - 2.6.4 it discloses to the MFSA without delay any information or explanations that the MFSA may reasonably require for the purpose of verifying any information which should be taken into account in considering an application for Admissibility to Listing;
  - 2.6.5 it does not provide its services as a Sponsor in relation to an Issuer from which it is not independent and shall provide a confirmation in writing of its independence to the MFSA.;
  - 2.6.6 all documentation has been submitted to the MFSA in a timely manner. Subsequent versions of any documents submitted to the MFSA must show clearly the tracked changes and all deletions must be notified;
  - 2.6.7 the formal application for authorisation for Admissibility to Listing as set out in Appendix 4.1 is filed with the MFSA, together with supporting documentation, in accordance with these Capital Markets

Rules and it shall deal with the MFSA on all matters arising in connection with the application;

- 2.6.8 it advises the MFSA in writing without delay of its resignation or if its appointment is terminated giving details of any relevant facts or circumstances thereto. A copy of such notification shall also be sent to the Applicant.

### *Principles of conduct for the Sponsor*

#### *Relations with the MFSA*

- 2.7 A Sponsor shall:
- 2.7.1 deal with the MFSA in an open and co-operative manner;
  - 2.7.2 deal with all enquiries raised by the MFSA promptly; and
  - 2.7.3 disclose to the MFSA in a timely manner any material information relating to the Sponsor or Applicant of which it has knowledge which addresses non-compliance with the Capital Markets Rules.

#### *Independence*

- 2.8 A Sponsor shall be independent of the Applicant and in any event shall not act if the Sponsor or the Group of which the Sponsor forms part has:
- 2.8.1 an interest, or a holding that is equivalent to 10 % or more of the Equity or Debt Securities of the Applicant or any other company in the Applicant's Group. In assessing the percentage of the interest, the Equity Securities for which application for Admissibility to Listing has been made are to be treated as having already been issued; or
  - 2.8.2 a business relationship with, other than his role as Sponsor, or a financial interest in the Applicant or any other company in the Applicant's Group that would give the Sponsor or the Sponsor's Group a material interest in the outcome of the transaction.
- 2.9 Any interest that arises as a result of the Sponsor's discretionary client holdings is not to be included in the determination of the threshold set out in Capital Market Rule 2.8.1.
- 2.10 A Sponsor shall not be considered to be independent of an Applicant if a director, partner, or senior officer of the Sponsor or another company in the Sponsor's Group has a material interest in the Applicant or any other company in the Applicant's Group.
- 2.11 A Sponsor shall ensure that no Equity Securities are placed with connected clients of the Sponsor unless placed with a fund manager for the purpose of its business.

#### *Directors of the Applicant*

- 2.12 Prior to the endorsement by the Directors of the Applicant of the Prospectus in accordance with Capital Market Rule 4.31, the Sponsor to an application for authorisation for Admissibility to Listing shall satisfy itself that such Directors:

- 2.12.1 can be relied upon to prepare and publish all information within their knowledge (or which it would be reasonable for them to obtain) that investors and their professional advisers would reasonably require and reasonably expect to find for the purpose of making an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Applicant and of the rights attaching to the Securities to which the Prospectus relates; and
  - 2.12.2 have had explained to them (by the Sponsor or other appropriate professional adviser) the nature of the responsibilities and obligations they will be undertaking as Directors of a Company whose Securities are Admissible to Listing under these Capital Markets Rules.
- 2.13 In the case of a new Applicant the Sponsor shall obtain written confirmation from the Directors that the Issuer has established procedures which provide a reasonable basis for them to make proper judgements as to the financial position and prospects of the Issuer and, in each case, its Group, and be satisfied that this confirmation has been given after due and careful enquiry by the Directors.

*Financial Information*

- 2.14 Where a Prospectus includes a working capital statement, the Sponsor shall report to the MFSA in writing that:
- 2.14.1 it has obtained written confirmation from the Issuer that the working capital available to the Group is sufficient for its present requirements, that is, for at least the next twelve (12) months from the date of publication of the relevant document; and
  - 2.14.2 it is satisfied that this confirmation has been given after due and careful enquiry by the Issuer and that the persons or institutions providing finance have stated in writing that the relevant financing facilities exist.
- 2.15 The Sponsor shall report, where applicable, that it has satisfied itself that any profit forecast or estimates have been made after due and careful enquiry by the Issuer.
- 2.16 The Sponsor shall:
- 2.16.1 obtain written confirmation from the Issuer that the financial information published in that document has been properly extracted from the Issuer's accounting records; and
  - 2.16.2 be satisfied that this confirmation has been given after due and careful enquiry by the Issuer.

*Appointment of more than one Sponsor*

- 2.17 Where an Applicant appoints more than one Sponsor, the Applicant shall establish how responsibility is to be allocated and so inform the MFSA in writing.
- 2.18 The appointment of more than one Sponsor does not relieve any of the Sponsors so appointed of their responsibilities and obligations under the Capital Markets Rules.

*Termination*

- 2.19 If an Applicant terminates the services of its Sponsor, the Applicant shall immediately notify the MFSA in writing and it shall copy the Sponsor stating the reasons for such termination. The Applicant shall ensure that a new Sponsor is appointed immediately. The MFSA shall suspend the processing of the application for authorisation for Admissibility to Listing until a new Sponsor is so appointed.

*Breaches by Sponsors*

- 2.20 The MFSA shall report any failure by Sponsors to comply with their obligations under these Capital Markets Rules or to satisfactorily perform the duties set out in this Chapter to the Competent Authority appointed by the Minister in terms of article 2A of the Investment Services Act.

## CHAPTER 3

### Conditions for Admissibility

This Chapter specifies rules relating to the Conditions for suitability for admissibility to Listing of a security, and the MFSA's scope of discretion.

### *General*

- 3.1 This Chapter applies to all Applicants seeking Admissibility to Listing for admission unless otherwise specified in this Chapter.
- 3.2 Suitability for listing depends on many factors. Applicants and their Sponsors should appreciate that compliance with the relevant requirements laid down in these Capital Markets Rules may not of itself ensure the Admissibility to Listing of an Applicant's Securities.
- 3.3 In addition, the MFSA may make Admissibility subject to any special condition which it considers appropriate in the interests of investors. The Issuer will be expressly informed in any such case and must comply with such condition(s) at all times.
- 3.4 Issuers must continue to satisfy the conditions for listing contained in this Chapter throughout the whole period in which any of their securities are Admitted to Listing on a Regulated Market in Malta.

### *Conditions for listing for all Securities*

#### *Incorporation*

- 3.5 An Applicant (other than a Public Sector Issuer) must be:
  - 3.5.1 duly incorporated or otherwise validly established according to the relevant laws of its place of incorporation or establishment; and
  - 3.5.2 operating in conformity with its Memorandum and Articles of Association or equivalent constitutional document.
- 3.6 The Memorandum and Articles of Association are required to conform with the provisions set out in Appendix 5.2 of these Capital Markets Rules. Only in exceptional circumstances will the MFSA grant exemption from compliance with any of the provisions of the said Appendix.

#### *Validity*

- 3.7 The Securities for which authorisation for Admissibility to Listing is sought must:
  - 3.7.1 be issued to conform with the law of the Applicant's place of incorporation;
  - 3.7.2 be duly authorised according to the requirements of the Applicant's Memorandum and Articles of Association or equivalent constitutional document; and
  - 3.7.3 be duly authorised by all necessary statutory and other authorisations for the creation and issue of such Securities in terms of any applicable system of law.

#### *Transferability*

- 3.8 The Securities for which authorisation for Admissibility to listing is sought must be freely transferable.
- 3.9 The MFSA may treat Securities which are not fully paid up as freely transferable if arrangements have been made to ensure that the transferability of such Securities is not restricted and that dealing is made open and proper by providing the public with all appropriate information.
- 3.10 The MFSA may, in the case of the authorisation for Admissibility to Listing of Securities which may be acquired only subject to approval, derogate from Capital Markets Rule 3.8 only if the applicable approval procedure does not, in the opinion of the MFSA, disturb the market.

### *Market Capitalisation*

- 3.11 Except where Equity Securities of the same Class have already been Admitted to Listing, the expected aggregate Market Value of all Equity Securities not being Preference Shares, which are the subject of the application for Admissibility must be at least one million euro (€1,000,000). If such Market Value cannot be assessed, the Applicant's capital and reserves, including profit or loss, from the last financial year, must be at least one million euro (€1,000,000).
- 3.12 Except in the case of a Tap Issues where the amount of the Debt Securities is not fixed., an Applicant applying for authorisation for Admissibility to Listing of Preference Shares or Debt Securities shall offer at least one million euros (€1,000,000) of issued Preference Shares or Debt Securities (as appropriate) of the Class to be authorised as Admissible to Listing.
- 3.13 Notwithstanding Capital Markets Rules 3.11 and 3.12, the MFSA may admit Securities of a lower value if it is satisfied that there will be an adequate market for the Securities concerned.

### *Continuity of Dealing*

- 3.14 The Securities for which Admissibility is sought must be expected to enjoy adequate continuity of dealing.

### *Whole Class to be listed*

- 3.15 Where an application for authorisation for Admissibility to Listing is made in respect of any particular Class of Security:
- 3.15.1 if none of the Securities of that Class are already authorised as Admissible to Listing, the application must relate to all Securities of that Class, issued or proposed to be issued; and
- 3.15.2 if some of the Securities of that Class are already authorised as Admissible to Listing, the application must relate to all further Securities of that Class issued or proposed to be issued.
- 3.15.3 Authorisation for Admissibility to Listing must be sought for all further issues of a Class of Securities already authorised for Admissibility to Listing by not later than one (1) month after allotment.

### *Issued share capital.*

- 3.16 In the case of an application for the Admissibility to Listing of Shares, the Applicant must have fully paid-up capital of at least one million euro (€1,000,000) including preference shares other than redeemable preference shares.
- 3.17 In the case of an application for the Admissibility to Listing of Debt Securities, the Applicant must have fully paid-up capital of at least two hundred and fifty thousand euro (€250,000).



## *Conditions for Listing – Equity Securities*

### *Accounts*

- 3.18 An Applicant must have published or filed audited Annual Accounts which:
- 3.18.1 cover at least three financial years preceding the application for Admissibility to Listing and the last year of audited information may not be older than 18 months from the date of the registration document;
  - 3.18.2 are Consolidated Accounts in respect of the Applicant and all its Subsidiary Undertakings, unless the MFSA otherwise agrees; and
  - 3.18.3 contain no qualification in the audit reports or where that was not the case, the nature of such qualifications or uncertainties is disclosed, together with such explanations by the Directors of the Applicant as appear relevant.
- 3.19 The Applicant must have shareholders' funds less intangible assets of at least six hundred thousand euro (€600,000).

### *Nature and duration of business activities*

- 3.20 An Applicant, either by itself or through one or more of its subsidiary undertakings or affiliates must demonstrate that:
- 3.20.1 at least 75% of its business is supported by a historical revenue earning record which covers the period for which Annual Accounts are required under Capital Markets Rule 3.18.1;
  - 3.20.2 it controls the majority of its assets and has done so for at least the period referred to in Capital Markets Rule 3.18.1; and
  - 3.20.3 it will be carrying on an independent business as its main activity.
- 3.21 In determining what amounts to 75% of the Applicant's business for the purposes of Capital Markets Rule 3.20.1, factors such as the assets, profitability and market capitalisation of the business will be taken into account.
- 3.22 If an Applicant's business has been in existence for the period referred to in Capital Markets Rule 3.18.1 but part or all of its business has one or more of the following characteristics it may not satisfy that rule:
- 3.22.1 a business strategy that places significant emphasis on the development or marketing of products or services which have not formed a significant part of the Applicant's historic revenue earning record;
  - 3.22.2 the value of the business on Admission to Listing will be determined, to a significant degree, by reference to future developments rather than past performance;
  - 3.22.3 the relationship between the value of the business and its revenue or profit earning record is significantly different from those of similar companies in the same sector;
  - 3.22.4 there is no record of consistent revenue, cash flow or profit growth throughout the historic revenue earning record;
  - 3.22.5 the business of the Applicant has undergone a significant change in its scale of operations during the period of the historic revenue earning record; or
  - 3.22.6 it has significant levels of research and development expenditure or significant levels of capital expenditure.

- 3.23 The MFSA may modify or dispense with Capital Markets Rules 3.18.1 or 3.20 if it is satisfied that it is desirable in the interests of the Applicant or of investors and that investors have the necessary information available to arrive at an informed judgment about the Applicant and the Securities for which Admissibility to Listing is sought.
- 3.24 Before modifying or dispensing with Capital Markets Rule 3.20, the MFSA must be satisfied that there is an overriding reason for the Applicant seeking a listing on a Regulated Market in Malta (rather than seeking admission to a market more suited to companies without a historic revenue earning record).
- 3.25 For the purposes of Capital Markets Rule 3.24, the MFSA will take into account factors such as whether the Applicant:
- 3.25.1 is attracting significant funds from sophisticated investors;
  - 3.25.2 is undertaking a significant marketing of Securities in connection with the application for Admissibility to Listing and has demonstrated that having listed status is a significant factor in the ability to raise funds; and
  - 3.25.3 has demonstrated that it will have a significant market capitalisation on Admissibility to Listing.

*Shares in Public Hands*

- 3.26 The Applicant shall, together with its application for admissibility to listing, demonstrate to the satisfaction of the MFSA that:
- 3.26.1 at least twenty-five percent (25%) of the Class of Shares in respect of which application is made are in the hands of the public in one or more Recognised Jurisdictions; or
  - 3.26.2 at least twenty-five percent (25%) of the Class of Shares in respect of which application is made shall be in the hands of the public in one or more Recognised Jurisdictions.

Exceptionally, a lower percentage may be accepted by the MFSA where the number of Shares of the same Class and the extent of their distribution to the public would enable the market to operate properly with a lower percentage.

- 3.27 Shares are not considered to be held in public hands if they are held, directly or indirectly by:
- 3.27.1 a Director of the Applicant or any of its Subsidiary Undertakings;
  - 3.27.2 a person connected with a Director of the Applicant or of any of its Subsidiary Undertakings;
  - 3.27.3 the trustees of any employees' share scheme or pension fund established for the benefit of any Directors and employees of the Applicant and its Subsidiary Undertakings;
  - 3.27.4 any person who under any agreement has a right to nominate a person to the Board of Directors of the Applicant; or
  - 3.27.5 a Substantial Shareholder.
- 3.28 Where Admissibility to Listing is sought for a further block of shares of the same class, the MFSA may assess whether a sufficient number of shares has been distributed to the public in relation to all the shares issued and not only in relation to this further block.

- 3.29 An Issuer must inform the MFSA in writing without delay if it becomes aware that the proportion of any Class of Equity Shares authorised as Admissible to Listing in the hands of the public has fallen below twenty-five percent (25%) of the total issued Share capital of that Class or, where applicable, such lower percentage as the MFSA may have agreed.

*Shares of a non-EU or EEA company.*

- 3.30 The MFSA will not grant authorisation for Admissibility to Listing to Shares of a company incorporated in a non-EU Member State or EEA State that are not listed either in the company's country of incorporation or in the country in which the majority of its shares are held, unless the MFSA is satisfied that the absence of a listing is not due to the need to protect investors.

*Settlement*

- 3.31 Where an application for authorisation for Admissibility to Listing in respect of Shares or a new Class of Securities is made by a Company incorporated in Malta, the Shares or Securities forming the subject of the application must (save where the MFSA in exceptional circumstances otherwise agrees) be eligible for electronic settlement.

*Management*

- 3.32 The Directors and senior management of an Applicant that is a Company must collectively demonstrate appropriate expertise and experience for the management of the Group's businesses.
- 3.33 An Applicant which is a Company must ensure that each of its Directors is free of conflicts between duties to the Applicant and private interests and other duties, unless the Applicant can demonstrate that arrangements are in place to avoid detriment to its interests. Where there are potential conflicts the MFSA must be consulted at an early stage.

Provided that no person may act as a Director of an issuer of a listed security if the person concerned is already acting as a director, partner or employee and is authorised to provide investment advice and/or portfolio management in terms of Part B of the Investment Services Rules for Investment Services Providers in an entity licenced in terms of the Investments Services Act.

*Substantial Shareholder*

- 3.34 Where an Applicant has a relationship with a Substantial Shareholder which could result in a conflict of interest between its obligations towards that shareholder and its duties to the general body of shareholders, the MFSA may render the Applicant subject to conditions in the interest of the general body of shareholders of the Applicant.

*Participation of Directors in an Issue*

- 3.35 Except in a case of a rights issue, no Director of an Issuer or his Connected Persons may participate directly or indirectly in an issue of Equity Securities or other Securities with rights of conversion to Equity Securities unless the Issuer's shareholders in general meeting have approved the specific allotment to be made. The notice convening the meeting shall state:
- 3.35.1 the number of Securities to be allotted;
  - 3.35.2 the precise terms and conditions of the issue; and
  - 3.35.3 that such Directors and their Connected Persons shall abstain from exercising any voting rights at the meeting.

## *Conditions for Listing – other Securities*

### *Warrants or Options to Subscribe, Convertible Securities, Certificates Representing Shares*

- 3.36 In the absence of exceptional circumstances, the issue of options or warrants to subscribe for Shares must be limited to an amount equal to ten percent (10%) of the issued share capital of the Issuer at the time the warrants or options are issued. Rights under employee share schemes will not be included for the purposes of this limit.
- 3.37 The conditions for Admissibility of options or warrants to subscribe for Securities (not being options or warrants accompanied by other Securities) are the same as would apply if the subject of the application for Admissibility had been the Securities to be subscribed unless the MFSA otherwise agrees.
- 3.38 Where an application for Admissibility is made for options or warrants to subscribe, the terms of issue must be such that the unit of dealing, where traded separately, is an option or warrant to subscribe for one Share. Where the terms of the subscription rights change (e.g. on a capitalisation issue) the Issuer must ensure that the quotation on any Recognised List continues to be based on the right to subscribe for one (1) Share.

### *Convertible Securities*

- 3.39 Securities convertible or exchangeable into another Class of Securities or options or warrants to subscribe or purchase such other Class, may become authorised as Admissible to Listing only if that other Class of Securities is or will become at the same time a Class of Securities authorised as Admissible to Listing. However, the MFSA may grant an application for Admissibility in respect of such Securities, options or warrants in other circumstances if they are satisfied that holders have the necessary information available to form an opinion concerning the value of the underlying Securities to which such Securities, options or warrants relate.

### *Certificates Representing Shares*

- 3.40 Where application for Admissibility is made in relation to Certificates Representing Shares, the Issuer of the Shares is the Issuer for the purposes of the Capital Markets Rules, and the application will be dealt with as if it were an application for Admissibility of Shares.

### *The Issuer of the Certificates and the Certificates*

- 3.41 The Issuer of the Certificates must fulfil the requirements of Capital Markets Rule 3.5.
- 3.42 The Issuer of the Certificates must be a suitably authorised and regulated Financial Institution acceptable to the MFSA.
- 3.43 The Issuer of the Certificates must hold for the sole benefit of the Certificate holders and on their behalf (or under equivalent arrangements) the Shares to which the Certificates relate, all rights pertaining to the Shares and all money and benefits that it may receive in respect of them, subject only to payment of the remuneration and proper expenses of the Issuer of the Certificates. Neither the Shares nor any such rights, money or benefits may be or may be liable to be treated as assets of the Issuer of the Certificates under the law (including insolvency law) of the place of its incorporation, place of incorporation of the Issuer of the Shares, place of issue of the Certificates or the place of administration of the arrangement under which the Shares are held.
- 3.44 To be authorised for Admissibility to Listing, the Certificates must fulfil the conditions set out in Capital Markets Rules 3.7 to 3.17 and 3.26 to 3.29. For this purpose, in those Capital

Markets Rules, references to Shares should be taken as references to Certificates in respect of which application for authorisation for Admissibility to Listing is made.

- 3.45 The Certificates shall not impose obligations on their Issuer other than to the extent necessary for the protection of Certificate-holders' rights to, and the transmission of entitlements of, the Shares.
- 3.46 In the case of Certificates Representing Shares, the Issuer of the Shares shall be subject to the continuing obligations set out in Chapter 5.
- 3.47 In addition, any change of the Issuer of the Certificates shall be submitted to the MFSA. The newly appointed Issuer of Certificates shall satisfy the applicable conditions for Admissibility set out in this Chapter.

*Application for Admissibility to Listing*

- 3.48 The MFSA may refuse an application for Admissibility to Listing:
  - 3.48.1 if in its reasoned opinion, it considers that the Applicant's situation is such that admission of the Securities would be detrimental to the interests of investors;
  - 3.48.2 for Securities already listed in another Member State or EEA State, if the applicant has failed to comply with the obligations to which it is subject by virtue of that listing; or
  - 3.48.3 if it considers that the Applicant does not comply or has not complied with the requirements of the Capital Markets Rules or with any special condition imposed upon the applicant by the MFSA under Capital Markets Rule 3.3.

*Approaching the market for the listing of Securities*

- 3.49 This part and Appendix 3.1 shall apply to:
  - 3.49.1 Companies having Securities already admitted to a Regulated Market; and
  - 3.49.2 Companies not having Securities admitted to listing on a Regulated Market but an application has been made to the MFSA for Admissibility to Listing of those securities.
- 3.50 The Companies referred to in Capital Markets Rule 3.49 may approach the market by any one or a combination of the following methods:
  - 3.50.1 an offer for sale or subscription (paragraph 1 of Appendix 3.1);
  - 3.50.2 an intermediaries offer (paragraph 2 of Appendix 3.1)
  - 3.50.3 a rights issue (paragraph 3 of Appendix 3.1);
  - 3.50.4 a placing of rights (paragraph 4 of Appendix 3.1)
  - 3.50.5 an open offer (paragraph 5 of Appendix 3.1);
  - 3.50.6 a vendor consideration placing (paragraph 6 of Appendix 3.1);
  - 3.50.7 a capitalisation or bonus issue (paragraph 7 of Appendix 3.1);
  - 3.50.8 an issue for cash and other methods (paragraph 8 of Appendix 3.1);
  - 3.50.9 such other method as may be accepted by the MFSA either generally or in any particular case.
- 3.51 The provisions of Appendix 3.1 shall form an integral part of the Capital Markets Rules.

## Appendix 3.1

### Methods of approaching the market for the listing of Securities

#### 1. *Offer for Sale or Subscription*

- 1.1 An offer for sale is an invitation to the public by, or on behalf of, a third party to purchase Securities of the Issuer already in issue or allotted (and may be in the form of an invitation to tender at or above a stated minimum price).
- 1.2 An offer for subscription is an invitation to the public by, or on behalf of, an Issuer to subscribe for Securities of the Issuer not yet in issue or allotted (and may be in the form of an invitation to tender at or above a stated minimum price).
- 1.3 In an offer for sale or subscription the Issuer shall ensure that:
  - 1.3.1 letters of allotment or acceptance are all issued simultaneously;
  - 1.3.2 letters of regret must be dispatched with the letters of allotment or acceptance; and
  - 1.3.3 where the Securities may be held in uncertificated form, the Issuer must ensure that there is equality of treatment between those who elect to hold the Securities in certificated form and those who elect to hold them in uncertificated form.

#### 2. *An Intermediaries Offer*

- 2.1 An intermediaries offer is a marketing of Securities already or not yet in issue, by means of an offer by, or on behalf of, the Issuer to intermediaries for them to allocate to their own clients.
- 2.2 For an intermediaries offer the MFSA may require a list of the names of the intermediaries to whom Securities were allocated and of the names and addresses of the clients of each intermediary to whom Securities were in turn allocated.

#### 3. *Rights Issue*

- 3.1 A rights issue is an offer to existing holders of Securities to subscribe or purchase further Securities in proportion to their holdings made by means of the issue of a renounceable letter (or other negotiable document) which may be traded (as “nil paid” rights) for a period before payment for the Securities is due.
- 3.2 The MFSA will not authorise any rights issue in which the rights cannot be transferred in part or in whole in favour of a third party at the option of the entitled shareholder.
- 3.3 An Issuer intending to make a rights issue whether for cash or by way of bonus should promptly notify the MFSA accordingly. Intention for these purposes shall be evidenced by a decision of the board of Directors of the Issuer or equivalent governing body of the Issuer. In addition, the following must be notified to the MFSA without delay:
  - 3.3.1 the issue price and principal terms of the issue;
  - 3.3.2 the results of the issue and, if any rights not taken up are sold, details of the sale, including the date and price per share; and
  - 3.3.3 if relevant, the number or amount of any Securities issued pursuant to any excess applications together with the basis of any acceptance of those applications.

- 3.4 In a rights issue the MFSA may grant authorisation for Admissibility to Listing for Securities at the same time as the Securities are authorised as Admissible in “nil paid” form. Upon the Securities being paid up and the allotment becoming unconditional in all respects, authorisation for Admissibility to Listing will continue without any need for further application for Admissibility of fully paid Securities.
- 3.5 If existing holders do not take up their rights to subscribe in a rights issue, the Issuer must ensure that the Securities to which the offer relates are offered for subscription or purchase on a Regulated Market on terms that any premium obtained over the subscription or purchase price (net of expenses) is to be for the account of such holders, save that if the premium for an existing holder does not exceed five euros (€ 5), the premium may be retained for the Issuer’s benefit.
- 3.6 Where the offer is undersubscribed or not all the securities are purchased on a Regulated Market, the Securities may be allotted or sold to underwriters, if on the expiry of the subscription period no premium (net of expenses) has been obtained.
- 3.7 A Director of the Issuer will not, save in exceptional circumstances and with the prior authorisation of the MFSA, be permitted to subscribe for or purchase excess Securities without those Securities being offered to other existing holders on the same terms.
- 3.8 In the case of an application for authorisation for Admissibility to Listing for Securities offered by way of rights to holders of a Security already authorised as Admissible to Listing, the Prospectus shall comply the relevant requirements set out in Chapter 5.
- 3.9 No date should be fixed for closing of the offer until the issue has been authorised by the MFSA. An Issuer shall ensure that the offer relating to a rights issue remains open for acceptance for at least fourteen days.

#### 4. *Placing of Rights*

- 4.1 In a placing of rights arising from the issue before the official start of dealings, the following conditions must be satisfied:
- 4.1.1 the placing must relate to at least twenty five percent (25%) of the maximum number of Securities offered, or such lesser amount as may be agreed by the MFSA if it is satisfied that a requirement of at least twenty five percent (25%) would be detrimental to the success of the issue;
- 4.1.2 the placees must be committed to take up whatever is placed with them;
- 4.1.3 the price paid by the placees must not exceed the price at which the Securities the subject of the rights issue are offered by more than one half (½) of the calculated premium over that offer price (that premium being the difference between the offer price and the theoretical ex-rights price);
- 4.1.4 the Securities the subject of the rights issue must be of the same Class as Securities already listed;
- 4.1.5 there must be no minimum holding of Securities before which a shareholder may participate in the rights issue;
- 4.1.6 the Issuer may not, once the basis of entitlements under the rights issue is declared, make any subsequent alterations to such entitlements.

5. *Open Offer*

5.1 An open offer is an invitation to existing holders of Securities to subscribe or purchase Securities in proportion to their holdings, which is not made by means of a renounceable letter (or other negotiable document).

5.2 The following rules apply to an open offer:

5.2.1 it must be made using assignable or transferable application forms, with splitting facilities;

5.2.2 it may be made in conjunction with other methods of issue (for example, a conditional placing); and

5.2.3 a Director of the Issuer will not, save in exceptional circumstances and with the prior authorisation of the MFSA, be permitted to subscribe for or purchase excess Securities without those Securities being offered to other existing holders on the same terms.

5.3 The following requirements relate to the communication of information on an open offer:

5.3.1 if the offer is subject to the approval of shareholders in general meeting the notification must state that this is the case;

5.3.2 the Circular dealing with the offer must not contain any statement which might be taken to imply that the offer gives the same entitlements as a rights issue; and

5.3.3 the Prospectus must comply with the relevant requirements set out in Chapter 5.

5.4 The timetable for an open offer shall be approved by the Regulated Market on which the Issuer's Securities are listed and traded.

6. *Vendor Consideration Placing*

6.1 A vendor consideration placing is an offer, by or on behalf of vendors, of Securities that have been allotted as consideration for an acquisition.

6.2 In a vendor consideration placing, all vendors must have an equal opportunity of participating in the placing.

7. *Capitalisation/Bonus Issue*

7.1 A capitalisation issue (or bonus issue) in lieu of dividend or otherwise is an issue to existing holders of Securities, in proportion to their holdings, of further Shares credited as fully paid out of the Issuer's reserves.

7.2 Where, in a capitalisation issue (other than one in lieu of dividend) a shareholder's entitlement includes a fraction of a Security, the Issuer must ensure that the fraction is sold for the benefit of the holder except that if its value (net of expenses) does not exceed five euros (€ 5) it may be sold for the Issuer's benefit. Sales of fractions may be made before authorisation for Admissibility to Listing is granted.

7.3 Where the Securities for which authorisation for Admissibility to Listing is sought are allotted by way of capitalisation of reserves or undistributed profits to the holders of a Security already authorised as Admissible to Listing, the Circular must comply with the relevant requirements set out in Chapter 11.



8. *Issue for Cash and other Methods*

- 8.1 Issues for cash of Equity Securities must be offered in the first place to the existing holders of Equity Securities in proportion to their holdings in accordance with Article 88(1) of the CA unless the right of pre-emption has been restricted or withdrawn in accordance with the provisions of articles 88 (5) and (7) of the CA. Holders of other Equity Securities must be permitted to participate if the rights attached thereto so require.
- 8.2 Where such an issue is to persons who are specifically approved by shareholders, it will not be regarded as a placing if the subscribers are small in number and are named in the Circular or notice convening the general meeting.
- 8.3 Securities of a Class already authorised as Admissible to Listing may be granted authorisation for Admissibility to Listing if they arise from an issue for cash, an exchange for, or a conversion of Securities from another Class of Securities or an exercise of options or warrants to subscribe Securities (including options under an employee share scheme).

9. *Discounts not to exceed 10%*

- 9.1 If an Issuer makes an open offer, placing, vendor consideration placing, or an offer for subscription of Equity Securities, the price shall not be at a discount of more than 10% to the middle market price or similar of those Securities at the time of announcing the terms of the offer or at the time of agreeing the placing (as the case may be) unless the MFSA satisfied that the Issuer is in severe financial difficulties or that there are other exceptional circumstances. A pricing statement shall be completed in accordance with Appendix 3.2.
- 9.2 Paragraph 9.1 shall not apply to an offer or placing at a discount of more than 10% if:
- 9.2.1 the terms of the offer or placing at that discount have been specifically approved by the Issuer's shareholders; or
  - 9.2.2 it is an issue of Equity Securities for cash under a pre-existing general authority to disapply article 88(1) of the CA.

Appendix 3.2

Pricing Statement

Placing of Equity Securities of a Class already authorised as Admissible to Listing

1. Name of Issuer \_\_\_\_\_

2. Description of Security \_\_\_\_\_

3. Sponsor \_\_\_\_\_

4. Date when Placing arranged \_\_\_\_\_

5. Placing Price \_\_\_\_\_

6. Middle Market Price on the date  
when placing arranged \_\_\_\_\_

7. Placing Price/Middle Market Price \_\_\_\_\_

Signature of Company Secretary or  
duly authorised officer. \_\_\_\_\_

Countersigned by Sponsor \_\_\_\_\_

Date: \_\_\_\_\_

## CHAPTER 4

### APPLICATION FOR ADMISSIBILITY TO LISTING

This chapter gives detailed information:

- a) as to what is required to be submitted with an application for admissibility to listing.;
- b) on the contents, approval and publication of the Prospectus;
- c) on the approval of the application for admissibility to listing.

### *Application for admissibility to listing*

- 4.1 Securities shall be admitted to listing on a Regulated Market operating in Malta only upon the approval of an application for Admissibility to Listing by the MFSA.
- 4.1A An Applicant shall notify the MFSA with its' intention to submit an Application for Admissibility to Listing at least one month before submitting the application (Appendix 4.1) and the first draft of the prospectus.

### *Application process*

- 4.2 The Applicant shall submit the following documents to the MFSA:
  - 4.2.1 a complete application for authorisation for Admissibility to Listing in the form set out in Appendix 4.1 together with the relevant application fee;
  - 4.2.2 a Prospectus and any supplements;
  - 4.2.3 one (1) copy of the Issuer's audited Annual Accounts for each of the last three (3) Financial Years prepared on the basis described in these Capital Markets Rules;
  - 4.2.4 where the Applicant forms part of a Group of which the Applicant is a member, the Consolidated accounts of the Group of which the Issuer is a member for each of the last three (3) Financial Years prepared in accordance with either Generally Accepted Accounting Principles and Practice or with equivalent standards;
  - 4.2.5 the audited Annual Accounts of any guarantor of the Applicant for each of the last three (3) Financial Years prepared in accordance with either Generally Accepted Accounting Principles and Practice or with equivalent standards;
  - 4.2.6 application forms to subscribe for or purchase Securities;
  - 4.2.7 formal notices (see Capital Markets Rule 4.48);
  - 4.2.8 the letter referred to in Capital Markets Rule 4.25 (omission of information);
  - 4.2.9 a completed and signed directors' declaration( see Appendix 4.3);
  - 4.2.10 a certified copy of the Memorandum and Articles of Association of the Applicant, highlighting any proposed amendments as part of the issue;
  - 4.2.11 the information required to be provided by the Sponsor in terms of Chapter 2, in particular Capital Markets Rule 2.6.5 (confirmation of independence), Capital Markets Rule 2.14 (working capital) and Capital Markets Rule 2.15 (profit forecast or estimates) where relevant;
  - 4.2.12 appropriate corporate authorities sanctioning the application for Admissibility to Listing (see Capital Markets Rule 1.8);
  - 4.2.13 a valuation report prepared by an independent Expert in compliance with the requirements of Chapter 7 if the Applicant is a Property Company or intends to issue Debt Securities which are secured on Property.

### *Additional Documents*

- 4.3 The MFSA may require a copy of any other document which it deems useful, necessary or beneficial in order for it to decide upon the authorisation of Admissibility to listing.
- 4.4 All documents forwarded to the MFSA by an Applicant shall become and remain the property of the MFSA.
- 4.5 The Issuer must retain copies of the documents referred to in Capital Markets Rule 4.2 for a period of not less than five (5) years.

#### *Scope of Chapter 4*

- 4.6 The provisions of this Chapter shall not apply to:
- 4.6.1 Units issued by collective investment undertakings other than the closed-end type;
  - 4.6.2 Non-equity Securities issued by a Member State or an EEA State or by one of a Member State's or an EEA State's regional or local authorities, by public international bodies of which one or more Member States or EEA States are members, by the European Central Bank or by the central banks of the Member States or EEA States;
  - 4.6.3 shares in the capital of central banks of the Member States or EEA States;
  - 4.6.4 Securities unconditionally and irrevocably guaranteed by a Member State or EEA State or by one of a Member State or EEA State's regional or local authorities;
  - 4.6.5 Securities issued by associations with legal status or non-profit making bodies, recognized by a Member State or EEA State, with a view to their obtaining the means necessary to achieve their non-profit making objectives;
  - 4.6.6 Non-equity Securities issued in a continuous or repeated manner by Credit Institutions where the total consideration for the offer in the European Union is less than seventy-five million Euro (€75 million), which amount shall be calculated over a period of twelve months provided that these securities:
    - 4.6.6.1 are not subordinated, convertible or exchangeable;
    - 4.6.6.2 do not give a right to subscribe to or acquire other types of securities and that they are not linked to a derivative instrument
  - 4.6.7 Non-equity Securities issued in continuous or repeated manner by Credit Institutions provided that these securities:
    - 4.6.7.1 are not subordinated, convertible or exchangeable;
    - 4.6.7.2 do not give a right to subscribe to or acquire other types of securities and that they are not linked to a derivative instrument;
    - 4.6.7.3 materialise reception of repayable deposits;
    - 4.6.7.4 are covered by a deposit guarantee scheme under Directive 94/19/EC of the European Parliament and of the Council on deposit-guarantee schemes
  - 4.6.8 non-fungible shares of capital whose main purpose is to provide the holder with a right to occupy an apartment, or other form of immovable property or part thereof and where the shares cannot be sold on without this right being given up;

Provided that an Issuer or a person asking for Admissibility to Listing in terms of Capital Markets Rule 4.6.2, Capital Markets Rule 4.6.4 and Capital Markets Rule 4.6.6, may draw up a Prospectus in terms of this Chapter. Where securities are guaranteed by a Member State, an Issuer or a person asking for Admission to Listing shall be entitled to omit information about such guarantor.

#### *Exemption from publishing a Prospectus*

- 4.7 The obligation to publish a Prospectus shall not apply to:
- 4.7.1 securities fungible with securities already admitted to trading on the same regulated market representing, over a period of 12 months, less than 20 per cent of the number of securities already admitted to trading on the same regulated market;
  - 4.7.2 shares issued in substitution for shares of the same Class already Admitted to Listing on the same regulated market, if the issuing of such shares does not involve any increase in the issued capital;

- 4.7.3 Securities offered in connection with a takeover by means of an exchange offer, provided that a document is available containing information which is regarded by the MFSA as being equivalent to that of the Prospectus;
- 4.7.4 Securities offered, allotted or to be allotted in connection with a merger or a division, provided that a document is available containing information which is regarded by the MFSA as being equivalent to that of the Prospectus;
- 4.7.5 shares offered, allotted or to be allotted free of charge to existing shareholders, and dividends paid out in the form of shares of the same Class as the shares in respect of which such dividends are paid, provided that the said shares are of the same Class as the shares already Admitted to Listing on the same Regulated Market and that a document is made available containing information on the number and nature of the shares and the reasons for and details of the offer;
- 4.7.6 Securities offered, allotted or to be allotted to existing or former Directors or employees by their employer or an affiliated undertaking, provided that the said securities are of the same Class as the securities already Admitted to Listing on the same Regulated Market and that a document is made available containing information on the number and nature of the Securities and the reasons for and detail of the offer;
- 4.7.7 Shares resulting from the conversion or exchange of other Securities or from the exercise of the rights conferred by other Securities, where the resulting shares are of the same Class as the shares already admitted to trading on the same regulated market, provided that the resulting shares represent, over a period of 12 months, less than 20% of the number of shares of the same class already admitted to trading on the same regulated market, subject to the following proviso.

Provided that the requirement that the resulting shares represent, over a period of 12 months, less than 20 % of the number of shares of the same class already admitted to trading on the same regulated market as referred to in the immediately preceding paragraph shall not apply in any of the following cases:

- 4.7.7.1 where a prospectus was drawn up in accordance with either the Prospectus Regulation upon the offer to the public or admission to trading on a regulated market of the securities giving access to the shares;
  - 4.7.7.2 where the securities giving access to the shares were issued before 20 July 2017;
  - 4.7.7.3 where the shares qualify as Common Equity Tier 1 items as laid down in Article 26 of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 of an institution as defined in point (3) of Article 4(1) of that regulation and result from the conversion of Additional Tier 1 instruments issued by that institution due to the occurrence of a trigger event as laid down in point (a) of Article 54(1) of that regulation;
  - 4.7.7.4 where the shares qualify as eligible own funds or eligible basic own funds as defined in Section 3 of Chapter VI of Title I of Solvency II, and result from the conversion of other securities which was triggered for the purposes of fulfilling the obligations to comply with the Solvency Capital Requirement or Minimum Capital Requirement as laid down in Sections 4 and 5 of Chapter VI of Title I of Solvency II or the group solvency requirement as laid down in Title III of Solvency II.
- 4.7.8 Securities already Admitted to Listing on another regulated market, on the following conditions:
    - 4.7.8.1 that these Securities, or Securities of the same Class, have been Admitted to Listing on that other Regulated Market for more than 18 months;

- 4.7.8.2 that, for Securities first Admitted to Listing on a Regulated Market after 31<sup>st</sup> December 2003, the Admission to Listing on that other Regulated Market was associated with an approved Prospectus made available to the public in conformity with Chapter 4;
  - 4.7.8.3 that, except where Capital Markets Rule 4.7.8.2 applies, for Securities first admitted to listing after 30 June 1983, listing particulars were approved in accordance with the requirements of Directive 80/390/EEC coordinating the requirements for the drawing up, scrutiny and distribution of the listing particulars to be published for the admission of securities to official stock exchange listing or Directive 2001\34\EC of the European Parliament and of the Council of the European Union on the admission of securities to official stock exchange listing and on information to be published on those securities;
  - 4.7.8.4 that the ongoing obligations for listing on that other Regulated Market have been fulfilled;
  - 4.7.8.5 that the person seeking the Admissibility to Listing in Malta under this exemption makes a summary document available to the public in English ;
  - 4.7.8.6 that the summary document referred to in Capital Markets Rule 4.7.8.5 is made available to the public;
  - 4.7.8.7 that the contents of the summary document complies with Chapter 4 where applicable. Furthermore the document shall state where the most recent Prospectus can be obtained and where the most recent Prospectus can be obtained and where the financial information published by the Issuer pursuant to ongoing disclosure obligations is available.
- 4.7.9 Securities resulting from the conversion or exchange of other securities, own funds or eligible liabilities by a resolution authority due to the exercise of a power referred to in Article 53(2), 59(2) or Article 63(1) or (2) of Directive 2014/59/ EU.

### *Scope and contents of prospectus*

4.8 The essential purpose of a Prospectus is to convey factual information about a business in words and figures, as a formal basis on which to obtain certain information about the Issuer and its proposed activities. Without prejudice to Capital Markets Rule 4.22, the Prospectus shall contain all information which, according to the particular nature of the Issuer and of the Securities being considered for Admissibility to Listing is necessary to enable investors and their Investment Advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and of any guarantor, and of the rights attaching to such Securities. This information shall be presented in an easily analysable and comprehensible form.

4.9 For the purposes of this Chapter, the Commission Regulation (EC) No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements shall apply.

The Prospectus shall also include a summary. The summary shall, in a concise manner and in non-technical language, provide Key Information in the language in which the Prospectus was originally drawn up. The format and content of the summary of the prospectus shall provide, in conjunction with the prospectus, appropriate information about the essential elements of the securities concerned in order to aid investors when considering whether to invest in such securities. The summary shall be drawn up in a common format in order to facilitate comparability of the summaries of similar securities and its content should convey the Key Information of the securities concerned in order to aid investors when considering whether to invest in such securities.

4.10 The summary shall also contain a warning that:

4.10.1 it should be read as an introduction to the Prospectus;

4.10.2 any decision to invest in the securities should be based on consideration of the Prospectus as a whole by the investor;

4.10.3 where a claim relating to the information contained in a Prospectus is brought before a court, the plaintiff investor might, if the Prospectus is not drawn in the English Language, have to bear the costs of translating the Prospectus before the legal proceedings are initiated; and

4.10.4 civil liability attaches to those persons who have tabled the summary including any translation thereof, and applied for its notification, but only if the summary, when read together with other parts of the Prospectus, is misleading, inaccurate or inconsistent or it does not provide Key Information in order to aid investors when considering whether to invest in such securities.

Provided that where the Prospectus relates to the Admissibility to Listing of Non-equity Securities having a denomination of at least hundred thousand Euro (€ 100,000) per unit there shall be no requirement to provide a summary except when a translation of the summary is requested.

### *Prospectuses consisting of separate documents*

4.11 The Issuer or person seeking Admissibility to Listing, may draw up the Prospectus as a single document or separate documents.

4.12 A Prospectus composed of separate documents shall divide the required information into a registration document, a securities note and a summary note.

4.13 The registration document shall contain the information relating to the Issuer.



- 4.14 The securities note shall contain the information concerning the securities.
- 4.15 The registration document accompanied by the securities note, updated if applicable in accordance with Capital Markets Rule 4.17, and the summary note shall be considered to constitute a valid Prospectus.
- 4.16 An Issuer which already has a registration document approved by the Listing Authority shall be required to draw up only the securities note and the summary note.
- 4.17 The securities note referred to in Capital Markets Rule 4.16 shall provide information that would normally be provided in the registration document if there has been a material change or recent development which could affect investors' assessments since the latest updated registration document or any supplement as provided for in Capital Markets Rule 4.26 was approved. The securities and summary notes shall be subject to a separate approval.
- 4.18 Where an Issuer has only filed a registration document without approval, the entire documentation, including updated information, shall be subject to approval.

*Base Prospectus*

- 4.19 A Base Prospectus containing all relevant information concerning the Issuer and the Securities may, at the choice of the Issuer or person seeking Admissibility to Listing, be used for the following types of securities:
- 4.19.1 Non-equity Securities, including warrants in any form, issued under an Offering Programme;
- 4.19.2 Non-equity Securities issued in a continuous or repeated manner by credit institutions,
- 4.19.2.1 where the sums deriving from the issue of the said securities, are placed in assets which provide sufficient coverage for the liability deriving from securities until their maturity date;
- 4.19.2.2 where, in the event of the insolvency of the related credit institution, the said sums are intended, as a priority, to repay the capital and interest falling due, without prejudice to the Legal Notice Credit Institutions (reorganization and winding up) Regulation, 2004
- 4.20 The information given in the Base Prospectus shall be supplemented, if necessary, in accordance with Capital Markets Rule 4.26, with updated information on the Issuer and on the securities.

Where the final terms of the offer are neither included in the Base prospectus nor in a supplement, the final terms shall be made available to investors, filed with the MFSA and communicated by the Issuer to the regulatory authority of the host Member State when each Public Offer is made as soon as practicable and, where possible, in advance of the beginning of the Public Offer or Admission to Listing. The final terms shall contain only information that relates to the securities note and shall not be used to supplement the base prospectus. The provisions of Capital Markets Rule 4.22A shall apply in such cases.

*Incorporation of information by reference*

- 4.21 The MFSA shall allow information to be incorporated in the Prospectus by reference to one or more previously or simultaneously published documents that have been approved by it.
- 4.21.1 This information shall be the latest information available to the issuer.

- 4.21.2 When information is incorporated by reference, a cross-reference list must be provided in order to enable investors to identify easily specific items of information.
- 4.21.3 The summary shall not incorporate information by reference.

*Omission of Information*

- 4.22A The Issuer shall ensure that where the final offer price and amount of Securities offered to the public cannot be included in the Prospectus:
  - 4.22A.1 the criteria and/or the conditions in accordance with which the above elements will be determined or, in the case of the price, the maximum price, must be disclosed in the Prospectus; or
  - 4.22A.2 the acceptances of the purchase or subscription of Securities may be withdrawn for not less than two working days after the final offer price and amount of Securities which will be offered to the public have been filed.

The final offer price and the amount of Securities shall be filed with the MFSA and made available to the public.
- 4.22 The MFSA may authorise the omission of information from the Prospectus which is applicable and required by the Capital Markets Rules if it considers that:
  - 4.22.1 the information is of minor importance only and is not such as will influence assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, Offeror or Guarantor, if any; or
  - 4.22.2 disclosure would be contrary to the public interest; or
  - 4.22.3 disclosure would be seriously detrimental to the Issuer and omission is not likely to mislead investors with regard to facts and circumstances, knowledge of which is essential for the assessment of the Issuer, Offeror or Guarantor, if any and of the rights attached to the Securities in question.
- 4.23 Without prejudice to the adequate information of investors, where, exceptionally, certain information required by this Chapter to be included in a Prospectus is inappropriate to the issuer's sphere of activity or to the legal form of the Issuer or to the Securities to which the Prospectus relates, the Prospectus shall contain information equivalent to the required information.
- 4.24 The MFSA may also authorise the omission of information which would otherwise be required in order to make the assessment referred to in Capital Markets Rule 4.8 in the circumstances referred to in Capital Markets Rule 4.22.
- 4.25 Requests to the MFSA to authorise any omission of information must:
  - 4.25.1 be in writing from the Issuer;
  - 4.25.2 identify the information concerned and the reasons for the omission; and
  - 4.25.3 state why in the opinion of the Issuer one or more of the grounds in Capital Markets Rule 4.22 applies.

*Supplements to the Prospectus*

- 4.26 Every significant new factor, material mistake or inaccuracy relating to the information included in the Prospectus which is capable of affecting the assessment of the Securities and which arises or is noted between the time when the Prospectus is approved and the time when listing on a Regulated Market begins, whichever occurs later, shall be mentioned in a supplement to the Prospectus.

- 4.27 A supplement to the Prospectus must:
- 4.27.1 give details of the change or new matter;
  - 4.27.2 contain the statements required by Capital Markets Rule 4.30
  - 4.27.3 contain a statement that, save as disclosed, there has been no significant change and no significant new matter has arisen since publication of the previous Prospectus; and
  - 4.27.4 contain a statement that a copy of the supplement to the Prospectus has been delivered to the MFSA.
- 4.28 Such a supplement shall be approved in the same way in a maximum of seven Working Days and published in accordance with at least the same arrangements as were applied when the original Prospectus was published. The summary, and any translations thereof, shall also be supplemented, if necessary to take into account the new information included in the supplement.
- 4.29 Investors who have already agreed to purchase or subscribe for the Securities before the supplement is published shall have the right to withdraw their acceptances within two working days after the publication of the supplement, provided that the new factor, mistake or inaccuracy referred to above arose before the final closing of the Public Offer and the delivery of the securities. That period may be extended by the Issuer. The final date of the right of withdrawal shall be stated in the supplement. .

#### *Responsibility*

- 4.30 The Prospectus shall include a paragraph stating that:-
- 4.30.1 the Prospectus includes information given in compliance with the Capital Markets Rules for the purpose of giving information with regard to the Issuer;
  - 4.30.2 all of the Directors whose names appear in the Prospectus accept responsibility for the information contained in the Prospectus;
  - 4.30.3 to the best of the knowledge and belief of the Directors, the information contained in the Prospectus is in accordance with the facts and that the Prospectus makes no omission likely to affect its import;
  - 4.30.4 application has been made to a Regulated Market for the Issuer's Securities to be listed and for dealings to commence on the said market once the Securities are authorised as Admissible to Listing by the MFSA and the details of the Regulated Market where application has been made.
- 4.31 A Prospectus and any supplement thereto shall be dated and signed by every person who is named therein as a Director or, at the discretion of the MFSA, by the agent or attorney of such Directors authorised in writing. A certified copy of the authority of any such agent or attorney shall be submitted to the MFSA.

#### *Uses of Languages*

- 4.32 When an Admission to Listing is made in one or more Member States or EEA States excluding Malta, the Prospectus shall be drawn up either in a language accepted by the regulatory authorities of those Member States or EEA States or in a language customary in the sphere of international finance, at the choice of the Issuer:
- Provided that for the purpose of scrutiny by the MFSA, the Prospectus shall be drawn up in Maltese or English or in a language customary in the sphere of international finance, at the choice of the Issuer.

- 4.33 Where an Admission to Listing is sought in more than one Member States or EEA States including Malta, the Prospectus shall be drawn up in English or Maltese and shall also be made available either in a language accepted by the regulatory authorities of each Host Member State or EEA State or in a language customary in the sphere of international finance, at the choice of Issuer.
- 4.34 Where Admission to Listing on a Regulated Market of Non-equity Securities whose denomination per unit amounts to at least hundred thousand Euro (€100,000) is sought in one or more Member States or EEA States, the Prospectus shall be drawn up either in a language accepted by the regulatory authorities of the home and host Member States or EEA States or in a language customary in the sphere of international finance, at the choice of the Issuer or person asking for Admission to Listing. Member States or EEA States may choose to require in their national legislation that a summary be drawn up in their official language.

*Approval of Prospectus*

- 4.35 Prospectuses relating to Securities being considered for Admissibility to Listing must not be published unless they are formally approved by the MFSA.
- 4.36 The MFSA shall not approve a Prospectus unless it is satisfied that:
- 4.36.1 Malta is the Home Member State in relation to the Issuer of the Securities to which it relates;
- 4.36.2 the Prospectus has been drawn up in accordance with the provisions of the Capital Markets Rules.
- 4.37 The MFSA shall notify ESMA of the approval of the Prospectus and any supplement thereto at the same time as that approval is notified to the Applicant and shall provide ESMA with a copy of such prospectus and any supplement thereto. The MFSA shall notify the Applicant of its decision to approve or refuse a Prospectus:
- 4.37.1 within ten (10) Working Days of the submission of the draft Prospectus. The time shall be extended to 20 Working Days if the offer involves Securities issued by an Issuer which does not have any Securities Admitted to Listing on a Regulated Market and who has not previously offered Securities to the public.
- 4.37.2 If the MFSA finds, on reasonable grounds, that the documents submitted to it are incomplete or that supplementary information is needed, the time limits referred to in Capital Markets Rule 4.37.1 above shall apply only from the date on which such information is provided by the Applicant.
- 4.38 If the MFSA fails to give a decision on the Prospectus within the time limits laid down in Capital Markets Rule 4.37.1, this shall not be deemed to constitute approval of the application. The MFSA shall notify the Applicant if the documents are incomplete within ten (10) Working Days of the submission of the application.
- 4.39 In the case of Maltese registered companies, any Prospectus approved by the MFSA should be registered with the Registrar.
- 4.40 The approval of the Prospectus by the MFSA shall not be deemed to be or construed as a representation or warranty as to the solvency or credit-worthiness of the Issuer or the truth or accuracy of the contents of the Prospectus.

*Transfer to MFSA of application for Approval*

- 4.41 Where the MFSA agrees to the transfer to it of an application for the Approval of a Prospectus made to the regulatory authority of another Member State or EEA State:-

- 4.41.1 Malta is to be treated for the purposes of these Capital Markets Rules as the Home Member State in relation to the Issuer of the Securities to which the Prospectus relates; and
- 4.41.2 the time-limits referred to in Capital Markets Rule 4.37 shall apply as if the date of the transfer were the date on which the application was received by the MFSA.

*Transfer by MFSA of application for Approval*

- 4.42 The MFSA may transfer an application for the Approval of a Prospectus or a supplement to the Prospectus to the regulatory authority of another Member State or EEA State, subject to the prior notification to ESMA and the agreement of that authority.
- 4.43 This transfer shall be notified to the Applicant within three Working Days beginning with the first Working Day after the date of the decision taken by the MFSA.
- 4.44 On making such transfer, the MFSA ceases to undertake any Approval or administrative procedures relating to Prospectuses.

*The granting of authorisation for Admissibility to Listing*

- 4.45 The MFSA shall approve an application for Admissibility to Listing if it is satisfied that all the requirements of Chapter 3 and this Chapter relating to the application for Admissibility to Listing have been complied with.
- 4.46 The granting of authorisation by the MFSA for Admissibility to Listing of any Securities becomes effective when the Sponsor has been formally notified.
- 4.47 Where a Sponsor is not required to be appointed, the granting of authorisation by the MFSA for Admissibility to Listing will become effective when the Applicant has been formally notified.

*Formal Notice*

- 4.48 Prior to the publication of a prospectus, a formal notice shall be made available to the public which shall contain the following minimum information:
  - 4.48.1 the name and country of incorporation of the Issuer and, if so desired, a brief statement of the nature of the Issuer's business;
  - 4.48.2 the amount and title of the Securities in respect of which authorisation for Admissibility to Listing is sought;
  - 4.48.3 if applicable, the name and country of incorporation of a guarantor of the principal or interest on such Securities;
  - 4.48.4 a statement indicating the addresses and the times at which copies of the Prospectus are available to the public;
  - 4.48.5 if applicable, in case of an offer by a new Applicant of Equity Securities where part of the Securities are made available directly to the general public by means of an offer for sale or subscription, a statement that a proportion (to be indicated) of the Securities is so available and how applications should be made;
  - 4.48.6 the date of the notice;
  - 4.48.7 in the case of Securities which are not Equity Securities and where there is a facility to issue further tranches of these Securities, the total amount of the Securities which could be issued under such an arrangement; and
  - 4.48.8 the name of the Sponsor to the application for authorisation to Admissibility to Listing

### *Publication of Prospectus*

- 4.49 Once approved, the Prospectus shall be filed with the MFSA and made accessible to ESMA through the MFSA. The Prospectus shall be made available to the public by the Applicant at the latest six (6) Working Days before the Securities involved are Admitted to Listing. In addition, in the case of an initial Public Offer of a Class of shares not already Admitted to Listing on a Regulated Market that is seeking Admissibility to Listing for the first time, the Prospectus shall be available at least six (6) Working Days before the offer opens.
- 4.50 The MFSA shall publish on its website over a period of 12 months, at its choice, all the Prospectuses approved in accordance with this Chapter.
- 4.51 In the case of a Prospectus comprising several documents and/or incorporating by reference, the documents and information making up the Prospectus may be published and circulated separately provided that the said documents are made available to the public, free of charge. Each document shall indicate where the other constituent documents of the full Prospectus may be obtained.
- 4.52 The text and the format of the Prospectus, and/or the supplements to the Prospectus, made available to the public, shall at all times be identical to the original version approved by the MFSA.
- 4.53 Where the Prospectus is made available by publication in electronic form, a hard copy shall nevertheless be delivered to the investor, upon his request and free of charge, by the Issuer, the person asking for Admissibility to Listing or the financial intermediaries placing or selling the securities.

### *Advertisements*

- 4.54 Where Malta is the Home Member State, the MFSA shall have the power to exercise control over compliance with the requirements of Capital Markets Rules 4.55 to 4.57 relating to advertising activity involving the Admissibility to Listing of Securities.
- 4.55 Advertisements related to any Securities which have been authorised as Admissible to Listing or which are to be listed or traded on a Regulated Market shall be clearly recognisable as such, easily readable and comprehensible.
- 4.55A An Applicant or Issuer, as the case may be, is obliged to ensure that the content of any such advertising:
- 4.55A.1 is accurate, factual and not misleading;
  - 4.55A.2 does not contain any unverifiable claims; and
  - 4.55A.3 is consistent with the information contained in the Prospectus, if already published, or with the information required to be in the Prospectus if the Prospectus is published afterwards.
- 4.55B An Applicant shall refrain from advertising in any manner, whether directly or indirectly, from the date of the notification submitted in terms of Capital Markets Rule 4.1A and until it is in receipt of final written notice of the approval of the Admissibility to Listing from the MFSA.
- 4.55C Hidden, surreptitious and other indirect forms of advertising which are not strictly compliant with these Rules are prohibited.

- 4.55D In the case of any doubt as to what constitutes an advertisement in terms of these Capital Markets Rules, the Issuer shall contact the MFSA without delay, prior to any proposed publication, requesting a determination as to whether such material constitutes an advertisement. An Issuer shall refrain from publishing any such material in the absence of such a determination.
- 4.56 In any case, any advertisement issued for the purpose of announcing the Admissibility to Listing of Securities, shall contain a statement that a Prospectus has been or will be published and the addresses and times at which copies of the Prospectus are or will be available to the public.
- 4.57 Information concerning the Admission to Listing on a Regulated Market disclosed in an oral or written form, even if not for advertising purposes, shall be consistent with the information contained in the Prospectus.

*Validity of a Prospectus, Base Prospectus and registration document*

- 4.58 A Prospectus shall be valid for 12 months after its approval provided that the Prospectus is completed by the supplements required pursuant to Capital Markets Rule 4.26.
- 4.59 In the case of an Offering Programme, the Base Prospectus, previously filed, shall be valid for a period of up to 12 months.
- 4.60 In the case of Non-equity Securities referred to in Capital Markets Rule 4.19.2, the Prospectus shall be valid until no more of the Securities concerned are issued in a continuous or repeated manner.
- 4.61 A registration document, as referred to in Capital Markets Rule 4.13, previously filed, shall be valid for a period of up to 12 months.

*Exercise of Passport Rights*

- 4.62 Where Malta is the Home Member State and an Admission to Listing is provided for in one or more Member States or EEA States, other than Malta, the Prospectus approved by the MFSA and any supplements thereto shall be valid in any number of host Member States or EEA States, provided that ESMA and the regulatory authority of each Host Member State or EEA State is notified in accordance with Capital Markets Rule 4.64.
- 4.63 If there are significant new factors, material mistakes or inaccuracies, as referred to in Capital Markets Rule 4.26, arising since the approval of the Prospectus, the MFSA shall require the publication of a supplement to be approved as provided for in Capital Markets Rule 4.26. Where Malta is the Host Member State, ESMA and the MFSA may draw the attention of the regulatory authority of the Home Member State or EEA State to the need for any new information.
- 4.64 The MFSA shall provide the regulatory authority of the Host Member State or EEA State, at the request of the Issuer or the person responsible for drawing up the Prospectus and within three Working Days following the receipt of that request or, if the request is submitted together with the draft Prospectus, within one Working Day after the approval of the Prospectus, with a certificate of approval and a copy of the Prospectus as approved. If applicable, this notification shall be accompanied by a translation of the summary of the Prospectus produced under the responsibility of the Issuer or person responsible for drawing up the Prospectus. The same procedure shall be followed for any supplement to the Prospectus. The MFSA shall also notify ESMA and the Issuer or the person responsible for drawing up the Prospectus of the certificate of approval at the same time it notifies the regulatory authority of the host Member State or EEA State.

- 4.65 A Prospectus in relation to an Admission to Listing which has been approved by the regulatory authority of another Member State or EEA State, other than Malta, is not deemed to be an approved Prospectus unless that authority has provided the MFSA with a certificate of approval and a copy of the Prospectus as approved together with, where requested by the MFSA, a translation into English or Maltese of the summary of the Prospectus.
- 4.66 For the purposes of this Capital Markets Rule, the certificate of approval shall consist of a statement
- 4.66.1 that the Prospectus has been drawn up in accordance with the Prospectus Regulation;
  - 4.66.2 that the Prospectus has been approved in accordance with the Prospectus Regulation by the MFSA or the regulatory authority of the Member State or EEA state, as the case may be, providing the certificate; and where applicable
  - 4.66.3 of the reasons as to why the MFSA or the regulatory authority providing the certificate, authorised, in accordance with the Prospectus Regulation, the omission from the Prospectus of information which would otherwise have been included.

*Approval of a Prospectus of a third-country Issuer*

- 4.67 If a Prospectus relating to an Issuer whose registered office is situated in a country that is not a Member State or EEA State is drawn up in accordance with the law of that country, the MFSA shall, if Malta is the Home Member State in relation to the Issuer, approve the Prospectus if it is satisfied that:
- 4.67.1 it has concluded cooperation arrangements with the relevant supervisory authorities of that country issuer in accordance with Article 30 of the Prospectus Regulation;
  - 4.67.2 the information requirements, including information of a financial nature, are equivalent to the requirements under the Prospectus Regulation.
- 4.68 Where Malta is the Host Member State in relation to an Issuer whose registered office is situated in a country that is not a Member State or EEA State, the requirements set out in Capital Markets Rules 4.32 to 4.34 and 4.61 to 4.65 shall apply.



APPENDIX 4.1

(Capital Markets Rules 4.2.1)

APPLICATION FOR AUTHORISATION FOR ADMISSIBILITY TO LISTING  
(SHARES AND DEBT SECURITIES)

This form of application for Admissibility of securities to Listing should be suitably adapted for an Issuer which is not a public limited company. Please note that Admissibility to Listing will be a pre-requisite to Admission to Listing on a Regulated Market. A separate application form must be submitted to the Regulated Market for admission of the securities to listing and trading.

To:

MFSA  
Attard, MALTA

Date: \_\_\_\_\_20

—

Details of securities to be listed

\_\_\_\_\_ [insert name of issuer] (“the Issuer”) hereby applies for the securities detailed below to be Admissible to Listing subject to the Capital Markets Rules of Malta.

Share capital

Authorised	Denomination	Issued and paid up (inclusive of present issue)
	in	
	in	

(Please include in brackets those shares listed under block listing procedures but not yet allotted)

Debt securities

Nominal value	Redemption date	Coupon
---------------	-----------------	--------

Please specify where the Issuer is listed and the nature of the listing

Primary

Secondary

Please specify on which Regulated Market the Issuer has applied to have its securities traded
Amounts and descriptions of securities for which application is now being made (include distinctive numbers if any)

Type of issue for which application is being made

**Confirmation**

We acknowledge our obligations under the Capital Markets Rules and the legal implications of Admissibility to Listing under the Financial Markets Act, Chapter 345 of the Laws of Malta. Accordingly we confirm that:

- (a) all the conditions for listing in the Capital Markets Rules which are required to be fulfilled prior to application have been fulfilled in relation to the Issuer and the securities for the admission of which application is now made;
- (b) all information required to be included in the Prospectus has been included therein, or, if the final version has not yet been submitted (or approved), will be included therein before it is so submitted; and
- (c) all the documents and information required to be included in the application have been or will be supplied in accordance with the Capital Markets Rules and all other requirements of the MFSA in respect of the application have been or will be complied with.

We undertake to comply with the Capital Markets Rules of the MFSA as they may be applicable to the Issuer from time to time.

We undertake to lodge with you the declaration required pursuant to Appendix 4.2 of the Capital Markets Rules prior to admission of the relevant securities to listing.

Signed : \_\_\_\_\_

Director or Secretary or other duly authorised Officer for and on behalf of :

Name of Issuer: \_\_\_\_\_

Name of contact at Issuer regarding the Application : \_\_\_\_\_

Telephone number: \_\_\_\_\_

We, the undersigned, confirm that we have satisfied ourselves that the Applicant has fulfilled all the criteria and procedures necessary for filing the application and has provided all the relevant documents to obtain authorisation for admissibility to listing.

Signed: \_\_\_\_\_ (Sponsor)

Name of contact at Sponsor regarding the Application :

Sponsor: \_\_\_\_\_

Address: \_\_\_\_\_

Telephone number: \_\_\_\_\_

APPENDIX 4.2

(See Appendix 4.1)

DECLARATION BY ISSUER

This form of declaration shall be submitted after the allotment of securities and may be amended to meet individual cases. Paragraph 7 and/or paragraph 8 may be deleted where appropriate.

To:

MFSA  
Attard, MALTA

Date:.....20 ....

I, ..... a Director/the secretary of ..... [insert name of Company or issuer] (“the issuer”), declare as follows:

1. that all documents required by the Companies Act, Chapter 386 of the Laws of Malta to be filed with the Registrar of Companies and that all documents required by the Capital Markets Rules to be lodged with the MFSA in connection with the issue/offer/placing/introduction on ..... 20 ..... of the following securities of the issuer, namely ..... [insert details] have been duly filed and lodged, and that to the best of my knowledge, information and belief (having taken reasonable care to ensure that such is the case), compliance has been made with all other legal requirements in connection with such issue/offer/placing/introduction;
2. that all applicable conditions for listing set out in the Capital Markets Rules have been fulfilled in relation to the Issuer and the securities of the Issuer referred to above;
3. that ..... shares of ..... [insert number and Class]] and/or ..... nominal of ..... [insert designation of debt securities] have been subscribed/purchased for cash and fully allotted/transferred to the subscribers/purchasers;
4. that all money due to the Issuer in respect of the issue/offer/placing has been received by it;
5. that ..... shares of ..... [insert number and Class] and/or ..... nominal of ..... [insert designation of debt securities] have been issued credited as fully paid by way of conversion/exchange/consideration for property acquired/other consideration not being cash and have been duly allotted/transferred to the persons entitled thereto;
6. that the definitive documents of title have been/are ready to be delivered;
7. that completion has taken place of the purchase by the Issuer of all property stated in Prospectus, Equivalent Offering Document or Circular to members dated ..... 20 ..... as having been purchased or agreed to be purchased by it and the purchase consideration for all such property has been duly satisfied;
8. that the trust deed relating to the said debt securities has been completed and executed and a copy has been lodged with the MFSA and that particulars thereof, if so required by law, have been delivered to the Registrar of Companies;
9. that all shares/debt securities of each Class referred to above are in all respects identical\*;
10. that no alterations have been made to the Prospectus or Equivalent Offering Document approved for publication by the MFSA; and

11. that there are no other facts bearing on the Issuer’s application for listing of such securities which, in my opinion, should be disclosed to the MFSA.

Signed .....

Director or Secretary or  
other duly authorised officer,  
for and on behalf of

.....

Name of Issuer

**Note:**

\* Identical means in this context:

- (a) the securities are of the same nominal value with the same amount called up or paid up;
- (b) they are entitled to dividend / interest at the same rate and for the same period, so that at the next ensuing distribution, the dividend / interest payable per unit will amount to exactly the same sum (gross and net); and
- (c) they carry the same rights as to unrestricted transfer, attendance and voting at meetings and are pari passu in all other respects.

APPENDIX 4.3

DECLARATION BY THE OFFICERS OF AN ISSUER APPLYING FOR  
ADMISSIBILITY TO LISTING

This declaration shall be completed by every officer of an Issuer seeking admissibility to listing and shall be submitted to the MFSA together with Appendix 4.1 and 4.2.

1. Are there any contractual impediments or restrictions through any previous occupation or employment, which preclude you in any way from taking up the position of an officer for which this declaration is being completed?	
1.1	YES <input type="checkbox"/> NO <input type="checkbox"/>  If YES, give full particulars: _____
2. Have you at any time been found in breach of regulations or convicted of any offence, criminal or otherwise, by any tribunal or court? If so, give full particulars of the forum which determined the breach, offence or conviction and/or full particulars of its decision, the offence and the penalty imposed and the date of conviction/decision. (Breaches of traffic regulations punishable by fines lower than €120 (or its equivalent) need not be reported).	
2.1	YES <input type="checkbox"/> NO <input type="checkbox"/>
2.2	Court: _____
2.3	Offence: _____
2.4	Penalty: _____
2.5	Date: _____
3. Are you the subject of any current criminal investigations and / or proceedings?	
3.1	YES <input type="checkbox"/> NO <input type="checkbox"/>  If YES, please give details: _____
4. Have you been the subject of any civil proceedings or litigation? Are you presently, or do you expect to be engaged in litigation?	
4.1	YES <input type="checkbox"/> NO <input type="checkbox"/>

If YES, give full particulars:

5. Has any company or partnership with which you are or have been associated as director or partner in the last five years been declared by a court, tribunal or competent authority to be in breach of the Companies Act or has the Registrar of Companies imposed a penalty for a breach of the Act on such company or partnership?

5.1 YES   
NO

If YES, give full particulars including the name of the company, the registration number, the nature of the default/s and the amount of penalties:

\_\_\_\_\_

6. Have you or has any body corporate, partnership or unincorporated entity with which you were associated as a director, controller or manager been adjudicated bankrupt by a court or tribunal?

6.1 YES   
NO

If YES, give full particulars:

\_\_\_\_\_

7. Have you failed to satisfy any debt adjudged due and payable by you as a judgement debtor under an order of a court or tribunal?

7.1 YES   
NO

If YES, give full particulars:

\_\_\_\_\_

8. Have you, in connection with the formation or management of any body corporate, partnership or unincorporated entity been adjudged by a court liable for any fraud, forgery or other misconduct by you towards such a body or company or towards any members thereof?

8.1 YES   
NO

If YES, give full particulars:

\_\_\_\_\_

9. Have you ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company?

9.1 YES   
NO

If YES, give full particulars:

10. Have you ever been the subject of any order, judgement or ruling of any court, tribunal or any other regulatory authority in Malta or overseas, permanently or temporarily prohibiting you from acting as an Investment Adviser, dealer in Securities, Director or employee of a Financial Institution and from engaging in any type of business practice or activity?

10.1	YES <input type="checkbox"/> NO <input type="checkbox"/>  If YES, give full particulars:
------	---

11.	Have you or has any body corporate, partnership or unincorporated entity with which you were associated as a director, controller or manager been the subject of any public criticisms by statutory or regulatory authorities (including designated professional bodies) which have not been subsequently withdrawn by the relevant authority or body?
-----	--

11.1	YES <input type="checkbox"/> NO <input type="checkbox"/>  If YES, give full particulars: _____
------	--

12.	Has any body corporate, partnership or unincorporated entity with which you were associated as a director, controller or manager been the subject of a creditors' voluntary winding-up, winding-up by the court, reconstruction of a company, compromise or arrangement with its creditors?
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12.1	YES <input type="checkbox"/> NO <input type="checkbox"/>  If YES, give full particulars: _____
------	--

13.	Have you (in your individual capacity) or has any body corporate, partnership or unincorporated entity with which you were associated ever been asked to close a bank account or had a bank account closed by the bank?
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13.1	YES <input type="checkbox"/> NO <input type="checkbox"/>  If YES, please provide details: _____
------	---

**I, ....., a Director/a Senior Officer/the secretary of ..... [insert the name of issuer] (“the issuer”), certify that the above information is complete and correct to the best of my knowledge and belief, and that I have personally re-checked this information. I undertake to advise the MFSA of any material change to the contents of this declaration.**



**I understand that the personal information provided in this declaration will be used by the MFSA to discharge its regulatory and statutory functions under the laws under which it has been appointed Competent Authority and other relevant legislation, and will not be disclosed for any other purpose.**

**Knowingly or recklessly giving the MFSA information which is false or misleading may be a criminal offence.**

Signed on the .....of .....,.....

## CHAPTER 5

### Continuing Obligations

This chapter deals with the Issuers' continuing obligations and one of its objectives is to implement the relevant provisions of Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are Admitted to Trading on a regulated market and Directive 2007/14/EC of 8 March 2007. These requirements do not exclude any other ongoing obligations which may be contained in other chapters of these Capital Markets Rules.

*Preliminary*

- 5.1 Once an Issuer's Securities have been duly authorised as admissible to listing on a Regulated Market and Malta is the Home Member State, the Issuer shall be responsible for ensuring compliance with the continuing obligations of these Capital Markets Rules at all times.
- 5.2 The MFSA may, at any time, require an Issuer to publish such information in such form and within such time limits as it considers appropriate to protect investors or to ensure the smooth operation of the market.
- 5.3 If an Issuer fails to comply with the requirement under Capital Markets Rule 5.2, the MFSA may itself publish the information, if the same is available to it, after giving the Issuer an opportunity to make representations as to why it should not be published.
- 5.4 Where Malta is the Home Member State, the MFSA may subject Issuers to obligations more stringent than those provided for hereafter or to additional obligations, provided that they apply generally to all Issuers or to all Issuers of a given Class.
- 5.5 The provisions of this Chapter shall not apply to Units issued by collective investment undertakings other than the closed-end type, or to Units acquired or disposed of in such collective investment undertakings.
- 5.6 Subject to any exemptions set out herein, this Chapter applies to an Issuer:
- 5.6.1 whose Securities are admitted to listing on a Regulated Market; and
- 5.6.2 whose Home Member State is Malta.
- 5.7 For the purposes of this Chapter, "Home Member State" means:
- 5.7.1 in the case of an Issuer of Debt Securities the denomination per unit of which is less than one thousand (1,000) Euro or an Issuer of Shares:
- 5.7.1.1 where the Issuer is incorporated in a Member State or EEA State, the Member State or EEA State in which it has its registered office;
- 5.7.1.2 where the Issuer is incorporated or registered in a non-Member or EEA State the Member State chosen by the Issuer from amongst the Member States or EEA States where its securities are admitted to trading on a Regulated Market. This choice shall remain valid unless the Issuer has chosen a new Home Member State under Capital Markets Rules 5.7C and has disclosed that choice.
- 5.7B In the case of an Issuer not covered by Capital Markets Rule 5.7.1, the Home Member State shall be the Member State chosen by the Issuer from among the Member States or EEA States in which the Issuer has its registered office, where applicable, and those Member States or EEA States where its securities are admitted to trading on a Regulated Market. This choice shall remain valid for at

least three years unless its securities are no longer admitted to trading on any Regulated Market in the Member States or EEA States or unless the Issuer becomes subject to Capital Markets Rules 5.7.1 or 5.7C during the three-year period.

- 5.7C In the case of an Issuer whose securities are no longer admitted to trading on a Regulated Market in its Home Member State which Member State was chosen by the Issuer in terms of Capital Markets Rules 5.7.1.2 or 5.7B but instead are admitted to trading in one or more other Member States, the Home Member State shall be the Member State chosen by the Issuer from amongst the Member States where its securities are admitted to trading on a Regulated Market and, where applicable, the Member State where the Issuer has its registered office.
- 5.7D Where Debt Securities are denominated in a currency other than the Euro, the Home Member State shall be determined by taking into consideration the equivalent value in Euro of the value of such such Debt Securities' denomination per unit at the date of the issue.
- 5.8 For the purposes of this Chapter, Malta shall be deemed to be the "Host Member State" where it is not the Home Member State of the Issuer and securities are Admitted to Trading on a Regulated Market in Malta.
- 5.9 Where, pursuant to these Capital Markets Rules, the Issuer is entitled to choose its Home Member State, the Issuer may choose only one Member State as its Home Member State.
- 5.10 The choice referred to in Capital Markets Rules 5.7.1.2, 5.7B and 5.7C shall be disclosed in terms of Capital Markets Rule 5.246.
- 5.10A An Issuer shall disclose its Home Member State:
- 5.10A.1 to the MFSA, where Malta is the Home Member State;
  - 5.10A.2 to the competent authorities of all Host Member States, if applicable;
  - 5.10A.2 where the registered office is not in Malta, to the competent authority of the Member State where it has its registered office, if applicable.
- 5.10B Where the Issuer fails to disclose its choice of Home Member State within a period of three months from the date the Issuer's securities are first admitted to trading on a Regulated Market, the Home Member State shall be the Member State where the Issuer's securities are admitted to trading on a regulated market. Where the Issuer's securities are admitted to trading on regulated markets situated or operating within more than one Member State, those Member States shall be the issuer's Home Member States until a subsequent choice of a single Home Member State has been made and disclosed by the Issuer.
- 5.11 Issuers which have only Debt Securities authorised as Admissible to Listing shall comply with this Chapter but need not comply with the following Capital Markets Rules of this Chapter:
- Capital Markets Rule
- 5.16.4 Board Decisions
  - 5.16.8 Notification of major holdings

- 5.16.9 Total number of voting rights
- 5.16.10 Proportion of the Issuer's holding in own equity
- 5.104 - 5.105 Directors' Service Contracts
- 5.135- 5.144 Related Parties Transactions
- 5.54 Preliminary Statement of Annual Results
- 5.70.1 Annual Financial Report – material contracts

5.12 Issuers which have only fixed income Shares which are Admissible to Listing must comply with this Chapter but need not comply with the following Capital Markets Rules of this Chapter:

Capital Markets Rule

- 5.104 - 5.105 Directors' Service Contracts
- 5.135 - 5.144 Transactions with Related Parties

*Company Announcements*

5.13 The object of a Company Announcement is to bring useful and relevant facts to the attention of the market. Issuers shall be responsible to ensure that a Company Announcement is precise, clear and truthful, and does not contain promotional, ambiguous, irrelevant or confusing material.

5.14 The information which is required to be published by the Issuer or a person who has applied for admission to trading on a Regulated Market without the Issuer's consent through a Company Announcement shall not be disclosed to the public before it has been so announced.

5.15 Company Announcements shall be made in the English or Maltese language without delay through a Regulated Market.

5.16 The information which has to be disclosed by means of a Company Announcement includes, but is not limited to, the following:

- 5.16.1 price-sensitive facts which arise in the Issuer's sphere of activity and which are not public knowledge;
- 5.16.2 any information concerning the Issuer or any of its Subsidiaries necessary to avoid the establishment of a false market in its Securities;
- 5.16.3 the date fixed for any board meeting of the Issuer at which a dividend on Securities Admitted to Listing is expected to be declared or recommended, or at which any announcement of the profits or losses is to be approved;
- 5.16.4 any decision by the board of Directors of the Issuer relating to the declaration or otherwise of dividends or other distributions on Securities Admitted to Listing or relating to profits;
- 5.16.5 any change in the board of Directors, company secretary or any other senior officers of the Issuer, which announcement shall contain the information required in terms of Capital Markets Rules 5.20 and 5.21

- 5.16.6 the filing of a winding-up application;
- 5.16.7 any resolution by the board of Directors for the merger or division of the Issuer and any agreement entered into in connection with any acquisition or realisation of assets or any transaction outside the ordinary course of business of the Issuer and/or its Subsidiaries which is likely to materially affect the price of its Securities;
- 5.16.8 the information contained in the notification submitted by a Shareholder in terms of Capital Markets Rule 5.193;
- 5.16.9 the total number of voting rights and capital at the end of each calendar month during which an increase or decrease of such total number has occurred;
- 5.16.10 the proportion of the Issuer's holding in its own Shares, following an acquisition or sale of its own Shares where that proportion reaches, exceeds or falls below the thresholds of 5% or 10% of the voting rights;
- 5.16.11 any material change to its capital structure including the structure of its Debt Securities Admitted to Listing, except that notification of a new issue may be delayed while an offer or underwriting is in progress;
- 5.16.12 any new issue of Debt Securities;
- 5.16.13 any guarantee or security provided in respect of an issue of Debt Securities, together with a statement, where applicable, indicating where the audited Annual Accounts of any guarantor are available to the public;
- 5.16.14 any change in the rights;
  - 5.16.14.1 attaching to the various classes of Shares, including changes in the rights attaching to derivative Securities issued by the Issuer itself and giving access to the Shares of that Issuer;
  - 5.16.14.2 of holders of Securities other than Shares, including changes in the terms and conditions of these Securities which could indirectly affect those rights, resulting in particular, from a change in loan terms or in interest rates.
- 5.16.15 the effect, if any, of any issue of further Securities on the terms of the exercise of rights under options, warrants and convertible Securities;
- 5.16.16 the results of any new issue or Public Offer of Securities;
- 5.16.17 any sale of Shares in a material Subsidiary resulting in that company ceasing to be a Subsidiary and any acquisition of shares of an unquoted Company resulting in that company becoming a material Subsidiary;
- 5.16.18 all resolutions put to a general meeting of an Issuer which are not Ordinary Business and immediately after such meeting whether or not the resolutions were carried;
- 5.16.19 any decision by the board of Directors to recommend the discontinuation of listing of the Issuer's securities in terms of Capital Markets Rule 1.22;
- 5.16.20 the matters referred to in Capital Markets Rules 5.54 (preliminary results), 5.40 (profit forecast) and 5.74 (half-yearly reports);

- 5.16.21 a statement indicating where the Annual Financial Report has been made available to the public;
  - 5.16.22 the choice of Home Member State that an Issuer may be entitled to make in terms of Chapter 5;
  - 5.16.23 the appointment of a person as both Chairman and Chief Executive Officer of the Issuer;
  - 5.16.24 where the board of Directors determines that the results in respect of any published financial information materially differ by ten percent (10%) or more from any published forecast or estimate or financial projections by the Issuer, in which case the company announcement must contain an explanation of such difference; and
  - 5.16.25 the matters referred to in Capital Markets Rule 5.174.2.
- 5.17 The Company Announcement containing the information prescribed by Capital Markets Rule 5.16.10 shall be made by not later than four trading days following the acquisition or sale. The proportion of the Issuer's holding in its own shares shall be calculated on the basis of the total number of Equity Securities to which voting rights are attached.
- 5.18 Without prejudice to the Prevention of Market Abuse Act, Capital Markets Rules 5.16.12 and 5.16.13 shall not apply to a public international body of which at least one Member State is a member.

*Exemption*

- 5.19 Should the Issuer consider that announcements and/or disclosure to the public of information required by these Capital Markets Rules might prejudice the Issuer's legitimate interests, the Issuer may seek an exemption from the relevant requirement by notice in writing to the MFSA:
- Provided that this Capital Markets Rule shall not apply to announcements and/or disclosure to the public of Regulated Information.

*Officers of the Issuer*

- 5.20 A Company Announcement made in terms of Capital Markets Rule 5.16.5 shall contain the following information in respect of any new Director appointed to its board of Directors, company secretary or any other senior officer, unless such details have already been disclosed in a Prospectus or other Circular published by the Issuer in the immediately preceding twelve months:
- 5.20.1 the full name and, if relevant, any former name or names, residential address and function in the Issuer and an indication of the principal activities performed by them outside the Issuer where these are significant with respect to the Issuer;
  - 5.20.2 details of all Directorships held by such Director or senior officer in any other Issuer at any time in the previous five (5) years, indicating whether or not the individual is still a Director;

- 5.20.3 the effective date of change or a statement that the effective date is not yet known or has not yet been determined. In the latter case, the effective date of change should be announced by the Issuer once it is known;
  - 5.20.4 in the case of an appointment of a Director, a statement indicating the nature of any specific function or responsibility of the position and whether the position is executive or non-executive;
  - 5.20.5 any pending criminal proceedings in respect of any crimes affecting public trust or theft or of fraud or of knowingly receiving property obtained by theft or fraud;
  - 5.20.6 details of any discharged bankruptcies over the last five years;
  - 5.20.7 details of any creditors' voluntary winding-up, winding-up by the court or reconstruction of any Company or other commercial partnership where such person was a partner or Director with an executive function at the time of or within the twelve (12) months preceding such events;
  - 5.20.8 details of any public criticisms of such person by statutory or regulatory authorities, including recognised professional bodies, which have not been subsequently withdrawn by the relevant authority or body and whether such person has ever been disqualified by law or by a court from acting as a Director of a Company or from acting in the management or conduct of the affairs of any Body Corporate; and
  - 5.20.9 whether such person was the subject of any order, judgement or ruling of any court of competent jurisdiction, tribunal or any other regulatory authority in Malta or overseas, permanently or temporarily prohibiting him from engaging in any type of business practice or activity.
- 5.21 Should there be no information to be disclosed in terms of Capital Markets Rules 5.20.5 to 5.20.9, an appropriate negative statement to that effect shall be made.

#### *Rights of Holders of Securities*

- 5.22 An Issuer having Equity Shares authorised as Admissible to Listing shall ensure equality of treatment for all holders of such Equity Shares who are in the same position.
- 5.23 An Issuer having Debt Securities authorised as Admissible to Listing shall ensure equality of treatment for all holders of such Securities of the same Class in respect of all rights attaching to such Securities.
- 5.24 An Issuer must obtain the consent of the holders of its Equity Shares before any major Subsidiary Undertaking of the Issuer makes any issue for cash of Equity Securities so as materially to dilute the Issuer's percentage interest in Equity Shares or Equity Securities of that Subsidiary Undertaking.
- 5.25 Shareholders shall not be prevented from exercising their rights by proxy, subject to the law of the country in which the Issuer is incorporated.



### *Proxy Forms*

- 5.26 A proxy form must:
- 5.26.1 be sent with the notice convening a meeting of holders of Securities authorised as Admissible to Listing to each person entitled to vote at the meeting;
  - 5.26.2 provide for two-way voting on all resolutions intended to be proposed (except that it is not necessary to provide proxy forms with two-way voting on procedural resolutions);
  - 5.26.3 state that a holder of security is entitled to appoint a proxy of his own choice and provide a space for insertion of the name of such proxy; and
  - 5.26.4 state that if it is returned without an indication as to how the proxy shall vote on any particular matter, the proxy will exercise his discretion as to whether, and if so, how he votes.
- 5.27 Where the resolutions to be proposed include the re-election of retiring Directors, the proxy form must allow shareholders to vote for individual candidates irrespective of whether they are new candidates or retiring incumbents of the post.

### *Information requirements for Issuers whose shares are Admitted to Trading on a Regulated Market*

- 5.28 An Issuer shall ensure that all the facilities and information necessary to enable holders of shares to exercise their rights are available in Malta, where Malta is the Home Member State and that the integrity of data is preserved.
- 5.29 The Issuer shall;
- 5.29.1 provide information on the place, time and agenda of meetings, the total number of shares and voting rights and the rights of holders entitled to participate in meetings;
  - 5.29.2 make available a proxy form in terms of Capital Markets Rules 5.26. and 5.27, on paper or, where applicable, by Electronic Means, to each person entitled to vote at a shareholders' meeting, together with the notice concerning the meeting or, on request, after an Announcement of the meeting;
  - 5.29.3 designate as its agent a financial or credit institution through which such shareholder may exercise his financial rights; and
  - 5.29.4 publish notices or distribute Circulars concerning the allocation and payment of dividends and the issue of new shares, including information on any arrangements for allotment, subscription, cancellation or conversion.
- 5.30 If a Circular is issued to the holders of any particular Class of Security, the Issuer must issue a copy or summary of that Circular to all other holders of its Securities which are authorised as Admissible to Listing unless the contents of that Circular are irrelevant to them.
- 5.31 The Issuer's obligation of circulating any Regulated Information to shareholders

other than the Annual Accounts shall be duly satisfied if the Issuer sends a notice to the registered address of each Shareholder by means of the postal service advising that such information has been posted on a website designated therein and that such document is available in printed format upon written request made by any shareholder.

- 5.32 The Issuer shall use Electronic means to circulate Regulated Information other than the Annual Accounts, provided such a decision is taken at a general meeting and meets at least the following conditions:
- 5.32.1 the use of Electronic means shall in no way depend upon the location of the seat or residence of the Shareholder or, in the cases referred to in Capital Markets Rule 5.182, of the natural persons or Legal Entities;
  - 5.32.2 identification arrangements shall be put in place so that the shareholders, or the natural persons or Legal Entities entitled to exercise or to direct the exercise of voting rights, are effectively informed;
  - 5.32.3 shareholders, or in the cases referred to in Capital Markets Rule 5.182, the natural persons or Legal Entities entitled to acquire, dispose of or exercise voting rights, shall be contacted in writing to request their consent for the use of Electronic means for conveying information and, if they do not object within a reasonable period of time, their consent shall be deemed to be given. They shall be able to request, at any time in the future, that information be conveyed in writing; and
  - 5.32.4 any apportionment of the costs entailed in the conveyance of such information by Electronic means shall be determined by the Issuer in compliance with the principle of equal treatment.

*Information requirements & venue for Issuers whose Debt Securities are Admitted to Trading on a Regulated Market*

- 5.33 An Issuer of Debt Securities shall ensure that all the facilities and information necessary to enable Debt Securities holders to exercise their rights are publicly available in Malta, when Malta is the Home Member State and the integrity of data is preserved.
- 5.34 Debt Securities holders shall not be prevented from exercising their rights by proxy, subject to the law of country in which the Issuer is incorporated.
- 5.35 The Issuer shall, where applicable -
- 5.35.1 publish notices or distribute Circulars concerning the place, time and agenda of meetings of Debt Securities holders, the payment of interest, the exercise of any conversion, exchange, subscription or cancellation rights, and repayment, as well as the right of those holders to participate therein;
  - 5.35.2 make available a proxy form in terms of Capital Markets Rules 5.26 and 5.27 on paper or by electronic means, to each person entitled to vote at a meeting of Debt Securities holders, together with the notice concerning the meeting or, on request, after an Announcement of the meeting; and

- 5.35.3 designate as its agent a financial or credit institution through which the Debt Securities holder may exercise his financial rights.
- 5.36 If only holders of Debt Securities whose denomination per unit amounts to at least hundred thousand Euro (€100,000) or, in the case of Debt Securities denominated in currency other than Euro whose denomination per unit is, at the date of the issue, equivalent to at least hundred thousand Euro (€100,000), are to be invited to a meeting, the Issuer may choose as venue any Member or EEA State, provide that all the facilities and information necessary to enable such holders to exercise their rights are made available in that Member or EEA State.
- 5.37 For the purposes of conveying Regulated Information to Debt Securities holders, the Issuer shall use Electronic Means, provided such a decision is taken at a general meeting and meets at least the following conditions:
- 5.37.1 the use of Electronic means shall in no way depend upon the location of the seat or residence of the debt security holder or of a proxy representing that holder;
- 5.37.2 identification arrangements shall be put in place so that Debt Securities holders are effectively informed;
- 5.37.3 Debt Securities holders shall be contacted in writing to request their consent for the use of Electronic means for conveying information and if they do not object within a reasonable period of time, not exceeding fourteen (14) days, their consent shall be deemed to be given. They shall be able to request, at any time in the future, that information be conveyed in writing; and
- 5.37.4 any apportionment of the costs entailed in the conveyance of information by Electronic means shall be determined by the Issuer in compliance with the principle of equal treatment.
- 5.38 The provisions of Capital Markets Rules 5.16.12, 5.35, 5.36 and 5.37 shall not apply to securities Admitted to Trading on a Regulated Market issued by Member or EEA States or their regional or local authorities.

#### *Periodic financial reporting*

- 5.39 Where an Issuer publishes financial information in cases other than those provided for in these Capital Markets Rules, the Issuer shall comply with generally accepted accounting principles and practice as defined by the Accountancy Profession Act or regulations issued in terms thereof.

#### *Profit Forecasts and Estimates*

- 5.40 Whenever a profit forecast or estimate is made by an Issuer it must contain:-
- 5.40.1 a statement setting out the principal assumptions upon which the Issuer has based its forecast or estimate and clearly distinguishing between assumptions about factors which the Directors of the Issuer can influence and assumptions about factors which are exclusively outside the influence of the Directors; and

- 5.40.2 a report prepared by independent Accountants or Auditors stating that in their opinion the forecast or estimate has been properly compiled on the basis stated and that the basis of accounting used for the profit or estimate is consistent with the accounting policies of the Issuer.
- 5.41 The assumptions referred to in Capital Markets Rule 5.40.1 must be readily understandable by investors, be specific and precise and not relate to the general accuracy of the estimates underlying the profit forecast.
- 5.42 The profit forecast or estimate must be prepared on a basis comparable with the historical financial statements published by the Issuer.

*Pro Forma Financial Information*

- 5.43 If an Issuer publishes pro forma financial information, that information must be presented in the manner laid down by Capital Markets Rule 5.47.
- 5.44 The pro forma financial information must include a description of the transaction, the businesses or entities involved and the period to which it refers, and must clearly state the following:
- 5.44.1 the purpose for which it has been prepared;
  - 5.44.2 that it has been prepared for illustrative purposes only; and
  - 5.44.3 that because of its nature, the pro forma financial information addresses a hypothetical situation and, therefore, does not represent the Issuer's actual financial position or results.
- 5.45 In order to present pro forma financial information, a balance sheet and profit and loss account, and accompanying explanatory notes, depending on the circumstances, may be included.
- 5.46 The pro forma financial information must also provide investors with information about the impact of the transaction the subject of the document by illustrating how that transaction might have affected the financial information presented in the document had the transaction been undertaken at the commencement of the period being reported on or, in the case of a pro forma balance sheet or net asset statement, at the date reported. The pro forma financial information presented must not be misleading, must assist investors in analysing the future prospects of the Issuer and must include all appropriate adjustments permitted by Capital Markets Rule 5.51, of which the Issuer is aware, necessary to give effect to the transaction as if the transaction had been undertaken at the commencement of the period being reported on or, in the case of a pro forma balance sheet or net asset statement, at the date reported on.
- 5.47 The pro forma information must be presented in columnar format showing separately the historical unadjusted financial information, the pro forma adjustments and the resulting pro forma financial information in the final column. The sources of the pro forma financial information have to be stated and, if applicable, the financial statements of the acquired businesses or entities must be included.

- 5.48 The pro forma financial information must be prepared in a manner consistent with both the format and accounting policies adopted by the Issuer in its last or next financial statements and must identify:
- 5.48.1 the basis upon which it is prepared; and
  - 5.48.2 the source of each item of information and adjustment.
- Pro forma figures must be given no greater prominence in the document than audited figures.
- 5.49 Pro forma financial information may only be published in respect of:
- 5.49.1 the current Financial Year;
  - 5.49.2 the most recently completed Financial Year; and/ or
  - 5.49.3 the most recent interim period for which relevant unadjusted information has been or will be published or is being published in the same document;
- and, in the case of a pro forma balance sheet or net asset statement, as at the date on which such periods end or ended.
- 5.50 The unadjusted information must be derived from the most recent:
- 5.50.1 audited published Accounts or preliminary statement;
  - 5.50.2 Accountants' Report or comparative table;
  - 5.50.3 previously published pro forma financial information reported on in accordance with Capital Markets Rule 5.52; or
  - 5.50.4 published profit forecast or estimate.
- 5.51 Pro forma adjustments related to the pro forma financial information must be:
- 5.51.1 clearly shown and explained;
  - 5.51.2 directly attributable to the transaction concerned and not relating to future events or decisions;
  - 5.51.3 factually supportable; and
  - 5.51.4 in respect of a pro forma profit or cash flow statement, clearly identified as to those adjustments which are expected to have a continuing impact on the Issuer and those which are not.
- 5.52 The pro forma financial information must be accompanied by a report prepared by independent accountants or auditors who must report that, in their opinion:
- 5.52.1 the pro forma financial information has been properly compiled on the basis stated;
  - 5.52.2 such basis is consistent with the accounting policies of the Issuer; and
  - 5.52.3 the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to Capital Markets Rule 5.46.

- 5.53 Where pro forma earnings per Share information is given for a transaction which includes the issue of Securities, the calculation should be based on the weighted average number of Shares outstanding during the period, adjusted as if that issue had taken place at the beginning of the period.

*Preliminary Statement of Annual Results*

- 5.54 If an Issuer publishes a preliminary statement of annual results it shall include:
- 5.54.1 a condensed balance sheet;
  - 5.54.2 a condensed income statement;
  - 5.54.3 a condensed statement of changes in equity;
  - 5.54.4 a condensed cash flow statement;
  - 5.54.5 explanatory notes and any significant additional information necessary of the purpose of assessing the results being announced;
  - 5.54.6 a statement that the annual results have been agreed with the Auditors and if the Auditors' report is likely to be qualified, give details of the nature of the qualification; and
  - 5.54.7 any decision to pay or make any dividend or other distribution on Equity Securities authorised as Admissible to Listing or to withhold any dividend or interest payment on Securities authorised as Admissible to Listing giving details of:
    - 5.54.7.1 the exact net amount payable per Share;
    - 5.54.7.2 the payment date; and
    - 5.54.7.3 the cut off date when the Register is closed for the purpose of distribution

*Annual Financial Report*

- 5.55 The Annual Financial Report shall include:
- 5.55.1 the annual financial statements together with the Directors' Report or equivalent report and the auditors' report thereon;
  - 5.55.2 a statement of responsibility, provided that the requirement to include such a statement shall apply to Annual Financial Report relating to financial periods commencing on or after 1 January 2007;
  - 5.55.3 a report by the Directors on the compliance by the Issuer with the Code of principles for Good Corporate Governance as required by Capital Markets Rule 5.97;
  - 5.55.4 the information prescribed by Capital Markets Rule 5.70;
  - 5.55.5 a report by the auditors on the compliance by the Issuer with the Code of principles for Good Corporate Governance; and
  - 5.55.6 a report by the auditors on the compliance by the Issuer with the single electronic reporting format as referred to in Capital Markets Rule 5.56A.

5.56 An Issuer must ensure that its Annual Financial Report is made available to the public as soon as it has been approved by the Directors. The Annual Financial Report shall be approved, lodged with the MFSA for Validation in terms of Capital Markets Rule 5.56A, and made available to the public by not later than four (4) months after the end of each financial year, and shall remain publicly available for a period of at least ten (10) years.

5.56A Without prejudice to Capital Markets Rule 5.56, with effect from 1 January 2020 all Annual Financial Reports containing financial statements for financial years beginning on or after 1 January 2020 may be entirely prepared in a single electronic reporting format.

Provided that with effect from 1 January 2021 all Annual Financial Reports containing financial statements for financial years beginning on or after 1 January 2021 shall be entirely prepared in a single electronic reporting format.

5.56B An annual financial report that is not prepared in accordance with Capital Markets Rule 5.56A shall not be deemed to satisfy the definition of “Annual Financial Report” and “Regulated Information” as defined by the Capital Markets Rules.

*Annual financial statements*

5.57 If an Issuer is required to prepare Consolidated Accounts, the annual financial statements shall comprise:

5.57.1 consolidated accounts prepared according to international accounting standards as adopted by the EU; and

5.57.2 annual accounts of the parent company prepared in accordance with the national law of the Member State in which the parent company is registered or incorporated.

5.58 If an Issuer is not required to prepare consolidated accounts, the annual financial statements shall comprise accounts prepared in accordance with the national law of the Member State in which the Issuer is registered or incorporated.

*Annual financial statements of guarantors*

5.59 The annual financial statements of any guarantor referred to in Capital Markets Rule 5.16.13 shall be drawn up as follows:

5.59.1 where the guarantor is a company registered in Malta, it shall prepare its Annual Financial Statements in accordance with Generally Accepted Accounting Principles and Practice;

5.59.2 where the guarantor is a Company registered in a non-EU Member or EEA State, it shall prepare its Annual Financial Statements in accordance with Generally Accepted Accounting Principles and Practice or with national accounting standards which are equivalent to these standards. If the national accounting standards are not equivalent to these standards, the financial information must be presented in the form of restated financial statements.

5.60 Capital Markets Rules 5.71, 5.72 and 5.73 shall also apply to the annual financial statements of a guarantor.

5.61 The annual financial statements of a guarantor shall be approved and made available to the public within the period prescribed by Capital Markets Rule 5.56.

*The Directors' Report*

5.62 The Directors' Report shall be drawn up in accordance with the CA and should contain a statement by the Directors that the business is a going concern with supporting assumptions or qualifications as necessary; such statement is to be reviewed by the Auditors before publication.

5.63 *Omissis.*

5.64 In the case of an Issuer established as a limited liability company and having listed Securities carrying voting rights, the Directors' Report shall indicate the following information:

5.64.1 the structure of its Capital, including securities which are not Admitted to Trading on a Regulated Market in a Member State, where appropriate with an indication of the different Classes of shares and, for each Class of shares, the rights and obligations attaching to it and the percentage of total share capital that it represents;

5.64.2 any restrictions on the transfer of securities, such as limitations on the holding of securities or the need to obtain the approval of the Company or other holders of securities;

5.64.3 any direct and indirect shareholdings, including indirect shareholdings through pyramid structures and cross-shareholdings, in excess of 5% of the share Capital;

5.64.4 the holders of any securities with special control rights and a description of those rights;

5.64.5 the system of control of any employee share scheme where the control rights are not exercised directly by the employees;

5.64.6 any restriction on voting rights, such as limitations of the voting rights of holders of a given percentage or number of votes, deadlines for exercising voting rights, or systems whereby, with the company's cooperation, the financial rights attaching to securities are separated from the holding of securities;

5.64.7 any agreements between shareholders which are known to the Company and may result in restrictions on the transfer of securities and/or voting rights;

5.64.8 the rules governing the appointment and replacement of Directors and the amendment of the Memorandum and Articles of Association;

5.64.9 the powers of the Directors, and in particular the power to issue or buy back shares;



- 5.64.10 any significant agreement to which the Company is a party and which take effect, alter or terminate upon a change of control of the Company following a takeover bid, and the effects thereof, except where their nature is such that their disclosure would be seriously prejudicial to the Company and this without prejudice to duty of the Company to disclose such information on the basis of other legal requirements;
  - 5.64.11 any agreements between the Company and its Directors or employees providing for compensation if they resign or are made redundant without valid reason or if their employment ceases because of a takeover bid.
- 5.65 The Board shall present an explanatory report to the Annual General Meeting of shareholders on the matters referred to above.
- 5.66 The provisions of Capital Markets Rules 5.64 and 5.65 shall apply to accounting periods commencing on or after 20 May 2006

*Statement of Responsibility*

- 5.67 The statement of responsibility referred to in Capital Markets Rule 5.55.2 shall be made by the Directors of the Issuer, or in the case where the Issuer is not a Company, by the persons responsible within the Issuer.
- 5.68 The statement of responsibility must set out that, to the best of the knowledge of the person or persons making the statement:
- 5.68.1 the financial statements, prepared in accordance with the applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Issuer and the undertakings included in the consolidation taken as a whole; and
  - 5.68.2 the Directors' report includes a fair review of the performance of the business and the position of the Issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.
- 5.69 The name and function of each of the persons responsible for making the statement of responsibility must be clearly indicated in the said statement.
- 5.70 The Annual Financial Report shall also contain the following:-
- 5.70.1 the nature and details of any material contract together with the names of the parties to the contract, irrespective of whether the transaction is a related party transaction or not, subsisting during the period under review, to which the Issuer, or one of its Subsidiary Undertakings, is a party and in which a Director of the Issuer is or was directly or indirectly interested; and
  - 5.70.2 the name of the company secretary of the Issuer, the registered address and any other relevant contact details of the Issuer.

*Audit report on the financial statements*

- 5.71 If the Issuer is a company registered in Malta, the financial statements shall be audited in accordance with the CA.
- 5.71A Without prejudice to Capital Markets Rule 5.71, the financial statements shall be audited in accordance with the Accountancy Profession Act or the rules and directives issued under it.
- 5.72 If the Issuer is not a company registered in Malta but Malta is its Home Member State, the financial statements shall be audited in accordance with Articles 51 and 51a of Directive 78/660/EEC and if the Issuer is required to prepare consolidated accounts in accordance with Article 37 of Directive 83/349/EEC.
- 5.73 The audit report shall be signed by the person or persons responsible for auditing the financial statements and shall be published in full together with the Annual Financial Report.

*Issuers active in the extractive or logging of primary forest industries*

- 5.73A In the case of issuers active in the extractive or logging of primary forest industries, as defined in Article 41(1) and (2) of Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC, the Issuer shall prepare a report on payments made to governments. The report shall be made public at the latest six (6) months after the end of each financial year and shall remain publicly available for at least ten (10) years. Payments to governments shall be reported at consolidated level.

*Half-Yearly Report*

- 5.74 The Issuer of shares or debt securities shall make public a half-yearly financial report covering the first six months of each financial year.
- 5.75 The half-yearly financial report shall contain at least the following items:
- 5.75.1 the condensed set of financial statements;
  - 5.75.2 an interim directors' report, provided that the requirements of an interim directors' report in terms of Capital Markets Rules 5.81 to 5.84 and a statement in terms of Capital Markets Rule 5.75.3, shall apply to half-yearly financial reports relating to financial periods commencing on or after 1 January 2007;
  - 5.75.3 statements made by the persons responsible within the Issuer, whose names and functions shall be clearly indicated, to the effect that, to the best of their knowledge, the condensed set of financial statements which has been prepared in accordance with the applicable set of accounting standards gives a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer, or the undertakings

included in the consolidation as a whole and that the interim directors report includes a fair review of the information required in terms of Capital Markets Rules 5.81 to 5.84;

- 5.75.4 when the half-yearly financial report has been audited or reviewed, the Auditors' report shall be reproduced in full, together with any reasoned qualifications which may have been made; and
- 5.75.5 if the half-yearly financial report has not been audited or reviewed, the Issuer shall make a statement to that effect in its report.

*Condensed set of financial statements*

5.76 Where the Issuer is required to prepare Consolidated Accounts in accordance with Generally Accepted Accounting Principles, the condensed set of financial statements referred to in Capital Markets Rule 5.75.1 shall be prepared in accordance with the international accounting standard applicable to interim financial reporting as adopted by the EU.

5.77 Where the Issuer is not required to prepare Consolidated Accounts, the condensed set of financial statements shall at least contain:

- 5.77.1 a condensed balance sheet;
- 5.77.2 a condensed profit and loss account;
- 5.77.3 explanatory notes on these accounts.
- 5.77.4 a condensed statement of cash flows; and
- 5.77.5 a condensed statement of changes in equity

Provided that when preparing the condensed balance sheet and the condensed profit and loss account, the Issuer shall follow the same principles for recognition and measurement as when preparing annual audited financial statements.

5.78 The condensed balance sheet and the condensed profit and loss account referred to in Capital Markets Rules 5.77.1 and 5.77.2 shall show each of the headings and subtotals included in the most recent annual financial statements of the Issuer. Additional line items shall be included if, as a result of their omission, the half-yearly financial statement would give a misleading view of the assets, liabilities, financial position and profit or loss of the Issuer.

5.79 The condensed set of financial statements prepared in terms of Capital Markets Rule 5.77 shall also contain the following comparative information:

- 5.79.1 a balance sheet as at the end of the first six months of the current financial year and a comparative balance sheet as at the end of the immediate preceding year;
- 5.79.2 a profit and loss account for the first six months of the current financial year and with effect from 1<sup>st</sup> March 2009, comparative information for the comparable period for the preceding financial year.

5.80 The explanatory notes referred to in Capital Markets Rule 5.77.3 shall include the following:

- 5.80.1 sufficient information to ensure the comparability of the half-yearly financial statement with the annual financial statement;
- 5.80.2 Sufficient information and explanations to ensure a user's proper understanding of any material changes in amounts and of any developments in the half-year period concerned, which are reflected in the balance sheet and the profit and loss account.

*Interim Directors' Report*

- 5.81 The Interim Directors' Report shall include at least an indication of important events that have occurred during the first six months of the financial year, and their impact on the condensed set of financial statements, together with a description of the principal risks and uncertainties for the remaining six months of the financial year.
- 5.82 In the Interim Directors' Report, Issuers of shares shall at least disclose as major related parties' transactions:
  - 5.82.1 related parties' transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Issuer during that period;
  - 5.82.2 any changes in the related parties' transactions described in the last Annual Financial Report that could have a material effect on the financial position or performance of the Issuer in the first six months of the current financial year.
- 5.83 Where the Issuer of shares is not required to prepare Consolidated Accounts, it shall disclose, as a minimum, the following information with respect to material related party transactions which have not been concluded under normal market conditions:
  - 5.83.1 the amount of such transactions;
  - 5.83.2 the nature of the related party relationship; and
  - 5.83.3 other information about the transactions necessary for an understanding of the financial position of the Issuer.
- 5.84 In relation to the transactions referred to in Capital Markets Rule 5.83 information about individual related party transaction may be aggregated according to their nature except where separate information is necessary for an understanding of the effects of related party transactions on the financial position of the Issuer.
- 5.85 The half-yearly financial report shall be made available to the public as soon as it has been approved by the Directors. Such report shall be approved and made available to the public as soon as possible after the end of the relevant period, but not later than two months thereafter. The Issuer shall ensure that the half-yearly financial report remains available to the public for at least ten (10) years.

### *Report on payments to governments*

5.86 The MFSA shall require issuers active in the extractive or logging of primary forest industries as defined in Article 41(1) and (2) of Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC (\*), to prepare on an annual basis, in accordance with Chapter 10 of that Directive, a report on payments made to governments. The report shall be made public at the latest six months after the end of each financial year and shall remain publicly available for at least 10 years. Payments to governments shall be reported at consolidated level.

5.87 *Omissis*

5.88 *Omissis*

### *Exemptions*

5.89 The obligation to draw up and make available to the public the Annual Financial Report and the Half-Yearly Report shall not apply to:

5.89.1 a State, a regional or local authority of a State, a public international body of which at least one Member State is a member, the European Central Bank, the European Financial Stability Facility established by the EFSF Framework Agreement and any other mechanism established with the objective of preserving the financial stability of European monetary union by providing temporary financial assistance to the Member States whose currency is the euro and Member States' national central banks whether or not they issue shares or other securities ; and

5.89.2 an Issuer exclusively of Debt Securities admitted to trading on a Regulated Market, the denomination per unit of which is at least hundred thousand Euro (€100,000) or, in the case of Debt Securities denominated in a currency other than Euro, the value of such denomination per unit is, at the date of the issue, equivalent to at least hundred thousand Euro (€100,000).

5.90 The obligation to draw up and make available to the public the Half-Yearly Report shall not apply to;

5.90.1 Credit Institutions whose shares are not Admitted to Trading on a Regulated Market and which have, in a continuous or repeated manner, only issued Debt Securities provided that the total nominal amount of all such Debt Securities remains below One hundred million Euro (€100,000,000) and that they have not published a Prospectus in terms of the Prospectus Regulation;

5.90.2 Issuers already existing at the date of the entry into force of the Prospectus Regulation which exclusively issue Debt Securities unconditionally and irrevocably guaranteed by the Home Member State or by one of its regional or local authorities, on a Regulated Market.

### *Change of Accounting Reference Date*

- 5.91 If an Issuer which has Securities authorised as Admissible to Listing changes its accounting reference date it must notify the MFSA without delay of the new accounting reference date. If the effect of the change in the accounting reference date is to extend the accounting period to more than fourteen (14) months, the Issuer must prepare and publish a second interim report in accordance with the provisions of 5.74 to 5.84 in respect of either the period up to the old accounting reference date or the period up to a date not more than six (6) months prior to the new accounting reference date.

### *Corporate Governance*

- 5.92 For the purposes of this section:  
“national law” means the law of the country where the registered office of the Issuer is established.  
An Issuer whose securities are Admitted to Trading on a Regulated Market operating in Malta shall prepare a corporate governance statement in terms of Capital Markets Rule 5.97.
- 5.93 This section is not applicable to Collective Investment Schemes, other than the closed-ended type.
- 5.94 An Issuer registered in Malta and having securities Admitted to Trading on a Regulated Market operating in Malta should endeavour to adopt the Code of Principles of Good Corporate Governance contained in Appendix 5.1 to this Chapter and shall prepare a report explaining how it has complied with the provisions of the said Appendix. The same rule shall also apply to an Issuer whose securities are only Admitted to Trading on a Regulated Market in Malta.
- 5.95 An Issuer not registered in Malta but whose securities are Admitted to Trading on a Regulated Market operating in Malta as well as on a Regulated Market operating in one or more EEA States shall have the option to report on its compliance either with Appendix 5.1 or with any other code of corporate governance to which it may be subject.
- 5.96 An Issuer not registered in Malta but whose securities are Admitted to Trading on a market operating in a non-EEA state as well as on a Regulated Market operating in Malta shall report on its compliance with the code of corporate governance to which it is subject and highlight, in its report, the significant ways in which its corporate governance regime differs from Appendix 5.1, unless the MFSA determines otherwise following the submission of an application by such Issuer to that effect.
- 5.97 Issuers shall include in a specific section of their Annual Financial Report a corporate governance statement which shall contain at least the following information:

- 5.97.1 a reference to the corporate governance code to which the Issuer is subject; and/or a reference to the corporate governance code which it may have voluntarily decided to apply, together with an indication of the place where the texts are available to the public; and/or
  - 5.97.2 all relevant information about the corporate governance practices applied beyond the requirements under national law;
  - 5.97.3 to the extent to which an Issuer departs from a corporate governance code referred to in Capital Markets Rule 5.97.1, an explanation by the Issuer as to which parts of the corporate governance code it has departed from and the reasons for doing so and where the Issuer has decided not to apply any provisions of a corporate governance code referred to in Capital Markets Rule 5.97.1, it shall explain its reasons for doing so;
  - 5.97.4 a description of the main features of the Issuer's internal control and risk management systems in relation to the financial reporting process;
  - 5.97.5 the information referred to in Capital Markets Rules 5.64.3, 5.64.4, 5.64.6, 5.64.8 and 5.64.9, where the Issuer is subject to Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids;
  - 5.97.6 the manner in which the general meeting is conducted and its key powers together with a description of shareholders' rights and how they can be exercised; and
  - 5.97.7 the composition and operation of the board of Directors or equivalent body, of the audit committee and of any other committee that may be established by the board.
  - 5.97.8 a description of the diversity policy applied in relation to the Issuer's board of directors or equivalent administrative, management and supervisory bodies with regard to aspects such as, for instance, age, gender, or educational and professional backgrounds, the objectives of that diversity policy, how it has been implemented and the results in the reporting period. If no such policy is applied, the statement shall contain an explanation as to why this is the case. This requirement applies only to large companies, as defined in paragraph 1 of Part 1 of the Third Schedule of the CA which, on their balance sheet date, have more than an average number of 500 employees during the financial year.
- 5.98 The Issuer's Auditors are to include a report in the Annual Financial Report to shareholders on the corporate governance statement.
- 5.99 An Issuer may elect to set out the information required by Capital Markets Rule 5.97 in a separate report published together with the annual report or by means of a reference in the annual report where such document is publicly available on the Issuer's website. In the event of a separate report, the corporate governance statement may contain a reference to the annual report where the information required in Capital Markets Rules 5.97.4 and 5.97.5 is made available and shall also include the Auditors' report in terms of Capital Markets Rule 5.98.
- 5.100 The Auditor's report referred to in Capital Markets Rule 5.98 shall express an opinion as to whether, in light of the knowledge and understanding of the undertaking and its environment obtained in the course of the audit, the auditor has

identified material misstatements with respect to the information referred to in Capital Markets Rules 5.97.4 and 5.97.5, and shall give an indication of the nature of any such misstatements. For the remaining information that is required to be disclosed under Capital Markets Rule 5.97, the Auditors shall check that such information has been provided.

5.101 Issuers that only issue Securities other than Equity Securities shall be exempt from the requirement to disclose in their corporate governance statement the information prescribed by Capital Markets Rules 5.97.1 to 5.97.3, 5.97.6 and 5.97.8, unless such Issuers have issued Equity Securities which are traded in a multilateral trading facility in terms of Article 4(1), point (15) of Directive 2004/39/EC.

5.102 No person may act as a Director of an issuer of a listed security if the person concerned is already acting as a director, partner or employee and is authorised to provide investment advice and/or portfolio management in terms of Part B of the Investment Services Rules for Investment Services Providers in an entity licenced in terms of the Investments Services Act.

5.103 Without prejudice to the requirement of Capital Markets Rule 5.102, a Director of an Issuer who is also a director of an entity licenced in terms of the Investments Services Act, shall not discuss with or provide any information relating to the securities or the affairs of:

5.103.1 the Issuer of which s/he is a director, or

5.103.2 any other Issuer of a listed security which has a close business relationship with the Issuer of which s/he is a director;

to any director, partner or employee who is authorised to provide investment advice and/or portfolio management services in the same entity licenced in terms of the Investments Services Act of which the Director of an Issuer is also a director.

*Disclosure of service contracts entered into between the Issuer and its Directors*

5.104 Copies of service contracts entered into by Directors with the Issuer shall be made available for inspection by any person entitled to receive notice of general meetings:

5.104.1 at the place of the annual general meeting for at least fifteen (15) minutes prior to and during the meeting; and

5.104.2 at the registered or head office of the Issuer.

5.105 Directors' service contracts available for inspection must disclose or have attached to them the following information;

5.105.1 the name of the contracting parties;

5.105.2 the date of the contract, the unexpired term and details of any notice periods;

5.105.3 full particulars of the Directors' emoluments, including salary and all other benefits;

5.105.4 any commission or profit sharing arrangements;



- 5.105.5 any provision for compensation payable upon early termination of the contract; and
- 5.105.6 details of any other arrangements which are necessary to enable investors to estimate the possible liability of the Issuer upon early termination of the contract.

*Transactions by Directors and Officers of Issuers*

5.106 Subject to Capital Markets Rule 5.105 below, an Issuer must require:

- 5.106.1 its Directors or Directors of its Subsidiary or Parent Undertaking; and
- 5.106.2 any of its Officers or employees or an Officer or employee of its Subsidiary or Parent Undertaking who, because of his office or employment in the Issuer or Subsidiary Undertaking or Parent Undertaking, is likely to be in possession of unpublished price-sensitive information in relation to the Issuer  
(hereinafter referred to as “Restricted Persons”)

to comply with an internal code of dealing which must be no less exacting than those of Capital Markets Rules 5.109 to 5.116 below and must take all proper and reasonable steps to ensure such compliance.

5.107 Capital Markets Rule 5.106 does not apply if such dealings are entered into by such persons:

- 5.107.1 in the ordinary course of business by a Securities dealing business; or
- 5.107.2 on behalf of third parties by the Issuer or any other member of its Group.

5.108 Issuers may impose more rigorous restrictions upon dealings by Restricted Persons if they so wish.

5.109 A Restricted Person shall not deal directly or indirectly in any of the Securities of the Issuer:

- 5.109.1 at any time when he is in possession of unpublished price-sensitive information in relation to those Securities;
- 5.109.2 prior to the Announcement of matters of an exceptional nature involving unpublished price-sensitive information in relation to the market price of the Securities of the Issuer;
- 5.109.3 on considerations of a short-term nature;
- 5.109.4 without giving advance written notice to the Chairman, or one or more other Directors designated for this purpose. In his own case, the Chairman, or such other designated Director, shall not deal without giving advance notice to the board of Directors of such Company or any other designated Director as appropriate;
- 5.109.5 during such other period as may be established by the MFSA from time to time.

- 5.110 The same restrictions apply to dealings by a Restricted Person in the Securities of any other Issuer when, by virtue of his position in the Issuer, he is in possession of unpublished price-sensitive information in relation to those Securities.
- 5.111 During the period of thirty (30) days immediately preceding any publication of the Issuer's annual results, or the half-yearly results or the quarterly basis reports, a Restricted Person shall not purchase any Securities of the Issuer nor shall he sell any such Securities. The Issuer may allow a Restricted Person to trade on its own account or for the account of a third party during a closed period either:
- (a) on a case-by-case basis due to the existence of exceptional circumstances, such as severe financial difficulty, which require the immediate sale of shares; or
  - (b) due to the characteristics of the trading involved for transactions made under, or related to, an employee share or saving scheme, qualification or entitlement of shares, or transactions where the beneficial interest in the relevant security does not change.
- 5.112 If the approval of the MFSA to deal in exceptional circumstances has been granted, the Issuer must notify the MFSA of such deals immediately after these have been concluded.
- 5.113 The restrictions on dealings contained in this Chapter shall be regarded as equally applicable to any dealings by any Connected Person or any Investment Manager acting on behalf of a Restricted Person or on behalf of any Connected Person where either he or any Connected Person has funds under management with that investment Manager, whether on a discretionary basis or not. It is the duty of the Restricted Person (as far as is consistent with his duties of confidentiality to his Company) to seek to prohibit any such dealing by any Connected Person at a time when he himself is not free to deal.
- 5.114 Where a Restricted Person is acting as a trustee, dealing in the Securities of the Issuer by that trustee is permitted during the period referred to in Capital Markets Rule 5.111 where:
- 5.114.1 the Restricted Person is not a beneficiary of the trust; and
  - 5.114.2 the decision to deal is taken by the other trustees or by investment managers on behalf of the trustees independently of the Restricted Person.
- 5.115 The other trustees or investment managers acting on behalf of the trustees will be assumed to have acted independently of the Restricted Person for the purpose of Capital Markets Rule 5.114.2 where they:
- 5.115.1 have taken the decision to deal without consultation with, or other involvement of, the Restricted Person; or
  - 5.115.2 if they have delegated the decision making to a committee of which the Restricted Person is not a member.
- 5.116 No dealings in any Securities may be effected by or on behalf of an Issuer or any other member of its Group at a time when, under the provisions of this Chapter, a Director of the Issuer would be prohibited from dealing in its Securities, unless such dealings are entered into:

- 5.116.1 in the ordinary course of business by a Securities dealing business; or
- 5.116.2 on behalf of third parties by the Issuer or any other member of its Group.

*Audit Committee*

- 5.117 The Issuer shall establish and maintain an audit committee which satisfies the following criteria:
  - 5.117.1 it should be composed entirely of non-executive Directors and having at least three (3) members;
  - 5.117.2 the majority of such members shall be independent of the Issuer;
  - 5.117.3 at least one member of the audit committee shall be competent in accounting and/or auditing; and
  - 5.117.4 the chairman of the audit committee shall be appointed by the board of directors of the Issuer and shall be independent of the Issuer.
- 5.118 It shall be the responsibility of the Board to determine who of the Directors satisfy the competence and independence criteria set out in Capital Markets Rule 5.117. The Board shall also ensure that the committee members as a whole have competence relevant to the sector in which the Issuer is operating.
- 5.118A The corporate governance statement required under Capital Markets Rule 5.97 shall clearly indicate the independent members and the member/s competent in accounting and/or auditing together with the reasons why these members are considered by the Board as independent and competent in accounting and/or auditing. In the said corporate governance statement the Board shall also include the reasons why it considers that the committee members as a whole have the relevant competence as required in Capital Markets Rule 5.118 above.
- 5.119 For the purposes of this section a Director shall be considered independent only if he is free of any business, family, or other relationship with the Issuer, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgement. The Board of the Issuer shall take into account the following situations when determining the independence or otherwise of a director:
  - 5.119.1 whether the director has been an executive officer or employee of the Issuer or a subsidiary or parent of the Issuer, as the case may be, within the last three years;
  - 5.119.2 whether the director has, or has had within the last three years, a significant business relationship with the Issuer either directly, or as a partner, shareholder, director or senior employee of a body that has such a relationship with the Issuer;
  - 5.119.3 whether the director has received or receives significant additional remuneration from the Issuer or any member of the Group of which the Issuer forms part in addition to a director's fee, such as participation in

- the Issuer's share option or a performance-related pay scheme, or membership of the Issuer's pension scheme, except where the benefits are fixed;
- 5.119.4 whether he has close family ties with any of the Issuer's executive Directors or senior employees;
- 5.119.5 whether he has served on the Board of the Issuer for more than twelve consecutive years; or
- 5.119.6 whether he is or has been within the last three years an engagement partner or a member of the audit team of the present or former external auditor of the Issuer or any member of the group of which the Issuer forms part.
- 5.120 For the purposes of Capital Markets Rule 5.119.2 "business relationship" includes the situation of a significant supplier of goods or services (including financial, legal, advisory or consulting services), of a significant customer, and of organisations that receive significant contributions from the Issuer or its group.
- 5.121 In addition to anything contained in the Memorandum or Articles of Association of the Issuer relating to the nomination and appointment of Directors, when the Board of the Issuer is receiving nominations for Directors and none of the persons nominated satisfy the independence and competence criteria referred to in Capital Markets Rule 5.117, the Board may nominate a person that satisfies these requirements.
- 5.122 If none of the persons elected as Directors of the Issuer satisfy the independence and competence criteria prescribed by Capital Markets Rule 5.117, the Board shall have the right to appoint an additional Director that satisfies the said criteria. This right may only be exercised as long as there is a vacancy in the Board and provided the maximum number of Directors stipulated by the Memorandum and Articles of Association of the Issuer is not exceeded.
- 5.123 The obligation to establish an audit committee shall not apply to:
- 5.123.1 an Issuer of Debt Securities which is a Subsidiary Undertaking provided that an audit committee which is compliant with these Capital Markets Rules and which the MFSA considers to be satisfactory is set up at the ultimate Parent Undertaking;
- 5.123.2 an Issuer which is a UCITS as defined in Article 1 (2) of Directive 2009/65/EC of the European Parliament and of the Council or an alternative investment fund as defined in Article 4 (1) (a) of Directive 2011/61/EU of the European Parliament and of the Council;
- 5.123.3 an Issuer the sole business of which is to issue asset backed securities, provided that the Issuer explains to the public, by means of a Company Announcement, the reasons for which it considers it inappropriate to have an audit committee;
- 5.124 For the purposes of Capital Markets Rule 5.123.4, "asset backed securities" means securities which:
- 5.124.1 represent an interest in assets, including any rights intended to assure servicing, or the receipt or timeliness of receipts by holders of assets, of

- amounts payable thereunder; or
- 5.124.2 are secured by assets and the terms of which provide for payments which relate to payments or reasonable projections of payments calculated by reference to identified or identifiable assets.
- 5.125 *Omissis*
- 5.126 The primary purpose of the audit committee is to protect the interests of the company's shareholders and assist the Directors in conducting their role effectively so that the company's decision-making capability and the accuracy of its reporting and financial results are maintained at a high level at all times.
- 5.127 Without prejudice to Capital Markets Rule 5.117, the Issuer shall determine the terms of reference, life span, composition, role and function of such committee and shall establish, maintain and develop appropriate reporting procedures, provided that the main role and responsibilities of the audit committee shall include:
- 5.172.1A informing the Board of Directors of the Issuer of the outcome of the statutory audit and explaining how the statutory audit contributed to the integrity of financial reporting and what the role of the audit committee was in that process;
- 5.127.1 monitoring the financial reporting process and submitting recommendations or proposals to ensure its integrity;
- 5.127.2 monitoring of the effectiveness of the company's internal quality control and risk managements system and, where applicable, its internal audit, regarding the financial reporting of the Issuer, without breaching its independence;
- 5.127.3 monitoring of the audit of the annual and consolidated financial statements, in particular, its performance, taking into account any findings and conclusions by the competent authority pursuant to Article 26 (6) of the Statutory Audit Regulation;
- 5.127.4 reviewing the additional report prepared by the statutory auditor/s or audit firm/s submitted to the Audit Committee in terms of Article 11 of the Statutory Audit Regulation. The Audit Committee may disclose the additional report to third parties in order to execute its functions in line with the terms of reference;
- 5.127.5 reviewing and monitoring the independence of the statutory auditors or the audit firms in accordance with Articles 22, 22a, 22b, 24a and 24b of the Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts, amending Council Directive 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC and Article 6 of the Statutory Audit Regulation and in particular the appropriateness of the provision of non-audit services to the audited entity in accordance with Article 5 of the Statutory Audit Regulation;
- 5.127.6 the responsibility for the procedure for the selection of statutory auditor/s or audit firm/s;
- 5.127.7 recommending the statutory auditor/s or the audit firm/s to be appointed in accordance with Article 16 of the Statutory Audit Regulation.

- 5.128 The Issuer shall ensure that the Audit Committee establishes internal procedures and shall monitor these on a regular basis.
- 5.129 The external Auditor shall report to the audit committee on key matters arising from the audit, and in particular on material weaknesses in internal control in relation to the financial reporting process.
- 5.130 The audit committee shall establish and maintain access between the internal and external Auditors of the Company and shall ensure that this is open and constructive.
- 5.131 The audit committee shall meet at least four times a year. The head of Internal Audit should attend the meetings of this Committee.
- 5.132 When the audit committee's monitoring and review activities reveal cause for concern or scope for improvement, it shall make recommendations to the Board on action needed to address the issue or make improvements. The Board shall satisfy itself that any issues raised by the audit committee and the external Auditor and communicated to the Board have been adequately addressed.
- 5.133 The Issuer shall inform the MFSA how the audit committee is constituted, identifying clearly that independent member of the committee who is competent in accounting and/or auditing as required by Capital Markets Rule 5.117 and providing the reasons why such member is deemed to satisfy the independence and competence criteria set out in the said Capital Markets Rule. The Issuer shall also provide the MFSA with the terms of reference of the audit committee and shall inform the MFSA, without delay, of any changes to the above.
- 5.134 The terms of reference of the audit committee should provide sufficient guarantees and safeguards for the protection of the rights of shareholders and particularly with respect to related party transactions. They should also prohibit any member of the audit committee who has a direct or indirect interest in any contract, transaction or arrangement that is brought before the committee from being present at, and from voting, at any meeting of the committee during which such contract, transaction or arrangement is being discussed.
- 5.134A In so far as the requirements relating to the audit committee are concerned, an Issuer shall also refer to and comply with the relevant provisions of the Statutory Audit Regulation, in particular with Articles 16 and 17 of Title III of the said Regulation, relating to the appointment of statutory auditors or audit firms.

#### *Transactions with Related Parties*

##### *General*

- 5.135 Capital Markets Rules 5.136 to 5.142 set out safeguards that apply to transactions and arrangements between an Issuer and a Related Party, which transactions must be entered into at arm's length and on a normal, commercial basis. Such safeguards are intended to prevent a Related Party from taking advantage of its position and also to prevent any perception that it may have done so.

- 5.136 In considering each possible related party relationship, attention should be directed to the substance of the relationship and not merely the legal form.
- 5.137 The following are not necessarily related parties:
- 5.137.1 two entities simply because they have a Director or other member of key management personnel in common or because a member of key management personnel of one entity has significant influence over the other entity;
  - 5.137.2 two venturers simply because they share joint control over a joint venture;
  - 5.137.3 providers of finance, trade unions, public utilities, and government departments and agencies of a government that does not control, jointly control or significant influence the reporting entity; simply by virtue of their normal dealings with an entity (even though they may affect the freedom of action of an entity or participate in its decision-making process); and
  - 5.137.4 a customer, supplier, franchisor, distributor or general agent with whom an entity transacts a significant volume of business, merely by virtue of the resulting economic dependence.

*The role of the audit committee with respect to related party transactions<sup>1</sup>*

- 5.138 The audit committee of the Issuer or any other committee established by the Issuer that satisfies the composition requirements prescribed by Capital Markets Rule 5.117 shall be responsible for vetting and approving related party transactions. Any reference in this part to the audit committee shall be deemed to include a reference to such other committee that the Issuer may set up in terms of this Capital Markets Rule.
- 5.139 Where the Issuer sets up a committee, other than the audit committee, to carry out the functions referred to in Capital Markets Rule 5.127, the said committee shall provide the MFSA with its terms of reference, which terms of reference have to comply with the requirements of Capital Markets Rule 5.134.
- 5.140 The audit committee shall give due consideration to:
- 5.140.1 whether the transaction is a Material Related Party Transaction;
  - 5.140.2 whether the transaction is in the ordinary course of the Issuer's business or the business of any its Subsidiary Undertakings as applicable;
  - 5.140.3 whether the transaction gives rise to preferential treatment to the Related Party;
  - 5.140.4 the nature of the transaction;

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<sup>1</sup> These requirements are without prejudice to the rules on public disclosure of inside information as referred to in Article 17 of Regulation (EU) No 596/2014 of the European Parliament and of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC (OJ L 173, 12.6.2014, p. 1).

- 5.140.5 the position of the related party;
  - 5.140.6 the influence that the information about the transaction may have on the economic decisions of shareholders of the issuer;
  - 5.140.7 the risk that the transaction creates for the issuer and its shareholders who are not a related party, including minority shareholders;
- 5.141 Should the audit committee, after considering the proposed related party transaction as laid down in Capital Markets Rule 5.140, deem the proposed transaction to be material and approves such a transaction, such Material Related Party Transaction shall be approved by the board of directors of the Issuer and a Company Announcement containing the below information shall be published:
- 5.141.1 the nature and details of the transaction;
  - 5.141.2 the name of the Related Party concerned; and
  - 5.141.3 details of the nature and extent of the interest of the Related Party in the transaction, including the date and value of the transaction and other information necessary to assess whether or not the transaction is fair and reasonable from the perspective of the Issuer and of the shareholders who are not a related party, including minority shareholders.
- 5.141A Where the related party transactions involves a director, the respective director shall not take part in the approval of the vote.
- 5.142 Where the proposed Material Related Party Transaction is not approved by the audit committee but the board of directors of the Issuer still wants to proceed with the transaction, the Issuer shall:
- 5.142.1 make a Company Announcement which shall contain:
    - 5.142.1.1 the nature and details of the transaction;
    - 5.142.1.2 the name of the Related Party concerned; and
    - 5.142.1.3 details of the nature and extent of the interest of the Related Party in the transaction, including the date and value of the transaction and other information necessary to assess whether or not the transaction is fair and reasonable from the perspective of the Issuer and of the shareholders who are not a related party, including minority shareholders; and
    - 5.142.1.4 the fact that the Material Related Party transaction has not been approved by the Audit Committee including the reasons for not approving such a transaction.
  - 5.142.2 send a Circular to its shareholders containing the information required by Capital Markets Rule 6.17; and
  - 5.142.3 obtain the approval of its shareholders either prior to the transaction being entered into or, if it is expressed to be conditional on such approval, prior to completion of the transaction and, where applicable, ensure that the Related Party itself abstains from voting on the relevant



resolution. The board of directors of the Issuer shall disclose the fact that the audit committee has not approved the related party transaction in question at the general meeting convened for the purpose of this Capital Markets Rule.

- 5.142A An Issuer shall ensure that material transactions concluded between the related party of the Issuer and the Issuer's subsidiary are publicly disclosed through the issue of a Company Announcement. The disclosure requirements outlined under Capital Markets Rule 5.141 shall apply.
- 5.142B The disclosure requirements under Capital Markets Rule 5.141 and Capital Markets Rule 5.142 are without prejudice to the rules on public disclosure of inside information as referred to in Article 17 of Regulation (EU) No 596/2014 on Market Abuse.

### *Exemptions*

- 5.143 The rules dealing with related party transactions shall not apply in the following cases:-
- 5.143.1 transactions offered to all shareholders on the same terms where equal treatment of all shareholders and protection of the interests of the company is ensured.
- 5.143.2 the transaction:
- 5.143.2.1 involves the receipt of any asset (including cash or Securities of the Issuer or any of its Subsidiary Undertakings) by a Director of the Issuer, its Parent Undertaking or any of its Subsidiary Undertakings; or
- 5.143.2.2 is a grant of an option or other right to a Director of the Issuer, its Parent Undertaking, or any of its Subsidiary Undertakings to acquire (whether or not for consideration) any asset (including cash or new or existing Securities of the Issuer or any of its Subsidiary Undertakings);
- in accordance with the terms of either an employee share scheme or a long-term incentive scheme;
- 5.143.3 the transaction is a grant of credit (including the lending of money or the guaranteeing of a loan):
- 5.143.3.1 to the Related Party upon normal commercial terms;
- 5.143.3.2 to a Director for an amount and on terms no more favourable than those offered to employees of the Group generally; or
- 5.143.3.3 by the Related Party upon normal commercial terms and on an unsecured basis.
- 5.143.4 the transaction is the grant of an indemnity to a Director of the Issuer (or any of its Subsidiary Undertakings) to the extent not prohibited by Article 148 of the CA, or the maintenance of a contract of insurance to

the extent contemplated by that article (whether for a Director of the Issuer or for a Director of any of its Subsidiary Undertakings);

- 5.143.5 the transaction is an underwriting by the Related Party of all or part of an issue of Securities by the Issuer (or any of its Subsidiary Undertakings) and the consideration to be paid by the Issuer (or any of its Subsidiary Undertakings) in respect of such underwriting is no more than the usual commercial underwriting consideration and is the same as that to be paid to the other underwriters (if any);
- 5.143.6 the terms and circumstances of the investment or provision of finance by the Issuer, or any of its Subsidiary Undertakings are, in the opinion of an independent adviser acceptable to the MFSA, no less favourable than those applicable to the investment or provision of finance by the Related Party;
- 5.143.7 Transactions regarding remuneration of directors, awarded in accordance with the right to vote on the remuneration policy provisions under Chapter 12 of the Capital Markets Rules.

#### *Reporting requirement*

- 5.144 The Issuer shall disclose all related party transactions *ex post facto* in the Annual Financial Report.

#### *Memorandum and Articles of Association*

- 5.145 The Articles of Association of all Issuers seeking authorisation for Admissibility to listing must conform with the provisions set out in Appendix 5.2 and obtain the prior authorisation by the MFSA. Only in very exceptional circumstances will the MFSA grant exemption from compliance with any of the provisions of Appendix 5.2
- 5.146 An Issuer shall not amend its Memorandum and Articles of Association unless prior written authorisation has been sought and obtained from the MFSA.
- 5.147 If authorisation for the amendment to the Memorandum and Articles of Association is granted by the MFSA, the Issuer must send a Circular to its shareholders containing the information prescribed by Capital Markets Rule 6.16.

#### *Acquisitions and Realisations*

- 5.148 In this section (except where specifically provided to the contrary) a reference to a transaction entered into by an Issuer:
  - 5.148.1 includes all agreements (including amendments to agreements) entered into by the Issuer or its Subsidiary Undertakings;
  - 5.148.2 excludes a transaction in the ordinary course of business;
  - 5.148.3 excludes any transaction between the Issuer and its wholly-owned Subsidiary Undertakings or between its wholly-owned Subsidiary Undertakings.

*Classification of acquisitions and realisations*

- 5.149 Acquisitions and realisations shall be classified as follows:-
- 5.149.1 Class 1 transaction: where any of the tests mentioned in Capital Markets Rule 5.151 amount to five percent (5%) but less than thirty-five percent (35%); or
  - 5.149.2 Class 2 transaction: where any of the tests mentioned in Capital Markets Rule 5.151 amount to thirty-five percent (35%) or more.

*Class tests*

- 5.150 In order to classify acquisitions and realisations the following class tests will be used:
- 5.150.1 the gross assets test;
  - 5.150.2 the profits test; and
  - 5.150.3 the consideration test.

*The gross assets test*

- 5.151 The gross assets test shall be calculated by dividing the gross assets the subject of the transaction by the gross assets of the Issuer. For the purposes of this Capital Markets Rule, “the gross assets of the Issuer” means the total non-current assets, plus the total current assets, of the Issuer.

- 5.152 In the case of:
- 5.152.1 an acquisition of an interest in an undertaking which will result in the consolidation of the assets of that undertaking in the accounts of the Issuer; or
  - 5.152.2 a disposal of an interest in an undertaking which will result in the assets of that undertaking no longer being consolidated in the accounts of the Issuer;

the “gross assets the subject of the transaction” means the value of 100% of that undertaking’s assets irrespective of what interest is acquired or disposed of.

- 5.153 For an acquisition or disposal of an interest in an undertaking which does not fall within Capital Markets Rule 5.152, the “gross assets the subject of the transaction” means:
- 5.153.1 for an acquisition, the consideration together with liabilities assumed (if any); and
  - 5.153.2 for a disposal, the assets attributed to that interest in the Issuer’s accounts.

- 5.154 If assets, other than an interest in an undertaking, are acquired, “the assets the subject of the transaction” means the consideration or, if greater, the book value of those assets as they will be included in the Issuer’s balance sheet.

- 5.155 In the case of a disposal of assets other than an interest in an undertaking, “the assets the subject of the transaction” means the book value of the assets in the Issuer’s balance sheet.

*The profits test*

- 5.156 The profits test is calculated by dividing the profits attributable to the assets the subject of the transaction by the profits of the Issuer. For the purposes of this Capital Markets Rule “profits” means profits after deducting all charges except taxation and, in the case of an acquisition or disposal of an interest in an undertaking referred to in Capital Markets Rule 5.152, 100% of the profits of the undertaking (irrespective of what interest is acquired or disposed of).

*The consideration test*

- 5.157 The consideration test is calculated by taking the consideration for the transaction as a percentage of the aggregate Market Value of all the ordinary Shares of the Issuer. The figure used to determine market capitalisation is the aggregate Market Value of all the ordinary Shares of the Issuer at the close of business on the last day before prior to the date when the transaction has been agreed to.

- 5.158 For the purposes of Capital Markets Rule 5.157:

5.158.1 the consideration is the amount paid to the contracting party;

5.158.2 if all or part of the consideration is in the form of Securities to be traded on a market, the consideration attributable to those Securities is the aggregate Market Value of those Securities; and

5.158.3 if deferred consideration is or may be payable or receivable by the Issuer in the future, the consideration is the maximum total consideration payable or receivable under the agreement.

- 5.159 For the purposes of Capital Markets Rule 5.158.2, the figures used to determine consideration consisting of:

5.159.1 Securities of a Class already listed, must be the aggregate Market Value of all those Securities on the last Business Day before the announcement; and

5.159.2 a new Class of Securities for which an application for Admissibility to Listing will be made, must be the expected aggregate Market Value of all those Securities.

- 5.160 If the total consideration is not subject to a maximum (and the other class tests indicate the transaction to be a class 1 transaction) the transaction is to be treated as a class 2 transaction.

*Acquisitions and disposals of Property*

- 5.161 Acquisitions and disposals of Property by an Issuer (including any transactions or arrangements the purpose of which is to change, in whole or in part, the beneficial ownership of Property) are subject to the rules contained in this section save as indicated below:

- 5.161.1 for the purposes of Capital Markets Rule 5.150.1 (the gross assets test), the assets test is calculated by dividing the transaction consideration by the gross assets of the Issuer and Capital Markets Rules 5.154 and 5.155 do not apply;
- 5.161.2 for the purposes of Capital Markets Rule 5.150.1 (the gross assets test), if the transaction is an acquisition of land to be developed, the assets test is calculated by dividing the transaction consideration and any financial commitments relating to the development by the gross assets of the Issuer;
- 5.161.3 for the purposes of Capital Markets Rule 5.150.1, the “gross assets of the Issuer” are, at the option of the Issuer:
  - 5.161.3.1 the aggregate of the Issuer’s share capital and reserves (excluding minority interests);
  - 5.161.3.2 the book value of the Issuer’s Properties (excluding those Properties classified as current assets in the latest published Annual Accounts); or
  - 5.161.3.3 the published valuation of the Issuer’s Properties (excluding those Properties classified as current assets in the latest published Annual Accounts);
- 5.161.4 for the purposes of Capital Markets Rule 5.150.2 (the profits test), “profits” means the net annual rental income; and
- 5.161.5 the test referred to in Capital Markets Rule 5.150.3 shall not apply but when any of the consideration for an acquisition is in Shares, an alternative test will be applied comparing the Shares to be issued with the number of Shares in issue.

*Notification requirements*

- 5.162 In the case of a Class 1 transaction, the Issuer shall make a Company Announcement as soon as possible after the terms of the transaction are agreed.
- 5.163 In the case of a Class 2 transaction, the Issuer must:
  - 5.163.1 issue a Company Announcement in the manner laid down by Capital Markets Rule 5.162.
  - 5.163.2 send an explanatory Circular to its shareholders and obtain their prior approval in a general meeting for the transaction; and
  - 5.163.3 ensure that any agreement effecting the transaction is conditional on that approval being obtained.

Provided that Issuers without Equity Securities authorised as Admissible to Listing shall only be required to comply with Capital Markets Rule 5.163.1 when proposing to enter into a Class 2 transaction.

- 5.164 The Company Announcement referred to in Capital Markets Rules 5.162 and 5.163 must include:

- 5.164.1 details of the transaction, including particulars of dates, parties, terms and conditions, general nature of contract, the name of the receiving notary, where applicable;
  - 5.164.2 a description of the business carried on by, or using, the net assets the subject of the transaction;
  - 5.164.3 the consideration, and how it is being satisfied (including the terms of any arrangements for deferred consideration);
  - 5.164.4 the value of the gross assets the subject of the transaction;
  - 5.164.5 the profits attributable to the assets the subject of the transaction;
  - 5.164.6 the effect of the transaction on the Issuer including any benefits which are expected to accrue to the Issuer as a result of the transaction;
  - 5.164.7 for a disposal, the application of the sale proceeds;
  - 5.164.8 for a disposal, if Securities are to form part of the consideration received, a statement whether the Securities are to be sold or retained; and
  - 5.164.9 details of key individuals important to the business or company the subject of the transaction.
- 5.165 If, at any time subsequent to any Company Announcements made in terms of Capital Markets Rules 5.162 or 5.163, the Issuer has become aware that there has been a significant change affecting any matter contained in the Announcement or a significant new matter has arisen which would have been required to be mentioned in that Announcement if it had arisen at the time of making such Announcement, the Issuer must make another Company Announcement.
- 5.166 The supplementary Company Announcement must give details of the change or new matter and also contain a statement that, except as disclosed, there has been no significant change affecting any matter contained in the earlier Announcement and no other significant new matter has arisen which would have been required to be mentioned in that earlier Announcement if it had arisen at the time of preparation of that Announcement.
- 5.167 In Capital Markets Rules 5.165 and 5.166, “significant” means significant for the purpose of making an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and the rights attaching to any Securities forming part of the consideration. It includes a change in the terms of the transaction such that affects the percentage ratios and requires the transaction to be reclassified.
- 5.168 The Circular referred to in Capital Markets Rule 5.163.2 must comply with the requirements of Capital Markets Rules 6.18 to 6.22.
- 5.169 If, after the production of a Circular and before the completion of a Class 2 transaction, there is a material change to the terms of the transaction, the Issuer must comply again separately with Capital Markets Rule 5.163 in relation to the transaction.
- 5.170 In deciding whether a Circular should be sent to shareholders, the MFSA may aggregate acquisitions or realisations that have taken place since either the

publication of the last Accounts, or the issue of the last Circular, whichever is the later during the twelve (12) months prior to the date of the latest transaction. Such aggregated transactions may then be treated as if they were one transaction if they were all completed within a short period of time, and the total of transactions is thirty-five percent (35%) or more as defined in Capital Markets Rule 5.149.2. For these purposes, the value of transactions in respect of which adequate information has already been issued to shareholders will be included in the net tangible assets or profits of the Issuer for comparison with the transaction or transactions under consideration. In case of doubt as to aggregation, the MFSA should be consulted at an early stage.

- 5.171 Without prejudice to the generality of Capital Markets Rule 5.170, transactions will normally only be aggregated in accordance with that provision if they:
- 5.171.1 are entered into by the Issuer with the same party or with parties connected with one another; or
  - 5.171.2 involve the acquisition or disposal of Securities or an interest in one particular Company; or
  - 5.171.3 together lead to substantial involvement in a business activity which did not previously form part of the Issuer's principal activities.
- 5.172 If, under Capital Markets Rule 5.170, aggregation results in a class test of thirty-five percent (35%) or more which would require Shareholder approval in terms of Capital Markets Rule 8.105, such approval is required only for the latest transaction.
- 5.173 Notwithstanding Capital Markets Rule 5.170, where acquisitions are entered into since either the publication of the last Accounts or the issue of the last Circular, whichever is the later, which cumulatively amount to thirty-five percent (35%) or more in any of the percentage ratios, the provisions outlined in Capital Markets Rule 5.163 may apply.

#### *Transactions Involving Substantial Shareholdings*

- 5.174 This Capital Markets Rule shall regulate the activities of an Issuer whenever it is advised or otherwise becomes aware of an impending share negotiation or transaction involving a Substantial Shareholding.

Substantial Shareholding shall for the purposes of this Rule mean the entitlement to exercise or control the exercise of ten percent (10%) or more of the votes able to be cast at general meetings or the entitlement to appoint a majority of Directors on the board of Directors of an Issuer.

- 5.174.1 All parties to an offer for an acquisition or disposal of a Substantial Shareholding in an Issuer as well as the Issuer must use every endeavour to prevent the creation of a false market in the securities of the Issuer. All parties involved in an offer for an acquisition or disposal of a Substantial Shareholding in an Issuer and the Issuer must take care that statements are not made which may mislead shareholders or the market.

- 5.174.2 Without prejudice to Capital Markets Rule 5.16, an Issuer must promptly make a Company Announcement:
- 5.174.2.1 when the board of Directors of the Issuer is advised or otherwise becomes aware that a purchaser is being sought for a Substantial Shareholding in the Issuer;
  - 5.174.2.2 when the Issuer is the subject of rumour and speculation;
  - 5.174.2.3 when the board of Directors of the Issuer is advised or otherwise becomes aware of a firm intention to acquire or dispose of a Substantial Shareholding in the Issuer;
  - 5.174.2.4 when the board of Directors of the Issuer is advised or otherwise becomes aware that an offer has been made to acquire or dispose of a Substantial Shareholding in the Issuer.
- 5.174.3 Without prejudice to any applicable privacy or secrecy obligations in terms of law, an Issuer may furnish in confidence to a bona fide offeror and the corresponding bona fide transferor such information including unpublished price-sensitive information as may be necessary to enable the bona fide offeror, the bona fide transferor and their advisers to make, confirm, withdraw or modify the offer, provided that such disclosure of information may only be furnished subject to the following conditions:
- 5.174.3.1 the express consent of the Company in general meeting by an ordinary resolution of the Company unless the memorandum or articles of the Company require an extraordinary resolution, to make such disclosure of information to bona fide offerors. Such consent may, but need not, be limited to a specific prospective offeror(s);
  - 5.174.3.2 the signing of a confidentiality agreement signed by the prospective transferor and the prospective offeror(s) to prevent the disclosure and use of the information furnished, other than for the purpose of the acquisition of the Substantial Shareholding in the Issuer;
  - 5.174.3.3 an undertaking from the prospective offeror(s) whereby they bind themselves not to deal in the Issuer's shares or any derivative instrument relating thereto, whether directly or indirectly, for a period of one year following completion of the transaction or termination thereof or discontinuance or withdrawal, other than to complete the transaction that prompted the disclosure of information hereunder;
  - 5.174.3.4 an undertaking from the prospective transferor that it acknowledges that the information received from the Issuer cannot be used or communicated other than for the purposes of a transaction in the shares that are the subject of the offer, whether wholly or in part, whether with the prospective offeror(s) or otherwise, and that it cannot deal in other shares of the Issuer for a period of one year following completion of



the transaction or termination thereof or discontinuance or withdrawal.

- 5.174.4 When the transaction that prompted the furnishing of information in confidence is completed the Issuer shall make a Company Announcement disclosing the outcome of negotiations relating to the acquisition or disposal of a Substantial Shareholding in the Issuer, including the price at which the Substantial Shareholding was acquired or disposed of.
- 5.174.5 When the transaction that prompted the furnishing of information in confidence is not completed and the Issuer is advised or otherwise becomes aware of such non completion, the Issuer shall make a Company Announcement disclosing the outcome of negotiations.
- 5.174.6 In the event that the transaction that prompted the furnishing of information in confidence is completed, a purchaser which has had access to information in confidence in terms of this Capital Markets Rule shall be prohibited from acquiring further securities in the Issuer or from disposing of securities in the Issuer, whether directly or indirectly for a period of one year from the date of acquisition.
- 5.174.7 In the event that the transaction that prompted the furnishing of information in confidence is not completed, a bona fide offeror which has had access to information in confidence in terms of this Capital Markets Rule shall be prohibited from acquiring securities in the Issuer, whether directly or indirectly, for a period of one year following termination thereof or discontinuance or withdrawal, other than to complete the transaction that prompted the disclosure of information hereunder.
- 5.174.8 Regardless of the outcome of the transaction, the purchaser or the bona fide offeror, as the case may be, shall, immediately following completion of the transaction or termination thereof or discontinuance or withdrawal, notify the Issuer to that effect and return all the information furnished by the Issuer and shall take prompt action to cancel, delete or destroy such information furnished by the Issuer that cannot be returned.

*Notification of the acquisition or disposal of major holdings to which voting rights are attached.*

- 5.175 Where the Home Member State is Malta and as soon as a shareholder acquires 5% or more of the Issuer's shares to which voting rights are attached, the Issuer shall immediately inform the shareholder of his obligation to notify the Issuer and the MFSA of any changes in major holdings in terms of Capital Markets Rules 5.176 to 5.214.
- 5.176 Any Shareholder who acquires or disposes shares to which voting rights are attached and where the Home Member State is Malta, shall notify the Issuer and the MFSA of the proportion of voting rights of the Issuer held by such Shareholder as a

result of the acquisition or disposal where that proportion reaches, exceeds or falls below the thresholds of 5%, 10%, 15% 20%, 25%, 30%, 50%, 75% and 90%.

- 5.177 The voting rights shall be calculated on the basis of all the shares to which voting rights are attached even if the exercise thereof is suspended.
- 5.178 This information shall also be given in respect of all the shares which are in the same Class and to which voting rights are attached.
- 5.179 The Issuer and the MFSA shall also be notified in terms of Capital Markets Rule 5.176 when the proportion reaches, exceeds or falls below the thresholds specified in the same Capital Markets Rule, as a result of events changing the breakdown of voting rights.
- 5.180 The threshold referred to in Capital Markets Rule 5.176 shall be calculated on the basis of the information made available to the public by the Issuer at the end of each calendar month, of the total number of voting rights and capital, during which an increase or decrease of such total number has occurred.
- 5.181 Where the Issuer is incorporated or registered in a non-EU or EEA State, the notification shall be made for equivalent events.
- 5.182 The notification requirement defined in Capital Markets Rule 5.176 shall also apply to a natural person or Legal Entity who:
- 5.182.1 is entitled to acquire, to dispose of, or to exercise voting rights in any of the following cases or a combination of them:
- 5.182.1.1 voting rights held by a third party with whom that person or entity has concluded an agreement, which obliges them to adopt, by concerted exercise of the voting rights they hold, a lasting common policy towards the management of the Issuer in question;
- 5.182.1.2 voting rights held by a third party under an agreement concluded with that person or entity providing for the temporary transfer for consideration of the voting rights in question;
- 5.182.1.3 voting rights attaching to shares which are lodged as collateral with that person or entity, provided the person or entity controls the voting rights and declares its intention of exercising them;
- 5.182.1.4 voting rights attaching to shares in which that person or entity has the right of usufruct;
- 5.182.1.5 voting rights which are held, or may be exercised within the meaning of Capital Markets Rule 5.182.1.1 to 5.182.1.4 above, by an undertaking controlled by that person or entity;
- 5.182.1.6 voting rights attaching to shares deposited with that person or entity which the person or entity can exercise at its discretion in the absence of specific instructions from the shareholders;

- 5.182.1.7 voting rights held by a third party in its own name on behalf of that person or entity;
  - 5.182.1.8 voting rights which that person or entity may exercise as a proxy where the person or entity can exercise the voting rights at its discretion in the absence of specific instructions from the shareholders.
- 5.183 The obligation to notify the Issuer in terms of Capital Markets Rule 5.176 shall be an individual obligation incumbent upon each shareholder, or each natural person or Legal Entity as referred to in Capital Markets Rule 5.182, or both in case the proportion of voting rights held by each party reaches, exceeds or falls below the thresholds laid down in Capital Markets Rule 5.176. In the circumstances, however, referred to in Capital Markets Rule 5.182.1.1 the said notification obligation shall be a collective obligation shared by all the parties to the agreement.
- 5.184 In the circumstances referred to in Capital Markets Rule 5.182.1.8, if a shareholder gives the proxy in relation to one shareholder meeting, notification may be made by means of a single notification when the proxy is given provided it is made clear in the notification what the resulting situation in terms of voting rights will be when the proxy may no longer exercise the voting rights at its discretion.
- 5.185 If in the circumstances referred to in Capital Markets Rule 5.182.1.8 the proxy holder receives one or several proxies in relation to one shareholder meeting, notification may be made by means of a single notification on or after the deadline for receiving proxies provided that it is made clear in the notification what the resulting situation in terms of voting rights will be when the proxy may no longer exercise the voting rights at its discretion.
- 5.186 When the duty to make notification lies with more than one natural person or Legal Entity, notification may be made by means of a single common notification but this does not release any of those persons from their responsibilities in relation to the notification.
- 5.187 A natural or Legal Entity shall make a notification in terms of Capital Markets Rule 5.176 in respect of the following financial instruments held by such person, directly or indirectly:
- 5.187.1 financial instruments that, on maturity, give the holder, under a formal agreement, either the unconditional right to acquire or the discretion as to his right to acquire, shares to which voting rights are attached, already issued, of an issuer whose shares are admitted to trading on a regulated market;
  - 5.187.2 financial instruments which are not included in Capital Markets Rule 5.187.1 but which are referenced to shares and which have the economic effect similar to the financial instruments referred to in Capital Markets Rule 5.187.1, whether or not they confer a right to a physical settlement.
- 5.187A The notification required shall include the breakdown by type of financial instruments held in accordance with Capital Markets Rules 5.187.1 and 5.187.2,

distinguishing between the financial instruments which confer a right to a physical settlement and the financial instruments which confer a right to a cash settlement.

- 5.187B The number of voting rights shall be calculated by reference to the full notional amount of shares underlying the financial instrument except where the financial instrument provides exclusively for a cash settlement, in which case the number of voting rights shall be calculated on a “delta-adjusted” basis, by multiplying the notional amount of underlying shares by the delta of the instrument. For this purpose, the holder shall aggregate and notify all financial instruments relating to the same underlying issuer. Only long positions shall be taken into account for the calculation of voting rights. Long positions shall not be netted with short positions relating to the same underlying issuer.
- 5.188 For the purposes of Capital Markets Rule 5.187:  
“qualifying financial instruments” means transferable securities and options, futures, swaps, forward rate agreements, contracts for differences, any other contracts or agreements with similar economic effects which may be settled physically or in cash.  
“formal agreement” means an agreement which is binding under applicable law.
- 5.189 The exemptions laid down in Capital Markets Rules 5.196, 5.199.1, 5.199.3, 5.200, 5.204, 5.206 and 5.208 shall apply *mutatis mutandis* to the notification requirements under Capital Markets Rule 5.187.
- 5.190 If a qualifying financial instrument relates to more than one underlying share, a separate notification shall be made to each Issuer of the underlying shares.
- 5.190A The notification required shall also apply to natural person and Legal Entity when the number of voting rights held directly or indirectly by such person or entity under Capital Markets Rules 5.176 and 5.182 aggregated with the number of voting rights relating to financial instruments held directly or indirectly under Capital Markets Rule 5.187 reaches, exceeds or falls below the thresholds set out in Capital Markets Rule 5.176.
- 5.191 The notification required under Capital Markets Rule 5.176 and 5.182 shall include the following information:
- 5.191.1 the resulting position in terms of voting rights;
  - 5.191.2 the chain of Controlled Undertakings through which voting rights and/or financial instruments are effectively held, if applicable;
  - 5.191.3 the date on which the threshold was reached or crossed;
  - 5.191.4 the identity of the person entitled to exercise voting rights, even if that person is not entitled to exercise voting rights under the conditions laid down in Capital Markets Rule 5.182.
  - 5.191.5 for instruments with an exercise period:
    - 5.191.5.1 an indication of the date or time period where shares will or can be acquired, if applicable;
    - 5.191.5.2 the date of maturity or expiration of the instrument;
    - 5.191.5.3 name of the underlying Issuer.

- 5.191A The notification required under Capital Markets Rule 5.190A shall include a breakdown of the number of voting rights attached to shares held in accordance with Capital Markets Rules 5.176 and 5.182 and voting rights relating to financial instruments in terms of Capital Markets Rule 5.187.
- 5.191B Voting rights relating to financial instruments that have already been notified in accordance with Capital Markets Rule 5.187 shall be notified again when the natural person or the Legal Entity has acquired the underlying shares and such acquisition results in the total number of voting rights attached to shares issued by the same issuer reaching or exceeding the thresholds laid down by Capital Markets Rule 5.176.
- 5.192 For the purposes of the notification referred to in Capital Markets Rule 5.191, the resulting position in terms of voting rights shall be calculated by reference to the total number of voting rights and capital as last disclosed by the Issuer in terms of Capital Markets Rule 5.16.9.
- 5.193 The notification that is required to be made to the Issuer in terms of Capital Markets Rule 5.176 shall be effected promptly , but not later than four trading days following the date on which the shareholder, or the natural or Legal Entity representing the shareholder:
- 5.193.1 learns of the acquisition or disposal or of the possibility of exercising voting rights, or on which, having regard to the circumstances, should have learned of it, regardless of the date on which the acquisition, disposal or possibility of exercising voting rights takes effect; or
- 5.193.2 is informed about the events changing the breakdown of voting rights.
- 5.194 For the purposes of Capital Markets Rule 5.193.1, the shareholder, or the natural person or Legal Entity representing the shareholder shall be deemed to have knowledge of the acquisition, disposal or possibility to exercise voting rights no later than two trading days following the transaction in question.
- 5.195 Notwithstanding Capital Markets Rule 5.193, a Shareholder shall notify the Issuer by not later than 1 May 2007, of the proportion of voting rights and capital it holds in accordance with Capital Markets Rule 5.176 and 5.187 with Issuers at that date, unless it has already made a notification containing equivalent information.
- 5.196 An undertaking, being a shareholder of an Issuer, shall be exempted from notifying the Issuer of any changes in its holding as required under Capital Markets Rule 5.176 if the notification is made by its Parent Undertaking or, where the Parent Undertaking is itself a Controlled Undertaking, by its own Parent Undertaking.
- 5.197 Upon receipt of the notification in terms of Capital Markets Rule 5.176 but no later than three trading days thereafter, the Issuer shall make the notification available to the public and shall make a Company Announcement including all the information contained in the notification.
- 5.198 *Omissis*
- 5.199 Capital Markets Rule 5.176 shall not apply to:

- 5.199.1 shares acquired for the sole purpose of clearing and settling within the usual short settlement cycle not exceeding three trading days following the execution of the transaction;
- 5.199.2 shares held by Custodians in their Custodian capacity provided such Custodians can only exercise the voting rights attached to such shares under instructions given in writing or by electronic means.
- 5.199.3 acquisitions or disposal of a major holding reaching or crossing the 5% threshold by a Market Maker acting in its capacity of a Market Maker and complying with the conditions and operating requirements set out in Capital Markets Rule 5.200
- 5.199.4 shares provided to or by the members of the European System of Central Banks in carrying out their functions as monetary authorities, including shares provided to or by members of the European System of Central Banks under a pledge or repurchase or similar agreement for liquidity granted for monetary policy purposes or within a payment system.

Provided that the above shall apply with regards to transactions lasting for a short period and the voting rights attaching to such shares are not exercised.

- 5.200 A Market Maker shall be exempted in terms of Capital Markets Rule 5.199.3 provided that, such Market Maker:
  - 5.200.1 is authorised by its home member state under Directive 2004/39/EC;
  - 5.200.2 does not intervene in the management of the Issuer concerned;
  - 5.200.3 does not exert any influence on the Issuer to buy such shares or back the share price; and
  - 5.200.4 notifies the MFSA within the time limit laid down in Capital Markets Rule 5.193 that it conducts or intends to conduct market making activities on a particular Issuer.
- 5.201 Where the Market Maker ceases to conduct market making activities on the Issuer concerned, it shall notify the MFSA accordingly.
- 5.202 The MFSA may require the Market Maker undertaking market making activities with respect to Securities of an Issuer whose Home Member State is Malta, as referred to in Capital Markets Rule 5.199.3, to identify the shares or financial instruments held for market making activity purposes, in which case the Market Maker may make such identification by any verifiable means.
- 5.203 If the Market Maker is unable to identify the shares or financial instruments concerned, the MFSA may require him to hold them in a separate account for identification purposes.
- 5.204 Voting rights held in the trading book, as defined in Article 11 of Directive 2006/49/EC on the capital adequacy of investment firms and credit institutions, of a credit institution or investment firm shall not be counted for the purposes of Capital Markets Rule 5.176 provided that:
  - 5.204.1 the voting rights held in the trading book do not exceed 5%; and

5.204.2 the voting rights attached to shares held in the trading book are not exercised or otherwise used to intervene in the management of the Issuer.

5.204A Voting rights attached to shares acquired for stabilisation purposes in accordance with Commission Regulation (EC) No 2273/2003 implementing Directive 2003/6/EC as regards exemptions for buy-back programmes and stabilisation of financial instruments, shall not be counted for the purposes of Capital Markets Rule 5.176 provided the voting rights attached to those shares are not exercised or otherwise used to intervene in the management of the issuer.

*Notification by management companies and investment firms*

5.205 For the purposes of Capital Markets Rules 5.206.1 and 5.208.3 “direct instruction” and “indirect instruction” shall have the following meaning:

“direct instruction” means any instruction given by the Parent Undertaking, or another Controlled Undertaking of the Parent Undertaking, specifying how the voting rights are to be exercised by the management company or investment firm in particular cases;

“indirect instruction” means any general or particular instruction, regardless of the form, given by the Parent Undertaking, or another Controlled Undertaking of the Parent Undertaking, that limits the discretion of the Management Company or investment firm in relation to the exercise of the voting rights in order to serve specific business interests of the Parent Undertaking or another Controlled Undertaking of the Parent Undertaking.

5.206 The Parent Undertaking of a Management Company shall not be required to aggregate its holdings with the holdings managed by the Management Company under the conditions laid down in Directive 85/611/EEC, provided that:

5.206.1 it does not interfere by giving direct or indirect instructions or it does not interfere in any other way in the exercise of the voting rights held by that management company; and

5.206.2 the Management Company is free to exercise, independently of the parent undertaking, the voting rights attached to the assets it manages.

5.207 Where the parent undertaking, or another Controlled Undertaking of the parent undertaking, has invested in holdings managed by such management Company and the Management Company has no discretion to exercise the voting rights attached to such holdings and may only exercise such voting rights under direct or indirect instructions from the parent or another Controlled Undertaking of the parent undertaking, the holdings of the Parent Undertaking shall be aggregated with its holdings through the Management Company.

5.208 The Parent Undertaking of an investment firm authorised under Directive 2004/39/EC shall not be required to aggregate its holdings with the holdings which

such investment firm manages on a client-by-client basis within the meaning of Article 4(1), point 9, of Directive 2004/39/EC provided that:

5.208.1 the investment firm is authorised to provide such portfolio management under point 4 of Section A of Annex I to Directive 2004/39/EC;

5.208.2 it may only exercise the voting rights attached to such shares under instructions given in writing or by electronic means or it ensures that individual portfolio management services are conducted independently of any other services under conditions equivalent to those provided for under Directive 85/611/EEC by putting into place appropriate mechanisms;

5.208.3 it does not interfere by giving direct or indirect instructions or it does not interfere in any other way in the exercise of the voting rights held by that investment firm; and

5.208.4 the investment firm is free to exercise, independently of the parent undertaking, the voting rights attached to the assets it manages.

5.209 Where the parent undertaking, or another Controlled Undertaking of the parent undertaking, has invested in holdings managed by such investment firm and the investment firm has no discretion to exercise the voting rights attached to such holdings and may only exercise such voting rights under direct or indirect instructions from the parent or another Controlled Undertaking of the parent undertaking, the holdings of the Parent Undertaking shall be aggregated with its holdings through the investment firm.

5.210 A Parent Undertaking which does not aggregate its holdings in terms of Capital Markets Rules 5.206 or 5.208 shall, without delay, notify to the MFSA the following information:

5.210.1 a list of the names of those Management Companies and investment firms, indicating the competent authorities that supervise them or that no competent authority supervises them, but with no reference to the issuers concerned;

5.210.2 in the case of a Management Company, a statement that the Parent Undertaking complies with the conditions laid down in Capital Markets Rules 5.206;

5.210.3 in the case of an investment firm, a statement that the Parent Undertaking complies with the conditions laid down in Capital Markets Rules 5.208.3 and 5.208.4.

5.211 The Parent Undertaking shall update the list referred to in Capital Markets Rule 5.210.1 on an ongoing basis.

5.212 Where a Parent Undertaking intends to avail itself of the exemptions contained in Capital Markets Rules 5.206 or 5.208 only in relation to the financial instruments referred to in Capital Markets Rule 5.187, it shall notify to the MFSA only the list referred to in Capital Markets Rule 5.210.1.

5.213 The MFSA may request a Parent Undertaking of a Management Company or of an investment firm to demonstrate that:



- 5.213.1 the organisational structures of the Parent Undertaking and the management company or investment firm are such that the voting rights are exercised independently of the Parent Undertaking;
- 5.213.2 the persons who decide how the voting rights are to be exercised act independently;
- 5.213.3 if the Parent Undertaking is a client of its Management Company or investment firm or has holding in the assets managed by the management company or investment firm, there is a clear written mandate for an arms-length customer relationship between the Parent Undertaking and the management company or investment firm.

5.214 The Parent Undertaking shall be deemed to satisfy Capital Markets Rule 5.213 if as a minimum the Parent Undertaking and the Management company or investment firm have established written policies and procedures that are reasonably designed to prevent the distribution of information between the Parent Undertaking and the Management Company or investment firm in relation to the exercise of voting rights.

*Calendar of trading days*

- 5.215 For the purposes of Capital Markets Rules 5.16.10, 5.193 and 5.197, the calendar of trading days of the Home Member State of the Issuer shall apply.
- 5.216 The MFSA shall publish on its website the calendar of trading days of the different regulated markets situated or operating in Malta.

*Issuers registered in a non-EU or EEA State*

5.217 Where an Issuer is admitted to trading in Malta but its registered office is not in a Member or EEA State, the MFSA may exempt that Issuer from the requirements of the following Capital Markets Rules:

Capital Markets Rules

- 5.55 – 5.73 Annual Financial Report
- 5.74 – 5.85 Half-yearly Report
- 5.16.8 Notification of major holdings
- 5.16.9 Total number of voting rights
- 5.16.10 Proportion of the Issuer’s holding in own equity
- 5.28 – 5.38 Information requirements

Provided that the MFSA considers that the Issuer is subject to equivalent legal requirements.

5.218 The Issuer, as referred to in Capital Markets Rule 5.217, shall file and disclose the equivalent information subject to the provisions of this Chapter.

*Equivalent Information*

*Requirements equivalent to the Directors' Report (Capital Markets Rule 5.55.1)*

- 5.219 An Issuer whose registered office is in a non-EU or EEA State shall be considered by the MFSA to be subject to equivalent requirements as those prescribed by Capital Markets Rule 5.55.1 where, under the law of that country, a report is required to be prepared which includes at least the following information:
- 5.219.1 a fair review of the development and performance of the Issuer's business and of its position, together with a description of the principal risks and uncertainties that it faces, such that the review presents a balanced and comprehensive analysis of the development and performance of the Issuer's business and of its position, consistent with the size and complexity of the business;
  - 5.219.2 an indication of any important events that have occurred since the end of the financial year;
  - 5.219.3 indications of the Issuer's likely future development.
- 5.220 For the purposes of Capital Markets Rule 5.219.1, the analysis required by that rule shall, to the extent necessary for an understanding of the Issuer's development, performance or position, include both financial and, where appropriate, non-financial key performance indicators relevant to the particular business.

*Requirements equivalent to the Interim Directors' Report (Capital Markets Rule 5.75.2)*

- 5.221 An Issuer whose registered office is in a non-EU or EEA State shall be considered by the MFSA to be subject to equivalent requirements as those prescribed by Capital Markets Rule 5.75.2 where, under the law of that country, an interim management report is required to be prepared together with a condensed set of financial statements and such report includes at least the following information:
- 5.221.1 a review of the period covered;
  - 5.221.2 indications of the Issuer's likely future development for the remaining six months of the financial year;
  - 5.221.3 for issuers of shares and if already not disclosed on an ongoing basis, major related parties transactions.

*Requirements equivalent to the Statements of Responsibility (Capital Markets Rules 5.55.2 and 5.75.3)*

- 5.222 An Issuer whose registered office is in a non-EU or EEA State shall be considered by the MFSA to be subject to equivalent requirements as those prescribed by Capital Markets Rules 5.55.2 and 5.75.3 where, under the law of that country, a person or persons within the Issuer are responsible for the annual and half-yearly financial information, and in particular for the following:
- 5.222.1 the compliance of the financial statements with the applicable reporting framework or set of accounting standards;

5.222.2 the fairness of the management review included in the management report.

5.223 *Omissis*

*Requirements equivalent to the annual financial statements required to be prepared in terms of Capital Markets Rule 5.57*

5.224 An Issuer whose registered office is in a non-EU or EEA State shall be considered by the MFSA to be subject to equivalent requirements as those prescribed by Capital Markets Rule 5.57 where, under the law of that country, the provision of individual accounts by the parent company is not required but the Issuer whose registered office is in that non-EU or EEA State is required to include the following information in the consolidated accounts:

5.224.1 for Issuers of shares, dividends computation and ability to pay dividends;

5.224.2 for all Issuers, where applicable, minimum capital and equity requirements and liquidity issues.

Provided that such Issuer shall be able to provide the MFSA with additional audited disclosures giving information on the individual accounts of the Issuer as standalone, relevant to the elements of information referred to in Capital Markets Rules 5.224.1 and 5.224.2, which disclosures may be prepared under the accounting standards of the non-EU or EEA State in which the Issuer has its registered office.

*Requirements equivalent to the annual financial statements required to be prepared in terms of Capital Markets Rule 5.58*

5.225 An Issuer whose registered office is in a non-EU or EEA State shall be considered by the MFSA to be subject to equivalent requirements as those prescribed by Capital Markets Rule 5.58 where, under the law of that country, such Issuer is not required to prepare consolidated accounts but is required to prepare its individual financial statements in accordance with Generally Accepted Accounting Principles and Practice or with national accounting standards of the non-EU or EEA State in which the Issuer has its registered office if these are equivalent to Generally Accepted Accounting Principles and Practice.

5.226 If the individual financial statements are not considered by the MFSA to be equivalent in terms of Capital Markets Rule 5.225, such financial statements shall be presented in the form of restated financial statements.

5.227 Individual financial statements referred to in Capital Markets Rules 5.225 and 5.226 shall be audited independently.

5.228 An Issuer whose registered office is in a non-EU or EEA State shall be exempted from preparing its Annual Financial Report and half-yearly report in accordance with Capital Markets Rules 5.55 to 5.73 and 5.74 to 5.84 respectively, prior to the Financial Year starting on or after 1 January 2007, as long as such Issuer prepares its Annual Financial Report and half-yearly financial report in accordance with Generally Accepted Accounting Principles and Practice.

*Requirements equivalent to Capital Markets Rule 5.197*

- 5.229 An Issuer whose registered office is in a non-EU or EEA State shall be considered by the MFSA to be subject to equivalent requirements as those prescribed by Capital Markets Rule 5.197 where, under the law of that country, the time period within which such Issuer shall be notified of major holdings and within which it shall disclose those major holdings to the public is in total equal to or shorter than seven trading days.
- 5.230 In the case of an Issuer whose registered office is in a non-EU or EEA State, the time-frames for the notification of major holdings to the Issuer and for the subsequent disclosure to the public by the Issuer may be different from those set out in Capital Markets Rules 5.193 and 5.197.

*Requirements equivalent to the test of independence for Parent Undertakings of management companies and investment firms*

- 5.231 Undertakings whose registered office is not in a Member or EEA State which would have required an authorization in accordance with Article 5(1) of Directive 85/611/EEC or, with regard to portfolio management under point 4 of section A of Annex I to Directive 2004/39/EC if it had its registered office or, only in the case of an investment firm, its head office within the European Union, shall also be exempted from aggregating holdings with the holdings of its Parent Undertaking under the requirements laid down in Capital Markets Rules 5.206 and 5.208 provided that they comply with equivalent conditions of independence as management companies or investment firms.
- 5.232 The undertakings referred to in Capital Markets Rule 5.231 shall be considered by the MFSA to be subject to equivalent requirements as those prescribed by Capital Markets Rules 5.206 to 5.209 where, under the law of that country, the Management Company or investment firm is required to meet the following conditions:
- 5.232.1 the Management Company or investment firm is required to be free in all situations to exercise, the voting rights attached to the assets it manages independently of its Parent Undertaking;
- 5.232.2 the Management Company or investment firm is required to disregard the interests of the Parent Undertaking or of any other Controlled Undertaking of the Parent Undertaking whenever conflicts of interest arise.
- 5.233 The Parent Undertaking of the Management Companies or investment firms referred to in Capital Markets Rule 5.232 shall comply with the notification requirements laid down in Capital Markets Rules 5.210.1 and 5.212 and shall also make a statement that, in the case of each management company or investment firm concerned, the Parent Undertaking complies with the conditions laid down in Capital Markets Rule 5.232 above.

- 5.234 The MFSA may request the Parent Undertaking of the Management Companies or investment firms referred to in Capital Markets Rule 5.232 to demonstrate that the requirements laid down in Capital Markets Rule 5.213 are satisfied.

*Requirements equivalent to Capital Markets Rule 5.16.10*

- 5.235 An Issuer whose registered office is in a non-EU or EEA State shall be considered by the MFSA to be subject to equivalent requirements as those prescribed by Capital Markets Rule 5.16.10 where, under the law of that country, the Issuer is required to comply with the following conditions:

- 5.235.1 in the case of an Issuer allowed to hold up to a maximum of 5 % of its own shares to which voting rights are attached, it is required to make a notification whenever that threshold is reached or crossed;
- 5.235.2 in the case of an Issuer allowed to hold up to a maximum of between 5 % and 10 % of its own shares to which voting rights are attached, it is required to make a notification whenever the 5% threshold or that maximum threshold is reached or crossed;
- 5.235.3 in the case of an Issuer allowed to hold more than 10 % of its own shares to which voting rights are attached, it is required to make a notification whenever the 5 % threshold or the 10 % threshold is reached or crossed.

*Requirements equivalent to Capital Markets Rule 5.16.9*

- 5.236 An Issuer whose registered office is in a non-EU or EEA State shall be considered by the MFSA to be subject to equivalent requirements as those prescribed by Listing Rule 5.16.9 where, under the law of that country, the Issuer is required to disclose to the public the total number of voting rights and capital within thirty (30) calendar days after an increase or decrease of such total number has occurred.

*Requirements equivalent to Capital Markets Rules 5.29.1 and 5.35.1*

- 5.237 An Issuer whose registered office is in a non-EU or EEA State shall be considered by the MFSA to be subject to equivalent requirements as those prescribed by Capital Markets Rules 5.29.1 and 5.35.1, as far as the content of the information about meetings is concerned, where, under the law of that country, the Issuer is required to provide at least information about the place, time and agenda of meetings.

*Uses of Languages*

- 5.238 When Malta is the Home Member State and securities are Admitted to Trading only in Malta, Regulated Information shall be disclosed in the English or Maltese language.

- 5.239 When Malta is the Home Member State and securities are Admitted to Trading in Malta and in one or more host Member or EEA State, the Regulated Information shall be disclosed:
- 5.239.1 in the English or in the Maltese language; and
- 5.239.2 depending on the choice of the Issuer, either in a language accepted by the regulatory authorities of those host Member or EEA States or in a language customary in the sphere of international finance.
- 5.240 When securities are Admitted to Trading in Malta as the host Member State, the Regulated Information shall be disclosed either in English or Maltese or in a language customary in the sphere of international finance.
- 5.241 When Malta is the Home Member State and securities are Admitted to Trading on a Regulated Market in one or more host Member or EEA States excluding Malta, the Regulated Information shall be disclosed either in English or Maltese or in a language customary in the sphere of international finance, depending on the choice of the Issuer.
- 5.242 Where securities are Admitted to Trading on a Regulated Market without the Issuer's consent, the obligation under Capital Markets Rules 5.238 to 5.241 shall be incumbent not upon the Issuer, but upon the person who, without the Issuer's consent, has requested such admission.
- 5.243 Shareholders and the natural persons or Legal Entities referred to in Capital Markets Rules 5.176, 5.182 and 5.187 shall notify information to an Issuer in a language customary in the sphere of international finance. In this case, the Issuer is not required to provide the MFSA with a translation of such notification.
- 5.244 Where securities whose denomination per unit amounts to at least hundred thousand euro (€100,000) or, in the case of Debt Securities denominated in a currency other than euro equivalent to at least hundred thousand euro (€100,000) at the date of the issue, are admitted to trading on a Regulated Market in one or more Member or EEA States, Regulated Information shall be disclosed to the public either in English or Maltese language or in a language customary in the sphere of international finance, at the choice of the Issuer or of the person who, without the Issuer's consent, has requested such admission.
- 5.245 If an action concerning the content of Regulated Information is brought before a court or tribunal in Malta, responsibility for the payment of costs incurred in the translation of that information for the purposes of the proceedings shall be decided in accordance with the Maltese law.

*Access to Regulated Information*

- 5.246 An Issuer or a person who has applied, without the Issuer's consent, for Admissibility to Listing on a Regulated Market shall file and disclose Regulated Information in the manner set out in Capital Markets Rules 5.247 to 5.258.

*Filing of Regulated Information with the MFSA and the Officially Appointed Mechanism*

- 5.247 An Issuer or a person who has applied, without the Issuer's consent, for Admissibility to Listing on a Regulated Market shall file Regulated Information with the MFSA and the Officially Appointed Mechanism at the same time such information is disclosed to the public in terms of Capital Markets Rule 5.248.

*Disclosure of Regulated Information to the public*

- 5.248 When disseminating Regulated Information an Issuer or other person who has applied, without the Issuer's consent, for Admissibility to Listing on a Regulated Market shall ensure that the minimum standards laid down in Capital Markets Rules 5.249 to 5.255 are observed.
- 5.249 Regulated Information shall be disseminated in a manner ensuring that it is capable of being disseminated to as wide a public as possible, and as close to simultaneously as possible in the Home Member State and in other Member or EEA States.
- 5.250 Regulated Information shall be communicated to the media in unedited full text, provided that in the case of the Annual Financial Report and the Half-yearly Report, this requirement shall be deemed to be fulfilled if the information communicated to the media indicates on which website, in addition to the Officially Appointed Mechanism for the central storage of Regulated Information, the relevant documents are available.
- 5.251 Regulated Information shall be communicated to the media in a manner which ensures the security of the communication, minimises the risk of data corruption and unauthorized access, and provides certainty as to the source of the Regulated Information. Security of receipt shall be ensured by remedying as soon as possible any failure or disruption in the communication of Regulated Information.
- 5.252 The Issuer or the person who has applied, without the Issuer's consent, for Admissibility to Listing on a Regulated Market, shall not be responsible for systemic errors or shortcomings in the media to which the Regulated Information has been communicated.
- 5.253 Regulated Information shall be communicated to the media in a way which:
- 5.253.1 makes it clear that the information is Regulated Information; and
  - 5.253.2 identifies clearly
    - 5.253.2.1 the Issuer concerned;
    - 5.253.2.2 the subject matter of the Regulated Information; and
    - 5.253.2.3 the time and date of the communication of the Regulated Information by the Issuer or the person who has applied for an admission to listing on a Regulated Market without the Issuer's consent.

- 5.254 In relation to any disclosure of Regulated Information, the MFSA may request from the Issuer or the person who has applied for Admissibility to Listing any embargo placed by the Issuer on the Regulated Information.
- 5.255 The Issuer or person who has applied for Admissibility to Listing on a Regulated Market without the Issuer's consent, shall not charge investors any specific cost for providing Regulated Information.
- 5.256 Where securities are Admitted to Trading on a Regulated Market in Malta and Malta is the only Host Member State, an Issuer or a person who has applied for Admissibility to Listing on a Regulated Market without the Issuer's consent, shall disclose Regulated Information in the same manner as prescribed in Capital Markets Rules 5.249 to 5.255.

*Disclosure of information in a non EU or EEA State*

- 5.257 The MFSA shall ensure that information, including Regulated Information, disclosed in a non EU or EEA State which may be of importance to the public in the Member or EEA States is disclosed in terms of Capital Markets Rules 5.249 to 5.255.
- 5.258 The language used to disclose information in terms of Capital Markets Rule 5.257 shall be determined in accordance with Capital Markets Rules 5.238 to 5.245.

*Transparency through the Company's web-site*

- 5.259 Issuers of Securities listed on a Regulated Market and Malta is the Home Member State, shall have a website. The homepage of the website shall include an easy to access 'investor information' section from which investors can obtain current information on the company.
- 5.260 The 'investor information' section on the homepage of the web-site of Issuers of Securities listed on a Regulated Market and Malta is the Home Member State shall include at least the following content, preferably by way of a drop-down menu:

5.260.1 Strategic Objectives: Company objectives and description of operations;

5.260.2 Company Structure: Information on listed entity including the amount of share capital, type of securities listed, the registered office of the company, as well as information on the parent and subsidiaries, if applicable, including shareholdings;

5.260.3 Corporate Governance: Details of the Directors, Chairman, Chief Executive Officer as well as information on the composition of the company's Audit Committee, providing details of the non-executive and independent members of the Audit Committee together with information on the member of the Audit Committee who is competent in accounting and/or auditing. This section should also include information on the Company's external auditors and on other committees relating to corporate governance established by the Company;



5.260.4 Company Notifications and Publications: Company announcements, press releases and links to other company publications (e.g. annual reports, prospectuses, corporate governance statement, Memorandum & Articles of association);

5.260.5 Financial Statements: Summary of the Company's latest financial statements and Group financial statements (where relevant) namely summary profit and loss, balance sheet and cash flow statements; comparative figures for two years should be shown;

5.260.6 Borrowings from the Financial Market: Updated details of borrowings from the financial market on a solo and (where applicable) aggregated on a Group basis, with information on related sinking funds; and

5.260.7 Investors Help Line: Contact persons, telephone numbers and web feedback.

5.261 *Omissis*

*Amalgamations*

5.262 The term "merger", wherever used in these Capital Markets Rules, shall have the same meaning as that assigned to it by the CA or any subsidiary legislation issued thereunder.

5.263 In the case of mergers involving an Issuer, the latter shall, irrespective of the country in which it is registered, send an explanatory Circular to its shareholders containing the information required by Chapter 6 of these Capital Markets Rules..

5.264 The MFSA may dispense with any of the requirements prescribed by Chapter 6 for a Circular that has to be issued in respect of a merger if there is a conflict between such requirements and the law of the country in which the Issuer is registered.

*Employee Share Schemes and Directors' Share-based Schemes*

5.265 Subject to Capital Markets Rule 5.271, the following schemes of an Issuer (and of any of its Subsidiary Undertakings even where that Subsidiary Undertaking is incorporated or operates overseas) must be approved by an ordinary resolution of the shareholders of the Issuer in general meeting prior to their adoption:

5.265.1 an employees' share scheme; and

5.265.2 any scheme under which Directors are remunerated in Shares, share options or any other right to acquire Shares or to be remunerated on the basis of Share price movements.

5.266 A resolution approving the adoption of an employee share scheme or a Directors' share-based scheme under Capital Markets Rule 5.265 may authorise the Directors to establish further schemes based on any scheme which has previously been approved by shareholders but containing the necessary modifications, provided that any Shares made available under such further schemes are treated as

counting against any limits on individual or overall participation in the main scheme.

- 5.267 The resolution approving the schemes referred to in Capital Markets Rule 5.265 shall be accompanied by an explanatory Circular containing the information prescribed by Chapter 6 of these Capital Markets Rules.

*Contents of Employee Share Schemes and Directors' Share-based Schemes*

- 5.268 The schemes referred to in Capital Markets Rule 5.265 shall at least contain provisions relating to:

- 5.268.1 the persons to whom or for the benefit of whom Securities may be issued under the scheme (the "Participants");
- 5.268.2 the total amount of the Securities subject to the scheme together with the percentage of the issued Shares that it represents at the time;
- 5.268.3 the fixed maximum entitlement for any one Participant;
- 5.268.4 the amount, if any, payable on application or acceptance and the basis for determining the subscription or option price;
- 5.268.5 the period in or after which payments or calls may be paid or called;
- 5.268.6 the voting, dividend, transfer and other rights, including those arising on a liquidation of the Issuer, attaching to the Securities and to any options, if appropriate. These rights must be drawn to the attention of Participants on their joining the scheme;
- 5.268.7 the details, if any, of the Directors' trusteeship of the scheme or, if applicable, the interests of such Directors in the trustees of the scheme;
- 5.268.8 the pension ability or otherwise of the benefits under the scheme and, if so, the reasons for this;
- 5.268.9 the manner in which the Issuer intends to provide for the Shares needed to meet its obligations under the schemes together with a statement as to whether the Issuer intends to purchase the necessary Shares in the market, whether it holds them in treasury, or whether it will issue new Shares;
- 5.268.10 costs of the scheme to the Issuer in view of the intended application; and
- 5.268.11 the basis for determining a participant's entitlement to, and the terms of, Securities, cash or other benefits to be provided and for the adjustment thereof (if any) in the event of a capitalisation issue, rights issue or open offer, sub-division or consolidation of Shares or reduction of capital or any other variation of capital (and for the avoidance of doubt, the issue of Securities as consideration for an acquisition will not be regarded as a circumstance requiring adjustment in accordance with the provisions of this Capital Markets Rule).

- 5.269 Any adjustments, other than those made on a capitalisation issue, must be confirmed in writing by the Issuer's Auditors to the Directors of the Issuer as being in their opinion fair and reasonable.

- 5.270 The resolution contained in the notice of the meeting accompanying the Circular referred to in Capital Markets Rule 5.267 must approve a specific scheme. In the case of Directors' share-based schemes, it should set out the relationship of such schemes with the overall Directors' remuneration policy.
- 5.271 The requirements of Capital Markets Rules 5.265 to 5.270 are not applicable to long-term incentive schemes where the only Participant is a Director (or proposed Director) of the Issuer and the arrangement is established specifically to facilitate, in exceptional circumstances, the recruitment or retention of the relevant individual. In these circumstances the following information must be disclosed in the first Annual Financial Report published by the Issuer following the date on which the relevant individual becomes eligible to participate in the arrangement:
- 5.271.1 the name of the sole Participant;
  - 5.271.2 the total amount of the Securities subject to the scheme together with the percentage of the issued Shares that it represents at the time;
  - 5.271.3 the date on which the Participant first became eligible to participate in the arrangement;
  - 5.271.4 an explanation of why the circumstances in which the arrangement was established were exceptional;
  - 5.271.5 the conditions to be satisfied under the terms of the arrangement; and
  - 5.271.6 the maximum award(s) under the terms of the arrangement or, if there is no maximum, the basis on which awards will be determined.
- 5.272 For the purposes of Capital Markets Rule 5.271 the term "long-term incentive scheme" means any arrangement (other than a retirement benefit plan, a deferred bonus or any other arrangement that is an element of an executive Directors' remuneration package) which may involve the receipt of any asset (including cash or any security) by a Director or employee of the Issuer or the Group of which the Issuer forms part that:
- 5.272.1 includes one or more conditions in respect of the service and/or performance to be satisfied over more than one financial year; and
  - 5.272.2 pursuant to which the Issuer, or the Group of which the Issuer forms part may incur (other than in relation to the establishment and administration of the arrangement) either a cost or a liability, whether actual or contingent.

#### *Discounted Option Arrangements*

- 5.273 Subject to the provisions of Capital Markets Rule 5.274, an Issuer may not, without the prior approval by an ordinary resolution of its shareholders in general meeting, grant to a Director or employee of the Issuer or of any Subsidiary Undertaking of the Issuer an option to subscribe, warrant to subscribe or other similar right to subscribe for Shares in the capital of the Issuer or any of its Subsidiary Undertakings, if the price per Share payable on the exercise of such an option, warrant or other similar right to subscribe is less than whichever of the following is used to calculate the exercise price:

- 5.273.1 the Market value of the Share on the date when the exercise price is determined;
  - 5.273.2 the Market value of the Share on the Business Day before such date; or
  - 5.273.3 the average of the Market Values for a number of dealing days within a period not exceeding thirty (30) days immediately preceding such date.
- 5.274 The provisions of Capital Markets Rule 5.273 do not apply to the grant of an option to subscribe, warrant to subscribe or other similar right to subscribe for Shares in the capital of the Issuer or any of its Subsidiary Undertakings:
- 5.274.1 under an employee share scheme pursuant to the terms of which participation is offered on similar terms to all or substantially all employees of the Issuer or any of its Subsidiary Undertakings whose employees are entitled to participate in the scheme; or
  - 5.274.2 following a take-over or reconstruction, in replacement for and on comparable terms with options to subscribe, warrants to subscribe or other similar rights to subscribe held immediately prior to the take-over or reconstruction in respect of Shares in either a Company of which the Issuer thereby obtains control or in any of that Company's Subsidiary Undertakings.
- 5.275 Where shareholders' approval is required by Capital Markets Rule 5.273, the Issuer shall publish a Circular containing the information prescribed by Chapter 6 of these Capital Markets Rules.

## APPENDIX 5.1

### THE CODE OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

#### **PREAMBLE**

These principles are designed to enhance the legal, institutional and regulatory framework for good governance in the Maltese corporate sector. They thus complement the current provisions already in force in the Companies Act providing a comprehensive corporate governance framework based on the guidelines provided by the Organization for Economic Cooperation and Development.

These principles are targeting companies whose equity securities are admitted to listing on a Regulated Market but are not applicable to Collective Investment Schemes. Companies should endeavour to adopt these principles so as to provide proper incentives for the Board and management to pursue objectives that are in the interests of the Company and its shareholders. The principles should facilitate effective monitoring thereby encouraging issuers of equity securities to use resources more efficiently.

The adoption of these principles is expected:

- § to provide more transparent governance structures and improved relations within the market which should enhance market integrity and confidence;
- § to ensure proper transparency and disclosure of all dealings or transactions involving the Board, any Director, senior managers or Officers in a position of trust or other related party; and
- § to protect shareholders from the potential abuse of those entrusted with the direction and management of the Company by the setting up of structures that improve accountability to them.

The Code contains main and supporting principles and provisions. When preparing their corporate governance statement, listed companies should divide such statement in two parts. The first part should deal generally with the company's adherence to the main principles whilst the second part should deal specifically with non-compliance with any of the Code Provisions. The descriptions together should give shareholders a clear and comprehensive picture of a company's governance arrangements in relation to the Code as a criterion of good practice.

In relation to the requirement to state how it has applied the Code's main principles, where a company has done so by complying with the associated provisions (that is, the supporting principles and Code provisions) it should be sufficient simply to report that this is the case. Where a company has taken additional steps to apply the principles or otherwise improve its governance, it would be helpful to shareholders to describe these in the annual report.

If a company chooses not to comply with one or more of the Code provisions, it must give shareholders a careful and clear explanation which shareholders should evaluate on its merits. In providing an explanation, the company should aim to illustrate how its actual practices are consistent with the principle to which the particular Code provision relates and contribute to good governance.

While it is expected that listed companies will comply with the Code's provisions most of the time, it is recognised that departure from the provisions of the Code may be justified in particular circumstances. Every company must review each provision carefully and give a considered explanation if it departs from the Code provisions.

## **1. THE BOARD**

### **Main principle**

Every listed Company should be headed by an effective board, which should lead and control the company.

### **Supporting principles**

- (i) Directors are stewards of a company's assets and their behaviour should be focused on adding value to those assets by working with management to build a successful Company and enhance Shareholder value.
- (ii) All Directors are required to provide leadership, integrity and judgment in directing the company.
- (iii) Leadership can only come about if the Directors, individually and collectively, are of the appropriate calibre, with the necessary skills and experience to contribute effectively to the decision making process.

Directors should:

- (a) set the company's values and standards in order to enhance and safeguard the interests of shareholders and third parties;
- (b) act with integrity and due diligence while discharging their duties as Directors and in particular in the decision and policy-making process of the company, which should be reflected in all company's dealings and at every level of the organization;
- (c) exercise accountability to shareholders and be responsible to relevant stakeholders.

### **Code provisions**

- 1.1 The board should be composed of persons who are fit and proper to direct the business of the company. The concept of fit and proper requires Directors to conduct themselves with honesty, competence and integrity.
- 1.2 The shareholders, as the owners of the company, have the jurisdiction and discretion to appoint or remove Directors on the board. The process of appointment should be transparent and conducted at properly constituted general meetings where the views of the minority can be expressed.
- 1.3 All Directors should:
  - 1.3.1 exercise prudent and effective controls which enables risk to be assessed and managed in order to achieve continued prosperity of the company;
  - 1.3.2 be accountable for all actions or non-actions arising from discussion and actions taken by them or their delegates;
  - 1.3.3 determine the company's strategic aims and the organizational structure;

- 1.3.4 regularly review management performance and ensure that the Company has the appropriate mix of financial and human resources to meet its objectives and improve the economic and commercial prosperity of the company;
- 1.3.5 acquire a broad knowledge of the business of the company;
- 1.3.6 be aware of and be conversant with the statutory and regulatory requirements connected to the business of the Company;
- 1.3.7 allocate sufficient time to perform their responsibilities; and
- 1.3.8 regularly attend meetings of the board.

- 1.4 In cases when a Director is unable to agree with a decision of the board because a proposed course of action is not deemed to be consonant with his statutory or fiduciary duties and responsibilities and all reasonable steps have been taken to resolve the issue, the Director may feel that resignation may be a better alternative to submission. In such instances, the shareholders are entitled to an honest account of any such disagreements between Directors.

## **2. CHAIRMAN AND CHIEF EXECUTIVE**

### **Main principle**

There should be a clear division of responsibilities at the head of the Company between the running of the board and the executive responsibility for the running of the company's business. No one individual or small group of individuals should have unfettered powers of decision.

### **Supporting principles**

- (i) The Chairman has a pivotal role to play in helping the board achieve its full potential. He should allow every Director to play a full and constructive role in the affairs of the company. The separation of the roles of the Chairman and Chief Executive avoids concentration of authority and power in one individual and differentiates leadership of the board from the running of the business.
- (ii) The Chairman should also facilitate the effective contribution of non-executive directors in particular and ensure constructive relations between executive and non-executive directors.

### **Code provisions**

- 2.1 The position of the Chairman and that of the Chief Executive should be occupied by different individuals. The division of responsibilities between the Chairman and Chief Executive should be clearly established, set out in writing and agreed by the board. Where the Chairman and the Chief Executive Officer are not different individuals, the Company should provide an explanation to the market and to its shareholders through a Company Announcement for the decision to combine the two roles.
- 2.2 The Chairman is responsible to:
  - 2.2.1 lead the board and set its agenda;



- 2.2.2 ensure that the Directors of the Board receive precise, timely and objective information so that they can take sound decisions and effectively monitor the performance of the company;
  - 2.2.3 ensure effective communication with shareholders;
  - 2.2.4 encourage active engagement by all members of the board for discussion of complex or contentious issues.
- 2.3 The Chairman should meet the independence criteria set out in supporting principle (v) below. A Chief Executive should not go on to be Chairman of the same company. If exceptionally a board decides that a Chief Executive should become Chairman, the board should consult major shareholders in advance and should set out its reasons to shareholders at the time of the appointment and in the next annual report.

### **3. COMPOSITION OF THE BOARD**

#### **Main principle**

The board should not be so large as to be unwieldy. The board should be of sufficient size that the balance of skills and experience is appropriate for the requirements of the business and that changes to the board's composition can be managed without undue disruption. The board should be composed of executive and non-executive Directors, including independent non-executives.

#### **Supporting principles**

- (i) The board should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to properly complete their tasks.
- (ii) The board must understand and fully appreciate the business risk issues and key performance indicators affecting the ability of the Company to achieve its objectives.
- (iii) It is desirable that Listed Companies should have a minimum number of non-executive Directors sitting on the board in order to ensure a balance such that no individual or small group of individuals can dominate the board's decision making. The exact composition and balance on a board will depend on the circumstances and business of each enterprise but it is recommended that at least one third of board members are non-executive and the majority of these should be independent.
- (iv) A non-executive director is a director who is not engaged in the daily management of the company. A non-executive director has an important role in overseeing executive or managing directors and dealing with situations involving conflicts of interests. Non executive directors and executive directors have as board members the same duties and responsibilities in terms of law. However, as the non-executive directors are not involved in the day-to-day running of the business, they can bring fresh perspectives and contribute more objectively in supporting as well as constructively challenging and monitoring the management team.
- (v) The company should appoint non-executive directors of sufficient calibre whose independence and standing would offer a balance to the strength of character of a chairman. Where the roles of the chairman and chief executive officer are combined,

it is important that the non-executive directors are able to bring an independent judgment to bear on the various issues brought before the company.

- (vi) Non-executive Directors should be free from any business or other relationship which could interfere materially with the exercise of their independent and impartial judgment.
- (vii) A Director is considered to be independent when he is free from any business, family or other relationship - with the company, its controlling Shareholder or the management of either - that creates a conflict of interest such as to jeopardize exercise of his free judgment.
- (viii) The value of ensuring that committee membership is refreshed and that undue reliance is not placed on particular individuals should be taken into account in deciding chairmanship and membership of committees.
- (ix) No one other than the committee chairman and members is entitled to be present at a meeting of the audit or remuneration committee, but others may attend at the invitation of the committee.
- (x) Non-executive Directors are expected to take an active role in:
  - (a) constructively challenging and help developing proposals on strategy;
  - (b) monitoring the reporting of performance;
  - (c) scrutinizing the performance of management in meeting agreed goals and objectives; and
  - (d) satisfying themselves on the integrity and financial information and that financial controls and risk management systems are well established

## **Code provisions**

- 3.1 Where the roles of the chairman and chief executive officer are combined, the board should appoint one of the independent non-executive directors to be the senior independent director to act a reference and coordination point for the requests and contributions of non-executive directors and, in particular, those who are independent pursuant to supporting principle (vi) under main principle 3.
- 3.2 The board should identify in the annual report each non-executive director it considers to be independent. The board should determine whether the director is independent in character and judgment and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the director's judgment. The board should state its reasons if it determines that a director is independent notwithstanding the existence of relationships or circumstances which may appear relevant to its determination, including if the director:
  - 3.2.1 has been an executive officer or employee of the company or a subsidiary or parent of the company, as the case may be, within the last three years;
  - 3.2.2 has, or has had within the last three years, a significant business relationship with the company either directly, or as a partner, shareholder, director or senior employee of a body that has such a relationship with the company;

- 3.2.3 has received or receives significant additional remuneration from the company or any member of the group of which the company forms part in addition to a director's fee, such as participation in the company's share option or a performance-related pay scheme, or membership of the company's pension scheme, except where the benefits are fixed;
- 3.2.4 has close family ties with any of the company's executive directors or senior employees;
- 3.2.5 has served on the board for more than twelve consecutive years; or
- 3.2.6 is or has been within the last three years an engagement partner or a member of the audit team of the present or former external auditor of the company or any member of the group of which the company forms part.

For the purposes of Code Provision 3.2.2, "business relationship" includes the situation of a significant supplier of goods or services (including financial, legal, advisory or consulting services), of a significant customer, and of organisations that receive significant contributions from the company or its group.

- 3.3 Each Director should apply to his duties the necessary time and attention, and should undertake to limit the number of any Directorships held in other companies to such an extent that the proper performance of his duties is assured.
- 3.4 Every person who is appointed as a non-executive director shall declare in writing to the board that he undertakes:-
  - 3.4.1 to maintain in all circumstances his independence of analysis, decision and action;
  - 3.4.2 not to seek or accept any unreasonable advantages that could be considered as compromising his independence; and
  - 3.4.3 to clearly express his opposition in the event that he finds that a decision of the board may harm the company.
- 3.5 When the board has made decisions about which an independent non-executive director has serious reservations, he should draw all the appropriate consequences from this. If he were to resign, he should explain his reasons in a letter to the board or the audit committee, and – where appropriate – to any relevant body external to the company.

#### **4. THE RESPONSIBILITIES OF THE BOARD**

##### **Main principle**

The board has the first level responsibility of executing the four basic roles of corporate governance namely; accountability, monitoring, strategy formulation and policy development.

##### **Supporting principles**

- (i) The Board should:
  - (a) regularly review and evaluate corporate strategy, major operational and financial plans, risk policy, performance objectives and monitor

implementation and corporate performance within the parameters of all relevant laws, regulations and codes of best business practice.

- (b) apply high ethical standards and take into account the interests of stakeholders. Its members should act:
    - (i) responsibly for exercising independent objective judgment with the highest degree of integrity; and
    - (ii) on a fully informed basis in good faith with due diligence, and in the best interests of the Company and the shareholders.
  - (c) recognise that the company's success depends upon its relationship with all groups of its stakeholders, including employees, suppliers, customers and the wider community in which the company operates. The board should maintain an effective dialogue with such groups in the best interests of the company;
  - (d) monitor the application by management of its policies;
  - (e) recognise and support enterprise and innovation within the management of the company. The board should examine how best to motivate Company management.
- (ii) A balance between enterprise and control in the company should be struck by the board.

## **Code provisions**

- 4.1 The board should ensure that its level of power is known by all Directors and the senior management of the company. Any delegation of responsibilities and functions should also be clear and unequivocal. Independently of any powers and functions that the Directors may from time to time validly delegate to management, it remains a fundamental responsibility of Directors to monitor effectively the implementation of strategy and policy by management.
- 4.2 The board should:
- 4.2.1 define in clear and concise terms, the company's strategy, policies, management performance criteria and business policies which can be measured in a precise and tangible manner;
  - 4.2.2 establish a clear internal and external reporting system so that the board has continuous access to accurate, relevant and timely information such that the board can discharge its duties, exercise objective judgment on corporate affairs and take pertinent decisions to ensure that an informed assessment can be made of all issues facing the board;
  - 4.2.3 establish an Audit Committee in terms of Capital Markets Rules 5.117 – 5.134;
  - 4.2.4 continuously assess and monitor the company's present and future operations, opportunities, threats and risks in the external environment and current and future strengths and weaknesses;
  - 4.2.5 evaluate the management's implementation of corporate strategy and financial objectives. The strategy, processes and policies adopted for implementation should be regularly reviewed by the board using key performance indicators so that corrective measures can be taken to

- address any deficiencies and ensure the future sustainability of the enterprise;
  - 4.2.6 ensure that the Company has appropriate policies and procedures in place to assure that the Company and its employees maintain the highest standards of corporate conduct, including compliance with applicable laws, regulations, business and ethical standards;
  - 4.2.7 develop a succession policy for the future composition of the board of Directors and particularly the executive component thereof, for which the Chairman should hold key responsibility.
- 4.3 The Board should organise regular information sessions to ensure that Directors are made aware of, inter alia;
- 4.3.1 their statutory and fiduciary duties;
  - 4.3.2 the company's operations and prospects;
  - 4.3.3 the skills and competence of senior management;
  - 4.3.4 the general business environment; and
  - 4.3.5 the board's expectations.
- 4.4 The board should assess regularly any circumstances, whether actual or potential, that could expose the Company or its Directors to risk, and take appropriate action.
- 4.5 The business risk and key performance indicators should be benchmarked against industry norms so that the company's performance can be effectively evaluated.
- 4.6 The board shall require management to constantly monitor performance and report to its satisfaction, at least on a quarterly basis, fully and accurately on the key performance indicators.
- 4.7 The board shall ensure that the financial statements of the Company and the annual audit thereof are completed within the stipulated time periods.

## **5. BOARD MEETINGS**

### **Main principle**

The board should meet regularly to discharge its duties effectively. Board members should be given ample opportunity during meetings to discuss issues set on the board agenda and convey their opinions.

### **Supporting principles**

- (i) The Chairman is primarily responsible for the efficient working of the board. He must ensure that all relevant issues are on the agenda supported by all available information.
- (ii) The board agenda should strike a balance between long-term strategic and shorter-term performance issues.

- (iii) In conducting board meetings, the Chairman should facilitate and encourage the presentation of views pertinent to the subject matter and should give all Directors every opportunity to contribute to relevant issues on the agenda.

### **Code provisions**

- 5.1 The board should set procedures to determine the frequency, purpose, conduct and duration of meetings and meet regularly in line with the nature and demands of the company's business.
- 5.2 The attendance of board members should be reported to shareholders at annual general meetings.
- 5.3 Notice of the dates of the forthcoming meetings together with the supporting material should be circulated well in advance to the Directors so that they have ample opportunity to appropriately consider the information prior to the next scheduled board meeting. Advance notice should be given of ad hoc meetings of the board to allow all Directors sufficient time to re-arrange their commitments in order to be able to participate.
- 5.4 After each board meeting and before the next meeting, minutes that faithfully record attendance and decisions should be prepared and should be circulated to all Directors as soon as practicable after the meeting.

## **6. INFORMATION AND PROFESSIONAL DEVELOPMENT**

### **Main principle**

The board should:

- appoint the Chief Executive Officer;
- actively participate in the appointment of senior management;
- ensure that there is adequate training in the Company for Directors, management and employees;
- establish a succession plan for senior management; and
- ensure that all Directors are supplied with precise, timely and clear information so that they can effectively contribute to board decisions.

### **Supporting principles**

- (i) Boards should actively consider the establishment and implementation of appropriate schemes to recruit, retain and motivate high quality executive officers and the management team.
- (ii) The Chairman should ensure that Board members continually update their skills and the knowledge and familiarity with the Company required to fulfil their role both on the board and on board committees. The Company should provide the

necessary resources for developing and updating its directors' knowledge and capabilities.

- (iii) Under the direction of the Chairman, the company secretary's responsibilities include ensuring good information flows within the board and its committees and between senior management and non-executive directors, as well as facilitating induction and assisting with professional development as required.
- (iv) The company secretary should be responsible for advising the board through the chairman on all governance matters.

### **Code provisions**

- 6.1 All new Directors should be offered a tailored induction programme on joining the board which covers to the extent necessary the company's organization and activities and his responsibilities as a Director.
- 6.2 The board should ensure that the Directors, especially non-executive Directors, have access to independent professional advice at the Company's expense where they judge it necessary to discharge their responsibilities as directors. Committees should be provided with sufficient resources to undertake their duties.
- 6.3 All Directors should have access to the advice and services of the company secretary, who is responsible to the board for ensuring that board procedures are complied with.
- 6.4 The Chief Executive Officer should ensure that systems are in place:
  - 6.4.1 to provide for the development and training of the management and employees generally so that the Company remains competitive;
  - 6.4.2 to provide additional training for individual Directors where necessary;
  - 6.4.3 to monitor management and staff morale; and
  - 6.4.4 to establish a succession plan for senior management.
- 6.5 The Chief Executive Officer should be responsible for the recruitment and appointment of senior management.

## **7. EVALUATION OF THE BOARD'S PERFORMANCE**

### **Main principle**

The board should undertake an annual evaluation of its own performance and that of its committees.

### **Code provisions**

- 7.1 The board should appoint a committee chaired by a non-executive Director in order to carry out a performance evaluation of its role.

- 7.2 The committee is to report directly to the Chairman who should act on the results of the performance evaluation process in order to ascertain the strengths and to address the weaknesses of the board and to report to the board and, where appropriate, to the Annual General Meeting.
- 7.3 The non-executive Directors should be responsible for the evaluation of the Chairman, taking into account the views of the executive directors.
- 7.4 As part of the disclosure requirements in the annual report, the board should provide adequate information about its internal organization and including an indication of the extent to which the self-evaluation of the board has led to any material changes in the company's governance structures and organization.

## **8. COMMITTEES**

### **A Remuneration Committee**

For the purposes of this section the term "senior executive" shall mean any person reporting directly to the Board of Directors.

#### **Main principle**

The board should establish a remuneration policy for Directors and senior executives. It should also set up formal and transparent procedures for developing such a policy and for establishing the remuneration packages of individual Directors.

#### **Supporting principles**

- (i) The role of the Remuneration Committee referred to below is to devise the appropriate packages needed to attract, retain and motivate Directors, whether executive or not, as well as senior executives with the right qualities and skills for the proper management of the company. It should, however, avoid paying more than is necessary to secure the people with the appropriate skills and qualities. In carrying out this function the Remuneration Committee should judge where to position its Company relative to other companies in the marketplace.
- (ii) The Remuneration Committee's main duties are:
- (a) to make proposals to the board on the remuneration policy for Directors and senior executives;
  - (b) to make proposals to the board on the individual remuneration to be attributed to executive Directors, ensuring that they are consistent with the remuneration policy adopted by the Company and the evaluation of the performance of the Directors concerned;
  - (c) to monitor the level and structure of remuneration of the non-executive Directors on the basis of adequate information provided by the executive or managing Directors;
- (iii) The Committee:



- (a) may consult the Chairman and/or the Chief Executive Officer about proposals relating to the remuneration of other executive Directors;
  - (b) may avail itself of consultants who may be useful in providing the necessary information on market standards for remuneration systems; and
  - (c) should be responsible for establishing the selection, appointing and setting the terms of reference for any consultants who advise the Committee.
- (iv) No member of the Remuneration Committee shall be present while his remuneration is being discussed at a meeting of such Committee.

### **Code provisions**

- 8.A.1 The board of Directors should establish a Remuneration Committee composed of non-executive Directors with no personal financial interest other than as shareholders in the company, one of whom shall be independent and shall chair the Committee.
- 8.A.2 Where, however, the remuneration of Directors is not performance-related, the functions of the Remuneration Committee may be carried out by the board and in such case any reference to such Committee in this section shall be construed as a reference to the board of directors. For the purposes of this supporting principle “performance-related” remuneration includes share options and pension benefits, profit sharing arrangements and any other emolument payable to the Directors that is related to the performance of the Company in question.
- 8.A.3 The Remuneration Committee shall prepare a report which forms part of the annual report providing information regarding its membership, the number of meetings held, the attendance over the year and its main activities.
- 8.A.4 The annual report should contain a “Remuneration Statement” which discloses at least the following information:
- 8.A.4.1 the current remuneration policy of the Company, including profit-sharing, share options and pension benefits, as well as specific arrangements relating to the disclosure of information on performance, highlighting any significant changes in the Company’s remuneration policy as compared to the previous financial year as well as any changes that the Company intends to effect in its remuneration policy for the following financial year;
  - 8.A.4.2 an explanation of the relative importance of the variable and non-variable components of directors’ and/or senior executives’ remuneration;
  - 8.A.4.3 sufficient information on the performance criteria on which any entitlement to share options, shares or variable components of remuneration is based;
  - 8.A.4.4 sufficient information on the linkage between remuneration and performance;

- 8.A.4.5 the main parameters and rationale for any annual bonus scheme and any other non-cash benefits;
- 8.A.4.6 a description of the main characteristics of supplementary pension or early retirement schemes for Directors and/or senior executives;
- 8.A.4.7 a summary and an explanation of the Company's policy with regard to the terms and conditions of the contracts of executive Directors and senior executives including information on the duration of such contracts, the applicable notice periods and details of provisions for termination payments and other payments linked to early termination under the said contracts;
- 8.A.4.8 the total emoluments, whether in cash or otherwise, received by Directors from the Company or any other undertaking of the Group of which the Company forms part;
- 8.A.4.9 the total emoluments, whether in cash or otherwise, received by senior executives from the Company or any other undertaking of the Group of which the Company forms part;
- 8.A.4.10 the compensation paid or receivable by each former executive Director in connection with the termination of his activities during that financial year;
- 8.A.4.11 the compensation paid or receivable by each former senior executive in connection with the termination of his activities during that financial year;
- 8.A.4.12 with respect to shares and/or rights to acquire share options and/or all other share-incentive schemes:-
  - 8.A.4.12.1 the number of share options offered or shares granted by the Company or any other undertaking of the group of which the Company forms part during the relevant financial year and their conditions of application;
  - 8.A.4.12.2 the number of share options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year;
  - 8.A.4.12.3 the number of share options unexercised at the end of the financial year, their exercise price, the exercise date and the main conditions for the exercise of the rights; and
  - 8.A.4.12.4 any change in the terms and conditions of existing share options occurring during the financial year; and
- 8.A.4.13 with respect to supplementary pension schemes:-
  - 8.A.4.13.1 when the pension scheme is a defined-benefit scheme, changes in the accrued benefits under that scheme during the relevant financial year; and
  - 8.A.4.13.2 when the scheme is a defined-contribution scheme, details of the total contributions paid or payable by the Company or any other undertaking of the Group of

which the Company forms part during the relevant financial year.

- 8.A.5 The company shall report separately on Code Provisions 8.A.4.8 and 8.A.4.9, and, in doing so, it shall divide the part dealing with the emoluments of directors and the other dealing with the emoluments of senior executives into four sections entitled “fixed remuneration”, “variable remuneration”, “share options” and “others”. The company may also provide an explanation on which items fall under one of the four categories of emoluments referred to herein.
- 8.A.6 Without prejudice to the requirements of Code Provision 8.A.2 the disclosure of any information in the Remuneration Statement shall not oblige the Company to disclose commercially sensitive information.

## **B Nomination Committee**

### **Main principle**

There should be a formal and transparent procedure for the appointment of new directors to the board. The procedure shall ensure, inter alia, adequate information on the personal and professional qualifications of the candidates.

### **Supporting principles**

- (i) Appointments to the board should be made on merit and against objective criteria. Care should be taken to ensure that appointees have enough time available to devote to the job. This is particularly important in the case of chairmanships.
- (ii) The functions of the Nomination Committee referred to below shall be:
- (a) to propose to the board candidates for the position of director, including those persons that are considered to be independent in terms of supporting principle (vii) under Principle 3, taking into account any recommendations in this regard received from shareholders;
  - (b) to periodically assess the structure, size, composition and performance of the board and make recommendations to the board with regard to any changes;
  - (c) to properly consider issues related to succession planning; and
  - (d) to review the policy of the Board for selection and appointment of senior management.
- (iii) The board of the company shall determine the terms of reference of the Nomination Committee.
- (iv) In performing its duties, the Nomination Committee should be able to use any forms of resources it deems appropriate, including external advice or advertising, and should receive appropriate funding from the company to this effect.

- (v) The Nomination Committee may invite Directors other than the committee members, Officers of the company or experts to attend meetings where appropriate to assist in the effective discharge of its duties.
- (vii) Whilst the Nomination Committee should try to achieve consensus on the recommendations it makes to the board, where such consensus cannot be achieved, decisions shall be made by a majority vote. In the event that a member or members of the Committee dissent(s) with the majority view on any particular matter, that member or member(s) (as the case may be) shall be entitled to make a dissenting report to the board setting out the reasons as to why they dissent from the majority opinion expressed in the Committee's recommendations.

### **Code provisions**

- 8.B.1 The board should establish a Nomination Committee to lead the process for board appointments and to make recommendations to it. Such committee should be composed entirely of Directors of the company. The majority of the members of the Nomination Committee shall be non-executive Directors, at least one of whom shall be independent.
- 8.B.2 No member of the Nomination Committee shall be present while his nomination as a director of the Company is discussed at a meeting of such Committee.
- 8.B.3 For any new appointment to the board, the skills, knowledge and experience already present and those needed on the board should be evaluated and, in the light of that evaluation, a description of the role and skills, experience and knowledge needed should be prepared by the Nomination Committee.
- 8.B.4 With respect to the appointment of the chairman, the Nomination Committee should prepare a job specification, including an assessment of the time commitment expected. A chairman's other significant commitments should be disclosed to the board before appointment and any changes to such commitments should be reported to the board as they arise.
- 8.B.4A The letter of appointment issued to non-executive Directors should set out the expected time commitment and non-executive Directors should undertake that they will have sufficient time to meet what is expected of them. Their other significant commitments should be disclosed to the board before appointment, with a broad indication of the time involved and subsequent changes should be notified to the board.
- 8.B.5 Any proposal for the appointment of a director by the general meeting of shareholders should be accompanied by a recommendation from the board, based on the advice of the Nomination Committee.
- 8.B.6 The lists of candidates to the office of director, accompanied by exhaustive information on the expertise and professional qualifications of the candidates with an indication, where appropriate, of their eligibility to qualify as independent and competent in accounting and/or auditing, shall be deposited at the Company's registered office at least fourteen (14) days prior to the date fixed for the Annual General Meeting.

- 8.B.7 A separate section of the annual report should describe the work of the Nomination Committee, including the process it has used in relation to board appointments.
- 8.B.8 The Nomination Committee shall periodically assess the skills, knowledge and experience of individual directors, and report on this to the board.

## **9. RELATIONS WITH SHAREHOLDERS AND WITH THE MARKET**

### **Main principle**

The board shall serve the legitimate interests of the company, account to shareholders fully and ensure that the Company communicates with the market effectively. The board should as far as possible be prepared to enter into a satisfactory dialogue with institutional shareholders and market intermediaries based on the mutual understanding of objectives. The board shall use the general meeting to communicate with shareholders.

### **Supporting principles**

- (i) The Company should provide the market with regular, timely, accurate, comprehensive and comparable information in sufficient detail to enable investors to make informed investment decisions.
- (ii) Communication with the market is crucial for Listed Companies and the integrity of the market itself. The board should ensure that long-term strategic decisions are communicated where the Directors consider these to be in the best interests of the company.
- (iii) The board should endeavour to protect and enhance the interests of both the Company and its shareholders, present and future. The Chairman should ensure that the views of shareholders are communicated to the board as a whole.
- (iv) The board should:
  - (a) always ensure that all holders of each Class of capital are treated fairly and equally; and
  - (b) act in the context that its shareholders are constantly changing and, consequently, decisions should take into account the interests of future shareholders as well.
- (v) Shareholders must appreciate the significance of participation in the general meetings of the Company and particularly in the election of Directors. They should continue to hold Directors to account for their actions, their stewardship of the company's assets and the performance of the company.
- (vi) The agenda for general meetings of shareholders and the conduct of such meetings must not be arranged in a manner to frustrate valid discussion and decision-taking.
- (vii) Whilst recognising that most shareholder contact is with the Chief Executive Officer and finance Director, the Chairman should maintain sufficient contact with major shareholders to understand their issues and concerns.

- (viii) The board should consider whether, from time to time, disclosure should be made by the Company to other stakeholders other than its shareholders.

### **Code provisions**

- 9.1 The Chairman should arrange for the chairmen of the audit, remuneration and nomination committees to be available to answer questions at the Annual General Meeting and for all directors to attend.
- 9.2 Minority shareholders should be able to call special meetings on matters of importance to the company. However a minimum threshold of share ownership, as established in the Memorandum or Articles of Association of the company, should be set up before a Group or an individual may call a special meeting.
- 9.3 Procedures should be established to resolve conflicts between minority shareholders and controlling shareholders. To resolve conflicts, there should be some mechanism, disclosed in the Company's Memorandum or Articles, to trigger arbitration.
- 9.4 Minority shareholders should be allowed to formally present an issue to the board of Directors.

## **10. INSTITUTIONAL SHAREHOLDERS**

The term 'institutional shareholders' should be interpreted widely and includes any person who by profession, whether directly or indirectly, takes a position in investments as principal, or Manager or holds funds for or on behalf of others and includes Custodians, banks, financial institutions, fund managers, stockbrokers, investment managers and others.

### **(A) Shareholder voting**

#### **Main principle**

Institutional shareholders have a responsibility to make considered use of their votes.

#### **Supporting principles**

- (i) Institutional shareholders have the knowledge and expertise to analyse market information and make their independent and objective conclusions of the information available. Their role in the market is to be perceived by individual investors as being a very significant one. Accordingly, institutional shareholders are expected to conduct themselves in an appropriate manner in the market and act as a more effective check on Listed Companies.
- (ii) Institutional shareholders should take an active role in the pursuit of the attainment of their voting objectives. They should work towards the adherence to principles of good governance without substituting themselves for the company's board and management.
- (iii) Institutional shareholders should make available to their clients, upon request, information on the proportion of resolutions on which votes were cast and non-discretionary proxies lodged.

- (iv) Institutional shareholders should use their best endeavours to attend Annual General Meetings. Companies and registrars should facilitate this.

## **(B) Evaluation of governance disclosures**

### **Main principle**

When evaluating the Company's governance arrangements, particularly those relating to board structure and composition, institutional shareholders should give due weight to all relevant factors drawn to their attention.

### **Supporting Principle**

Institutional shareholders should consider carefully the explanations given for departure from this Code and make reasoned judgements in each case. They should give an explanation to the Company, in writing where appropriate, and be prepared to enter a dialogue if they do not accept the Company's position. They should avoid a box-ticking approach to assessing a company's corporate governance. They should bear in mind in particular the size and complexity of the Company and the nature of the risks and challenges it faces.

## **11. CONFLICTS OF INTEREST**

### **Main principle**

Directors' primary responsibility is always to act in the interest of the Company and its shareholders as a whole irrespective of who appointed them to the board.

### **Supporting principles**

- (i) A Director should avoid conflicts of interest at all times and shall not accept a nomination if he is aware that he has an actual conflict of interest.
- (ii) The personal interests of a Director must never take precedence over those of the Company and its shareholders

### **Code provisions**

- 11.1 Should an actual or potential conflict arise during the tenure of a Directorship, a Director must disclose and record the conflict in full and in time to the board. A Director shall not participate in a discussion concerning matters in which he has a conflict of interest unless the board finds no objection to the presence of such Director. In any event, the Director shall refrain from voting on the matter. In certain circumstances it may be appropriate for the board to disclose in a public document that an actual conflict or potential conflict of interest has arisen.
- 11.2 A Director having a continuing material interest that conflicts with the interests of the Company, should take effective steps to eliminate the grounds for conflict. In the event that such steps do not eliminate the grounds for conflict then the Director should consider resigning.

- 11.3 Each Director should declare to the Company his or her interest in the share capital of the Company distinguishing between beneficial and non-beneficial interest and should only deal in such shares as allowed by law.

## **12. CORPORATE SOCIAL RESPONSIBILITY**

### **Main principle**

Directors should seek to adhere to accepted principles of corporate social responsibility in their day-to-day management practices of their company.

### **Supporting principles**

- (i) Corporate Social Responsibility is the continuing commitment by business entities to behave ethically and contribute to economic development while improving the quality of life of the work force and their families as well as of the local community and society at large. Being socially responsible means not only fulfilling legal expectations but also going beyond compliance and investing “more” into human capital, the environment and the relations with stakeholders.
- (ii) It is encouraged that Listed Companies take up initiatives aimed at augmenting investment in human capital, health and safety issues, and managing change, while adopting environmentally responsible practices related mainly to the management of natural resources used in the production process.
- (iii) Listed Companies are expected to act as corporate citizens in the local community and work closely with suppliers, customers, employees and public authorities.
- (iv) Listed Companies are encouraged to go through material relating to the theme of corporate social responsibility and keep abreast with initiatives being taken in the local and international scenario.



APPENDIX 5.2  
ARTICLES OF ASSOCIATION

Section	Description
1.	Directors
2.	Accounts
3.	Capital
4.	Dividends
5.	Transfers
6.	Borrowing Powers
7.	Notice of Meetings
8.	Winding - Up
9.	Alteration of Articles
10.	Proxy

1 *Directors*

- 1.1 All Directors of an Applicant shall be individuals.
- 1.2 Subject to such exceptions specified in the Articles of Association as the MFSA may approve, a Director shall not vote on any contract or arrangement or any other proposal in which he has a material interest.
- 1.3 An election of Directors shall take place every year. All Directors, except a Managing Director, shall retire from office once at least in each three (3) years, but shall be eligible for re-election.
- 1.4 The office of a Director shall become vacant should he become of unsound mind, is convicted of any crime punishable by imprisonment, or declared bankrupt during his term of office.
- 1.5 The maximum annual aggregate Emoluments as well as any increase of such Emoluments of the Directors shall be established pursuant to a resolution passed at a general meeting of an Issuer where notice of the proposed aggregate Emoluments and any increase has been given in the notice convening the meeting.
- 1.6 Any person appointed by the Directors to fill a casual vacancy or as an addition to the board will hold office only until the next following annual general meeting of the Issuer, and will be eligible for re-election.
- 1.7 An Issuer must give at least fourteen (14) days notice to its shareholders to submit names for the election of Directors. Notice to the Issuer proposing a person for election as a Director, as well as the latter's acceptance to be nominated as Director shall be given to the Issuer not less than fourteen (14) days prior to the date of the meeting appointed for such election.

2. *Accounts*

A printed copy of the profit and loss account and balance sheet including any Directors' report attached thereto, will, at least fourteen (14) days prior to the general meeting of the Issuer, be delivered or sent by post to every member and/or stockholder or holder of Securities in the Issuer.

3. *Capital*

3.1 The Issuer shall not issue Shares such that such issue would dilute a substantial interest without prior approval of the shareholders in general meeting.

3.2 Unless the shareholders approve in a general meeting, or as otherwise permitted under the Capital Markets Rules, no Director shall participate in an issue of Shares to employees.

3.3 Preference shareholders shall have the same rights as ordinary shareholders as regards receiving notices, reports and balance sheets, and attending general meetings of the Issuer.

3.4 Preference shareholders shall also have the right to vote at any general meeting of the Issuer convened for the purpose:

3.4.1 of reducing the capital of the Issuer; or

3.4.2 winding up of the Issuer; or

3.4.3 where the proposition to be submitted directly affects their rights and privileges; or

3.4.4 when the dividend on their Shares is in arrears by more than six (6) months.

4. *Dividends*

Any amount paid up in advance of calls on any Share may carry interest but will not entitle the holder of the Share to participate in respect of such amount in any dividend.

5. *Transfers*

There shall be no restriction on the right to transfer Securities which are authorised as Admissible to Listing.

6. *Borrowing Powers*

The scope of the borrowing powers of the Board of Directors shall be expressed.

7. *Notice of Meetings*

7.1 A general meeting of an Issuer shall be deemed not to have been duly convened unless at least fourteen (14) days' notice has been given to all shareholders in

writing, wherein is stated the place, date and hour of the meeting and in case of special business, the general nature of that business.

- 7.2 Any notice of the meeting called to consider extraordinary business shall be accompanied by a statement regarding the effect and scope of any proposed resolution in respect of such extraordinary business.

8 *Winding-Up*

- 8.1 The basis on which shareholders would participate in a distribution of assets on a winding-up shall be expressed.

- 8.2 On the voluntary liquidation of an Issuer, no commission or fees shall be paid to a liquidator unless it shall have been approved by shareholders. The amount of such payment shall be notified to all shareholders at least seven (7) days prior to the meeting at which it is to be considered

9. *Alteration of Articles*

Issuers whose Securities are authorised as Admissible to Listing shall not delete, amend or add to any of their existing Articles of Association, which have previously been authorised by the MFSA, unless prior written authorisation has been sought and obtained from the MFSA for such deletion, amendment or addition.

10. *Proxy*

An Issuer is required to design proxy forms in a manner which will allow a Shareholder of an Issuer to indicate how he/she would like his proxy to vote in relation to each resolution.

## CHAPTER 6

### Circulars

This chapter lists rules regarding Circulars and their issue.

- 6.1 An Issuer, having Equity Securities admitted to trading on a Regulated Market shall send an explanatory Circular to the holders of its Equity Securities in the following cases:
- 6.1.1 allotment of Equity securities;
  - 6.1.2 increase in the Issuer's authorised share capital;
  - 6.1.3 capitalisation or bonus issues;
  - 6.1.4 granting of scrip dividends;
  - 6.1.5 acquisition and resale by the Issuer of its own Equity Securities;
  - 6.1.6 redemption of Debt Securities;
  - 6.1.7 amendments to the Issuer's Memorandum and Articles of Association;
  - 6.1.8 Related Party transactions;
  - 6.1.9 a Class 2 transaction referred to in Capital Markets Rule 5.149.2;
  - 6.1.10 a merger;
  - 6.1.11 without prejudice to Capital Markets Rule 6.39, when notice of a meeting which includes any business, other than Ordinary Business at an annual general meeting, is sent to holders of Equity Securities;
  - 6.1.12 employee share schemes, the grant of share-based schemes, including share options, to Directors and any changes made to such schemes; and
  - 6.1.13 discounted option arrangements.

Provided that in the case of a circular issued in terms of Capital Markets Rule 6.1.6, such Circular shall also be sent to the holders of the Debt Securities being redeemed.

#### *Contents of all Circulars*

- 6.2 Any Circular sent by an Issuer to holders of its Equity Securities authorised as Admissible to Listing must:
- 6.2.1 contain the name, registered office and, if different, head office of the Issuer;
  - 6.2.2 provide a clear and adequate explanation of its subject matter giving due prominence to its essential characteristics, benefits and risks;
  - 6.2.3 if voting or other action is required, contain all information necessary to allow the holders of the Equity Securities to make a properly informed decision;
  - 6.2.4 if voting or other action is required, contain a heading drawing attention to the importance of the document and advising holders of Equity Securities who are in any doubt as to what action to take to consult appropriate independent advisers;
  - 6.2.5 where voting is required, contain a recommendation from the Directors of the Issuer as to the voting action holders of Equity Securities should take, indicating whether or not the proposal described in the Circular is, in the opinion of the Directors of the Issuer, in the best interests of the holders of Equity Securities as a whole;
  - 6.2.6 contain a declaration by its Directors in the following form (with appropriate modifications):  
“All the Directors of the Company, whose names appear on page [ ], accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors who have taken all reasonable care to ensure that such is the case the information contained in this document is in

accordance with the facts and does not omit anything likely to affect the import of such information.”;

- 6.2.7 state that where any or all of the Equity Securities have been sold or transferred by the addressee, the Circular and any other relevant documents, or copies thereof, should be passed to the person through whom the sale or transfer was effected for transmission to the purchaser or transferee;
- 6.2.8 not include any reference to a specific date on which Equity Securities will be marked “ex” any benefit or entitlement which has not been notified to the Regulated Market on which the Issuer’s Equity Securities are or are to be Admitted to Listing;
- 6.2.9 where the Issuer intends to issue Securities for which Admissibility to Listing will be sought, include a statement that application has been or will be made to one or more Regulated Markets for the relevant Securities to be Admitted to Listing and Trading thereon, or an appropriate negative statement and, if known, a statement of the following matters:
  - 6.2.9.1 the dates on which the Securities are expected to be Admitted to Listing and on which dealings are expected to commence on any Regulated Market;
  - 6.2.9.2 how the new Securities rank for dividend or interest;
  - 6.2.9.3 whether the new Securities rank pari passu with any existing Securities Admitted to Listing;
  - 6.2.9.4 the nature of the document of title;
  - 6.2.9.5 the proposed date of issue;
  - 6.2.9.6 the treatment of any fractions;
  - 6.2.9.7 whether or not the Security may be held in uncertificated form; and
  - 6.2.9.8 the names of the Regulated Markets on which Securities are or are to be Admitted to Listing;
- 6.2.10 where applicable include a statement whether or not all the Securities that will be issued by the Issuer are being offered in whole or in part to the public.
- 6.2.11 where a person is named in the Circular as having advised the Issuer or its Directors, contain a statement that such adviser has given and has not withdrawn its written consent to the inclusion of the reference to the adviser’s name in the form and context in which it is included and where a statement or report attributed to a person as an Expert is included in the Circular, contain a declaration that such statement or report is included, in the form and context in which it is included, with the consent of that person;
- 6.2.12 contain a statement that the following documents or certified copies thereof will be available for inspection at the Issuer’s registered office or principal place of business in Malta for at least fourteen (14) days from the date of publication of the Circular:
  - 6.2.12.1 the Memorandum and Articles of Association or other constitutive document of the Issuer;
  - 6.2.12.2 all reports, letters and other documents, valuations and statements by any Expert any part of which is reproduced or referred to in the Circular including any written consents from experts;
  - 6.2.12.3 the last Annual Financial Report and the half-yearly financial report, if any, of the Issuer; and

6.2.13 include a valuation report prepared by an independent Expert in compliance with the requirements of Chapter 7 of these Capital Markets Rules where the Issuer makes significant reference to the valuation of Property.

6.3 If another Capital Markets Rule provides that a Circular of a particular type must include specified information, that information is (unless the contrary intention appears) in addition to the information required under Capital Markets Rule 6.2.

#### *Formal Authorisation of Circulars*

6.4 A Circular other than:

6.4.1 the Circulars referred to in Capital Markets Rules 6.7 to 6.11, 6.14 to 6.16 and 6.36 to 6.40; or

6.4.2 a Circular relating only to a proposed change of name of the Issuer shall not be circulated or made available publicly until it has received the formal authorisation of the MFSA in final form.

6.5 To obtain the authorisation of the MFSA in terms of Capital Markets Rule 6.4, a copy of the relevant Circular must be submitted at least ten (10) Business Days prior to the intended publication date of such Circular:

6.6 Where a Circular submitted for authorisation is amended, a copy of the amended draft must be submitted, appropriately annotated, to show all the amendments so made.

#### *Authority to Allot Equity Securities*

6.7 A Circular in connection with a resolution proposing to grant the Directors of the Issuer authority to allot relevant Equity Securities must include:

6.7.1 a statement of the maximum amount of relevant Equity Securities which the Directors will have authority to allot and the percentage which that amount represents of the total ordinary share capital in issue as at a date not more than one (1) month prior to the date of the Circular;

6.7.2 a statement by the Directors as to whether they have any present intention of exercising the authority, and if so for what purpose; and

6.7.3 a statement as to when the authority will lapse.

#### *Increase in Issuer's Authorised Share Capital*

6.8 A Circular in connection with a resolution proposing to increase the Issuer's authorised share capital must include a statement of the proposed percentage increase in the authorised share capital of the relevant Class.

#### *Capitalisation or Bonus Issues*

6.9 A Circular in connection with a resolution proposing a capitalisation or bonus issue must include:

6.9.1 the record date;

6.9.2 details of the pro rata entitlement; and

6.9.3 a description of the nature and amount of reserves which are to be capitalised.

### *Scrip Dividends*

- 6.10 A Circular containing an offer to shareholders of the right to elect to receive Shares in lieu of all or part of a cash dividend must include:
- 6.10.1 a statement of the total number of Shares that would be issued if all eligible shareholders were to elect to receive Shares in respect of their entire shareholdings, and the percentage which that number represents of the Equity Shares in issue at the date of the Circular;
  - 6.10.2 details of the equivalent cash dividend forgone to obtain each Share or the basis of the calculation of the number of Shares to be offered in lieu of cash;
  - 6.10.3 a statement of the total cash dividend payable and applicable tax credit on the basis that no elections for the scrip dividend alternative are received;
  - 6.10.4 a statement of the date for ascertaining the Share price used as a basis for calculating the allocation of Shares;
  - 6.10.5 details of the pro rata entitlement;
  - 6.10.6 the record date; and
  - 6.10.7 a form of election relating to the scrip dividend alternative which:
    - 6.10.7.1 is worded so as to ensure that shareholders must elect positively in order to receive Shares in lieu of cash; and
    - 6.10.7.2 includes a statement that the right is non-transferable.
- 6.11 Any proposal whereby shareholders are entitled to complete a mandate in order to receive Shares in lieu of future cash dividends must include, in addition to the requirements set out in Capital Markets Rule 6.10.4:
- 6.11.1 the basis of the calculation of the number of Shares to be offered in lieu of cash;
  - 6.11.2 a statement of the last date for lodging notice of participation or cancellation in order for that instruction to be valid for the next dividend;
  - 6.11.3 details of when adjustment to the number of Shares subject to the mandate will take place;
  - 6.11.4 details of when cancellation of a mandate instruction will take place;
  - 6.11.5 a statement of whether or not the mandate instruction must be in respect of a shareholder's entire holding;
  - 6.11.6 the procedure for notifying shareholders of the details of each scrip dividend; and
  - 6.11.7 a statement of the circumstances, if known, under which the Directors may decide not to offer a scrip alternative in respect of any dividend.

### *Acquisition by Issuer of its own Shares*

- 6.12 A Circular in connection with a resolution proposing to give the Issuer authority to purchase its own Equity Securities must include the following information:
- 6.12.1 a statement of the Directors' intentions regarding utilisation of the authority sought;
  - 6.12.2 the method by which the Issuer intends to finance the acquisition and the number of Equity Securities to be acquired in that way;
  - 6.12.3 duration and timing of the proposed acquisition;



- 6.12.4 details regarding the maximum and minimum price to be paid;
- 6.12.5 the Issuer's intentions subsequent to acquisition namely whether Issuer intends to cancel the Equity Securities or hold them for re-sale; and
- 6.12.6 a statement showing the impact of the acquisition on the financial position of the Issuer, based on the assumption that the authority sought will be used in full at the maximum price allowed and this assumption must be stated.

*Resale by Issuer of its own Equity Securities*

- 6.13 A Circular in connection with a resolution proposing to give the Issuer authority to resell its own Equity Securities must include the following information:
  - 6.13.1 details regarding the maximum and minimum price at which the Equity Securities are to be sold;
  - 6.13.2 the number of Equity Securities which the Issuer intends to sell; and
  - 6.13.3 the duration and timing of the sale.

*Redemption of Debt securities*

- 6.14 A Circular in connection with a resolution proposing to redeem a listed Debt Security prior to its due date for redemption must include:
  - 6.14.1 an explanation of the reasons for the early redemption;
  - 6.14.2 a statement of the Market Values for the Debt Securities on the first dealing day in each of the six (6) months before the date of the Circular and on the latest practicable date prior to despatch of the Circular;
  - 6.14.3 a statement of any interests of any Director in the Debt Securities;
  - 6.14.4 if there is a trustee, or other representative, of the holders of the Debt Securities to be redeemed, a statement that the trustee, or other representative, has given its consent to the issue of the Circular or stated that it has no objection to the resolution being put to a meeting of the holders of the Debt Securities;
  - 6.14.5 the timetable for redemption; and
  - 6.14.6 an explanation of the procedure to be followed by the holders of the Debt Securities.
- 6.15 The Circular must not contain specific advice as to whether or not to accept the proposal for redemption.

*Amendments to the Memorandum and Articles of Association*

- 6.16 The Circular referred to in Capital Markets Rule 5.147 must comply with the relevant requirements of Capital Markets Rule 6.2 and must include:
  - 6.16.1 the full terms of the text of the resolution; and
  - 6.16.2 an explanation of the effect of the proposed amendments.

*Related Party Circular*

- 6.17 The Circular referred to in Capital Markets Rule 5.142.2 must include:
  - 6.17.1 in the case of a transaction where the Related Party is (or was within the 12 months before the transaction) a Director, or a Connected Person of a

Director, of the Issuer (or any other Group Company) the information specified by the following Capital Markets Rules in respect of that Director:

- 6.17.1.1 a statement showing the interest of each Director of the Issuer or a Connected Person of such Director in the Share Capital of the Issuer or any member of the Group distinguishing between beneficial and non-beneficial interests, or an appropriate negative statement;
  - 6.17.1.2 all relevant particulars regarding the nature and extent of any interests of Directors of the Issuer in transactions which are or were unusual in their nature or conditions or significant to the business of the Group, and which were effected by the Group during the current or immediately preceding Financial Year or during an earlier Financial Year and remain in any respect outstanding or unperformed or an appropriate negative statement;
  - 6.17.1.3 the total of any outstanding loans granted by any member of the Group to the Directors of the Issuer and also any guarantees provided by any member of the Group for their benefit.
- 6.17.2 full particulars of the transaction, including the name of the Related Party concerned and of the nature and extent of the interest of such party in the transaction;
  - 6.17.3 a statement by the Directors (other than any Director who is a Related Party, or who is a Director of a Related Party, in respect of the transaction) that the transaction is fair and reasonable so far as the shareholders of the Issuer are concerned and that the Directors have been so advised by an independent adviser acceptable to the MFSA;
  - 6.17.4 where applicable, a statement that the Related Party will abstain from voting at the meeting;
  - 6.17.5 if the transaction also falls within Capital Markets Rule 5.149.2, the information required by Capital Markets Rules 6.18 to 6.26, unless already covered by this section;
  - 6.17.6 details of any other transactions entered into by the Issuer (or any of its Subsidiary Undertakings) with the same Related Party;
  - 6.17.7 the fact that the audit committee has not approved the proposed related party transaction together with the reasons thereto; and
  - 6.17.8 an explanation by the Issuer as to why it wishes to enter into the related party transaction notwithstanding the non-approval of the audit committee.

*Circular relating to acquisitions and realisations*

- 6.18 The Circular that is required to be sent by an Issuer to its shareholders in terms of Capital Markets Rule 5.163.2 (hereinafter referred to as a “Class 2 Circular”) must contain:
  - 6.18.1 the information given in the Company Announcement issued in terms of Capital Markets Rule 5.164, unless already provided elsewhere in the Circular;
  - 6.18.2 a summary of the principal commercial terms of the transaction including any conditions that need to be satisfied for the closure of the transaction;
  - 6.18.3 a statement of the effect of the acquisition or disposal on the earnings, assets, liabilities and trading prospects of the Issuer and, where applicable, the Group, together with a statement setting out any special trade factors or risks;

- 6.18.4 in the case of an acquisition of an interest in an Undertaking, the financial information required by Capital Markets Rules 6.19 to 6.26;
- 6.18.5 in the case of an acquisition or disposal of an asset other than an Undertaking, an asset valuation report prepared by an independent expert valuer containing a description of such asset, the method of valuation that has been used as well as a statement that the consideration paid by the Issuer is equal to the value of the said asset;
- 6.18.6 in the case of an acquisition or disposal of Property or of a Property Company which is not listed, a valuation report prepared by an independent Expert in compliance with the requirements of Chapter 7 of these Capital Markets Rules;
- 6.18.7 in so far as is known to the Issuer, the name of any person other than a Director of the Issuer who, directly or indirectly, currently owns or will, as a result of the transaction, own five percent (5%) or more of the Issuer's capital, together with the amount of each such person's ownership or, if there are no such persons, an appropriate negative statement;
- 6.18.8 information on any legal or arbitration proceedings of the Undertaking or the asset which is the subject of the transaction (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have a significant effect on the Issuer and/or the Group's financial position, or an appropriate negative statement;
- 6.18.9 a description of any significant change in the financial or trading position of the Issuer or, where applicable, of the Group, and of the Undertaking the subject of the transaction, which has occurred since the end of the last Financial Year for which either audited financial statements or interim financial statements have been published, or an appropriate negative statement;
- 6.18.10 a statement showing any interest that a Director within the Issuer or the Group, or a Connected Person of such Director, may have in the transaction to be entered into by the Issuer, or any advantages (including any shares that may be issued to him) that such persons may derive from the transaction;
- 6.18.11 a statement that the the documents referred to in Capital Markets Rules 6.2.12.1 to 6.2.12.3 ,or certified copies thereof, in respect of the Undertaking the subject of the transaction will be available for inspection at the Issuer's registered office or principal place of business in Malta for at least fourteen (14) days from the date of publication of the Circular;
- 6.18.12 if the total Emoluments receivable by the Directors of the Issuer will be varied as a result of the transaction, full particulars of the variation; if there will be no variation, a statement to that effect;

*Financial Information in a Class 2 Circular*

- 6.19 If an Issuer is required to prepare a Class 2 Circular for the purposes of the transaction referred to in Capital Markets Rule 6.18.4, such circular is to contain selected financial information regarding the Undertaking the subject of the transaction and its Subsidiary Undertakings, if any, (hereinafter collectively referred to as the "target"). The selected financial information must provide the key figures that summarise the financial condition of the target.
- 6.20 The selected financial information referred to in Capital Markets Rule 6.19 must cover a period of three (3) Financial Years up to the end of the latest financial period for which the target or its parent has prepared its Annual Financial Statements or a lesser period if the target has been in operation for less than three (3) years.

- 6.21 Where the target is obliged to prepare audited financial statements, the selected financial information should be extracted from such audited financial statements.
- 6.22 If the Class 2 Circular is dated more than nine (9) months after the end of the last audited Financial Year, it must contain interim financial information, which may be unaudited (in which case that fact must be stated) covering at least the first six (6) months of the Financial Year. Such interim financial information must include comparative data from the same period in the prior Financial Year, except that the requirement for comparative balance sheet information may be satisfied by presenting the yearend balance sheet information.

*Profit forecasts and profit estimates*

- 6.23 If an Issuer chooses to include a profit forecast or a profit estimate in a class 2 Circular, it must comply with the requirements for a profit forecast or profit estimate set out in Building Block 13 of Annex I of EC Regulation 809/2004.
- 6.24 Where the Issuer prepares consolidated Annual Financial Statements, the profit forecast or profit estimate must be prepared on a consolidated basis.

*Pro forma financial information*

- 6.25 If an Issuer chooses to include pro forma financial information in a class 2 Circular, such information must be presented in the manner laid down by Building Block 20.2 of Annex I and by Annex II of EC Regulation 809/2004.
- 6.26 Capital Markets Rule 6.25 shall be without prejudice to the right of the MFSA to request the insertion of pro forma financial information in a class 2 Circular should the circumstances so require.

*Mergers*

- 6.27 For the purposes of this section:
- “company being acquired” means the company or companies whose assets and liabilities are wholly acquired by another Company and which, upon the coming into effect of a merger, is or are dissolved without having to be wound up;
- “merging Companies” means two or more Companies which deliver all their assets and liabilities to a newly formed Company.
- 6.28 A Circular in connection with a resolution for the approval of a merger of the Issuer with another company or companies shall include:
- 6.28.1 a summary of the principal commercial terms of the merger including any conditions that need to be satisfied for the effectiveness and validity of the merger;
- 6.28.2 a statement of the effect of the merger on the earnings, assets, liabilities and trading prospects of the company resulting from the merger and, where applicable, the Group, together with a statement setting out any special trade factors or risks;
- 6.28.3 the financial information required by Capital Markets Rules 6.29 to 6.35;
- 6.28.4 in so far as is known to the Issuer, the name of any person other than a Director of the Issuer who, directly or indirectly, currently owns own five percent (5%) or more of the capital of the Issuer, or will, as a result of the

- merger, own five percent (5%) or more of the Company resulting from the merger, together with the amount of each such person's ownership or, if there are no such persons, an appropriate negative statement;
- 6.28.5 information on any legal or arbitration proceedings of the company being acquired or of the merging companies (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have a significant effect on the company resulting from the merger and/or the Group's financial position, or an appropriate negative statement;
- 6.28.6 a description of any significant change in the financial or trading position of the Issuer or, where applicable, of the Group, and of the company being acquired or of the merging companies, as the case may be, which has occurred since the end of the last Financial Year for which either audited financial statements or interim financial statements have been published, or an appropriate negative statement;
- 6.28.7 a statement showing any interest that a Director within the Issuer or the Group, or a Connected Person of such Director, may have in the merger, or any advantages (including any shares that may be issued to him) that such persons may derive from the merger;
- 6.28.8 a statement that the documents referred to in Capital Markets Rules 6.2.12.1 to 6.2.12.3, or certified copies thereof, in respect of the Company being acquired or the merging companies will be available for inspection at the registered office or principal place of business in Malta of the respective companies for at least fourteen (14) days from the date of publication of the Circular;
- 6.28.9 if the total Emoluments receivable by the Directors of the Issuer will be varied as a result of the merger, full particulars of the variation; if there will be no variation, a statement to that effect;
- 6.28.10 the intentions of the acquiring company or the merging companies, as the case may be:
- 6.28.10.1 for the continuance of the business of the Company resulting from the merger explaining any major changes intended to be introduced in the business, including the redeployment of fixed assets of the company resulting from the merger and setting out the long term commercial justification for the proposed merger; and
- 6.28.10.2 for the continued employment of the existing employees of the company being acquired or the merging companies, as the case may be, setting out the extent of any steps to be taken towards terminating such employment;
- 6.28.10.3 in respect of the Admissibility to Listing or otherwise of the Securities of the acquiring company or of the company resulting from the merger, and
- 6.28.11 a statement as to the rights of the dissenting shareholders.

*Financial Information to be included in a Circular relating to a merger*

- 6.29 In addition to the information referred to in Capital Markets Rule 6.28, a Circular issued in connection with a merger is to contain selected financial information regarding the company being acquired or the merging companies, as the case may be. The selected financial information must provide the key figures that summarise the financial condition of the company being acquired or the merging companies.
- 6.30 The selected financial information referred to in Capital Markets Rule 6.29 must cover a period of three (3) Financial Years up to the end of the latest financial period for which the Company being acquired or the merging companies have prepared their Annual

Financial Statements or a lesser period if the said companies have been in operation for less than three (3) years.

6.31 Where the company being acquired or the merging companies are obliged to prepare audited financial statements, the selected financial information should be extracted from such audited financial statements.

6.32 If the Circular is dated more than nine (9) months after the end of the last audited Financial Year, it must contain interim financial information, which may be unaudited (in which case that fact must be stated) covering at least the first six (6) months of the Financial Year. Such interim financial information must include comparative data from the same period in the prior Financial Year, except that the requirement for comparative balance sheet information may be satisfied by presenting the year end balance sheet information.

*Profit forecasts and profit estimates*

6.33 If a profit forecast or a profit estimate is included in the Circular referred to in Capital Markets Rule 6.28, the requirements for a profit forecast or profit estimate set out in Building Block 13 of Annex I of EC Regulation 809/2004 must be complied with.

*Pro forma financial information*

6.34 If pro forma financial information is included in the Circular referred to in Capital Markets Rule 6.28, such information must be presented in the manner laid down by Building Block 20.2 of Annex I and by Annex II of EC Regulation 809/2004,

6.35 Capital Markets Rule 6.34 shall be without prejudice to the right of the MFSA to request the insertion of pro forma financial information in a Circular prepared in terms of Capital Markets Rule 6.28 should the circumstances so require.

*Employee share schemes and share-based schemes granted to Directors*

6.36 A Circular issued to shareholders in connection with the approval of an employee share scheme or a Directors' share-based scheme shall:

6.36.1 include either the full text of the scheme or a description of its principal terms including provisions relating to the matters referred to in Capital Markets Rules 5.268; and

6.36.2 if the scheme is not circulated to shareholders, include a statement that it will be available for inspection:

6.36.2.1 from the date of the dispatch of the Circular until the close of the relevant general meetings, or, if later for at least fourteen (14) days at the registered or head office of the Issuer ; and

6.36.2.2 at the place of the general meeting for at least fifteen (15) minutes prior to and during the meeting.

*Amendments to employee share schemes or share-based schemes granted to Directors*

6.37 A Circular issued to shareholders in connection with any proposed amendments to an employee share scheme or a share-based scheme granted to directors (if the scheme would require Shareholder approval in terms of Capital Markets Rule 5.265) shall:

6.37.1 include an explanation of the effect of the proposed amendments; and

6.37.2 include the full terms of the proposed amendments, or a statement that the full text of the scheme as amended will be available for inspection as required in Capital Markets Rule 6.36.2.

*Discounted option arrangements*

- 6.38 A Circular issued to shareholders in connection with the approval of discounted option arrangements shall contain:
- 6.38.1 details of the persons to whom the options, warrants or rights are to be granted; and
  - 6.38.2 a summary of the principal terms of the said options, warrants or rights.

*Miscellaneous*

- 6.39 Whenever holders of Equity Securities authorised as Admissible to Listing are sent a notice of meeting which includes any business, other than Ordinary Business at an annual general meeting, an explanatory Circular must accompany the notice. If such other business is to be considered at or on the same day as an annual general meeting, the explanation may be incorporated in the Directors' report.
- 6.40 A Circular or other document convening an annual general meeting need not comply with Capital Markets Rules 6.2.3, 6.2.4, 6.2.5 and 6.2.7

*Lodging of Circulars*

- 6.41 A copy of any Circular in its final form (whether or not it is required to be submitted to the MFSA for authorisation) must be lodged with the MFSA at the same time as it is circulated to the shareholders or other security holders as applicable
- 6.42 Where the Circular, or the transaction or matter to which it relates, has unusual features the MFSA must be consulted at an early stage. If there is doubt about whether something is unusual, reference should be made to the MFSA.

CHAPTER 7  
Property Companies

This chapter defines and sets out the Capital Markets Rules for Property Companies.



## *General*

- 7.1 Where an Applicant or an Issuer is a Property Company it shall comply with the Capital Markets Rules contained in this Chapter in addition to all other applicable Capital Markets Rules. Other Issuers which own Property or which carry out certain Property-related transactions must comply with this Chapter where appropriate.

### *Requirement for a valuation report*

- 7.2 Where a valuation is required under Capital Markets Rules 4.2.14, 6.2.13 or 6.18.6, the Prospectus or Circular must include, where appropriate, a statement reconciling the valuation figure with the equivalent figure included in the Issuer's latest published Annual Accounts.

### *Independence of Valuer*

- 7.3 The valuation report referred to in Capital Markets Rules 4.2.14, 6.2.13 or 6.18.6 must be prepared by a competent and independent Expert unless otherwise authorised by the MFSA. The MFSA may permit the valuation to be carried out by the Issuer's internal valuer.

### *Valuation report*

#### *Contents of Valuation Report*

- 7.4 The valuation report to be included in the Prospectus or Circular in terms of Capital Markets Rules 4.2.14, 6.2.13 or 6.18.6 shall:
- 7.4.1 contain the following details which should be summarised in respect of each Property:
    - 7.4.1.1 the address;
    - 7.4.1.2 nature of valuer's inspection;
    - 7.4.1.3 a brief description (e.g. land or buildings, approximate site and floor areas);
    - 7.4.1.4 existing use (e.g. shops, offices, factories, residential);
    - 7.4.1.5 relevant planning permissions;
    - 7.4.1.6 any material contravention of statutory requirements;
    - 7.4.1.7 tenure (i.e. freehold, leasehold, emphyteutical grant, etc providing unexpired term);
    - 7.4.1.8 main terms of tenants' leases or sub-leases (including repairing obligations);
    - 7.4.1.9 approximate age of any buildings;
    - 7.4.1.10 present capital value in existing state;
    - 7.4.1.11 terms of any intra-Group lease on Property occupied by the Group (identifying the Properties) to the extent that such leases are taken into account in the valuation;
    - 7.4.1.12 any other matters which materially affect the value (including any assumptions and information on contamination, if any);
    - 7.4.1.13 sources of information and verification; and

- 7.4.1.14 details of registered mortgages and privileges and other charges, real rights thereon including details of emphyteutical concessions, easements and other burdens;
- 7.4.2 state the name, address and professional qualifications of the valuer;
- 7.4.3 be dated and state the effective date of valuation for each Property which, unless otherwise agreed by the MFSA, must not be more than sixty (60) days prior to the date of publication of the Prospectus or Circular;
- 7.4.4 state that the valuation is based on open market value for existing use or, if necessary, depreciated replacement cost subject to adequate profitability;
- 7.4.5 state any assumptions on which the valuation is based and, where open market value is the basis of valuation, identify any qualifying words to be applied to the definition of open market value and state reasons for the adoption of any such qualification;
- 7.4.6 divide the valuation between freehold, long leasehold (over 50 years) and short leasehold Properties;
- 7.4.7 where the Directors have required a valuation of the benefit or detriment of contractual arrangements in respect of Property or where there is thought to be benefit in any options held, show such valuations separately and include a reconciliation of the costs and values;
- 7.4.8 in those cases where Directors or promoters have had an interest in any acquisitions or disposals (of the type referred to in Capital Markets Rule 6.18.6) of any of the Properties during the two (2) years preceding the valuation, contain details of the nature and extent of such interests and the date of the transactions and the prices paid or received or other terms on which the transactions were effected. In such cases, the information required must be provided by the Directors to the valuer for this purpose. Alternatively, the information on interests of Directors or promoters may be given elsewhere in the Prospectus or Circular;
- 7.4.9 identify any other matter which the valuer considers relevant for the purposes of the valuation; and
- 7.4.10 be carried out in accordance with standards and guidelines issued by the Royal Institute of Chartered Surveyors (RICS).

*Valuations of Property in course of Development*

- 7.5 Where the valuation is in respect of Property currently being developed the following additional information must be given in the valuation report:
  - 7.5.1 whether the relevant planning permits have been obtained, and, if so, the date of the relevant permits and whether there are any material or onerous conditions attached to the issue of such permits;
  - 7.5.2 the date when the development is expected to be completed and any estimate of letting or occupation dates;
  - 7.5.3 the estimated total cost of completion including, without limitation, the cost of financial carrying charges, letting commissions and other ancillary costs;
  - 7.5.4 the open market value of the Property in its existing state at the date of valuation;
  - 7.5.5 the estimated capital values at current prices and on the basis of current market conditions:
    - 7.5.5.1 after development has been completed; and

- 7.5.5.2 after the development has been completed and the Property has been let.

*Progressive Development*

- 7.6 Where Property in the course of development is being developed in phases over a period of time by the erection of a number of buildings, each of which is intended to be sold soon after completion of construction, the requirements of Capital Markets Rules 7.5.3 and 7.5.5 may be satisfied by the provision of information for each phase or for groups of phases. For this purpose, Property in the course of development includes any phase where, at the date of valuation, work is in progress and any other phase where a start is imminent, all appropriate consents have been obtained and a building contract has been entered into. Later phases, where construction at the date of valuation has not yet started, or where all appropriate consents and permits have not been obtained or a building contract has not been entered into, may be treated as Properties held for development (see Capital Markets Rule 7.7).

*Properties held for Development*

- 7.7 Where Property is held for future development the valuation report must contain the following additional information so far as it is known and relevant at the valuation date:
- 7.7.1 whether or not the relevant planning permits have been applied for, whether such applications have been granted or refused and the date of such grant or refusal;
  - 7.7.2 the nature and a brief description of the proposed development;
  - 7.7.3 an indication of when it is reasonable to expect development to commence;
  - 7.7.4 the expected development period; and
  - 7.7.5 the estimated total costs of the development including, without limitation, the cost of financial carrying charges, letting commissions and other ancillary costs.

*Valuation of Property for Business Use*

- 7.8 A Property which is occupied for the purposes of a business should be valued at existing use value. Where open market value for an alternative use significantly exceeds this basis the alternative use valuation must be stated in the valuation report, together with the Directors' estimate of the costs of cessation and removal of the business. Where the alternative use value is significantly lower than the existing use value and the existing use value is no longer appropriate, the alternative use valuation must be stated in the valuation report.

*Overseas Property*

- 7.9 If the Issuer owns any overseas Property then this Property must be shown separately in the valuation report and its basis of valuation clearly identified.

*Rentals used in Valuations*

- 7.10 In respect of each Property which is rented out by the Issuer, the Net Annual Rent and the estimated Net Annual Rent (based on its current open market rental value) at a specified future date (where this differs materially) must be included in the valuation report.

### *Summary of Valuations*

- 7.11 The valuation report must include a summary of the number of Properties and the aggregate of their valuations must be split to show the separate totals for the freehold and leasehold Properties. Negative values must be shown separately and not aggregated with the other valuations. Separate totals must be given for:
- 7.11.1 properties valued on an open market basis;
  - 7.11.2 properties valued on an existing use value basis;
  - 7.11.3 properties valued on a depreciated replacement cost basis; and
  - 7.11.4 for any overseas Properties.

### *Condensed Format*

- 7.12 If the Properties held are too numerous to enable the Issuer to comply with the normal requirements for a valuation report, the MFSA may consent to a suitably condensed format in the relevant Prospectus or Circular. The full valuation report must be available for inspection.
- 7.13 The MFSA may authorise the omission of any specific item of information in the valuation report if the MFSA considers that disclosure would be seriously detrimental to the Issuer and omission is not likely to mislead investors with regard to facts and circumstances, knowledge of which is essential for the assessment of the Securities in question.

### *Continuing Obligations*

- 7.14 In addition to their continuing obligations, Property Companies must also provide for regular independent valuations of their Property portfolio after a Class of their Securities become Admissible to Listing as agreed to with the MFSA.

## CHAPTER 8

### Admissibility requirements for Collective Investment Schemes

## *General*

- 8.1 This Chapter sets out the requirements for the Admissibility to Listing of Units in Collective Investment Schemes (open ended and closed ended) whether established in Malta or outside the territory of Malta. Applications will be considered in respect of both existing and newly formed Schemes, whether these are established as single-class funds or umbrella funds.

Section I of this Chapter deals with the Application Procedures and Requirements to be complied with by open ended Schemes seeking authorisation for Admissibility for Listing but which are not meant for trading on the Regulated Market.

Section II deals with the Continuing Obligations of open ended Schemes authorised as Admissible for Primary Listing but which are not traded on the Regulated Market.

Section III deals with the Continuing Obligations of open ended Schemes authorised as Admissible for Secondary Listing but which are not traded on the Regulated Market.

Section IV of this Chapter deals with the Application Procedures and Requirements that shall be complied with by closed ended Schemes seeking authorisation for Admissibility for Listing.

Section V deals with the Continuing Obligations of closed ended Schemes authorised as Admissible for Listing.

- 8.2 In order to qualify for a listing, a scheme shall be duly licensed by the Malta Financial Services Authority pursuant to the provisions of the Investment Services Act or established in a Recognised Jurisdiction. For the purpose of this Chapter of the Capital Markets Rules, Recognised Jurisdiction shall be construed as including the following:

- a. EU Member States
- b. EEA Member States
- c. Signatories to a multilateral Memorandum of Understanding covering the securities sector, to which the MFSA is a signatory;
- d. Signatories to a bilateral Memorandum of Understanding with the MFSA covering the securities sector

In the case of [c] and [d] above, such jurisdiction must have appropriate legislative measures for the establishment and regulation of collective investment schemes. For this purpose, account will be taken of that country's membership of any international organisation recognised as laying down internationally accepted standards for the regulation of collective investment schemes such as the International Organisation of Securities Commissions.

- 8.3 In cases involving new Applicants for authorisation for Admissibility to Listing or the existence of exceptional circumstances, applicants are encouraged to contact the MFSA at the earliest opportunity prior to listing to seek informal guidance as to the authorisation for Admissibility to Listing of a particular Scheme. Such guidance will be treated by the MFSA in strict confidence.

- 8.4 The MFSA requires every application for the authorisation for Admissibility to Listing of any such Scheme to be supported by a Prospectus. For the purpose of this Chapter, the term Prospectus shall be construed as also referring to an offering memorandum.

- 8.5 All the requirements in this Chapter will apply to every application for the authorisation for Admissibility to Listing of a new class of Unit in a Scheme where such a Scheme has already been previously authorised for Admissibility to Listing, as if it were a new Applicant.

## **Section I - Application Procedures and Requirements for open ended Schemes seeking Authorisation for Admissibility for Listing**

### *Preliminary*

- 8.6 All Applicants shall appoint a Sponsor in accordance with the requirements of Chapter 2 of the Capital Markets Rules. Besides fulfilling the obligations laid down in Chapter 2, the Sponsor will be responsible for preparing the applicant for authorisation for Admissibility to Listing and for dealing with the MFSA on all matters arising in connection with the application.
- 8.7 When considering an application for authorisation for Admissibility to Listing, the MFSA reserves the right to assess each case on its own merits.

### *Conditions to be fulfilled by a Scheme seeking authorisation for Admissibility for Listing*

- 8.8 The following conditions shall be fulfilled by a Scheme:
- 8.8.1 The Units offered by the Scheme shall be freely transferable.
- 8.8.2 The number of Directors of a Scheme shall at least be one (1). In order to ensure the protection of investors at least one Director shall be independent of the Manager or of any Investment Adviser to the Scheme or of any affiliated entity.
- 8.8.3 Corporate Directors are not eligible, unless the Corporate Director is the Manager of the Scheme. The Corporate Director shall not be the sole director of the Scheme.
- 8.8.4 A Scheme shall adopt rules governing dealings by Directors which will preclude them from dealing in the listed Units of the Scheme at a time when they are in possession of price-sensitive information.
- 8.8.5 Copies of the Directors' service contracts, if any, shall be made available to the general public for inspection at the time of the Annual General Meeting (AGM) of the Scheme.
- 8.8.6 Any other activity of the Directors, Manager or Investment Adviser should not result in the Scheme being disadvantaged in any way due to possible conflicts of interest between their obligations arising as a result of such activities and their obligations to the Scheme.
- 8.8.7 Directors and proposed Directors, and in the case of a Unit Trust, the Directors of the Manager, will be personally responsible for the information contained in the Prospectus.
- 8.8.8 The Directors of the Scheme, and the Manager, shall acknowledge to the MFSA in writing that they accept full responsibility collectively and individually for the Scheme's compliance with all the MFSA's requirements and continuing obligations, whether in terms of these Capital Markets Rules or otherwise.

*Formal Application for Authorisation for Admissibility for Listing*

- 8.9 A formal application for authorisation for Admissibility to Listing in accordance with the application form in Appendix 8.1 shall be lodged with the MFSA at least five (5) Business Days prior to the date of hearing of the application by the MFSA. The following requirements shall also be satisfied:
- 8.9.1 the application form shall be duly completed and signed by a duly authorised representative of the Scheme and the Sponsor; and
  - 8.9.2 in the case of any other form of Collective Investment Scheme, the form shall also be signed by a duly authorised Officer for and on behalf of the Scheme and, if appropriate, the management Company.
- 8.10 The Formal Application shall be accompanied by the following documents:
- 8.10.1 one (1) copy of the Prospectus marked in the margin to indicate where the relevant requirements in this Chapter have been met; and
  - 8.10.2 *Omissis*
  - 8.10.3 CVs of the Directors of the Scheme;
  - 8.10.4 Constitutional Documents of the Scheme;
  - 8.10.5 Audited accounts of the Scheme for the last three years where available;
- The documents referred to in 8.10.3 to 8.10.5 need not be submitted in the case of schemes licensed by the MFSA or which have applied for a licence apart from admissibility to listing as well as in the case of Schemes marketing their Units in Malta in terms of the Investment Services Act (Undertakings for Collective Investment in Transferable Securities and Management Companies Regulations), 2004.
- A Scheme applying for admissibility to Secondary Listing, must satisfy the MFSA that it is in compliance with the requirements pertaining to its primary Listing and that its Directors are held in good-standing by the competent authority in the jurisdiction where it has a Primary Listing. In satisfaction of this condition the applicant shall provide the MFSA with a declaration to this effect from the relevant competent authority.
- 8.11 The Sponsor shall communicate to the MFSA any event or arrangement of which he is aware, and which, in his/her opinion, is relevant to the authorisation for Admissibility of the Scheme to listing or if the Sponsor is not aware of any such event or arrangement, an appropriate negative statement to this effect.
- 8.12 When a formal application for authorisation for Admissibility to Listing under this section is made to the MFSA the MFSA shall consider such application for authorisation for Admissibility to Listing after licensing by the MFSA of the collective investment scheme.
- 8.13 The MFSA shall notify the Applicant of its decision to accept or refuse an application for Admissibility to Listing:
- 8.13.1 before the end of the period of twenty (20) days beginning with the date on which the application is received; or
  - 8.13.2 if within that period the MFSA has required the applicant to provide further information in connection with the application, before the end of the period of twenty (20) days beginning with the date on which that information is provided.
- 8.14 The Scheme shall comply at all times with the provisions of its constitutional documents, including its investment, borrowing and leverage restrictions (if any).



### *Prospectus*

- 8.15 Except in the case of schemes established in a Recognised Jurisdiction, every Prospectus submitted to the MFSA by or on behalf of the Scheme in support of an application for authorisation for Admissibility to Listing, shall be drawn in compliance with the requirements of the applicable Investment Services Rules issued by the MFSA in terms of the Investment Services Act. The prospectus of a scheme established in a Recognised Jurisdiction shall be drawn up in compliance with the requirements of the Recognised Jurisdiction and with any additional disclosure requirements which the MFSA may require as part of its licensing requirements when it is to be marketed in Malta. The prospectus of all schemes seeking admissibility to listing shall also contain:
- 8.15.1 a statement that application has been made to a Regulated Market for Admission to Listing, of the Units issued or to be issued by the Scheme;
  - 8.15.2 the name of the Regulated Market on which the primary listing is or is to be made;
  - 8.15.3 particulars of any other Regulated Market on which any of the Units are listed or dealt in or where listing or permission to deal is being sought or an appropriate negative statement; and
  - 8.15.4 particulars of any Regulated Market where the Scheme had previously sought a listing but had been refused and the reasons for such a refusal.

The Prospectus shall be accompanied by a letter signed by every Director of the Scheme confirming that the Prospectus includes all such information within their knowledge (or which it would be reasonable for them to obtain) that investors and their professional advisers would reasonably require and reasonably expect to find for the purpose of making an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Scheme and of the rights attaching to the units to which the Prospectus relates.

- 8.16 Where during the process of authorisation any document is amended after submission, a copy of the amended document shall be submitted to the MFSA for review, marked in the margin to indicate where the relevant items for the Admissibility requirements have been complied with in respect of the amendments. The copy shall also be marked in the margin to indicate any amendments introduced in order to conform with points raised by the MFSA.
- 8.17 The Prospectus and supplements shall require the formal approval of the MFSA. No amendment to the authorised Prospectus will be allowed without the consent of the MFSA. The Prospectus shall not be published unless they are formally authorised by the MFSA in their final form in accordance with these Capital Markets Rules.
- 8.18 Each copy of the prospectus shall contain an application form which may be used by investors to apply for the Units to be offered.

### *General Provisions*

- 8.19 A Scheme shall include in its Prospectus any holdings of its Units registered in the name of any one of its Directors, his/her spouse or minor children or of any person connected with the Director.
- 8.20 Open ended Schemes are exempt from the MFSA's requirements regarding purchase of own units.

*Supplementary Prospectus*

- 8.21 The MFSA may require the publication of further information by and impose additional requirements on a listed Scheme either specifically or generally through the publication of a Supplementary Prospectus. The Scheme shall comply with such requirements and, in case of default, the MFSA may take any steps that may consider appropriate in accordance with the Financial Markets Act.

*Disclaimer*

- 8.22 Every Prospectus and Supplements thereto required pursuant to this Chapter 8 shall contain on the front cover of the Document a prominent and legible disclaimer as follows:

“The MFSA accepts no responsibility for the accuracy or completeness of this document and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.”

## **Section II - Continuing Obligations of Open ended Schemes Authorised as Admissible for Primary Listing**

### *General Obligation of Disclosure*

- 8.23 Every Scheme applying for authorisation for Admissibility to Primary Listing is required to comply with the continuing obligations as set out in this Section II of this Chapter and to which they would be subject as a condition of the Authorisation for Admissibility to Listing of the Units in the Scheme except insofar as the Scheme is specifically exempt from any such obligations by the MFSA.
- 8.24 The MFSA may be prepared to dispense with, vary or not require compliance with any of the continuing obligations to suit the circumstances of a particular case. Any such dispensation, variation or concession shall be signified to the Applicant or Issuer by the MFSA in writing.
- 8.25 Generally, and apart from compliance with all specific requirements which follow, any information necessary to enable holders of the Scheme's Units authorised as admissible to Listing as well as the general public to appraise the financial position of the Scheme and to avoid the creation of a false market in such Units, shall be made known to the MFSA. Such information shall not normally be passed on to a third party other than its Manager, custodian and advisers prior to it being communicated to the MFSA.
- 8.25.1 A Scheme, its management Company, its custodian and its advisers, may give information concerning the Scheme in strict confidence to outside advisers and to persons with whom it is negotiating with a view to the raising of finance. Information required by and provided in confidence to and for the purposes of a regulatory authority, need not be communicated to the MFSA unless so required by the MFSA.
- 8.25.2 Where it is being proposed to announce information which might affect the market price of the Scheme's Units that have been authorised as admissible to Listing at any meeting of holders of those Units, or any class thereof, arrangements shall be made with the Regulated Market so that an announcement is immediately made known to the market.
- 8.25.3 A Scheme shall give notice to the MFSA of any major new developments in its sphere of activity which are not yet public knowledge and which, by virtue of their effect on its assets and liabilities or financial position or on the general course of its business, may lead to substantial movements in the price or value of its Units.
- 8.25.4 The Scheme shall update its Prospectus whenever there are material changes in the contents or when the MFSA so requires. Every subsequent Prospectus issued by or on behalf of the Scheme shall contain a statement that the Units which have already been issued are authorised as Admissible to Listing.

*Continuing Obligations relating to Capital and Management*

- 8.26 The Scheme shall immediately notify the Regulated Market where it is listed of the following:
- 8.26.1 the net asset value and net asset value per share, when calculated;
  - 8.26.2 any suspension in the calculation of net asset value or in the process of redemption;
  - 8.26.3 any change in the status of the Scheme for taxation purposes;
  - 8.26.4 any changes in the capital structure of the Scheme; and
  - 8.26.5 any other information necessary to enable Unit holders to appraise the position of the Scheme and to avoid the establishment of a false market in its Units including changes to the Directors or any service providers of the Scheme.

*Rights as between Holders*

- 8.27 A Scheme having Units of different classes in issue, any of which classes have been authorised as Admissible to Listing, shall ensure identical treatment of all holders in the same position (e.g. in the same class).

*Communications with Holders*

- 8.28 A Scheme shall ensure that all the necessary facilities and information are available to enable holders of its Units to exercise their rights. In particular, it shall inform such holders of the holding of meetings which they are entitled to attend, enable them to exercise their right to vote where applicable and publish notices or distribute circulars giving details of the allocation and payment of dividends or interest or otherwise in respect of such Units.
- 8.29 Whenever holders are sent a notice of a meeting which includes any business other than Ordinary Business at an Annual General Meeting, an explanatory circular shall accompany the notice or, if the business is to be considered at or on the same day as an Annual General Meeting, an explanation shall be incorporated in the Directors' report. Drafts of these documents should be submitted to the MFSA in advance of the issue to holders.
- 8.30 If appropriate, a proxy form shall be sent with the notice convening the meeting of holders of listed Units to each person entitled to vote at the meeting.
- 8.31 In the event of a Circular being issued to the holders of any particular class of Unit, the Scheme shall issue a copy or summary of such Circular to the holders of all other classes of Units unless the contents of such Circulars are manifestly irrelevant to such other holders.

*Miscellaneous Obligations*

- 8.32 Any decision to pay or make any dividend or other distribution on Units authorised as Admissible to Listing or to pass any interest payment or dividend on Units authorised as Admissible to Listing or any other decision requiring announcement shall be communicated to the Regulated Market immediately after board authorisation.
- 8.33 A Scheme shall make appropriate arrangements to facilitate the efficient settlement of all transfers and registration of the Units as appropriate.

- 8.34 If a Scheme proposes to enter into a transaction with a Related Party, the Scheme is required to obtain the authorisation of its members prior to the transaction unless such transactions have been identified and described in the Prospectus.

*Financial Information: Annual Report and Accounts*

- 8.35 A Scheme shall, publish and make available to the public an Annual Report and Audited Accounts within four (4) months of the end of the financial period to which they relate. The Scheme shall on request and free of charge also send to Unit holders the Annual Report and Audited Accounts within four (4) months of the end of the financial period to which they relate.

The Annual Report shall be lodged with the MFSA at the earliest opportunity but in any event within four (4) months of the end of the financial period to which it relates.

In addition, the Report shall:

- 8.35.1 have been prepared in accordance with International Financial Reporting Standards or any other recognised international reporting standards;
- 8.35.2 have been independently audited and reported on in accordance with the International Standards on Auditing as promulgated by the International Federation of Accountants;
- 8.35.3 be in consolidated form if the Scheme operates as an umbrella fund unless otherwise authorised by the MFSA;
- 8.35.4 include the following :
  - 8.35.4.1 the information necessary to enable holders of the Scheme's Units authorised as Admissible to Listing to obtain relief from any taxation to which they are entitled by reason of their being holders of such Units;
  - 8.35.4.2 the amounts of Managers' charges and Directors' fees and emoluments;

*Directors (including Directors of the Manager in the case of a Unit Trust)*

- 8.36 Copies of the Directors' service contracts, if any, shall be made available for inspection to the general public:
- 8.36.1 at the registered office of the Scheme during Normal Business Hours from the date of the notice convening the Annual General Meeting up to close of the meeting; and
  - 8.36.2 throughout the meeting at the place where the Annual General Meeting is being held.
- 8.37 A Scheme shall notify the MFSA without delay of any change in the holding of its Units by any Director and/or of any person connected with the Director. The communication shall include the following: (Capital Markets Rule 8.38 does not apply to unit trusts.)
- 8.37.1 the date on which the transaction giving rise to the interest (or cessation of the interest) was effected;
  - 8.37.2 the price, amount and class of Securities concerned;
  - 8.37.3 the nature of the transaction and the nature and extent of the Director's interest in the transaction; and
  - 8.37.4 the number of Units held and the percentage holding of the Director following the transaction.

The above information is required to be communicated by the Scheme insofar as it is known to the Scheme. The Scheme, however, shall ensure that the Directors disclose all the necessary information in time to enable the Scheme to comply with this requirement.

*Consultation with the MFSA and Maintenance of Information*

8.38 The Scheme shall provide the MFSA with the following information when such information is available as required in terms of the Scheme's Prospectus or when so required by the MFSA:

8.38.1 Net Assets Value;

8.38.2 Net Assets Value per share; and

8.38.3 Total number of unit holders.

8.39 The MFSA shall be consulted in advance of any event of which the Scheme is aware and which is relevant to the maintenance of Admissibility by the Scheme.

8.40 The Scheme shall maintain a complete file of all advertisements, brochures, leaflets and other documents issued with a view to effecting or stimulating sales or purchases of Units. The file shall be produced to the MFSA or its representative on demand.

*Other Continuing Obligations*

8.41 Besides complying with the Continuing Obligations contained in this section, Schemes having listed Units shall also ensure that the following obligations shall be observed so long as the Units remain authorised as Admissible to Listing:

8.41.1 the respective obligations of the Scheme and/or its manager under the constitutional documents of the Scheme and the applicable legal and regulatory requirements are complied with;

8.41.2 the amount of the charges and expenses (to the extent borne by the Scheme) of the Managers, the trustee and any agent of the Managers or trustee, the Investment Adviser or any sub-adviser or any custodian or sub-custodian, shall be clearly set out in each Annual Report issued by the Scheme;

8.41.3 all Circulars issued in respect of the sale of Units in the Scheme shall clearly state any terms or conditions under which the Managers undertake to repurchase Units in the Scheme.

### **Section III Continuing Obligations of Schemes Authorised for Admissibility for Secondary Listing**

#### *General Obligations*

8.42 The Scheme shall appoint, and maintain throughout the period that the units are authorised as admissible to listing, a licensed Sponsor to deal with all matters appertaining to authorisation for Admissibility to Listing. The appointed Sponsor will also be responsible:

8.42.1 for ensuring that, for Schemes whose Primary Listing is on an overseas exchange, at least the equivalent information as that made available to the overseas exchange is also made available to the Regulated Market in Malta; and

8.42.2 for providing such other information related to the operations of the Scheme at regular intervals as the MFSA may require.

The MFSA shall be consulted in advance of any event of which the Scheme is aware and which is relevant to the maintenance of Admissibility by the Scheme.

#### *General Obligation of Disclosure*

8.43 The MFSA may be prepared to dispense with, vary or not require compliance with any of the continuing obligations to suit the circumstances of a particular case. Any such dispensation, variation or concession shall be signified to the Applicant or Issuer by the MFSA in writing.

#### *Continuing Obligations relating to Capital and Management*

8.44 The Scheme shall immediately notify the Regulated Market where it is listed of the following:

8.44.1 the net asset value and net asset value per share, when calculated;

8.44.2 any suspension in the calculation of net asset value or in the process of redemption;

8.44.3 any change in the status of the Scheme for taxation purposes;

8.44.4 any changes in the capital structure of the Scheme; and

8.44.5 any other information necessary to enable Unit holders to appraise the position of the Scheme and to avoid the establishment of a false market in its Units including changes to the Directors or any service providers of the Scheme.

#### *Financial Information: Annual Report and Accounts*

8.45 A Scheme shall publish and make available to the public an Annual Report and Audited Accounts within four (4) months of the end of the financial period to which they relate. The Scheme shall on request and free of charge also send to Unit holders the Annual Report and Audited Accounts within four (4) months of the end of the financial period to which they relate.

The Annual Report shall be lodged with the MFSA at the earliest opportunity but in any event within four (4) months of the end of the financial period to which it relates.

In addition, the Report shall:

8.45.1 have been prepared in accordance with International Financial Reporting Standards or any other international reporting standards;

- 8.45.2 have been independently audited and reported on in accordance with the International Standards on Auditing as promulgated by the International Federation of Accountants;
- 8.45.3 be in consolidated form if the Scheme operates as an umbrella fund unless otherwise authorised by the MFSA;
- 8.45.4 include the following:
  - 8.45.4.1 the information necessary to enable holders of the Scheme's Units authorised as Admissible to Listing to obtain relief from any taxation to which they are entitled by reason of their being holders of such Units;
  - 8.45.4.2 the amounts of Managers' charges and Directors' fees and emoluments;

*Consultation with the MFSA and Maintenance of Information*

- 8.46 The Scheme shall provide the MFSA with the following information when such information is available as required in terms of the Scheme's Prospectus or when so required by the MFSA:
  - 8.46.1 Net Assets Value;
  - 8.46.2 Net Assets Value per share; and
  - 8.46.3 Total number of unit holders.



## Section IV – Admissibility of Closed-Ended Collective Investment Schemes

### *Introduction*

- 8.47 This section applies to the Admissibility of Closed-Ended Collective Investment Schemes investing in Securities, listed or unlisted, including warrants, money market instruments, bank deposits, currency investments, commodities, options, future contracts, precious metals or Property. Investments may also take the form of partnership arrangements, participations, joint ventures and other forms of non-corporate investments as well as other Securities as may be held with the authorisation of the MFSA.

### *Basic Conditions*

- 8.48 The Scheme and its management bind themselves, either through the inclusion of relevant clauses in the Articles of Association, trust deed or equivalent document of constitution, or in such other manner as is acceptable to the MFSA, to ensure compliance with the following requirements throughout the period it is authorised as Admissible to Listing under this section:
- 8.48.1 that the Scheme, either on its own or in conjunction with any connected person, shall not take legal or effective management or control of any underlying investments in companies or other entities in which it invests;
  - 8.48.2 that any custodian, management Company, any of their connected persons and every Director of any investment Company and management Company, is prohibited from voting at, or being part of a quorum for, any meeting to the extent that they have, or any of their associates has, a material interest in the business to be conducted; and
  - 8.48.3 that the Scheme's Auditors are independent of the Scheme, any management Company and any custodian and that the said Auditors act in accordance with the International Standards on Auditing as promulgated from time to time by the International Federation of Accountants; and
  - 8.48.4 that unless authorised by the shareholders, a Scheme will not issue further shares of the same class as existing shares for cash at a price below the net asset value per share of those shares unless they are first offered pro rata to existing holders of shares of that class.
- 8.49 Schemes being Property Companies will also be subject to the additional requirements laid out in Chapter 7.
- 8.50 All Applicants shall appoint a Sponsor in accordance with the requirements of Chapter 2. Besides fulfilling the obligations laid down in Chapter 2, the Sponsor will be responsible for preparing the applicant for authorisation for Admissibility to Listing and for dealing with the MFSA on all matters arising in connection with the application.
- 8.51 When considering an application for authorisation for Admissibility to Listing, the MFSA reserves the right to assess each case on its own merits and, on the basis of the relevant circumstances, may modify or request additional authorisation requirements as it deems fit.

*Conditions to be fulfilled by a Scheme seeking authorisation for Admissibility for Listing*

- 8.52 A formal application for authorisation for Admissibility to Listing in accordance with the application form in Appendix 8.1 shall be lodged with the MFSA at least five (5) Business Days prior to the date of hearing of the application by the MFSA. The following requirements shall also be satisfied:
- 8.52.1 the application form shall be duly completed and signed by a duly authorised representative of the Scheme and the Sponsor; and
  - 8.52.2 in the case of any other form of closed ended collective investment scheme, the form shall also be signed by a duly authorised Officer for and on behalf of the Scheme and, if appropriate, the management company.
- 8.53 The Formal Application shall be accompanied by the following documents:
- 8.53.1 one (1) copy of the Prospectus marked in the margin to indicate where the relevant requirements in this Chapter have been met; and
  - 8.53.2 any other document or information which the MFSA may require.
- 8.54 The Sponsor shall communicate to the MFSA any event or arrangement of which he is aware, and which, in his/her opinion, is relevant to the authorisation for Admissibility of the Scheme to listing or if the Sponsor is not aware of any such event or arrangement, an appropriate negative statement to this effect.
- 8.55 When a formal application for authorisation for Admissibility to Listing under this section is made to the MFSA concurrently with the submission to the MFSA of an application for a licence pursuant to the provisions of the Investment Services Act, the MFSA shall consider such application for authorisation for Admissibility to Listing 'provided that in the case of a Collective Investment Scheme established under the laws of Malta or established in a Recognised Jurisdiction and which is to be marketed in Malta, the MFSA shall only issue the authorisation for Admissibility to Listing under this section after licensing by the MFSA of the collective investment scheme.
- 8.56 The MFSA shall notify the Applicant of its decision to approve or refuse an application for Admissibility to Listing including the approval or refusal of the Prospectus:
- 8.56.1 before the end of the period of ten (10) days beginning with the date on which the application is received; or
  - 8.56.2 The time limit referred to in Capital Markets Rule 8.56.1 shall be extended to 20 Working Days if the public offer involves units issued by a Scheme which does not have any units Admitted to Trading on a Regulated Market and which has not previously offered units to the public.
  - 8.56.3 If the MFSA finds, on reasonable grounds, that the documents submitted to it are incomplete or that supplementary information is needed, the time limits referred to in Capital Markets Rules 8.56.1 and 8.56.2 above shall apply only from the date on which such information is provided by the Applicant.
- The MFSA shall notify the Applicant if the documents are incomplete within 10 Working Days of the submission of the application.
- If the MFSA fails to give a decision on the Prospectus within the time limits laid down in Capital Markets Rules 8.56.1 and 8.56.2, this shall not be deemed to constitute approval of the application.
- 8.57 The Scheme shall comply at all times with MFSA regulations related to such Schemes, particularly those concerning investment restrictions.

*Prospectus*

- 8.58 The Prospectus and supplements thereto shall not be published, before they have been formally approved by the MFSA.
- 8.59 A Prospectus of a Scheme which require a licence under the Investment Services Act, Cap 370 shall be drawn up in compliance with and adhere to the provisions of the applicable Investment Services Rules published by MFSA in terms of the Investment Services Act. The prospectus of a Scheme established in a Recognised Jurisdiction and which does not require a licence under the Investment Services Act, Cap 370 shall be drawn up in compliance with the requirements of the Commission Regulation (EC) No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements. The prospectus of all schemes seeking admissibility to listing shall also contain:
- 8.59.1 a statement that application has been made to a Regulated Market for Admission to Listing, of the Units issued or to be issued by the Scheme;
  - 8.59.2 the name of the Regulated Market on which the primary listing is or is to be;
  - 8.59.3 particulars of any other Regulated Market on which any of the Units are listed or dealt in or where listing or permission to deal is being sought or an appropriate negative statement; and
  - 8.59.4 particulars of any exchange where the Scheme had previously sought a listing but had been refused and the reasons for such a refusal.
- 8.60 The Scheme, may draw up its Prospectus as a single document or separated documents. A Prospectus composed of separate documents shall divide the required information into a registration document, a securities note and a summary note. The registration document shall contain the information relating to the Scheme. The securities note shall contain the information concerning the units on offer.
- 8.61 The Prospectus shall also include the following statement:
- “This document includes information given in compliance with the Capital Markets Rules of the MFSA for the purpose of giving information with regard to the Scheme. All of the Directors whose names appear on page [ ], accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors who have taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.”
- 8.62 The MFSA may authorise the omission of information from the Prospectus which is applicable and required by the Capital Markets Rules if it considers that:
- 8.62.1 the information is of minor importance only and is not such as will influence assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, or Guarantor, if any; or
  - 8.62.2 disclosure would be contrary to the public interest; or
  - 8.62.3 disclosure would be seriously detrimental to the Scheme and omission is not likely to mislead investors with regard to facts and circumstances, knowledge of which is essential for the assessment of the Scheme or Guarantor, if any and of the rights attached to the units in question.

- 8.63 Without prejudice to the adequate information of investors, where, exceptionally, certain information required by this Chapter to be included in a Prospectus is inappropriate to the Scheme's sphere of activity or to the legal form of the Scheme or to the offer of units to which the Prospectus relates, the Prospectus shall contain information equivalent to the required information.
- 8.64 A Prospectus shall be valid for 12 months after its approval provided that it is completed by the supplements required pursuant to Capital Markets Rule 8.65 below.
- 8.65 Every significant new factor, material mistake or inaccuracy relating to the information included in the Prospectus which is capable of affecting the assessment of the units and which arises or is noted between the time when the Prospectus is approved and the time when trading on a Regulated Market begins, whichever occurs later, shall be mentioned in a supplement to the Prospectus.  
Investors who have already agreed to purchase or subscribe for the units before the supplement is published shall have the right to withdraw their acceptances within two working days after the publication of the supplement, provided that the new factor, mistake or inaccuracy referred to above arose before the final closing of the Public Offer and the delivery of the securities. That period may be extended by the Issuer. The final date of the right of withdrawal shall be stated in the supplement.
- 8.66 In the case of an Offering Programme, the base Prospectus, previously filed, shall be valid for a period of up to 12 months.
- 8.67 A registration document, previously filed, shall be valid for a period of up to 12 months provided that it has been updated in accordance with Capital Markets Rule 8.65.
- 8.68 Once approved, the Prospectus shall be filed with the MFSA and shall be made available to the public by the Applicant at the latest six (6) Working Days before the securities involved are Admitted to Trading. In addition, in the case of an initial public offer of a class of shares not already Admitted to Trading on a Regulated Market that is seeking Admissibility to Listing for the first time, the Prospectus shall be available at least six (6) Working Days before the offer opens.
- 8.69 In the case of a Prospectus comprising several documents and/or incorporating by reference, the documents and information making up the Prospectus may be published and circulated separately provided that the said documents are made available to the public, free of charge. Each document shall indicate where the other constituent documents of the full Prospectus may be obtained.
- 8.70 The text and the format of the Prospectus and any supplements thereto, made available to the public, shall at all times be identical to the original version approved by the MFSA.
- 8.71 Where the Prospectus is made available by publication in electronic form, a hard copy shall nevertheless be delivered to the investor, upon his request and free of charge, by the Scheme, the person asking for admission to trading or the financial intermediaries placing or selling the units.
- 8.72 Where Malta is the home Member State and an admission to trading is provided for in one or more Member State, other than Malta or EEA State, the Prospectus approved by the MFSA and any supplements thereto shall be valid in any number of host Member States or EEA States, provided that the regulatory authority of each host Member State or EEA State is notified in accordance with Capital Markets Rule 8.73 below.
- 8.73 The MFSA shall provide the regulatory authority of the host Member State or EEA State, at the request of the Scheme or the person responsible for drawing up the Prospectus and within three Working Days following that request or, if the request is submitted together

with the draft Prospectus, within one Working Day after the approval of the Prospectus, with a certificate of approval and a copy of the Prospectus as approved. If applicable, this notification shall be accompanied by a translation of the summary of the Prospectus produced under the responsibility of the Scheme or person responsible for drawing up the Prospectus. The same procedure shall be followed for any supplement to the Prospectus. The MFSA shall also notify the Issuer or the person responsible for the drawing up the Prospectus of the certificate of approval at the same time it notifies the regulatory authority of the host Member State or EEA State.

For the purposes of this Capital Markets Rule, the certificate of approval shall consist of a statement:

- 8.73.1 that the Prospectus has been drawn up in accordance with the Prospectus Regulation;
- 8.73.2 that the Prospectus has been approved in accordance with the Prospectus Regulation, by the MFSA or the regulatory authority of the Member State or EEA state, as the case may be, providing the certificate; and where applicable
- 8.73.3 of the reasons as to why the MFSA or the regulatory authority providing the certificate, authorised, in accordance with the Prospectus Regulation, the omission from the Prospectus of information which would otherwise have been included.

8.74 A Prospectus in relation to an admission to trading which has been approved by the regulatory authority of another Member State, other than Malta, or an EEA State is not deemed to be an approved Prospectus unless that authority has provided the MFSA with a certificate of approval and a copy of the Prospectus as approved; together with, where requested by the MFSA, a translation into English or Maltese of the summary of the Prospectus.

## **Section V - Continuing Obligations of closed ended collective investment schemes Authorised as Admissible for Primary Listing**

In order to qualify for a listing, a scheme shall be duly licensed by the Malta Financial Services Authority pursuant to the provisions of the Investment Services Act or established in a Recognised Jurisdiction.

Once a Scheme is authorised as Admissible to Listing and remains on a Recognised List, the Scheme shall be responsible for ensuring compliance with the continuing obligations of these Capital Markets Rules at all times.

The Scheme shall comply with the continuing obligations to provide information and if it fails to do so, the MFSA may itself publish any relevant information it may have in its possession after having heard the representation of the Scheme.

For the purposes of this Section “Home Member State” shall have the same meaning given in Chapter 5. The Scheme shall disclose the choice of its Home Member State where applicable in terms of Chapter 5.

### *General Obligation of Disclosure*

8.75 Every Scheme applying for authorisation for Admissibility to Listing is required to comply with the continuing obligations as set out in this Section V of this Chapter and to which they would be subject as a condition of the Authorisation for Admissibility to Listing of the Units in the Scheme except insofar as the Scheme is specifically exempt from any such obligations by the MFSA.

8.76 The MFSA may be prepared to dispense with, vary or not require compliance with any of the continuing obligations to suit the circumstances of a particular case. Any such dispensation, variation or concession shall be signified to the Applicant or Issuer by the MFSA in writing.

8.77 Generally, and apart from compliance with all specific requirements which follow, any information necessary to enable holders of the Scheme’s Units authorised as admissible to Listing as well as the general public to appraise the financial position of the Scheme and to avoid the creation of a false market in such Units, shall be made known to the MFSA. Such information shall not normally be passed on to a third party other than its Manager, custodian and advisers prior to it being communicated to the MFSA.

8.77.1 A Scheme, its management Company, its custodian and its advisers, may give information concerning the Scheme in strict confidence to outside advisers and to persons with whom it is negotiating with a view to the raising of finance. Information required by and provided in confidence to and for the purposes of a regulatory authority, need not be communicated to the MFSA unless so required by the MFSA.

8.77.2 Where it is being proposed to announce information which might affect the market price of the Scheme’s Units that have been authorised as admissible to Listing at any meeting of holders of those Units, or any class thereof, arrangements shall be made with the Regulated Market so that an announcement is immediately made known to the market.

8.77.3 A Scheme shall give notice to the MFSA of any major new developments in its sphere of activity which are not yet public knowledge and which, by virtue of their effect on its assets and liabilities or financial position or on the general course of its business, may lead to substantial movements in the price or value of its Units.

8.77.4 The Scheme shall update its Prospectus whenever there are material changes in the contents or when the MFSA so requires. Every subsequent Prospectus issued by or on behalf of the Scheme shall contain a statement that the Units which have already been issued are authorised as Admissible to Listing.

8.78 *Omissis*

8.79 *Omissis*

8.80 *Omissis*

8.81 *Omissis*

#### *Uses of Languages*

8.82 When Malta is the Home Member State and securities are Admitted to Trading only in Malta, Regulated Information shall be disclosed in the English or Maltese language.

8.83 When Malta is the Home Member State and units are Admitted to Trading in Malta and in one or more host Member or EEA State, the Regulated Information shall be disclosed:

8.83.1 in the English or in the Maltese language; and

8.83.2 depending on the choice of the Scheme, either in a language accepted by the regulatory authorities of those host Member or EEA States or in a language customary in the sphere of international finance.

8.84 When the Scheme is Admitted to Trading in Malta as the Host Member State, the Regulated Information shall be disclosed either in English or Maltese or in a language customary in the sphere of international finance.

When Malta is the Home Member State and the Scheme is Admitted to Trading on a Regulated Market in one or more host Member or EEA States excluding Malta, the Regulated Information shall be disclosed either in English or Maltese or in a language customary in the sphere of international finance, depending on the choice of the Scheme.

8.85 Where the Scheme is Admitted to Trading on a Regulated Market without the Scheme's consent, the obligation under Capital Markets Rules 8.82 to 8.84 shall be incumbent not upon the Scheme, but upon the person who, without the Scheme's consent, has requested such admission.

8.86 Unit Holders and the natural persons or Legal Entities referred to in Capital Markets Rules 8.138 and 8.146 shall notify information to the Scheme in a language customary in the sphere of international finance. In this case, the Scheme is not required to provide the MFSA with a translation of such notification.

8.87 Where the units of a Scheme whose denomination per unit amounts to at least hundred thousand euro (€100,000) at the date of the issue, are admitted to trading on a Regulated Market in one or more Member or EEA States, Regulated Information

shall be disclosed to the public either in English or Maltese language or in a language customary in the sphere of international finance, at the choice of the Scheme or of the person who, without the Scheme's consent, has requested such admission.

- 8.88 If an action concerning the content of Regulated Information is brought before a court or tribunal in Malta, responsibility for the payment of costs incurred in the translation of that information for the purposes of the proceedings shall be decided in accordance with the Maltese law.  
Access to Regulated Information
- 8.89 A Scheme or a person who has applied, without the Scheme's consent, for Admissibility to Listing on a Regulated Market shall file and disclose Regulated Information in the manner set out in Capital Markets Rules 8.90 to 8.101.  
Filing of Regulated Information with the MFSA and the Officially Appointed Mechanism.
- 8.90 A Scheme or a person who has applied, without the Scheme's consent, for Admissibility to Listing on a Regulated Market shall file Regulated Information with the MFSA and the Officially Appointed Mechanism at the same time such information is disclosed to the public in terms of Capital Markets Rule 8.91.  
Disclosure of Regulated Information to the Public
- 8.91 When disseminating Regulated Information a Scheme or other person who has applied, without the Scheme's consent, for Admissibility to Listing on a Regulated Market shall ensure that the minimum standards laid down in Capital Markets Rules 8.92 to 8.98 are observed.
- 8.92 Regulated Information shall be disseminated in a manner ensuring that it is capable of being disseminated to as wide a public as possible, and as close to simultaneously as possible in the Home Member State and in other Member or EEA States.
- 8.93 Regulated Information shall be communicated to the media in unedited full text, provided that in the case of the Annual Financial Report and the Half-yearly Report, this requirement shall be deemed to be fulfilled if the information communicated to the media indicates on which website, in addition to the Officially Appointed Mechanism for the central storage of Regulated Information, the relevant documents are available.
- 8.94 Regulated Information shall be communicated to the media in a manner which ensures the security of the communication, minimises the risk of data corruption and unauthorized access, and provides certainty as to the source of the Regulated Information. Security of receipt shall be ensured by remedying as soon as possible any failure or disruption in the communication of Regulated Information.
- 8.95 The Scheme or the person who has applied, without the Scheme's consent, for Admissibility to Listing on a Regulated Market, shall not be responsible for systemic errors or shortcomings in the media to which the Regulated Information has been communicated.
- 8.96 Regulated Information shall be communicated to the media in a way which:  
8.96.1 makes it clear that the information is Regulated Information; and  
8.96.2 identifies clearly:  
8.96.2.1 the Scheme concerned;  
8.96.2.2 the subject matter of the Regulated Information; and  
8.96.2.3 the time and date of the communication of the Regulated Information



by the Scheme or the person who has applied for an admission to listing on a Regulated Market without the Scheme's consent.

- 8.97 In relation to any disclosure of Regulated Information, the MFSA may request from the Scheme or the person who has applied for Admissibility to Listing on a Regulated Market without the Scheme's consent, the following information.
- 8.97.1 the name of the person who communicated the information to the media;
  - 8.97.2 the security validation details;
  - 8.97.3 the time and date on which the information was communicated to the media;
  - 8.97.4 the medium in which the information was communicated;
  - 8.97.5 if applicable, the details of any embargo placed by the Scheme on the Regulated Information.
- 8.98 The Scheme or person who has applied for admissibility to listing on a Regulated Market without the Scheme's consent, shall not charge investors any specific cost for providing Regulated Information.
- 8.99 Where units are Admitted to Trading on a Regulated Market in Malta and Malta is the only Host Member State, a Scheme or a person who has applied for Admissibility to Listing on a Regulated Market without the Scheme's consent, shall disclose Regulated Information in the same manner as prescribed in Capital Markets Rules 8.92 to 8.98.

*Disclosure of Information in a non Member or EEA State*

- 8.100 The MFSA shall ensure that information, including Regulated Information, disclosed in a non Member or EEA State which may be of importance to the public in the Member or EEA States is disclosed in terms of Capital Markets Rules 8.92 to 8.98.
- 8.101 The language used to disclose information in terms of Capital Markets Rule 8.100 shall be determined in accordance with Capital Markets Rules 8.82 to 8.88.  
Continuing Obligations relating to Capital and Management
- 8.102 The Scheme shall immediately notify the Regulated Market where it is listed of the following:
- 8.102.1 the net asset value and net asset value per share, when calculated;
  - 8.102.2 any suspension in the calculation of net asset value or in the process of redemption;
  - 8.102.3 any change in the status of the Scheme for taxation purposes;
  - 8.102.4 any changes in the capital structure of the Scheme; and
  - 8.102.5 any other information necessary to enable Unit holders to appraise the position of the Scheme and to avoid the establishment of a false market in its Units.
- Rights as between holders
- 8.103 A Scheme having Units of different classes in issue, any of which classes have been authorised as Admissible to Listing, shall ensure identical treatment of all holders in the same position (e.g. in the same class).  
Communications with Holders
- 8.104 A Scheme shall ensure that all the facilities and information necessary to enable holders of shares to exercise their rights are available in Malta, where Malta is the Home Member State and that the integrity of data is preserved.  
The Scheme shall:
- 8.104.1 provide information on the place, time and agenda of meetings, the total number of shares and voting rights and the rights of holders entitled to participate in meetings

8.104.2 make available a proxy form in terms of Capital Markets Rules 5.26 and 5.27, on paper or, where applicable, by electronic means, to each person entitled to vote at a shareholders' meeting, together with the notice concerning the meeting or, on request, after an announcement of the meeting;

8.104.3 At the request of a Unit Holder, designate as its agent a financial or credit institution through which the Unit Holder may exercise his financial rights; and

8.104.4 publish notices or distribute circulars concerning the allocation and payment of dividends and the issuer of new shares, including information on any arrangements for allotment, subscription, cancellation or conversion.

8.105 Whenever holders are sent a notice of a meeting which includes any business other than Ordinary Business at an Annual General Meeting, an explanatory circular shall accompany the notice or, if the business is to be considered at or on the same day as an Annual General Meeting, an explanation shall be incorporated in the Directors' report. Drafts of these documents should be submitted to the MFSA in advance of the issue to holders.

8.106 If appropriate, a proxy form shall be sent with the notice convening the meeting of holders of listed Units to each person entitled to vote at the meeting.

8.107 In the event of a Circular being issued to the holders of any particular class of Unit, the Scheme shall issue a copy or summary of such Circular to the holders of all other classes of Units unless the contents of such Circulars are manifestly irrelevant to such other holders.

8.108 The Scheme may use electronic means to circulate information other than Annual Accounts, provided such a decision to this effect is taken in a general meeting and such decision meets at least the following conditions:

8.108.1 the use of electronic means shall in no way depend upon the location of the seat or residence of the unit holder or, in the cases referred to in Capital Markets Rule 8.146.1, of the natural persons or Legal Entities

8.108.2 identification arrangements shall be put in place so that the Unit holders, or the natural person or Legal Entities entitled to exercise or to direct the exercise of voting rights, are effectively informed;

8.108.3 unit holders, or in the cases referred to in Capital Markets Rule 8.146.1, the natural persons or Legal Entities entitled to acquire, dispose of or exercise voting rights, shall be contacted in writing to request their consent for the use of electronic means for conveying information and, if they do not object within a reasonable period of time, their consent shall be deemed to be given. They shall be able to request, at any time in the future, that information be conveyed in writing; and

8.108.4 any apportionment of the costs entailed in the conveyance of such information by electronic means shall be determined by the Scheme in compliance with the principle of equal treatment.

8.109 A Scheme whose registered office is in a non Member or EEA State shall be considered by the MFSA to be subject to equivalent requirements as those prescribed by Capital Markets Rules 8.104.1 and 8.104.4, as far as the content of the information about meetings is concerned, where, under the law of that country, the Scheme is required to provide at least information about the place, time and agenda of meetings.

#### *Miscellaneous Obligations*

8.110 Any decision to pay or make any dividend or other distribution on Units authorised as Admissible to Listing or to pass any interest payment or dividend on Units authorised as Admissible to Listing or any other decision requiring announcement shall be communicated to the Regulated Market immediately after board

authorisation.

8.111A Scheme shall make appropriate arrangements to facilitate the efficient settlement of all transfers and registration of the Units as appropriate.

8.112 If a Scheme proposes to enter into a transaction with a Related Party, the Scheme is required to obtain the authorisation of its members prior to the transaction unless such transactions have been identified and described in the Prospectus.

8.113 The Scheme shall supply the MFSA with an original and an electronic copy of:

8.113.1 all periodicals, special reports and Circulars released or issued by the Scheme for the information of holders of the Scheme's units;

8.113.2 the published audited Annual Accounts of the Scheme and all documents required by law to be annexed thereto, as soon these have been made available to the public;

8.113.3 all proceedings of the annual general meeting where they contain information additional to that contained in the Annual Accounts.

The Scheme shall also communicate the draft amendments to its Memorandum and Articles of Association to the MFSA and the Regulated Market to which its units have been Admitted to Trading.

#### *Financial Information - Annual Financial Report*

8.114 A Scheme shall publish and make available to the public its Annual Financial Report within four (4) months of the end of the Financial Year to which it relates. The Scheme shall on request and free of charge also send to Unit holders an Annual Financial Report within four (4) months of the end of the financial period to which it relates. The Scheme shall ensure that the Annual Financial Report remain public for at least 10 years.

The Annual Financial Report, one (1) copy of which shall be lodged with the MFSA for Validation in terms of Capital Markets Rule 8.114.6, at the earliest opportunity but in any event within four (4) months of the end of the financial period to which they relate, shall contain at least all the information required to be put in such a Report by the MFSA as well as any other significant information necessary to enable investors to make an informed judgment on the progress of the Scheme and its results.

In addition, the Report shall:

8.114.1 have been prepared in accordance with the laws of Malta and in all material aspects with International Financial Reporting Standards;

8.114.2 have been independently audited and reported on in accordance with the International Standards on Auditing as promulgated by the International Federation of Accountants, and with the Accountancy Profession Act or the rules and directives issued under it as applicable;

8.114.3 be in consolidated form unless otherwise authorised by the MFSA;

8.114.4 include the following :

8.114.4.1 the audited financial statements;

8.114.4.2 The Directors report in accordance with the Sixth Schedule of the Companies Act;

8.114.4.3 Statements made by the persons responsible within the Scheme, whose names and functions shall be clearly indicated, to the effect that, to the best of their knowledge, the financial statements prepared in accordance with the applicable set of accounting standards give a true and fair view of the assets, liabilities, financial position and profit or loss of the Scheme and the undertakings included in the consolidation taken as a whole and that the directors report includes a fair review of the development and performance of the business and the position of the Scheme and the undertakings included in the consolidation taken as a whole,

together with a description of the principal risks and uncertainties that they face;

8.114.4.4 the information necessary to enable holders of the Scheme's Units authorised as Admissible to Listing to obtain relief from any taxation to which they are entitled by reason of their being holders of such Units;

8.114.4.5 the amounts of Managers' charges and Directors' fees and emoluments;

8.114.4.6 a statement of all unlisted investments with a value greater than five percent (5%) of the Scheme's gross assets, and the ten (10) largest investments stating in respect of each such investment:

8.114.4.6.1 the Market Value of the listed investment;

8.114.4.6.2 Directors' valuation of the unlisted securities;

8.114.4.6.3 the name of the Issuer of such investments;

8.114.4.6.4 the denomination of the investment; and

8.114.4.6.5 the percentage of total net assets owned by the Scheme.

8.114.5 In addition, an analysis of realised and unrealised surpluses, should also be provided stating separately profits and losses as between those investments which are listed on a Regulated Market and those investments which are not so listed.

8.114.6 Without prejudice to any of the above, with effect from 1 January 2020 all Annual Financial Reports containing financial statements for financial years beginning on or after 1 January 2020 may be entirely prepared in a single electronic reporting format. Provided that with effect from 1 January 2021 all Annual Financial Reports containing financial statements for financial years beginning on or after 1 January 2021 shall be entirely prepared in a single electronic reporting format.

8.114A An annual financial report that is not prepared in accordance with Capital Markets Rule 8.114.6 shall not be deemed to satisfy the definition of "Annual Financial Report" and "Regulated Information" as defined by the Capital Markets Rules.

*Requirements Equivalent to the Directors' Report (Capital Markets Rule 8.114.4.2)*

8.115 A Scheme whose registered office is in a nonMember or EEA State shall be considered by the MFSA to be subject to equivalent requirements as those prescribed by Capital Markets Rule 8.114.4.2 where, under the law of that country, a report is required to be prepared which includes at least the following information

8.115.1 a fair review of the development and performance of the Scheme's business and of its position, together with a description of the principal risks and uncertainties that it faces, such that the review presents a balanced and comprehensive analysis of the development and performance of the Scheme's business and of its position, consistent with the size and complexity of the business;

8.115.2 an indication of any important events that have occurred since the end of the financial year;

8.115.3 indications of the Scheme's likely future development.

8.116 For the purposes of Capital Markets Rule 8.115.1, the analysis required by that Capital Markets Rule shall, to the extent necessary for an understanding of the Scheme's development, performance or position, include both financial and, where appropriate, non-financial key performance indicators relevant to the particular business.

*Requirements equivalent to the Statement of Responsibility (Capital Markets Rule 8.114.4.3)*

8.117 A Scheme whose registered office is in a non Member or EEA State shall be considered by the MFSA to be subject to equivalent requirements as those prescribed by Capital Markets Rules 8.114.4.3 and 8.122.2.3 where, under the law of that country, a person or persons involved in the Scheme are responsible for the

annual and half-yearly financial information, and in particular for the following:

- 8.117.1 the compliance of the financial statements with the applicable reporting framework or set of accounting standards;
- 8.117.2 the fairness of the management review included in the management report.

*Requirements equivalent to the Annual Financial Statements required to be prepared in terms of Capital Markets Rule 8.114.4.*

8.118 A Scheme whose registered office is in a non Member or EEA State shall be considered by the MFSA to be subject to equivalent requirements as those prescribed by Capital Markets Rule 8.114.4 where, under the law of that country, the provision of individual accounts by the holder of units in the Scheme which holder qualifies as a parent company in terms of the Companies Act, 1995, is not required but the Scheme whose registered office is in that non Member or EEA State is required to include the following information in the consolidated accounts:

- 8.118.1 for Schemes issuing shares, dividends computation and ability to pay dividends;
- 8.118.2 For all Schemes, where applicable, minimum capital and equity requirements and liquidity issues;

Provided that such Schemes shall be able to provide the MFSA with additional audited disclosures giving information on the individual accounts of the Scheme as standalone, relevant to the elements of information referred to in Capital Markets Rules 8.126.1 and 8.126.2 which disclosures may be prepared under the accounting standards of the non Member or EEA State in which the Scheme has its registered office.

*Requirements equivalent to the Annual Financial Statements required to be prepared in terms of Capital Markets Rule 8.114.1*

8.119 A Scheme whose registered office is in a non Member or EEA State shall be considered by the MFSA to be subject to equivalent requirements as those prescribed by Capital Markets Rule 8.124 where, under the law of that country, such Scheme is not required to prepare consolidated accounts but is required to prepare its individual financial statements in accordance with Generally Accepted Accounting Principles and Practice or with national accounting standards of the non Member or EEA State in which the Scheme has its registered office if these are equivalent to the Generally Accepted Accounting Principles and Practice.

8.120 If the individual financial statements are not considered by the MFSA to be equivalent in terms of Capital Markets Rule 8.119, such financial statements shall be presented in the form of restated financial statements.

8.121 Individual financial statements referred to in Capital Markets Rules 8.119 and 8.120 shall be audited independently.

*Financial Information – Half Yearly Report*

8.122 A Scheme shall publish and make available to the public its Half Yearly Report within two (2) months of the end of the period to which it relates. The Scheme shall on request and free of charge also send to Unit holders the Half Yearly Report within two (2) months of the end of the period to which it relates. The Scheme shall ensure that the Half Yearly Financial Report remains public for at least 10 years.

The Half Yearly Financial Report, one (1) copy of which shall be lodged with the MFSA at the earliest opportunity but in any event within two (2) months of the end of the financial period to which it relates, shall contain at least all the information required to be put in such a Report by the MFSA as well as any other significant information necessary to enable investors to make an informed judgment on the progress of the Scheme and its results.

In addition, the Report shall:

8.122.1 be prepared in accordance with International Financial Reporting Standards;

8.122.2 include the following:

8.122.2.1 the condensed set of financial statements;

8.122.2.2 an interim directors report;

8.122.2.3 statements made by the persons responsible within the Scheme, whose names and functions shall be clearly indicated, to the effect that, to the best of their knowledge, the condensed set of financial statements which has been prepared in accordance with the applicable set of accounting standards gives a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer, or the undertakings included in the consolidation as a whole and that the interim directors report includes a fair review of the information required in terms of Capital Markets Rule 8.122.2.2.

8.122.2.4 When the Half Yearly Report has been audited or reviewed, the Auditors' report shall be reproduced in full, together with any reasoned qualifications which may have been made.

8.122.2.5 If the Half Yearly Report has not been audited or reviewed, the Scheme shall make a statement to that effect in its report.

#### *Condensed set of financial statements*

8.123 Where the Scheme is required to prepare Consolidated Accounts in accordance with Generally Accepted Accounting Principles and Practice, the condensed set of financial statements referred to in Capital Markets Rule 8.122.2.1 shall be prepared in accordance with the international accounting standard applicable to interim financial reporting as adopted by the EU,

8.124 Where the Scheme is not required to prepare Consolidated Accounts, the condensed set of financial statements shall at least contain

8.124.1 a condensed balance sheet;

8.124.2 a condensed profit and loss account; and

8.124.3 explanatory notes on these accounts.

Provided that when preparing the condensed balance sheet and the condensed profit and loss account, the Scheme shall follow the same principles for recognition and

measurement as when preparing annual audited financial statements.

- 8.125 The condensed balance sheet and the condensed profit and loss account referred to in Capital Markets Rules 8.124.1 and 8.124.2 shall show each of the headings and subtotals included in the most recent Annual Financial Statements of the Scheme. Additional line items shall be included if, as a result of their omission, the half-yearly financial statement would give a misleading view of the assets, liabilities, financial position and profit or loss of the Scheme.
- 8.126 The condensed set of financial statements prepared in terms of Capital Markets Rule 8.124 shall also contain the following comparative information:
- 8.126.1 a balance sheet as at the end of the first six months of the current financial year and a comparative balance sheet as at the end of the immediate preceding year;
- 8.126.2 a profit and loss account for the first six months of the current financial year and with effect from 1<sup>st</sup> March 2009, comparative information for the comparable period for the preceding financial year.
- 8.127 The explanatory notes referred to in Capital Markets Rule 8.124.3 shall include the following
- 8.127.1 sufficient information to ensure the comparability of the half-yearly financial statement with the annual financial statement;
- 8.127.2 sufficient information and explanations to ensure a user's proper understanding of any material changes in amounts and of any developments in the half-year period concerned, which are reflected in the balance sheet and the profit and loss account.

#### *Interim Directors' Report*

- 8.128 The Interim Directors' Report shall include at least an indication of important events that have occurred during the first six months of the financial year, and their impact on the condensed set of financial statements, together with a description of the principal risks and uncertainties for the remaining six months of the financial year.
- 8.129 In the Interim Directors' Report, Schemes shall at least disclose as major related parties' transactions:
- 8.129.1 related parties' transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Scheme during that period;
- 8.129.2 any changes in the related parties' transactions described in the last Annual Financial Report that could have a material effect on the financial position or performance of the Scheme in the first six months of the current financial year.
- 8.130 Where the Scheme is not required to prepare Consolidated Accounts, it shall disclose, as a minimum, the following information with respect to material related party transactions which have not been concluded under normal market conditions:
- 8.130.1 the amount of such transactions;
- 8.130.2 the nature of the related party relationship; and
- 8.130.3 other information about the transactions necessary for an

understanding of the financial position of the Scheme.

- 8.131 In relation to the transactions referred to in Capital Markets Rule 8.132 information about individual related party transaction may be aggregated according to their nature except where separate information is necessary for an understanding of the effects of related party transactions on the financial position of the Scheme.

*Requirements Equivalent to Interim Directors' Report (Capital Markets Rule 8.128 – 8.131)*

- 8.132 A Scheme whose registered office is in a nonMember or EEA State shall be considered by the MFSA to be subject to equivalent requirements as those prescribed by Capital Markets Rule 8.122.2.2 where, under the law of that country, an interim management report is required to be prepared together with a condensed set of financial statements and such report includes at least the following information:

for issuers of shares and if already not disclosed on an ongoing basis, major related parties transactions

- 8.132.1 a review of the period covered;
- 8.132.2 indications of the Scheme's likely future development for the remaining six months of the financial year;
- 8.132.3 for other Schemes and if already not disclosed on an ongoing basis, major related parties transactions.

8.133 *Omissis*

8.134 *Omissis*

8.135 *Omissis*

8.136 *Omissis*

*Notification of the acquisition or disposal of major holdings to which voting rights are attached.*

- 8.137 Where the Home Member State is Malta and as soon as a Unit Holder acquires 5% or more of the Scheme's units to which voting rights are attached the Scheme shall immediately inform the Unit Holder of his obligation to notify the Scheme and the MFSA of any changes in major holdings in terms of Capital Markets Rules 8.138 to 8.145.

- 8.138 Any Unit holder who acquires or disposes of units to which voting rights are attached and where the home Member State is Malta, such Unit holder shall notify the Scheme and the MFSA of the proportion of voting rights of the Scheme held by such Unit holder as a result of the acquisition or disposal where that proportion reaches, exceeds or falls below the thresholds of 5%, 10%, 15%, 20%, 25%, 30%, 50%, 75% and 90%.

The voting rights shall be calculated on the basis of all the units to which voting rights are attached even if the exercise thereof is suspended.

This information shall also be given in respect of all the units which are in the same class and to which voting rights are attached.



8.139 The Scheme and the MFSA shall also be notified by a Unit holder when its holding in the Scheme reaches, exceeds or falls below the thresholds specified in the Capital Markets Rule 8.138, as a result of events changing the breakdown of voting rights. Where the Scheme is incorporated in a third country, the notification shall be made for equivalent events.

The Scheme shall make a Company Announcement disclosing the total number of voting rights and capital at the end of the relevant calendar month during which an increase or decrease of such total number has occurred. The threshold referred to in Capital Markets Rule 8.138 shall be calculated on the basis of this public information.

8.140 Capital Markets Rule 8.138 shall not apply to:

8.140.1 shares acquired for the sole purpose of clearing and settling within the usual short settlement cycle, not exceeding three trading days following the execution for the transaction

8.140.2 custodians holding shares in their custodian capacity provided such custodians can only exercise the voting rights attached to such units under instructions given in writing or by electronic means.

8.140.3 acquisitions or disposal of a major holding reaching or crossing the 5% threshold by a Market Maker acting in its capacity of a Market Maker and complying with the conditions and operating requirements set out in Capital Markets Rule 8.140.2 ,

8.140.4 Units provided to or by the members of the European System of Central Banks in carrying out their functions as monetary authorities, including units provided to or by members of the European System of Central Banks under a pledge or repurchase or similar agreement for liquidity granted for monetary policy purposes or within a payment system.

Provided that the above shall apply with regards to transactions lasting for a short period and the voting rights attaching to such units are not exercised.

8.141 A Market Maker shall be exempted in terms of Capital Markets Rule 8.140.2 provided that such Market Maker:

8.141.1 is authorised by its home member state under Directive 2004/39/EC;

8.141.2 does not intervene in the management of the Scheme concerned

8.141.3 does not exert any influence on the Scheme to buy such units or back the unit price; and

8.141.4 notifies the MFSA within the time limit laid down in Capital Markets Rule 8.157 that it conducts or intends to conduct market making activities on a particular Scheme.

8.142 Where the Market Maker ceases to conduct market making activities in relation to the Scheme concerned, it shall notify the MFSA accordingly.

8.143 The MFSA may require the Market Maker undertaking market making activities with respect to units of a Scheme whose Home Member State is Malta, as referred to in Capital Markets Rule 8.140.3, to identify the units or financial instruments held for market making activity purposes, in which case the Market Maker may make such identification by any verifiable means.

- 8.144 If the Market Maker is unable to identify the units or financial instruments concerned, the MFSA may require him to hold them in a separate account for identification purposes.
- 8.145 Where Malta is the Home Member State, voting rights held in the trading book, as defined in Article 11 of Directive 2006/49/EC on the capital adequacy of investment firms and credit institutions, of a credit institution or investment firm shall not be counted for the purposes of Capital Markets Rule 8.138 provided that:
- 8.145.1 the voting rights held in the trading book do not exceed 5%; and
- 8.145.2 the voting rights attached to units held in the trading book are not exercised or otherwise used to intervene in the management of the Scheme.  
Voting rights attached to units acquired for stabilisation purposes in accordance with Commission Regulation (EC) No 2273/2003 implementing Directive 2003/6/EC as regards exemptions for buy-back programmes and stabilisation of financial instruments, shall not be counted for the purposes of Capital Markets Rule 8.138 provided the voting rights attached to those units are not exercised or otherwise used to intervene in the management of the Scheme.
- 8.146 The notification requirement defined in Capital Markets Rule 8.138 shall also apply to a natural person or Legal Entity who:
- 8.146.1 is entitled to acquire, to dispose of, or to exercise voting rights in any of the following cases or a combination of them:
- 8.146.1.1 voting rights held by a third party with whom that person or entity has concluded an agreement, which obliges them to adopt, by concerted exercise of the voting rights they hold, a lasting common policy towards the management of the Scheme in question;
- 8.146.1.2 voting rights held by a third party under an agreement concluded with that person or entity providing for the temporary transfer for consideration of the voting rights in question;
- 8.146.1.3 voting rights attaching to units which are lodged as collateral with that person or entity, provided the person or entity controls the voting rights and declares its intention of exercising them
- 8.146.1.4 voting rights attaching to units in which that person or entity has the right of usufruct;
- 8.146.1.5 voting rights which are held, or may be exercised within the meaning of Capital Markets Rule 8.146.1.1 to 8.146.1.4 above, by an undertaking controlled by that person or entity;
- 8.146.1.6 voting rights attaching to units deposited with that person or entity which the person or entity can exercise at its discretion in the absence of specific instructions from the Unit holders;
- 8.146.1.7 voting rights held by a third party in its own name on behalf of that person or entity;

- 8.146.1.8 voting rights which that person or entity may exercise as a proxy where the person or entity can exercise the voting rights at its discretion in the absence of specific instructions from the Unit holders.
- 8.147 The obligation to notify the Scheme in terms of Capital Markets Rule 8.138 shall be an individual obligation incumbent upon each unitholder, or each natural person or Legal Entity as referred to in Capital Markets Rule 8.146, or both in case the proportion of voting rights held by each party reaches, exceeds or falls below the thresholds laid down in Capital Markets Rule 8.138. In the circumstances, however, referred to in Capital Markets Rule 8.146.1.1 the said notification obligation shall be a collective obligation shared by all the parties to the agreement.
- 8.148 In the circumstances referred to in Capital Markets Rule 8.146.1.8, if a unitholder gives the proxy in relation to one unitholder meeting, notification may be made by means of a single notification when the proxy is given provided it is made clear in the notification what the resulting situation in terms of voting rights will be when the proxy may no longer exercise the voting rights at its discretion.
- 8.149 If in the circumstances referred to in Capital Markets Rule 8.146.1.8 the proxy holder receives one or several proxies in relation to one unitholder meeting, notification may be made by means of a single notification on or after the deadline for receiving proxies provided that it is made clear in the notification what the resulting situation in terms of voting rights will be when the proxy may no longer exercise the voting rights at its discretion.
- 8.150 When the duty to make notification lies with more than one natural person or Legal Entity, notification may be made by means of a single common notification but this does not release any of those persons from their responsibilities in relation to the notification.
- 8.151 A natural or Legal Entity shall make a notification in terms of Capital Markets Rule 8.138 in respect of the following financial instruments held by such person, directly or indirectly:
- 8.151.1 financial instruments that, on maturity, give the holder, under a formal agreement, either the unconditional right to acquire or the discretion as to his right to acquire, shares to which voting rights are attached, already issued, of an issuer whose shares are admitted to trading on a regulated market;
  - 8.151.2 financial instruments which are not included in Capital Markets Rule 5.151.1 but which are referenced to shares and which have the economic effect similar to the financial instruments referred to in Capital Markets Rule 5.151.1, whether or not they confer a right to a physical settlement.
- 8.151A The notification required shall include the breakdown by type of financial instruments held in accordance with Capital Markets Rules 5.151.1 and 5.151.2, distinguishing between the financial instruments which confer a right to a physical settlement and the financial instruments which confer a right to a cash settlement.
- 8.151B The number of voting rights shall be calculated by reference to the full notional amount of shares underlying the financial instrument except where the financial instrument provides exclusively for a cash settlement, in which case the number of voting rights shall be calculated on a “delta-adjusted” basis, by multiplying the

notional amount of underlying shares by the delta of the instrument. For this purpose, the holder shall aggregate and notify all financial instruments relating to the same underlying issuer. Only long positions shall be taken into account for the calculation of voting rights. Long positions shall not be netted with short positions relating to the same underlying issuer.

- 8.152 For the purposes of Capital Markets Rule 8.151:  
“qualifying financial instruments” means transferable securities and options, futures, swaps, forward rate agreements, contracts for differences, any other contracts or agreements with similar economic effects which may be settled physically or in cash.  
“formal agreement” means an agreement which is binding under applicable law.
- 8.153 The exemptions laid down in Capital Markets Rules 8.160, 8.140.1, 8.140.3, 8.141, 8.145, 8.162 and 8.163 shall apply mutatis mutandis to the notification requirements under Capital Markets Rule 8.151.
- 8.154 If a qualifying financial instrument relates to more than one underlying share, a separate notification shall be made to each Issuer of the underlying shares.
- 8.154A The notification required shall also apply to natural person and Legal Entity when the number of voting rights held directly or indirectly by such person or entity under Capital Markets Rules 8.138 and 8.146 aggregated with the number of voting rights relating to financial instruments held directly or indirectly under Capital Markets Rule 8.151 reaches, exceeds or falls below the thresholds set out in Capital Markets Rule 8.138.
- 8.155 The notification required under Capital Markets Rule 8.138 and 8.146 shall include the following information.
- 8.155.1 the resulting position in terms of voting rights;
  - 8.155.2 the chain of Controlled Undertakings through which voting rights and/or financial instruments are effectively held, if applicable;
  - 8.155.3 the date on which the threshold was reached or crossed;
  - 8.155.4 the identity of the person entitled to exercise voting rights, even if that person is not entitled to exercise voting rights under the conditions laid down in Capital Markets Rule 8.146.
  - 8.155.5 for instruments with an exercise period:
  - 8.155.6 an indication of the date or time period where shares will or can be acquired, if applicable;
  - 8.155.7 the date of maturity or expiration of the instrument;
  - 8.155.8 name of the underlying Scheme.
- 8.155A The notification required under Capital Markets Rule 5.154A shall include a breakdown of the number of voting rights attached to shares held in accordance with Capital Markets Rules 8.138 and 8.146 and voting rights relating to financial instruments in terms of Capital Markets Rule 8.151.
- 8.155B Voting rights relating to financial instruments that have already been notified in accordance with Capital Markets Rule 8.151 shall be notified again when the natural

person or the Legal Entity has acquired the underlying shares and such acquisition results in the total number of voting rights attached to shares issued by the same issuer reaching or exceeding the thresholds laid down by Capital Markets Rule 8.138.

8.156 The notification required under Capital Markets Rule 8.138 shall include the following information:

- 8.156.1 the resulting position in terms of voting rights;
- 8.156.2 the chain of controlled undertakings through which voting rights are effectively held, if applicable;
- 8.156.3 the date on which the threshold was reached or crossed; and
- 8.156.4 the identity of the Unit holders, even if that Unit holder is not entitled to exercise voting rights under the conditions laid down in Capital Markets Rule 8.146, and of the natural person or Legal Entity entitled to exercise voting rights on behalf of that Unit holders.

8.157 The notification to the Scheme referred to in Capital Markets Rule 8.156 shall be effected promptly, but not later than four trading days following the date on which the Unit holder, or the natural person or Legal Entity representing the Unit holder:

- 8.157.1 learns of the acquisition or disposal or of the possibility of exercising voting rights, or on which, having regard to the circumstances, should have learned of it, regardless of the date on which the acquisition, disposal or possibility of exercising voting rights takes effect; or
- 8.157.2 is informed about the events changing the breakdown of voting rights.

8.158 For the purposes of Capital Markets Rule 8.157.1, the holder of Units in the Scheme, or the natural person or Legal Entity representing the holder of Units in the Scheme shall be deemed to have knowledge of the acquisition, disposal or possibility to exercise voting rights no later than two trading days following the transaction in question.

8.160 An undertaking shall be exempted from notifying the Scheme of any changes in its holding as required under Capital Markets Rules 8.138 if the notification is made by the parent undertaking or, where the parent undertaking is itself a controlled undertaking, by its own parent undertaking.

*Notification by Management Companies and Investment Firms*

8.161 For the purposes of Capital Markets Rules 8.162.1 and 8.163.4 “direct instruction” and “indirect instruction” shall have the following meaning:

“direct instruction” means any instruction given by the Parent Undertaking, or another Controlled Undertaking of the Parent Undertaking, specifying how the voting rights are to be exercised by the Management Company or investment firm in particular cases;

“indirect instruction” means any general or particular instruction, regardless of the form, given by the Parent Undertaking, or another Controlled Undertaking of the Parent Undertaking, that limits the discretion of the management company or investment firm in relation to the exercise of the voting rights in order to serve specific business interests of the Parent Undertaking or another Controlled Undertaking of the Parent Undertaking.

8.162 The Parent Undertaking of a Management Company shall not be required to aggregate its holdings with the holdings managed by the Management Company under the conditions laid down in Directive 85/611/EEC, provided such management company exercises its voting rights independently from the Parent Undertaking.

8.162.1 it does not interfere by giving direct or indirect instructions or it does not interfere in any other way in the exercise of the voting rights held by that Management Company; and

8.162.2 the management company is free to exercise, independently of the parent undertaking, the voting rights attached to the assets it manages.

Where the parent undertaking, or another controlled undertaking of the parent undertaking, has invested in holdings managed by such Management Company and the Management Company has no discretion to exercise the voting rights attached to such holdings and may only exercise such voting rights under direct or indirect instructions from the parent or another controlled undertaking of the parent undertaking, the holdings of the parent undertaking shall be aggregated with its holdings through the Management Company.

8.163 The parent undertaking of an investment firm authorised under Directive 2004/39/EC shall not be required to aggregate its holdings with the holdings which such investment firm manages on a client-by-client basis within the meaning of Art 4(1), point 9, of Directive 2004/39/EC provided that:

8.163.1 the investment firm is authorised to provide such portfolio management under point 4 of Section A of Annex I to Directive 2004/39/EC;

8.163.2 it may only exercise the voting rights attached to such units under instructions given in writing or by electronic means or it ensures that individual portfolio management services are conducted independently of any other services under conditions equivalent to those provided for under Directive 85/611/EEC by putting into place appropriate mechanisms; and

8.163.3 the investment firm exercises its voting rights independently from the parent undertaking;

8.163.4 it does not interfere by giving direct or indirect instructions or it does not interfere in any other way in the exercise of the voting rights held by that investment firm;

8.163.5 the investment firm is free to exercise, independently of the parent undertaking, the voting rights attached to the assets it manages.

Where the parent undertaking, or another controlled undertaking of the parent undertaking, has invested in holdings managed by such investment firm and the investment firm has no discretion to exercise the voting rights attached to such holdings and may only exercise such voting rights under direct or indirect instructions from the parent or another controlled undertaking of the parent undertaking, the holdings of the parent undertaking shall be aggregated with its holdings through the investment firm.

8.164 A Parent Undertaking which does not aggregate its holdings in terms of Capital Markets Rules 8.162 or 8.163 shall, without delay, notify to the MFSA the following information:

- 8.164.1 a list of the names of those Management Companies and investment firms, indicating the competent authorities that supervise them or that no competent authority supervises them, but with no reference to the issuers concerned;
- 8.164.2 in the case of a Management Company, a statement that the Parent Undertaking complies with the conditions laid down in Capital Markets Rules 8.162.
- 8.164.3 in the case of an investment firm, a statement that the Parent Undertaking complies with the conditions laid down in Capital Markets Rules 8.163.4 and 8.163.5.
- 8.165 The Parent Undertaking shall update the list referred to in Capital Markets Rule 8.164.1 on an ongoing basis.
- 8.166 Where a Parent Undertaking intends to avail itself of the exemptions contained in Capital Markets Rules 8.162 or 8.163 only in relation to the financial instruments referred to in Capital Markets Rule 8.151, it shall notify to the MFSA only the list referred to in Capital Markets Rule 8.164.1.
- 8.167 The MFSA may request a Parent Undertaking of a Management Company or of an investment firm to demonstrate that:
- 8.167.1 the organisational structures of the Parent Undertaking and the Management Company or investment firm are such that the voting rights are exercised independently of the Parent Undertaking;
- 8.167.2 the persons who decide how the voting rights are to be exercised act independently;
- 8.167.3 if the Parent Undertaking is a client of its Management Company or investment firm or has holding in the assets managed by the Management Company or investment firm, there is a clear written mandate for an arms-length customer relationship between the Parent Undertaking and the Management Company or investment firm.
- 8.168 The Parent Undertaking shall be deemed to satisfy Capital Markets Rule 8.167.1 if as a minimum the Parent Undertaking and the Management Company or investment firm have established written policies and procedures that are reasonably designed to prevent the distribution of information between the Parent Undertaking and the Management Company or investment firm in relation to the exercise of voting rights.
- 8.169 Undertakings whose registered office is not in a Member or EEA State which would have required an authorization in accordance with Article 5(1) of Directive 85/611/EEC or, with regard to portfolio management under point 4 of section A of Annex I to Directive 2004/39/EC if it had its registered office or, only in the case of an investment firm, its head office within the European Union, shall also be exempted from aggregating holdings with the holdings of its parent undertaking under the requirements laid down in Capital Markets Rules 8.162 and 8.163 provided that they comply with equivalent conditions of independence as Management Companies or investment firms.
- 8.170 The undertakings referred to in Capital Markets Rule 8.169 shall be considered by the MFSA to be subject to equivalent requirements as those prescribed by Capital Markets Rules 8.162 and 8.163 where, under the law of that country, the management company or investment firm is required to meet the following conditions:

- 8.170.1 the Management Company or investment firm is required to be free in all situations to exercise, the voting rights attached to the assets it manages independently of its Parent Undertaking;
- 8.170.2 the Management Company or investment firm is required to disregard the interests of the Parent Undertaking or of any other Controlled Undertaking of the Parent Undertaking whenever conflicts of interest arise.
- 8.171 The Parent Undertaking of the Management Companies or investment firms referred to in Capital Markets Rule 8.170 shall comply with the notification requirements laid down in Capital Markets Rules 8.164.1 and 8.166 and shall also make a statement that, in the case of each Management Company or investment firm concerned, the Parent Undertaking complies with the conditions laid down in Capital Markets Rule 8.120a above.
- 8.172 The MFSA may request the Parent Undertaking of the Management Companies or investment firms referred to in Capital Markets Rule 8.170 to demonstrate that the requirements laid down in Capital Markets Rule 8.167 are satisfied.
- Calendar of Trading Days.*
- 8.173 For the purposes of Capital Markets Rules 8.157, 8.175 and 8.179, the calendar of trading days of the Home Member State of the Scheme shall apply.
- 8.174 The MFSA shall publish on its website the calendar of trading days of the different regulated markets situated or operating in Malta.
- 8.175 Upon receipt of the notification in terms of Capital Markets Rule 8.138 but no later than three trading days thereafter, the Scheme shall also make a Company Announcement including all the information contained in the notification.
- 8.176 A Scheme whose registered office is in a non-EU or EEA State shall be considered by the MFSA to be subject to equivalent requirements as those prescribed by Capital Markets Rule 8.175 where, under the law of that country, the time period within which such Scheme shall be notified of major holdings and within which it shall disclose those major holdings to the public is in total equal to or shorter than seven trading days.
- 8.177 In the case of a Scheme whose registered office is in a non-EU or EEA State, the time-frames for the notification of major holdings to the Scheme and for the subsequent disclosure to the public by the Scheme may be different from those set out in Capital Markets Rules 8.157 and 8.175.
- 8.178 Notwithstanding Capital Markets Rule 8.175 a Scheme shall disclose the information received in the notifications mentioned in Capital Markets Rule 8.159, by those notifications not later than 1<sup>st</sup> June, 2007.
- 8.179 Where a Scheme acquires or disposes of its own units, either itself or through a person acting in his own name but on the Scheme's behalf, the Scheme shall make a Company Announcement in the English or Maltese language without delay through the Regulated Market as soon as possible, but not later than four trading days following such acquisition or disposal where that proportion reaches, exceeds or falls below the thresholds of 5% or 10% of the voting rights. The Company Announcement shall disclose the proportion of the Scheme's holding in its own units, following the acquisition or sale referred to above.



The proportion of such holding shall be calculated on the basis of the total number of units to which voting rights are attached.

*Additional Notifications*

- 8.180 A Scheme or a person who has applied for admissibility to trading on a Regulated Market without the Scheme's consent, where applicable, must make a Company Announcement in the English or Maltese language without delay through the Regulated Market with regards to the following:
- 8.180.1 price-sensitive facts which arise in its sphere of activity and which are not public knowledge;
  - 8.180.2 any information concerning the Scheme or any of its Subsidiaries necessary to avoid the establishment of a false market in its units;
  - 8.180.3 information of any major new developments in its sphere of activity which are not public knowledge which may:
    - 8.180.3.1 lead to substantial movement in the price of its units; or
    - 8.180.3.2 or significantly affect its ability to meet its commitments;
  - 8.180.4 the date fixed for any board meeting of the Scheme at which the declaration or recommendation or payment of a dividend on units authorised as Admissible to Listing is expected to be decided, or at which any announcement of the profits or losses in respect of any year, half-year or other period is to be approved for publication;
  - 8.180.5 any decision by the Directors of the Scheme to declare any dividend or other distribution on units Admissible to Listing or not to declare any dividend units authorised as Admissible to Listing or relating to profits;
  - 8.180.6 the filing of a winding-up application;
  - 8.180.7 any resolution for the merger or amalgamation of the Scheme and any agreement entered into in connection with any acquisition or realisation of assets or any transaction outside the ordinary course of business of the Scheme and/or its Subsidiaries which is likely to materially affect the price of its units;
  - 8.180.8 indicating any change in the rights attaching to any class of units issued by the Scheme.
  - 8.180.9 the effect, if any, of any issue of further units on the terms of the exercise of rights under options, warrants and convertible units;
  - 8.180.10 the results of any new issue or Public Offer of units. Where the units are subject to an underwriting arrangement the Scheme may at its discretion, delay notifying the MFSA until the obligations by the underwriter to take or procure others to take units are finally determined or lapse. In the case of an issue or offer of units which is not underwritten, notification of the result must be made as soon as it is known;
  - 8.180.11 all resolutions put to a general meeting of the Scheme which are not Ordinary Business and immediately after such meeting whether or not the resolutions were carried;
  - 8.180.12 any change of address of the registered office of the Scheme;
  - 8.180.13 any proposed changes to the Memorandum and Articles of

- Association of the Scheme;
- 8.180.14 the intention to Discontinue Listing by the Scheme;
- 8.180.15 a statement indicating where the audited Annual Financial Report and Half Yearly Financial Report have been made available to the public
- 8.180.16 indicating the total number of voting rights and capital, at the end of each calendar month during which an increase or decrease of such total number has occurred;
- 8.180.17 the matters referred to in Capital Markets Rule 8.195 (preliminary results)

Where the Scheme is Admitted to Trading on a Regulated Market in Malta and Malta is the only host Member or EEA State, the Scheme or a person who has applied for admission to trading on a Regulated Market without the Scheme's consent is obliged to make a Company Announcement in terms of Capital Markets Rules 8.139, 8.175, 8.179 and 8.180.8 and also provides such information to the Officially Appointed Mechanism.

- 8.181 A Scheme whose registered office is in a non-EU or EEA State shall be considered by the MFSA to be subject to equivalent requirements as those prescribed by Capital Markets Rules 8.180 where, under the law of that country, the Scheme is required to comply with the following conditions:
  - 8.181.1 in the case of a Scheme allowed to hold up to a maximum of 5 % of its own shares to which voting rights are attached, it is required to make a notification whenever that threshold is reached or crossed;
  - 8.181.2 in the case of a Scheme allowed to hold up to a maximum of between 5 % and 10 % of its own shares to which voting rights are attached, it is required to make a notification whenever the 5% threshold or that maximum threshold is reached or crossed;
  - 8.181.3 in the case of a Scheme allowed to hold more than 10 % of its own shares to which voting rights are attached, it is required to make a notification whenever the 5 % threshold or the 10 % threshold is reached or crossed.
- 8.182 For the purposes of Capital Markets Rule 8.180.16, a Scheme whose registered office is in a non-EU or EEA State shall be considered by the MFSA to be subject to equivalent requirements as those prescribed by Capital Markets Rule 8.180.16 where, under the law of that country, the Scheme is required to disclose to the public the total number of voting rights and capital within thirty (30) calendar days after an increase or decrease of such total number has occurred.
- 8.183 The MFSA shall require that information disclosed in a non Member or EEA State, which may be of importance for the public in Malta or another EEA State is disclosed in terms of Capital Markets Rules 8.82 to 8.88 and 8.180.

*Directors (including Directors of the Manager in the case of a Unit Trust)*

- 8.184 Copies of the Directors' service contracts, if any, shall be made available for inspection to the general public:
  - 8.184.1 at the registered office of the company, or in the case of an Overseas Company, at the office of the Sponsor during Normal Business Hours from the date of the notice convening the Annual General

- Meeting up to close of the meeting; and
- 8.184.2 throughout the meeting at the place where the Annual General Meeting is being held.
- 8.185 A Scheme shall notify the MFSA without delay of any change in the holding of its Units by any Director and/or of any person connected with the Director. The communication shall include the following:
- 8.185.1 the date on which the transaction giving rise to the interest (or cessation of the interest) was effected;
- 8.185.2 the price, amount and class of units concerned;
- 8.185.3 the nature of the transaction and the nature and extent of the Director's interest in the transaction; and
- 8.185.4 the number of Units held and the percentage holding of the Director following the transaction.

The above information is required to be communicated by the Scheme insofar as it is known to the Scheme. The Scheme, however, shall ensure that the Directors disclose all the necessary information in time to enable the Scheme to comply with this requirement.

*Consultation with the MFSA and Maintenance of Information*

- 8.186 The Scheme shall immediately notify the MFSA of:
- 8.186.1 any changes in the general character or nature of the Scheme; and
- 8.186.2 any renewal or termination of or variation to the Scheme.
- 8.187 The MFSA shall be consulted in advance of any event of which the Scheme is aware and which is relevant to the maintenance of Admissibility by the Scheme.
- 8.188 The Scheme shall maintain a complete file of all advertisements, brochures, leaflets and other documents issued with a view to effecting or stimulating sales or purchases of Units. The file shall be produced to the MFSA or its representative on demand.

*Other Continuing Obligations*

- 8.189 Besides complying with the Continuing Obligations contained in this section, Schemes having listed Units shall also ensure that the following obligations shall be observed so long as the Units remain authorised as Admissible to Listing:
- 8.189.1 the respective obligations of the Scheme and/or its Manager under the constitutional documents of the Scheme and the applicable legal and regulatory requirements shall be complied with;
- 8.189.2 the amount of the charges and expenses (to the extent borne by the Scheme) of the Managers, the trustee and any agent of the Managers or trustee, the Investment Adviser or any sub-adviser or any custodian or sub-custodian, shall be clearly set out in each Annual Report issued by the Scheme;
- 8.189.3 all Circulars issued in respect of the sale of Units in the Scheme shall clearly state any terms or conditions under which the Managers undertake to repurchase Units in the Scheme;
- 8.189.4 the Scheme shall notify the following information to the MFSA without delay, and in any event within one (1) month of the end of

each distribution or allocation period:

- 8.189.4.1 the total gross and net income per Unit (before charging expenses to the Scheme);
- 8.189.4.2 the net amount per Unit or share (after allowing for charges and adjustments) to be distributed or allocated, together with the gross equivalent attributable to the distribution or allocation period;
- 8.189.4.3 the date of the striking of holders register balances; and
- 8.189.4.4 any date on and from which trading ex-distribution (where applicable) will take place.

#### *Exemptions*

8.190 Where a Scheme is Admitted to Trading in Malta but its registered office is not in a Member or EEA State, the MFSA may exempt that Scheme from the requirements of the following Capital Markets Rules 8.104 to 8.109, 8.114, 8.122 to 8.131, 8.133 to 8.135, 8.137 to 8.172, 8.179 and 8.180.16.

Provided that the MFSA considers that the Scheme is subject to equivalent legal requirements.

8.191

#### *Cooperation with other regulatory authorities*

8.192 The MFSA shall cooperate with other regulatory authorities for the purpose of assisting other regulatory authorities in carrying out their duties and making use of their powers, particularly for the following purposes:

- 8.192.1 Exchange of information and cooperation when a Scheme has more than one home regulatory authority;
- 8.192.2 transfer of the approval of a Prospectus to the regulatory authority of another Member State or EEA State.
- 8.192.3 When requiring suspension or prohibition of trading for securities traded in various Member States or EEA States in order to ensure a level playing field between trading venues and protection of investors.

8.193 Where Malta is the Host Member State and the MFSA finds that breaches have been committed by the Scheme or the financial institutions responsible for seeking Admissibility to Listing, it shall refer those findings to the regulatory authority of the Home Member State or EEA State.

8.194 If measures taken by the regulatory authority of the Home Member State or EEA State do not prevent the Scheme or the financial institutions responsible for seeking Admissibility to Listing, from breaching the relevant provisions of these Capital Markets Rules, the MFSA shall, after informing the regulatory authority of the Home Member State or EEA State, take all the appropriate measures in order to protect investors.

*Preliminary Statement of Annual Results*

- 8.195 A preliminary statement of annual results must
- 8.195.1 Include:
- 8.195.1.1 a condensed balance sheet;
  - 8.195.1.2 a condensed income statement;
  - 8.195.1.3 a condensed statement of changes in equity;
  - 8.195.1.4 a condensed cash flow statement;
  - 8.195.1.5 explanatory notes and any significant additional information necessary of the purpose of assessing the results being announced;
  - 8.195.1.6 a statement that the annual results have been agreed with the Auditors and if the Auditors' report is likely to be qualified, give details of the nature of the qualification; and
    - 8.195.1.6.1 any decision to pay or make any dividend or other distribution on Equity Securities authorised as Admissible to Listing or to withhold any dividend or interest payment on Securities authorised as Admissible to Listing giving details of;
    - 8.195.1.6.2 the exact net amount payable per Share;
    - 8.195.1.6.3 the payment date; and
    - 8.195.1.6.4 the cut off date when the Register is closed for the purpose of distribution
- 8.196.2 be announced to the market by way of a Company Announcement in terms of Capital Markets Rule 5.16 without delay after Board's approval.

## Section VI – Exchange Traded Funds

### Part A - Application Procedures and Requirements for open ended Schemes seeking Authorisation for Admissibility for Listing

#### *Introduction*

8.197 This section applies to the Admissibility for Listing of open ended Scheme which once their Units have been admitted to the official list of a Regulated Market will satisfy the below definition of Exchange Traded Funds.

For the purposes of this section an Exchange Traded Fund or ETF means an open ended Scheme:

- (a) which is an index tracker fund or an actively managed exchange traded fund; and
- (b) whose Units have been admitted to the official list of a Regulated Market and are traded on a Regulated Market; and
- (c) which is authorised and regulated as a UCITS or such other EU regulated Scheme

#### *Conditions to be fulfilled by a Scheme seeking authorisation for Admissibility for Listing*

8.198 An ETF should fulfil all the conditions which need to be fulfilled by a Scheme in terms of Section I – Application Procedures and Requirements for open ended Schemes seeking Authorisation for Admissibility for Listing.

8.199 An ETF should also fulfil the following conditions:

8.199.1 Service providers to an Applicant must be free of conflicts between duties to the Applicant and duties owed by them to third parties and other interests, unless it can be demonstrated that arrangements are in place to avoid detriment to the Applicant's interests.

8.199.2 Units of the same class may not be issued at a price which is less than the net asset value per Unit of that class at the time of such issue unless authorised by a majority of the unitholders of that class or offered first on a pro-rata basis to those unitholders.

### Part B – Continuing Obligations of ETFs Authorised as Admissible for Listing

8.200 An ETF is required to comply with the continuing obligations as set out in Section II - Continuing Obligations of Open ended Schemes Authorised as Admissible for Primary Listing with the exception of Capital Markets Rule 8.25.1.

8.201 An actively managed ETF should be required to regularly report and disseminate indicative net asset values at appropriate intervals through a recognised data provider.

Appendix 8.1  
(Capital Markets Rule 8.9)

Formal Application for Authorisation for Admissibility to Listing of Collective Investment Schemes

(To be typed on the letter-head of the Collective Investment Scheme applying for authorisation for Admissibility to Listing)

Date .....

To:  
MALTA FINANCIAL SERVICES AUTHORITY  
ATTARD

Dear Sir

1. We (..... hereby apply) (are instructed by .....to lodge an application) for authorisation for the admissibility of the securities referred to in Paragraph 4 below to listing, as a primary/secondary listing in Malta, in accordance with and subject to the Capital Markets Rules of the MFSA.
2. (.....) is a Collective Investment Scheme which (i) has been duly licensed by the MFSA pursuant to Section 6 of the Investment Services Act on ..... with Licence No. ....; or (ii) is established in (.....)
3. Application is presently being made for the authorisation for the Admissibility to Listing of ..... (number of) Units.
4. The securities for which application is presently being made :-
  - (a) are identical in all respects/are divided into the following classes :  
.....  
.....
  - (b) are not authorised admitted to listing on another Regulated Market or overseas stock exchange /are listed on the following Regulated Market/s or overseas stock exchange/s  
.....  
.....  
.....
  - (c) have been in the previous six (6) months, are or will be the subject of an application for listing on the following Regulated Market/s or overseas stock exchange/s:  
.....  
.....
5. We declare that:

- (a) (i) the Collective Investment Scheme has been licensed by the MFSA pursuant to Section 6 of the Investment Services Act, 1994 and that such licence is currently in force and that we know of no reasons why such licence may be withdrawn; or
  - (ii) the Collective Investment Scheme has been established in (.....) since (.....) and that its units will be marketed in Malta.
  - (b) that the Scheme complies and will comply in all material respects with the Rules in respect of Collective Investment Schemes as issued from time to time by the MFSA or by the Competent Authority in the Jurisdiction where it is established (as applicable);
  - (c) all information required to be included in the Equivalent Offering Document/explanatory memorandum by virtue of the abovementioned Regulations, the Capital Markets Rules, the Companies Act, the Financial Markets Act as well as its Capital Markets Rules and any other applicable legislation has been included therein or, if the final version has not yet been submitted (or reviewed) will be included therein before it is so submitted; and
  - (d) there are no other facts bearing on the Scheme's application for listing such securities which, in our opinion, should be disclosed to the MFSA.
6. We undertake to comply with the provisions of the MFSA and with the Capital Markets Rules in force from time to time.

Yours faithfully

Signed .....  
 Name:  
 for and on behalf of  
 (Management Company,  
 Scheme)

Signed .....  
 Name:  
 for and on behalf of  
 (Sponsor's Name)



CHAPTER 9  
Public Sector Issuers

### *General*

- 9.1 A Public Sector Issuer issuing Debt Securities or an Issuer whose Securities are unconditionally and irrevocably guaranteed by a State or by a State's regional or local authorities is exempt from Chapter 2 and from the requirement to draw up a Prospectus under Chapter 4 when making an application for authorisation for Admissibility to Listing. Instead, such Issuer shall prepare an Equivalent Offering Document containing the information (with adaptation as necessary according to the type of Issuer) set out in Capital Markets Rule 9.2. The MFSA shall, however, take note of information which is already available to the public in deciding on the application of the requirements of Capital Markets Rule 9.2 for each particular issue.

### *Content of Offering Document*

- 9.2 An Offering Document shall at least contain the following information:
- 9.2.1 the name of the Issuer;
  - 9.2.2 a statement that application has been made to the MFSA for the Securities to be authorised as Admissible to Listing, setting out the relevant Securities;
  - 9.2.3 the nominal amount and title of the Securities in respect of which authorisation for Admissibility to Listing is sought;
  - 9.2.4 the authority under which the Securities are issued;
  - 9.2.5 the terms and conditions of issue of the Securities including, in particular:
    - 9.2.5.1 the rights conferred as regards income and capital, with information as to the amount and application of any sinking fund;
    - 9.2.5.2 any right of the Issuer to redeem before maturity;
  - 9.2.6 any rights of conversion or other similar rights and the security on which any loan is charged;
  - 9.2.7 the interest payment dates and, if included in the conditions of issue or other provisions, the dates on which a balance is struck for the purposes of payment;
  - 9.2.8 the price at which and the terms upon which the Securities have been issued or agreed to be issued; and
  - 9.2.9 the markets on which the Securities are expected to be listed.

### *Prospectus*

- 9.3 Where a Public Sector Issuer which has applied for the Admissibility to Listing of its Debt Securities or an Issuer whose Securities are unconditionally and irrevocably guaranteed by a State or by a State's regional or local authorities elects to draw up a Prospectus in conformity with Directive 2003/71/EC, the Prospectus shall be prepared in accordance with the relevant Annexes of Regulation 809/2004 and such Issuer shall comply with the relevant Chapters of these Capital Markets Rules.

### *Submission of Documents*

- 9.4 A copy of the following documents shall be submitted to the MFSA:
- 9.4.1 an application for authorisation for Admissibility to Listing signed by a duly authorised official of the Issuer
  - 9.4.2 application forms to purchase or subscribe to the Securities;

- 9.4.3 a copy of the Offering Document satisfying all requirements for the contents of such documents and in the case of an application in respect of Securities of a Class not already authorised as Admissible to listing, the Prospectus or Equivalent Offering Document shall be signed and dated by a duly authorised official of the Issuer or by his agent or attorney and lodged with a certified copy of the authority of any such agent or attorney; and
- 9.4.4 a copy of the Issuer's application for Admission to Trading in the appropriate form issued by the relevant Regulated Market signed by a duly authorised officer of the Issuer for each Regulated Market to which the Issuer is applying for authorisation for Admission to Trading.

*Approval of Prospectus or Equivalent Offering Document*

- 9.5 The MFSA shall notify the Applicant of its decision to accept or refuse an Offering Document within five (5) Working Days of the submission of the draft Offering Document. If the MFSA finds, on reasonable grounds, that the documents submitted to it are incomplete or that supplementary information is needed, the said period shall start running again from the date on which such information is provided by the Applicant.

*Additional Documents*

- 9.6 The MFSA may, at any time, require a Public Sector Issuer to provide it with a copy of any of the following:
- 9.6.1 an official copy of any Act, or the equivalent in the case of a Public Sector Issuer from outside Malta, and a copy of any consent, order, authority and/or resolution, authorising the issue;
- 9.6.2 a letter from an authorised adviser confirming that any deferred settlement arrangements applying to the Class of Securities the subject of the application for authorisation for Admissibility to Listing have been formally agreed with the Regulated Market on which the Securities are to be Admitted to listing; and
- 9.6.3 any other document which the MFSA deems useful, necessary or beneficial in order for it to decide upon the authorisation of Admissibility to Listing of the securities to be issued by the Public Sector Issuer.

*Authorisation*

- 9.7 The Offering Document shall not be published, advertised or circulated until it has been formally authorised by the MFSA in its final form.

*Continuing Obligations*

- 9.8 Where a Public Sector Issuer or an Issuer whose Securities are unconditionally and irrevocably guaranteed by a State or by a State's regional or local authorities elects to draw up a Prospectus in conformity with Directive 2003/71/EC, it shall comply with the continuing obligations contained in these Capital Markets Rules. In appropriate cases, the MFSA will have regard to information already available to the public and the particular circumstances of the Issuer in deciding on the applicability of the said continuing obligations.

- 9.9 A Public Sector Issuer which does not fall within the terms of Capital Markets Rule 9.8 shall, throughout the whole period during which their Securities are listed on a Regulated Market in Malta, be responsible for bringing all useful and relevant facts concerning itself or its Securities to the attention of the market

## CHAPTER 10

### Alternative Company Listing Requirements

This Chapter details the requirements relating to the authorisation for Admissibility to Listing of Securities to the Alternative Company Listing (ACL).

### *General*

- 10.1 The MFSA will consider applications for Admissibility to Listing of Securities on the ACL if the Applicant does not fully meet the listing requirements of Chapter 3 of these Capital Markets Rules.
- 10.2 The MFSA will refuse an application for admission to the ACL if it is satisfied that the Applicant fully meets the listing requirements of Chapter 3 of these Capital Markets Rules.
- 10.3 The MFSA may authorise Securities as Admissible to Listing on the ACL subject to any special conditions which the Listing Authority considers appropriate in the interests of protecting investors and of which the MFSA has explicitly informed the Applicant.
- 10.4 In exceptional circumstances, the MFSA may consider an application for Admissibility to Listing on the ACL by an Applicant which does not comply with all of the entry requirements contained in this Chapter, provided that the MFSA is satisfied that alternative conditions have been met which provide equivalent information and investor protection. The MFSA must be consulted in advance in such circumstances.
- 10.5 The MFSA may refuse an application for admission to the ACL if the Applicant does not comply with any special condition which the MFSA considers appropriate and of which the MFSA has informed the Applicant and/or its Sponsor. The MFSA may also refuse an application for Admissibility to Listing to the ACL of Securities which are already officially listed in another Member State when the Applicant has failed to comply with the obligations resulting from Admission to Listing in that other Member State.
- 10.6 Without prejudice to any of the above, the MFSA may refuse an application for Admissibility to Listing on the ACL if it considers that the application is not in the interest of investors generally.
- 10.7 The provisions of Chapter 1 on the Powers of the MFSA, Chapter 11 on Takeover Bids and Chapter 12 on Shareholders' Rights are applicable to those Issuers whose Securities have been Admitted to Listing on the ACL.

### *Application for Admissibility to Listing*

- 10.8 Any application for Admissibility to Listing on the ACL shall:
- 10.8.1 be made in writing on the application form set out in Appendix 10.1 and signed by all the Directors and/or authorised representatives;
  - 10.8.2 be accompanied by a Prospectus drawn up in accordance with the requirements of Commission Regulation 809/2004; and
  - 10.8.3 contain a declaration by the Sponsor relating to the satisfaction by the Applicant of Capital Markets Rules 10.33.1 and 10.34
- 10.9 An application for Admissibility to Listing on the ACL of any Class of Securities must:
- 10.9.1 if no Securities of that Class are already Admitted, relate to all Securities of that Class, issued or proposed to be issued; or
  - 10.9.2 if Securities of that Class are already Admitted, relate to all further Securities of that Class, issued or proposed to be issued. (*Directive 2001/34/EC Articles 49, 56*)

Where an Applicant has a Substantial Shareholder, it must demonstrate, by means of the presence of independent Directors on the board or otherwise to the satisfaction of the MFSA, that it is capable at all times of operating and making decisions independently of any such shareholder and all transactions and relationships in the future between the Applicant and any Substantial Shareholder must be at arms' length and on a normal commercial basis.

*Basic Conditions applicable for all Securities*

- 10.10 A Company applying for Admissibility to Listing on the ACL of its Securities must:
- 10.10.1 appoint the services of a Sponsor (see Capital Markets Rule 10.32);
  - 10.10.2 be duly incorporated or validly established under the laws of its country of incorporation or establishment and operating in conformity with the laws and regulations to which it is subject; (*Directive 2001/34/EC Articles 42,52*)
  - 10.10.3 have published Accounts that conform with Generally Accepted Accounting Principles and Practice or equivalent standards;
  - 10.10.4 ensure that the Securities listed are freely transferable (*Directive 2001/34/EC Articles 46, 54*)
- 10.11 The issue of Securities for which authorisation for Admissibility to Listing on the ACL is sought must be made by a Company whose fully paid up share capital must be in conformity with the relevant laws of its place of incorporation or establishment but, in any case, cannot be less than fifty thousand euro (€50,000) or the equivalent value in any other convertible currency.
- 10.12 The Securities for which authorisation for Admissibility to Listing is sought must:
- 10.12.1 be duly authorised according to the Applicant's Memorandum and Articles of Association or equivalent constitutional document; and
  - 10.12.2 be duly authorised by all necessary statutory and other authorisations for the creation and issue of such Securities in terms of any applicable system of law. (*Directive 2001/34/EC Articles 45, 53*)
- 10.13 In the case the Company has been generating revenue for less than two (2) years, the Directors and all employees must agree not to sell any interests they may have in the Company's Securities for at least one (1) year from the date when the securities are Admitted to Listing on the ACL. The Prospectus should also include a statement that all the persons who, at the time of the application for authorisation for Admissibility to Listing on the ACL, are Directors or employees of the Issuer have agreed not to dispose of any interest in the Securities of that Issuer for a period of one (1) year from the date of the Admission to Listing on the ACL, save in the event of an intervening court order, a takeover offer relating to that Issuer's shares becoming or being declared unconditional or the death of a Director or employee;
- 10.14 Every Prospectus and Supplements thereto required pursuant to this Chapter 10 shall contain:
- 10.14.1 a prominent risk warning that Alternative Company Listings are markets designed primarily for companies to which a higher investment risk than that associated with established companies tends to be attached and that a prospective investor should be aware of the potential risks in investing in such companies and should make the decision to invest only after careful consideration and consultation with his or her own independent financial adviser; and

10.14.2 a prominent disclaimer that the MFSA accepts no responsibility for the accuracy or completeness of the Prospectus and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of the Prospectus.

#### *Effective Date of Authorisation*

10.15 Authorisation for Admissibility to Listing of any Securities on the ACL becomes effective only when the MFSA issues an official notice to that effect.

10.16 The Applicant must pay any fees due in relation to an application for Admissibility to Listing on the ACL as set by the MFSA from time to time.

#### *Specific Conditions for Listing of Equity Securities*

##### *Market Capitalisation*

10.17 The expected market capitalisation of the Equity Securities for which application for Admissibility to Listing on the ACL is sought must be of at least one million euro (€1,000,000) or the equivalent value in any other convertible currency. If such Market Value cannot be assessed the Applicant's capital and reserves, including profit or loss, from the last financial year must be of at least one million euro (€1,000,000). Further issues of Equity Securities of a Class already authorised as Admissible to Listing are not subject to this limit. (*Directive 2001/34/EC Article 43*)

10.18 Notwithstanding Capital Markets Rule 10.17, the MFSA may admit Equity Securities of a lower value if it is satisfied that there will be an adequate market for the Equity Securities concerned. (*Directive 2001/34/EC Article 43(2)*)

##### *Denomination*

10.19 A Company may apply for Admissibility to Listing of Equity Securities on the ACL provided that the minimum subscription amount is of at least €10,000 per individual investor. Where a person is subscribing for securities on behalf of third parties, such minimum amount shall apply to each underlying beneficial owner:

Provided that the minimum subscription amount shall not apply to those persons already having a minimum holding of €10,000 in the equity securities being listed on the ACL.

##### *Transferability*

10.20 The Equity Securities for which authorisation for Admissibility to Listing is sought must be freely transferable. (*Directive 2001/34/EC Article 46(1)*)

10.21 The MFSA may treat Equity Securities which are not fully paid up as freely transferable if arrangements have been made to ensure that the transferability of such Equity Securities is not restricted and that dealing is made open and proper by providing the public with all appropriate information. (*Directive 2001/34/EC Article 46(2)*)

10.22 The MFSA may, in the case of the authorisation for Admissibility to Listing of Equity Securities which may be acquired subject to approval, derogate from Capital Markets Rule 10.20 only if the applicable approval procedure does not, in the opinion of the MFSA, disturb the market. (*Directive 2001/34/EC Article 46(3)*)



### *Shares in the Hands of the Public*

- 10.23 An Applicant on the ACL shall, together with its application for Admissibility to Listing demonstrate to the satisfaction of the MFSA that at least twenty-five percent (25%) of each Class of Shares in respect of which application for Admissibility to Listing has been made must be in the hands of the public. Exceptionally a lower percentage may be accepted by the MFSA when, in view of the large number of Shares of the same Class and the extent of their distribution to the market, the market will operate properly with a lower percentage. (*Directive 2001/34/EC Article 48*)
- 10.24 Shares are not considered to be held in public hands if they are held, directly or indirectly by:
- 10.24.1 a Director of the Applicant or any of its Subsidiary Undertakings;
  - 10.24.2 a person connected with a Director of the Applicant or of any of its Subsidiary Undertakings;
  - 10.24.3 any person who under any agreement has a right to nominate a person to the Board of Directors of the Applicant; or
  - 10.24.4 a Substantial Shareholder.
- 10.25 Where Admissibility to Listing is sought for a further block of shares of the same class, the MFSA may assess whether a sufficient number of shares has been distributed to the public in relation to all the shares issued and not only in relation to this further block. (*Directive 2001/34/EC Article 48(2)*)

### *Accounts*

- 10.26 An Applicant seeking authorisation for Admissibility to Listing of its Equity Securities must have published or filed annual accounts in accordance with national law for the three financial years preceding the application for Admissibility to Listing. By way of exception the MFSA may derogate from this condition where such derogation is desirable in the interests of the Applicant or of investors and where the MFSA is satisfied that investors have the necessary information available to be able to arrive at an informed decision on the Applicant and the Equity Securities for which application for Admissibility to Listing is sought. (*Directive 2001/34/EC Article 44*)
- 10.27 The MFSA will grant authorisation for Admissibility to Listing to Shares of a company incorporated in a non-EU Member State or EEA State that are not listed whether in the company's country of incorporation or in the country in which the majority of its Shares are held only if the MFSA is satisfied that the absence of a listing is not due to the need to protect investors. (*Directive 2001/34/EC Article 51*)

### *Specific Conditions for Listing of Debt Securities*

- 10.28 A Company may apply for the Admissibility to Listing of Debt Securities on the ACL:
- 10.28.1 without having a trading record;
  - 10.28.2 provided the Company offers at least two hundred euro (€200,000) or the equivalent value in any other convertible currency of issued debt capital of the Class to be Admissible to Listing. In the case of Tap Issues where the amount of Debt Securities is not fixed this provision shall not apply; and
  - 10.28.3 provided that the minimum subscription amount is at least €50,000 per individual investor and a subsequent minimum holding of €50,000 per individual investor is maintained throughout his/her investment. Where a person is subscribing for securities on behalf of third parties, such minimum amount shall apply to each underlying beneficial owner.

### *Convertible Securities*

- 10.29 Securities convertible or exchangeable into another Class of Securities or options or warrants to subscribe or purchase such other Class, may become authorised as Admissible to Listing on the ACL only if that other Class of Securities is or will become at the same time a Class of Securities authorised as Admissible to Listing. However, the MFSA may grant an application for Admissibility in respect of such Securities, options or warrants in other circumstances if they are satisfied that holders have the necessary information available to form an opinion concerning the value of the underlying Securities to which such Securities, options or warrants relate. (*Directive 2001/34/EC Article 59*)

### *Directors*

- 10.30 The Directors of an Applicant must collectively have appropriate expertise and experience for the management of the Company's business.
- 10.31 An Applicant must ensure that each of its Directors is free from any conflict of interest unless the Applicant can demonstrate that arrangements are in place to avoid detriment to its interests.

### *Sponsors*

- 10.32 A Company seeking authorisation for Admissibility to Listing on the ACL must appoint a Sponsor in terms of Capital Markets Rule 10.10.1 who must:
- 10.32.1 satisfy itself that the Applicant has satisfied all relevant conditions for authorisation for Admissibility to Listing on the ACL;
  - 10.32.2 guide and advise the Applicant as to the requirements of the MFSA on authorisation for Admissibility to Listing on the ACL and on an ongoing basis; and
  - 10.32.3 conduct the application process with the MFSA on behalf of the Applicant.

- 10.33 The responsibilities of a Sponsor owed to the MFSA, are:
- 10.33.1 to confirm to the MFSA in writing in such form as the MFSA may from time to time prescribe:
    - 10.33.1.1 that, in relation to any application for authorisation for Admissibility to Listing on the ACL which requires the production of a Prospectus:
      - 10.33.1.1.1 in its opinion, it is satisfied that the Issuer and the Securities the subject of the application are appropriate to be authorised as Admissible to Listing on the ACL;
      - 10.33.1.1.2 the Directors of the Issuer have received advice and guidance, from the Sponsor or other appropriate professional adviser, as to the nature of their responsibilities and obligations to ensure compliance by the Issuer with the rules contained in this Chapter;
      - 10.33.1.1.3 to the best of the knowledge and belief of the Sponsor, having made due and careful enquiry, all relevant requirements of the Capital Markets Rules have been complied with; and
    - 10.33.1.2 immediately when it ceases to be the Applicant's Sponsor giving full reasons for such cessation; and
  - 10.33.2 to provide to the MFSA such information in such form and within such time limits as the MFSA may require.
- 10.34 A Sponsor must:
- 10.34.1 provide the MFSA with any information known to it which the MFSA may reasonably require for the purpose of verifying whether these Capital Markets Rules have been complied with by it or the Applicant;
  - 10.34.2 comply with any relevant eligibility criteria established by the MFSA from time to time;
  - 10.34.3 confirm that all matters known to it which should be taken into account by the MFSA in considering the particular application have been disclosed in the Prospectus or otherwise in writing to the MFSA.
- 10.35 A Sponsor appointed under this Chapter would need to satisfy the requirements of Capital Markets Rule 2.5 and 2.7 to 2.11.

*Prospectus*

- 10.36 The requirements of Chapter 4 of these Capital Markets Rules relating to the contents, approval and publication of the Prospectus shall also apply to Applicants seeking Admissibility to Listing of their Securities on the ACL, other than the provisions of Capital Markets Rules 4.1A, 4.2, 4.31, 4.39, 4.45-4.48, 4.53-4.57, Appendix 4.1 and Appendix 4.

### *Advertising*

- 10.37 The MFSA shall have the power to exercise control over the the compliance of any advertising activity relating to the Admissibility to Listing of Securities on the ACL.
- 10.38 Any Advertisements shall be clearly recognisable as such. Advertisements must also state that a Prospectus has been or will be published and must indicate where investors are or will be able to obtain copies of such Prospectus.
- 10.39 An Applicant is obliged to ensure that the content of any such advertising:
- 10.39.1 is accurate, factual and not misleading;
  - 10.39.2 is consistent with the information contained in the Prospectus, if already published, or with the information required to be in the Prospectus if the Prospectus is published afterwards. (*Directive 2003/71/EC Article 15*)

### *Directors' Responsibilities*

- 10.40 An Issuer must:
- 10.40.1 ensure that its Directors accept full responsibility, collectively and individually, for the Issuer's compliance with this Chapter; and
  - 10.40.3 adopt a code of dealing by board resolution and take all proper and reasonable steps to ensure compliance by its Directors and relevant employees with the said code of dealing.

### *Continuing Obligations (Directive 2004/109/EC)*

- 10.41 In the case of Issuers whose Securities are authorised as Admissible to Listing on the ACL, the provisions of Chapter 5 of these Capital Markets Rules shall be disapplied except as follows:

#### Capital Markets Rules

5.1; 5.4; 5.6-5.9	<i>Preliminary Sections</i>
5.16.10; 5.16.14; 5.17	<i>Company Announcements</i>
5.28-5.29; 5.32, 5.33-5.37	<i>Information Requirements</i>
5.55.1-5.55.2; 5.56-5.58; 5.63; 5.67-5.69	<i>Annual Financial Report</i>
5.72-5.74	<i>Audit Report</i>
5.74-5.75	<i>Half-Yearly Report</i>
5.76-5.80	<i>Condensed set of Financial Statements</i>
5.81-5.85	<i>Interim Directors' Report</i>
5.117; 5.123-5.124; 5.127	<i>Audit Committee</i>
5.146	<i>Memorandum &amp; Articles of Association</i>
5.176-5.194; 5.196-5.197; 5.199-5.204	<i>Notification of major holdings</i>
5.205-5.214	<i>Notification by management companies</i>
5.215-5.216	<i>Calendar of trading days</i>
5.217-5.218	<i>Exemptions for Third-country Issuers</i>
5.219-5.237	<i>Equivalence Third-Country Issuers</i>
5.238-5.245	<i>Use of Languages</i>
5.246	<i>Access to Regulated Information</i>
5.247	<i>Filing of Regulated Information</i>

- 10.42 Notwithstanding the provisions of Capital Markets Rule 10.41 above, Issuers exclusively of Debt Securities Admitted to Listing on the ACL the denomination per unit of which is at least one hundred thousand Euro (€100,000) or, in the case of Debt Securities denominated in a currency other than Euro, the value of such denomination per unit is, at the date of the issue, equivalent to at least one hundred thousand Euro (100,000), shall be exempted from the obligation to draw up and make available to the public the half-yearly financial report and the interim Directors' Report.

*Corporate Governance (Directive 2006/46/EC)*

- 10.43 A company whose Securities are Admitted to Listing on the ACL shall include a corporate governance statement in its Annual Financial Report. That statement shall be included as a specific section of the Annual Report and shall contain at least the following information:

10.43.1 a reference to:

- (i) the corporate governance code to which the company is subject, and/or
- (ii) the corporate governance code which the company may have voluntarily decided to apply, and/or
- (iii) all relevant information about the corporate governance practices applied beyond the requirements under national law.

10.43.2 where points (i) and (ii) apply, the company shall also indicate where the relevant texts are publicly available. Where point (iii) applies, the company shall make its corporate governance practices publicly available.

10.43.3 to the extent to which a company, in accordance with national law, departs from a corporate governance code referred to under Capital Markets Rule 10.43.1 (i) or (ii), an explanation by the company as to which parts of the corporate governance code it departs from and the reasons for doing so. Where the company has decided not to apply any provisions of a corporate governance code referred to Capital Markets Rule 10.43.1 (i) or (ii), it shall explain its reasons for doing so;

10.43.4 a description of the main features of the company's internal control and risk management systems in relation to the financial reporting process;

10.43.5 unless the information is already fully provided for in national laws or regulations, the operation of the shareholder meeting and its key powers, and a description of shareholders' rights and how they can be exercised;

10.43.6 the composition and operation of the Board of Directors and their committees.

- 10.44 An Issuer may elect to set out the information required by Capital Markets Rule 10.43 in a separate report published together with the annual report or by means of a reference to the annual report where such document is publicly available on the Issuer's website. In the event of a separate report, the corporate governance statement may contain a reference to the annual report where the information required in Capital Markets Rule 10.34 is made available.

- 10.45 Issuers that only issue Securities other than Equity Securities shall be exempt from the requirement to disclose in their corporate governance statement the information prescribed by Capital Markets Rules 10.43.1-10.43.3, 10.43.5-10.43.6 unless such companies have issued shares which are traded in a multilateral trading facility, within the meaning of Article 4(1), point (15) of Directive 2004/39/EC.

*Publication of Information*

- 10.46 The MFSA may, at any time:
- 10.46.1 require an Applicant to provide to the MFSA such information in such form and within such time limits as the MFSA may require;
  - 10.46.2 require an Applicant to publish such information in such form and within such time limits as it considers appropriate; and
  - 10.46.3 itself publish such information if an Issuer fails to comply with Capital Markets Rule 10.46.2.

*Sanctions against the Issuer*

- 10.47 Without prejudice to the generality of its rights and powers in terms of the FMA or other applicable law, the MFSA may suspend or discontinue the listing of Securities on the ACL where:
- 10.47.1 dealings in those Securities are not being conducted in an orderly manner; or
  - 10.47.2 protection of investors so requires, or
  - 10.47.3 the integrity and reputation of the market has been or may be impaired by dealings in those Securities;
- and will discontinue the listing of those Securities where those securities have been suspended for six (6) months or more.

*Sanctions against a Director*

- 10.48 If the MFSA considers that a contravention of these Capital Markets Rules by an Applicant is due to a failure by all or any of its Directors to discharge their responsibilities, it may do one or more of the following:
- 10.48.1 censure the relevant Directors;
  - 10.48.2 publish the fact that those Directors have been censured;
  - 10.48.3 in the case of wilful or persistent failure by a Director to discharge his responsibilities, state publicly that in its opinion the retention of office by the Director is prejudicial to the interest of investors; and
  - 10.48.4 if the Director remains in office following a public censure by the MFSA under paragraph 10.36.3 above, suspend trading in or discontinue the listing of the Securities, or any Class of Securities.

*Sanctions against a Sponsor*

- 10.49 If the MFSA considers that a contravention of these Capital Markets Rules is due to a failure by the Sponsor to discharge its responsibilities, the MFSA may report such contravention to the competent authority for appropriate procedures to be adopted in relation to the Sponsor.

## CHAPTER 11

### Takeover Bids

This Chapter applies in relation to takeover Bids when all or some of the Securities of the Offeree Company are Admitted to Trading on a Regulated Market.



## *Introduction*

- 11.1 This Chapter applies in relation to takeover Bids when all or some of the Securities of the offeree Company are Admitted to Trading on a Regulated Market in Malta.
- 11.1.1 The objective of this chapter is to implement the relevant provisions of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids, other than article 10 of the Directive which is transposed in Chapter 5.
- 11.1.2 In the event that any of these Capital Markets Rules are in conflict with the provisions of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids, the Directive shall prevail.
- 11.1.3 In order to give effect to Article 4(5)(ii) of Directive 2004/25/EC, the Authority may dispense with, vary or not require compliance with the terms of any particular Capital Markets Rule in this Chapter, provided that the General Principles set out in Article 3(1) of Directive 2004/25/EC are respected and that where this discretion is exercised a statement explaining the Authority's decision shall be included in the Offer Document.
- 11.2 The provisions of this Chapter shall not apply to takeover Bids:
- 11.2.1 for Securities issued by companies, the object of which is the collective investment of capital provided by the public, which operate on the principle of risk-spreading and the Units of which are, at the holders' request, repurchased or redeemed, directly or indirectly, out of the assets of those companies. Action taken by such Companies to ensure that the stock exchange value of their Units does not vary significantly from their net asset value shall be regarded as equivalent to such repurchase or redemption;
- 11.2.2 for Securities issued by the central banks of the Member States or States.
- 11.2A The requirement to make a Mandatory Bid in terms of Capital Markets Rule 11.8 shall not apply in the case of use of resolution tolls, powers and mechanisms provided for in Title IV of Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012.
- 11.3 In this Chapter, unless the context otherwise requires, the following expressions have the meaning hereby assigned to them:
- ‘Person(s) Acting In Concert’ means any natural or legal person who cooperates with the Offeror or the Offeree Company on the basis of an agreement, either express or tacit, either oral or written, aimed either at acquiring Control of the Offeree Company or at frustrating the successful outcome of a Bid. Subsidiary Undertakings, Controlled Undertakings, Parent Companies or any other Group Company of any person cooperating with the Offeror or the Offeree Company shall be deemed to be Person(s) Acting In Concert with that other person and with each other.
- ‘Announce’ means publish or make ‘available to the public’.
- ‘Control’ or ‘Controlling Interest’ means the holding by a person or the holding by Persons Acting In Concert with him which, when added to any existing holdings of those Securities of the person and/or to holdings of those Securities of Persons Acting In Concert with him, directly or indirectly give him fifty percent plus one of the voting rights of a Company.

‘Mandatory Bid’ shall mean a Bid made in terms of Capital Markets Rule 11.8.

‘Multiple-Vote Securities’ means Securities included in a distinct and separate class and carrying more than one vote each.

‘Offeree Company’ means a Company, the Securities of which are the subject of a Bid.

‘Offeror’ means any natural or legal person making a Bid.

‘Parties To The Bid’ means the Offeror, the board of directors if the Offeror is a Company, the Offeree Company, holders of Securities of the Offeree Company and the board of directors of the Offeree Company, and Persons Acting In Concert with such parties.

‘Securities’ mean transferable Securities carrying voting rights in a Company.

‘Takeover Bid’ or ‘Bid’ means a public offer, other than by the Offeree Company itself, made to the holders of the Securities of a Company to acquire all or some of those Securities, whether mandatory or voluntary, which follows or has, as its objective, the acquisition or Control of the Offeree Company.

“Target Company” means an Issuer of Securities for which the Offeror is obliged to make or has made a takeover Bid.

“Voluntary Bid” means a Bid made to all the holders of Securities of a Company for all their holdings when the person making such a Bid does not have a Controlling Interest in the Company.

11.4 The MFSA shall be the authority competent to supervise a Bid where:

11.4.1 the offeree Company is an Issuer whose Securities are Admitted to Trading in Malta and which has its registered office in Malta; or

11.4.2 the Offeree Company is registered in another Member State or State but has its Securities admitted to trading solely on a Regulated Market in Malta:

Provided that if Securities of the Offeree Company are admitted to trading on Regulated Markets in more than one Member State or EEA State, including Malta, the MFSA shall be the authority competent to supervise the Bid if the Securities of the Offeree Company were first admitted to trading on a Regulated Market in Malta.

11.5 The MFSA shall supervise the Bid if the Securities of the Offeree Company were first admitted to trading on Regulated Markets in more than one Member State or EEA State simultaneously, including Malta, and the Offeree Company has determined that the MFSA shall be the authority competent to supervise the Bid and has notified the MFSA accordingly on the first day of trading:

Provided that where, on the coming into force of this Chapter, the Securities of an Offeree Company were already Admitted to Trading on a Regulated Market in Malta and on the Regulated Market of another Member State or EEA State simultaneously, the MFSA together with the regulatory authority of the other Member State or EEA State shall, within four weeks of the coming into force of this Chapter, determine which of the authorities shall supervise the Bid. Otherwise, the Offeree Company shall determine which of the authorities shall supervise the Bid on the first day of trading following the four week period referred to herein.

11.6 Where the MFSA has been designated as the authority competent to supervise the Bid, such a decision shall be made public.

- 11.7 In the cases referred to in Capital Markets Rule 11.4.2, 11.5 and 11.6 above:
- 11.7.1 matters relating to the consideration offered in the case of a Bid and procedures applicable to the Bid shall be regulated by the laws of the Member State or EEA State of the regulatory authority supervising the Bid: and
- 11.7.2 matters relating to the information to be provided to the employees of the Offeree Company and any issues relating to the percentage of voting rights required to confer Control as well as any defensive action taken to frustrate a Bid shall be regulated by the laws of the Member State or EEA State where the Offeree Company is registered.

*Mandatory Bid*

- 11.8 Where a person acquires a Controlling Interest as a result of his own acquisition or the acquisition by Persons Acting In Concert with him, such a person shall make a Mandatory Bid as a means of protecting the minority Shareholders of that Company. Such a Mandatory Bid shall be notified by the Offeror Company to the Authority and announced by the Offeror Company to the public as specified in Capital Markets Rule 11.15. Such Mandatory Bid shall be made in the manner specified in Capital Markets Rule 11.19, to all the holders of Securities in that Company for all their holdings at the equitable price as determined in accordance with the provisions of Capital Markets Rule 11.39:

Provided that where Control has been acquired following a Voluntary Bid made to all the holders of Securities for all their holdings, the obligation to launch a Mandatory Bid shall not apply.

- 11.9 To calculate the threshold required to acquire a Controlling Interest, the following shall, *inter alia*, be included and added to the voting rights held by the Offeror:
- 11.9.1 voting rights held by Persons acting in their own name but on behalf of the Offeror;
- 11.9.2 voting rights held by persons acquired and Controlled directly by the Offeror or through intermediaries;
- 11.9.3 voting rights attached to Securities held by the Offeror which are lodged by way of security, except where the holder of the security Controls the voting rights and declares his intention of exercising them, in which case they shall be regarded as his voting rights.
- 11.10 Where acquisition of Control takes place as a result of acquisition of holdings by Persons Acting In Concert, the obligation to make a Bid shall lie with the person having the highest percentage of voting rights.

- 11.11 The obligation to make a Bid to all the holders of Securities shall not apply to those Controlling holdings already in existence on 19<sup>th</sup> June 2006.

- 11.12 Anything contained in Chapter 11 of the Capital Markets Rules shall be without prejudice to any rules and regulations applicable to a company which is authorised, licensed or otherwise supervised in terms of the Banking Act (Cap. 371 of the laws of Malta), the Financial Institutions Act (Cap. 376 of the laws of Malta), the Investment Services Act (Cap. 370 of the laws of Malta), the Insurance Business Act Cap. 403 of the laws of Malta) and the Insurance Intermediaries Act (Cap. 487 of the laws of Malta), the Trusts and Trustees Act (Cap. 331 of the laws of Malta), as each may be amended from time to time, or any other law, rule or regulation which would require regulatory consent prior to the acquisition or disposal of its equity shares in a company where those securities are listed on a Regulated Market.

- 11.13 *Omissis*

11.14 *Omissis*

*Obligation to announce*

11.15 An Offeror shall inform the MFSA of a Bid and shall announce his decision to launch the Bid within seven days of acquiring a Controlling Interest.

11.16 The Bid must be announced only after the Offeror ensures that he can fulfil in full any cash consideration, if such is offered, and after taking all reasonable measures to secure the implementation of any other type of consideration.

11.17 By way of consideration the Offeror may offer Securities, cash or a combination of both: Provided that a cash consideration must be offered as an alternative in all cases.

The Offeror must provide confirmation that the element of cash offered as consideration will be paid to shareholders accepting the cash offer not later than 30 days from closing of the acceptance period.

11.18 As soon as the Bid shall have been announced, the board of Directors of the Offeree Company and the Offeror shall inform the representatives of their respective employees or, where there are no such representatives, the employees themselves.

*Offer Document*

11.19 An Offeror shall draw up and make public, not later than twenty one calendar days from announcing his decision to launch a Bid, an offer document containing the information necessary to enable the holders of the Offeree Company's Securities to reach a properly informed decision on the Bid, which offer document shall be communicated to the MFSA prior to it being made available to the public.

11.20 When the offer document is published, the board of Directors of the Offeree Company and of the Offeror shall communicate the offer document to the representatives of their respective employees or, where there are no such representatives, to the employees themselves.

*Exemptions concerning Mandatory Bids*

11.21 The MFSA may grant exemptions from the obligation to make a Mandatory Bid on the basis of a written application in the following circumstances:

11.21.1 Control of the Target Company was obtained as a result of reduction of the Offeree Company's share capital;

11.21.2 Control of the Target Company was acquired as a result of a merger or division;

11.21.3 Control of the Target Company was obtained through the acquisition of Securities with the intention to sell within a short term;

11.21.4 Control has been obtained by an existing shareholder acquiring Securities following an increase in capital as a result of executing his right of pre-emption and not through the purchase of Securities acquired from other persons;

11.21.5 Control was obtained following a transmission of Securities '*causa mortis*' as a result of which the person's number of voting rights in the Target Company increased.

*Details of offer document*

- 11.22 The offer document shall specify at least the following information:
- 11.22.1 the terms of the Bid;
  - 11.22.2 the identity of the Offeror and, where the Offeror is a Company, the status, name and registered office of that Company;
  - 11.22.3 the Securities or, where appropriate, the Class or Classes of Securities for which the Bid is made;
  - 11.22.4 the consideration offered for each security or Class of Securities and, in the case of a Mandatory Bid, the method employed in determining it, with particulars of the way in which that consideration is to be paid;
  - 11.22.5 the compensation offered for the rights which might be removed as a result of the “breakthrough rule” laid down in Capital Markets Rules 11.51 to 11.56 , with particulars of the way in which that compensation is to be paid and the method employed in determining it;
  - 11.22.6 the maximum and minimum percentages or quantities of Securities which the Offeror undertakes to acquire;
  - 11.22.7 details of any existing holdings of the Offeror, and of Persons Acting In Concert with him, in the Offeree Company;
  - 11.22.8 all the conditions to which the Bid is subject;
  - 11.22.9 the Offeror’s intentions with regard to the future business of the Offeree Company and, in so far as it is affected by the Bid, the Offeror Company and with regard to the safeguarding of the jobs of their employees and management, including any material change in the conditions of employment, and in particular the Offeror’s strategic plans for the two Companies and the likely repercussions on employment and the locations of the companies’ places of business;
  - 11.22.10 the time allowed for acceptance of the Bid;
  - 11.22.11 where the consideration offered by the Offeror includes Securities of any kind, information concerning those Securities;
  - 11.22.12 information concerning the financing for the Bid;
  - 11.22.13 the identity of Persons Acting In Concert with the Offeror or with the Offeree Company and, in the case of companies, their status, names, registered offices and relationships with the Offeror and, where possible, with the Offeree Company;
  - 11.22.14 the national law which will govern contracts concluded between the Offeror and the holders of the Offeree Company’s Securities as a result of the Bid and the competent courts to settle any disputes.
- 11.23 A report on the consideration offered, drawn up by one or more experts who are independent of the Offeror or Offeree Company, shall be appended to the offer document. The expert’s report should include an evaluation of the consideration being offered with this explained against the background of the offer being made.

The information provided should include, but not necessarily be limited to, whether the Bid price can be defined as ‘an equitable price’ or a ‘fair price’, as applicable, in terms of the Capital Markets Rules and where securities are being offered as part of the consideration, the market performance and liquidity of the securities being offered. More

detailed guidance on the requirements of an Independent Expert's Report is given in Guidance Note 2 at the end of Chapter 11.

11.24 The expert's report must confirm that the Offeror has sufficient resources to meet the consideration to be provided on full acceptance of the offer and to pay any debts incurred in connection with the offer.

11.25 The MFSA may request that the parties to a Bid shall provide the Authority with all the information in their possession concerning the Bid at any time on request.

*Sufficient time and information for acceptance*

11.26 The holders of the Securities of an Offeree Company must have sufficient time and information to enable them to reach a properly informed decision on the Bid.

11.27 The time allowed for the acceptance of a Bid shall be determined in the offer document and shall be not less than three weeks nor more than ten weeks from when the offer document is made available to the public.

*The opinion of the board of Directors of the Offeree Company on the Bid*

11.28 The board of Directors of the Offeree Company must advise and give its views to the holders of Securities on the effects of implementation of the Bid on employment, conditions of employment and the locations of the Company's places of business.

11.29 In this respect, the board of Directors of the Offeree Company shall draw up and make available to the public a document setting out its opinion of the Bid and the reasons on which it is based, including its views on the effects of implementation of the Bid on all the Company's interests and specifically employment, and on the Offeror's strategic plans for the Offeree Company and their likely repercussions on employment and the locations of the Company's places of business as set out in the offer document in accordance with Capital Markets Rule 11.22.9.

11.30 The board of Directors of the Offeree Company shall at the same time communicate that opinion to the representatives of its employees or, where there are no such representatives, to the employees themselves.

11.31 Where the board of Directors of the Offeree Company receives in good time a separate opinion from the representatives of its employees on the effects of the Bid on employment, that opinion shall be appended to the document.

*Board of Directors to call general meeting*

11.32 During the period referred to in Capital Markets Rule 11.34 below, the board of Directors of the Offeree Company shall obtain the prior authorisation of the Shareholders in general meeting given for this purpose before taking any action, which may result in the frustration of the Bid and in particular before issuing any shares which may result in a lasting impediment to the Offeror's acquiring Control of the Offeree Company.

11.33 Notice of the meeting convened for the approval of the action referred to above must contain, or be accompanied by, full particulars of the proposed action and a statement explaining the reasons for and significance of such action.

11.34 Such authorisation shall be mandatory at least from the time the board of Directors of the Offeree Company receives the information that a decision has been taken to make a Bid until the result of the Bid is published or the Bid lapses:

Provided that seeking alternative Bids does not require such authorisation.

11.35 In the case of decisions taken before the beginning of the period referred to in Capital Markets Rule 11.34 above and not yet partly or fully implemented, the Shareholders in general meeting shall approve or confirm any decision which does not form part of the normal course of the Company's business and the implementation of which may result in the frustration of the Bid.

11.36 For the purpose of obtaining the prior authorisation, approval or confirmation of the Shareholders referred to in Capital Markets Rules 11.32 and 11.35 a general meeting can be convened at shorter notice than that stipulated in the Memorandum or Articles of Association provided that the meeting does not take place within two weeks of notification.

*Defensive tactics*

11.37 If a Target Company has received a takeover notice or has reason to believe that a bona fide offer is imminent, the board of Directors of the Company must not take or permit any action, in relation to the affairs of the Target Company that could effectively result in:

11.37.1 an offer being frustrated; or

11.37.2 the holders of Securities of the Target Company being denied an opportunity to decide on the merits of an offer:

Provided that the board of Directors of a Target Company may take or permit the kind of action referred to above if:

11.37.3 the action has been approved by an ordinary resolution of the Target Company; or

11.37.4 the action is taken or permitted under a contractual obligation entered into by the Target Company, or in the implementation of proposals approved by the board of Directors of the Target Company, and the obligations were entered into, or the proposals were approved, before the Target Company received the takeover notice or became aware that the offer was imminent; or

11.37.5 if Capital Markets Rules 11.37.3 and 11.37.4 above do not apply, the action is taken or permitted for reasons unrelated to the offer with the prior approval of the MFSA.

Provided that the notice of the meeting containing the proposed resolution for the approval of the action referred to in Capital Markets Rule 11.37.3 above must contain, or be accompanied by:

11.37.6 full particulars of the proposed action; and

11.37.7 the reasons for it; and

11.37.8 a statement explaining the significance of the resolution under these rules.

*Equitable price*

11.38 The purchase price for Securities that are the object of a Mandatory Bid must be equitable.

11.39 The equitable price to be paid for Securities is the highest price determined by the following criteria, calculated from the date of the announcement of the Bid:

11.39.1 the price offered for the security should not be below the weighted average price of the Security or the Security transactions made on a Regulated Market during the previous six (6) months;

- 11.39.2 the price offered for the Security should not be below the highest price paid for the Security by the Offeror or Persons Acting In Concert with the Offeror during the previous six (6) months;
  - 11.39.3 the price offered for the Security should not be below the weighted average price paid for the Security by the Offeror or Persons Acting In Concert with the Offeror during the previous six (6) months;
  - 11.39.4 the price of the Security should not be lower than ten percent (10%) below the weighted average price of the Security within the previous ten trading days.
- 11.40 If, after the Bid has been announced and before the offer closes for acceptance, the Offeror or any person Acting In Concert with him purchases Securities that are priced higher than the offer price, the Offeror shall increase his offer so that it is not less than the highest price paid for the Securities acquired.

*Squeeze-out rights*

- 11.41 Following a Bid made to all the holders of the Offeree Company's Securities for all of their Securities, Capital Markets Rules 11.42 to 11.45 shall apply.

- 11.42 Where the Offeror holds Securities representing not less than ninety percent (90%) of the capital carrying voting rights and ninety per cent (90%) of the voting rights in the Offeree Company, or where, following acceptance of the Bid, the Offeror has acquired or has firmly contracted to acquire Securities representing not less than ninety percent of the Offeree Company's capital carrying voting rights and ninety per cent (90%) of the voting rights comprised in the Bid, the Offeror has the right to require all the holders of the remaining Securities to sell him those Securities at a fair price for cash.

The cash consideration payable for any Securities to be acquired under this Capital Markets Rule shall be transferred to an account of an appointed trustee with a credit institution within 30 days of the announcement of the result ascertaining the ninety per cent (90%) acceptances where it shall be held for this purpose until such time as payment is made.

- 11.43 Following a Voluntary Bid, the consideration offered in the Bid shall be presumed fair where, through acceptance of the Bid, the Offeror has acquired Securities representing not less than ninety percent of the Offeree Company's capital carrying voting rights. Following a Mandatory Bid, the consideration offered shall be presumed to be fair.

- 11.44 To calculate the threshold referred to in Capital Markets Rule 11.42, the voting rights indicated in Capital Markets Rules 11.9.1 to 11.9.3 shall be included and added to the voting rights of the Offeror.

- 11.44.1 Where the Securities of the Offeree Company are divided into different Classes, the Offeror shall exercise the right of squeeze-out only in the Class in which the threshold laid down in Capital Markets Rule 11.42 has been reached.

- 11.45 If the Offeror wishes to exercise the right of squeeze-out following a successful Bid, a statement to this effect must be included in the offer document.

- 11.45.1 An Offeror, after having successfully acquired, or having firmly contracted to acquire, Securities representing not less than ninety percent of the Offeree Company's capital carrying voting rights, shall at the time of making the results of the takeover public in terms of Capital Markets Rule 11.75, confirm whether it will be exercising its squeeze-out rights.



- 11.45.2 The Offeror shall exercise the right of squeeze-out within three months at the end of the time allowed for acceptance of the Bid.

*Sell-out rights*

- 11.46 Following a Bid made to all the holders of the Offeree Company's Securities for all of their Securities, Capital Markets Rules 11.47 to 11.49 shall apply.

- 11.47 Where following a Bid the Offeror has not confirmed that it will be exercising its right of squeeze-out in terms of Capital Markets Rules 11.45 holders of remaining Securities may require the Offeror to buy their Securities from them at a fair price under the same circumstances as provided for in Listing Rule 11.42.

- 11.48 *Omissis*

- 11.49 Capital Markets Rules 11.43 to 11.45 shall apply *mutatis mutandis*.

*Opting in and Opting out*

- 11.50 By decision taken in General Meeting, the holders of Securities of an Offeree Company registered in Malta and whose Securities are admitted to trading in Malta may:

11.50.1 where the restrictions laid down in Capital Markets Rules 11.51 to 11.56 below do not exist, the holders of the Securities may opt to apply any or all of the restrictions (an "opting-in resolution"); or

11.50.2 where the restrictions laid down in Capital Markets Rules 11.51 to 11.56 below exist, the holders of the Securities may opt not to apply any or all of the restrictions (an "opting-out resolution").

11.50.3 An opting-in resolution or an opting-out resolution must specify the date from which it is to have effect (the "effective date")

11.50.4 The effective date of an opting-in resolution may not be earlier than the date on which the resolution is passed and the effective date of an opting-out resolution may not be earlier than the first anniversary of the date on which the opting-in resolution was registered with the Registrar.

11.50.5 An opting-in or opting-out resolution can only be taken after prior written authorisation has been sought and obtained from the MFSA:

Provided that if the Securities of the Offeree Company are admitted to trading on Regulated Markets in other Member States or EEA States, or the Offeree Company has requested such admission, the relevant regulatory authority of that Member State or EEA State must be notified of the decision taken in accordance with Capital Markets Rule 11.50.

- 11.51 Any restrictions on the transfers of Securities provided for in the articles of association of the Offeree Company shall not apply vis-à-vis the Offeror during the time allowed for acceptance of the Bid laid down in Capital Markets Rule 11.27.

- 11.52 Any restrictions on the transfer of Securities provided for in contractual agreements between the Offeree Company and holders of its Securities, or in contractual agreements between holders of the Offeree Company's Securities entered into after the coming into force of this Chapter, shall not apply vis-à-vis the Offeror during the time allowed for acceptance of the Bid laid down in Capital Markets Rule 11.27.

- 11.53 Restrictions on voting rights provided for in the articles of association of the Offeree Company shall not have effect at the general meeting of the holders of the Securities which decides on any defensive measures in accordance with Capital Markets Rule 11.37.

- 11.54 Restrictions on voting rights provided for in contractual agreements between the Offeree Company and holders of its Securities, or in contractual agreements between holders of the Offeree Company's Securities entered into after the coming into force of this Chapter, shall not have effect at the general meeting of the holders of the Securities which decides on any defensive measures in accordance with Capital Markets Rule 11.37.
- 11.55 Multiple-vote Securities shall carry only one vote each at the general meeting of the holders of the Securities which decides on any defensive measures in accordance with Capital Markets Rule 11.37.
- 11.56 Where, following a Bid, the Offeror holds 75% or more of the capital carrying voting rights, no restrictions on the transfer of Securities or on voting rights referred to in Capital Markets Rules 11.51 and 11.52 nor any extraordinary rights of the holders of Securities concerning the appointment or removal of board members provided for in the articles of association of the Offeree Company shall apply; multiple-vote Securities shall carry only one vote each at the first general meeting of the holders of Securities following closure of the Bid, called by the Offeror in order to amend the articles of association or to remove or appoint board members.  
To that end, the Offeror shall have the right to convene a general meeting of the holders of Securities at short notice, provided that the meeting does not take place within two weeks of notification.
- 11.57 Where rights are removed on the basis of any one of Capital Markets Rules 11.51 to 11.56, equitable compensation shall be provided for any loss suffered.
- 11.57.1 The amount of equitable compensation to be granted to the person who suffers loss as a result of any act or omission that would, but for the provisions of Capital Markets Rules 11.51 to 11.56, be a breach of agreement, shall be determined by the Offeror in the offer document as required by Capital Markets Rule 11.22.5.
- 11.57.2 Where the holder of the rights removed on the basis of any one of Capital Markets Rules 11.51 to 11.56 feels that the compensation offered by the Offeror in accordance with Capital Markets Rule 11.57.2 above is insufficient, such person may apply to the court for the court to determine the amount of compensation it considers just and equitable against any person who would, but for Capital Markets Rules 11.51 to 11.57, be liable to the holder of such rights for committing or inducing the breach.
- 11.58 Capital Markets Rules 11.53 to 11.56 shall not apply to Securities where the restrictions on voting rights are compensated for by specific pecuniary advantages.
- 11.59 Capital Markets Rules 11.50 to 11.58 shall not apply when the Government of Malta holds Securities conferring special rights in the Offeree Company.

#### *Competing Bids*

- 11.60 Any person may, during the acceptance period, launch a Bid to compete with the initial Bid made by the Offeror. Such Bids are called competing Bids.
- 11.60.1 Where competing Bids are made for the Securities of the Offeree Company, the provisions of this Chapter shall apply to each such Bid.
- 11.61 A person shall announce his decision to launch a competing Bid and must inform the MFSA of the Bid.

- 11.62 The person making a competing Bid shall, not later than twenty one calendar days from announcing his decision to Bid, draw up an offer document as provided for in Capital Markets Rule 11.22.
- 11.63 The holders of Securities of the Offeree Company shall have the right to choose between the initial Bid and any competing Bid.
- 11.64 Where there are competing Bids and the initial Offeror does not withdraw his Bid, the period for acceptance of the initial Bid shall be extended automatically to the time allowed for acceptance of the competing Bid as provided for in the offer document:  
Provided that the time allowed for the acceptance period of the competing Bid shall be not less than four weeks from when the offer document of the competing Bid was made available to the public;  
Provided further that the time allowed for the acceptance period of the initial Bid and the competing Bid together must not exceed ten weeks from when the offer document of the initial offer was made available to the public.
- 11.65 The extension of the acceptance period shall be communicated to the MFSA and made public.
- Revision of a Bid*
- 11.66 An Offeror may revise a Bid only in the following circumstances:  
11.66.1 to increase the consideration;  
11.66.2 to increase an existing component to the consideration;  
11.66.3 to add a cash component to the consideration;  
11.66.4 to extend the time allowed for the acceptance of a Bid but not beyond the maximum period of ten weeks as provided in Capital Markets Rule 11.27
- 11.67 The Offeror may revise the terms of the Bid at any time not later than fourteen calendar days before the end of the period allowed for acceptance of a Bid.
- 11.68 The Offeror shall communicate to the MFSA his intention to revise the Bid prior to the revised Bid being made public.
- 11.69 Notwithstanding the provision of Capital Markets Rule 11.27, where a Bid has been revised, the time allowed for the acceptance of the revised Bid shall be automatically extended by fourteen days:  
Provided that the extension does not go beyond the maximum period of ten weeks as provided in Capital Markets Rule 11.27.
- 11.70 On announcing his intention to revise a Bid, the Offeror shall without delay draw up and make public a supplementary document setting out the amendments to the offer document, which revised document shall be communicated to the MFSA prior to it being made public.
- 11.71 Where the revision of a Bid increases the consideration offered, the Offeror must provide the increased consideration to each person whose Securities are taken up, whether or not the person accepted the offer before or after the revision was made.
- 11.72 The conditions of the revised Bid shall also stipulate that Shareholders who have made an offer to the Offeror have the right to withdraw their acceptances or offers.

### *Lapsing of a Bid*

- 11.73 The takeover Bid automatically lapses if, at the end of the acceptance period, none of the holders of Securities of the Offeree Company have taken up the offer. In the event that the offer was not successful the Offeror is not authorised to make a new offer for the same Offeree Company during a period of one year from when the Bid lapses.
- 11.74 The Offeror and the Offeree Company shall without delay inform the MFSA and announce the lapsing of the Bid.

### *Disclosure of the results of Bids*

- 11.75 The Offeror and the Offeree Company shall inform the MFSA and make public the necessary, relevant and complete results of the takeover by not later than ten calendar days from the closing of the acceptance period.
- 11.76 The Announcement about the results shall contain at least the following information:
- 11.76.1 the absolute number of Securities of every kind of Securities acquired by the Offeror during the acceptance period;
  - 11.76.2 the ratios of the different Classes and types of Securities that were included in the takeover Bid;
  - 11.76.3 separate calculations for the participation and voting rights acquired by the Offeror and Persons Acting In Concert.

### *Irrevocability of Bids*

- 11.77 When a Bid has been announced in accordance with Capital Markets Rule 11.15, it may be withdrawn or declared void only in the following circumstances:
- 11.77.1 where there are competing Bids and the Offeror decides to withdraw his Bid as provided for in Capital Markets Rule 11.64;
  - 11.77.2 where a condition of the Bid announced in the offer document in accordance with Capital Markets Rule 11.22.8 is not fulfilled;
  - 11.77.3 in exceptional circumstances and with the authorisation of the MFSA, explaining why the Bid cannot be put into effect for reasons beyond the Control of the parties to the Bid.
- 11.78 The Offeror shall without delay announce the decision to withdraw the Bid.

## **GUIDANCE NOTES TO CHAPTER 11**

These Guidance Notes are not intended to be a substitute for any Capital Markets Rule, or part of the Capital Markets Rules. They have been drawn up to provide guidance on particular aspects of the Capital Markets Rules in Chapter 11.

### **Guidance Note 1 to Chapter 11 of the Capital Markets Rules – VOLUNTARY AND MANDATORY BIDS**

The provisions of Chapter 11 of the Capital Markets Rules apply to both Voluntary and Mandatory Bids, but with only a specific set of the Capital Markets Rules relating to Mandatory Bids.

While the meaning of a Voluntary Bid defined in the Capital Markets Rules is that of ‘a bid made to all the holders of Securities of a Company for all their holdings when a person making such a bid does not have a Controlling Interest in the Company’ (LR 11.3), a Mandatory Bid on the other hand is triggered by the acquisition of a ‘Controlling Interest’, (50% plus 1 share). An exception to the rule arises in circumstances where Control has been acquired following a Voluntary Bid made to the holders of Securities for all their holdings (LR 11.8). Capital Markets Rules 11.21.1 – 11.21.5 set out a number of circumstances under which exemptions from the rule to make a Mandatory Bid would apply and can therefore be applied for.

The aim of the Mandatory Bid rule is to protect minority shareholders against holders of a Controlling Interest extracting private benefits from the Offeree Company by preventing any holders of Securities from being able to obtain control over the Offeree Company and start extracting private benefits without first offering the minority holders of Securities an exit opportunity at an equitable price. A Mandatory Bid thus prevents the offeror from obtaining control by acquiring Securities from the market without paying an Equitable Price (Capital Markets Rule 11.39) to all holders of Securities. The Mandatory Bid rule additionally prevents an Offeror obtaining ‘creeping’ control by acquiring Securities without extending the offer to all holders of Securities equally.

#### **Consideration Offered for a Bid**

While the consideration offered for a Voluntary Bid may be freely determined by the Offeror, and while this normally would be related to the price at which the Offeree Company security has been traded at, consideration for Securities purchased under a Mandatory Bid must be ‘equitable’ and determined by the criteria set out in Capital Markets Rule 11.39.

Consideration offered by the Offeror may be in Securities, cash, or a combination of both. The Capital Markets Rules mandate that cash consideration must be offered as an alternative in all cases (Capital Markets Rule 11.17).

Capital Markets Rule 11.23 mandates that a report on the consideration offered is drawn up by one or more experts who are independent of the Offeror or the Offeree Company. The expert’s report is to contain an evaluation of the consideration being offered in the Bid. The Capital Markets Rule covers the consideration offered for both a Voluntary Bid and a Mandatory Bid and, as such, any analysis of consideration offered will, out of necessity, compare the consideration being offered to the market price of the Security subject of the Bid. Guidance Note 2 provides guidelines as to what an Independent Expert’s Report should encompass.

#### **Squeeze-out and Sell-out rights**

An Offeror may invoke his squeeze-out rights (Capital Markets Rules 11.41-45) where following a Bid made to all holders of the Offeree Company’s Securities for all their Securities, the Offeror has acquired Securities representing not less than ninety per cent in the Offeree Company and at which point the Offeror has announced that he will be exercising the right to require all the holders of the remaining Securities to sell these to him for cash. If the Offeror wishes to exercise the right of squeeze-out he must do so within three months at the end of time allowed for acceptance of the bid.

A holder of remaining Securities may invoke his sell-out rights (Capital Markets Rules 46-11.48) following a bid where an Offeror has announced that he has acquired Securities representing not less than ninety per cent in the Offeree Company, but has not announced that that he will be exercising his squeeze-out rights (either in the offer document or upon announcement of attainment of such level of acceptances). The Offeror shall be required to buy these Securities at the fair price for cash.

Capital Markets Rule 11.43 states that ‘the consideration offered in the Bid shall be presumed as fair where, through acceptance of the Bid, the Offeror has acquired Securities representing not less than ninety percent of the Offeree Company’s capital carrying voting rights’.

Squeeze-out and sell-out rights are seen as a protection measure available to residual shareholders and which may be invoked subsequent to both a Voluntary and a Mandatory Bid.

May 2018

## **Guidance Note 2 to Chapter 11 of the Capital Markets Rules – GUIDANCE ON THE INDEPENDENT EXPERT'S REPORT (LR 11.23)**

Capital Markets Rule 11.23 requires that a report be drawn up by an independent expert on the consideration offered in the event of a takeover bid being made that is regulated by Chapter 11 of the Capital Markets Rules. Holders of Securities should decide on the merits of a Bid on the basis of the information provided in the offer document, the opinion of the Offeree Company's board of directors in the document setting out their opinion on the Bid, the report prepared by the independent expert and advice sought from an authorised financial advisor

### **Contents of the Independent Experts Report**

The report of the independent expert should contain information which is useful to holders of Securities in the Offeree Company in making an informed decision as to the merits of the Bid in light of the consideration offered. In order to make a holistic analysis of the consideration being offered, the concepts of being 'fair' or 'reasonable' should be analysed as two distinct criteria.

### **Valuation**

The independent expert should evaluate how the consideration compares to the market value of the Securities that are the subject of the Bid. If the consideration is equal to or higher than the market value of the securities of the Offeree then the take-over offer could be considered as a 'fair' offer.

Where the consideration offered is less than the market price an independent experts report is required to comment on this, and compare the consideration offered to the 'equitable' price determined in terms of LR11.39. The type of report depends on whether the bid is a Mandatory or Voluntary Bid, as follows:

- Where the Bid is a Mandatory Bid, the Capital Markets Rules provide that the consideration offered must be 'equitable' and the independent expert should confirm whether this is the case.
- Where the Bid is a Voluntary Bid, the expert should consider whether the offer is 'reasonable' or not. The independent expert should take into consideration matters other than the market valuation of the securities that are the subject of the Bid. Generally a takeover offer would be considered 'fair', and as such 'reasonable', if the expert's evaluation determines that the consideration offered is equal or greater than the value of the Securities being acquired. The experts should clearly explain the possible reasons for the differences between their assessment of value and the market value of the Securities bid for. This could include the expert's own valuation being in line with the offer price in spite of this being lower than the market value.

### **Exemptions from mandatory offer obligations under Capital Markets Rule 11.21**

The independent expert should explain why an exemption may have been given from the obligation not to make a Mandatory Bid and the effect of the exemption being granted to the Offeror in the circumstances listed in Capital Markets Rules 11.21.1-11.21.5.

### **Consideration other than cash**

If the Offeror is offering listed or non-listed securities as consideration for the Offeree Company's Securities, the independent expert should examine the value of that consideration and compare it to the valuation of the Offeree Company's Securities.

Such a comparison should be based on the value of the securities being offered as consideration by the Offeror and the fact that the Offeror will be obtaining or increasing control of the Offeree Company.

The effect of a share exchange offer should be explained to holders of Securities in the Offeree Company as should be the resultant position of accepting the consideration.

In the event that the Securities being offered as consideration are listed or traded on a Regulated Market and the independent expert uses the market price of such securities as a measure of the value of the consideration offered, the independent expert must also give information on:

- The depth of the market for those securities;
- The volatility of the market price the last six months; and
- The effect of the takeover on the price of such securities.

The methodology or methodologies used should be clearly explained and the sources of data that the independent expert uses in its analysis disclosed in the report.

### **Company Directors and Dealings in an Offeree Company's Securities**

The Independent expert's Report should include information on the individual Directors' shareholdings in both the Offeree and Offeror Company and whether any dealings in Securities have taken place by Directors, the Offeror or Persons Acting in Concert with the Offeror during the six months preceding the Bid, and how this may have affected or influenced the consideration offered.

The expert should include information on any disclosure that may have been made on commitments to Directors of the Offeree Company by the Offeror prior to making the Bid public and whether they have endorsed, or made recommendations on, the Bid.

### **Conditional Irrevocable Undertakings**

An Offeror would normally seek to conclude conditional irrevocable undertakings with key shareholders of the Offeree Company, and from any of the Offeree's board of directors who hold shares in it, to accept the offer if certain pre-determined conditions are met.

Irrevocable undertakings will usually provide for the shareholder, or director, to accept the offer within a certain time period of it being made once certain conditions are met and to refrain from doing anything which might frustrate the Bid.

Where the presence of such undertakings has been announced, the independent expert should indicate the names of these key holders and the percentage holding that each holds, this for the other shareholders to be able to assess the probable outcome of the offer being made.

### **Assumptions made by the Independent Expert**

Where an independent expert's valuations have been based on assumptions, these should be explained in a manner which enables the holders of the Securities in the Offeree Company to understand the information contained in the report.

The independent expert should explain the methodology and principal assumptions underlying their valuation that could include generic statements broadly explaining these assumptions without the requirement to include extensive detail on company specific commercial information. Assumptions relating to specific present or future macro-economic conditions (e.g. inflation rates, exchange rates, commodity prices) that may be relevant to the consideration being offered should be backed up with references to the sources from which that information was drawn.

Where changes in any of the key macro assumptions are likely to materially impact the valuation (e.g. changes in the exchange rate or interest rate assumptions), the independent expert should consider including a sensitivity analysis which sets out the impact of such changes.



## **Reasonable basis for relying on information**

The independent expert should explain the analysis undertaken and should make reference to the source of the information it has used in arriving at its conclusions. The independent expert should ensure that material information quoted or used in the analysis is not irrelevant or misleading.

Where the independent expert intends to rely on the work of another expert, the independent expert should be comfortable with the level of expertise, experience and credibility of the expert, evaluate the relevance of the methodologies and key assumptions adopted by the expert and where possible, review the reasonableness of the results derived by that expert.

## **Forecasts of financial information**

The independent expert may rely on financial information provided in the Company's Annual Reports or projections published by the Offeree Company, such as those included in the Financial Analysis Summary report required in terms of the Listing Policies of the MFSA dated 05 March 2013, as may be updated from time to time. However, the independent expert should satisfy himself of the reasonableness of any forecast financial information used and ensure that adequate disclosure is made in relation to the limitations of the financial forecasts used.

## **Disclaimers**

The independent expert should include a paragraph stating the purpose of the Report and the terms under which it was prepared and should make a declaration as to the expert's independence from the parties it has drawn on for its compilation.

A statement should be included which limits the purpose of the report as being that required in terms of Capital Markets Rule 11.23, namely 'on the consideration offered' by the Offeree and, as such, to assist holders of Securities in the Offeree Company in forming their own opinion as to whether to accept the terms being offered or not. The statement should also include a statement that the report does not represent a recommendation to accept or refuse the offer and that it does not contain any assessment of the consequences that could arise from accepting or refusing the offer.

Disclaimers as to the accuracy of the information, including on the reliance on forecasts of future profits, cash flows or the financial position may be included in the report but the expert would all the same be expected carry out reasonableness checks on any such information that has been used in compiling the report provided that the source of the information is quoted and that the source is generally considered reliable. As for example, 'The assessment made and information contained in this report is based on information available at the time of our work and can be subject to changes. In rendering this assessment, the independent expert has not performed an audit or a due diligence of the parties concerned nor has it sought to verify the information provided by the contributors or the sources which however it considers generally reliable'.

May 2018

### **Guidance Note 3 to Chapter 11 of the Capital Markets Rules – OBLIGATION TO ANNOUNCE UNDER CHAPTER 11 OF THE CAPITAL MARKETS RULES**

An announcement to make a Bid will, in all circumstances, be communicated to the Offeree Company's board, even if this is announced to the board at the same time as a public announcement is made.

Where a friendly Bid is concerned, discussions will have taken place over a period of time and once the conditions listed in Capital Markets Rule 11.16 can be fulfilled, a public announcement would then be made. Capital Markets Rule 11.15 places an obligation on any person who gains control of a company to inform the MFSA within seven days of acquiring control. In the case of a hostile Bid, however, any pre-bid conditions, including those of Capital Markets Rule 11.16 will have been tackled without the Offeree Company's board having even been consulted and a public announcement will, in most circumstances, be made at the same time as the announcement to the Board.

Prior to the announcement of an offer or possible offer, all persons privy to confidential information, and particularly price-sensitive information, concerning the offer or possible offer must treat that information as confidential and may only pass it to another person if it is necessary to do so and if that person is made aware of the need for secrecy. All such persons must conduct themselves so as to minimise the chances of any leak of information.

The requirement for a public announcement will be triggered immediately should the Offeree Company's share price be subject to undue price movements due to rumour or possible speculation, the suspicion of a leak in confidential information or where it is desirable to make an announcement in order to prevent possible market abuse. It is the potential offeror who is, in the first place, responsible for making such an announcement.

An announcement of a Bid by the Offeror triggers a period of twenty-one calendar days mentioned in Capital Markets Rule 11.19 during which he must prepare an offer document to be made available to both the MFSA and the public.

May 2018

## **Guidance Note 4 to Chapter 11 of the Capital Markets Rules – TAKEOVER BIDS - RESPONSIBILITIES OF COMPANY DIRECTORS**

The provisions relating to directors in Article 136A of the Companies Act (Cap. 386 of the laws of Malta) should be borne in mind when Directors make recommendations in relation to takeover Bids, in particular that a director of a company is bound to act honestly and in good faith in the best interests of the company and that it is the directors of a company who shall promote the well-being of the company they represent. Directors must, as fiduciaries, take into account the collective interests of their shareholders prior to and during any Bid process.

Shareholders of a company are entitled to look to directors for information and guidance in order to help them decide whether or not to accept a Bid, especially where a share exchange offer is made as part of the compensation package, or where competing bids are involved in the takeover process. Directors must be able to justify the reasons when and why recommendations are made to accept the lower of competing Bids.

Directors should ensure that sufficient information and advice is contained in the offer document to enable shareholders to reach an informed decision and avoid giving misleading advice which could prevent shareholders from making an uninhibited choice. In this context while most Bids involve a friendly approach to takeovers where the Offeror is involved in negotiations prior to a takeover, Offeree Company directors have an important role to play where a hostile Bid is concerned.

Directors of the Offeree Company should give careful consideration to any decisions they intend taking before entering into any commitment with an offeror (or anyone else) which would restrict their freedom to advise their shareholders in the future. Such commitments may give rise to conflicts of interest or result in a breach of a directors' fiduciary duties.

The importance of Capital Markets Rule 11.23 and the mandating that a report on the consideration offered is drawn up by one or more experts who are independent of the Offeror or Offeree Company becomes clear in this context. Guidance Note 2 to Chapter 11 sets out what can be expected of such a report.

Capital Markets Rule 11.24 requires that the independent expert assesses and confirms 'that the Offeror has sufficient resources to meet the consideration to be provided on full acceptance of the offer and to pay any debts incurred in connection with the offer'. This is normally seen as being in the best interests of both the shareholders and the Directors of both the Offeror and Offeree companies. Directors of an Offeree Company are obliged to circulate their views on the offer and make known to the shareholders the substance of advice given by any independent expert.

Capital Markets Rules 11.28 to 11.31 cover important aspects of the responsibilities of the directors of a company that has become the subject of a Bid and provide an understanding of the obligations of the Board of Directors of an Offeree Company in relation to the advice and views they are required to give to Offeree Shareholders as well as to the company's employees upon the announcement of a Bid.

An Offeree company that receives notice of a takeover, or the Board of that Company has reason to believe that an offer is imminent may not permit any action to be taken that may frustrate a Bid, unless their Shareholders have given approval to do so as provided for in Capital Markets Rule 11.37

Capital Markets Rules 11.32 to 11.36 provide guidance on procedures that have to be followed by the Board of Directors of an Offeree Company when calling a general meeting for the purpose of obtaining authorisation of their Shareholders prior taking any action which may result in a lasting impediment to the Offeror acquiring control of the Offeree Company.

Directors should bear in mind the provisions of Article 136A of the Companies Act prior to, during and after the bid process. This states that 'directors shall be obliged to exercise the degree of care, diligence and skill which would be exercised by a reasonably diligent person having both the

knowledge, skill and experience that may reasonably be expected of a person carrying out the same functions as are carried out by or entrusted to that director in relation to the company'. The Act further adds that a director shall:

- (b) not make secret or personal profits from their position without the consent of the company, nor make personal gain from confidential company information;
- (c) ensure that their personal interests do not conflict with the interests of the company;
- (d) not use any property, information or opportunity of the company for their own or anyone else's benefit, nor obtain benefit in any other way in connection with the exercise of their powers, except with the consent of the company in general meeting or except as permitted by the company's memorandum or articles of association;
- (e) exercise the powers they have for the purposes for which the powers were conferred and shall not misuse such powers.

May 2018

## **Guidance Note 5 to Chapter 11 of the Capital Markets Rules – TAKEOVER BIDS – PRE-TAKEOVER AGREEMENTS**

Most Bids are of consequence to the parties involved and the disclosure that a deal is in the offing can have unexpected effects on a company's operations, be these disruptions in trading, loss of confidence by the suppliers or customer base of either party or even a negative reaction by employees. Disclosing sensitive non-public information may impact a listed company's trading and as a result its value and ultimately the disclosure could prejudice the Bid itself.

Any discussions related to a prospective Bid may require the disclosure of inside information, and as such be subject to the provisions of the Market Abuse Regulation (EU) No 596/2014 including the provisions relating to Market Soundings in Article 11 of the Regulation.

### **Non-Disclosure Agreements**

Parties considering making a Bid under the Capital Markets Rules, more often than not, begin discussions with negotiation of a confidentiality or non-disclosure agreement (NDA). This would restrict one or more parties from disclosing the fact that discussions are taking place as well as the terms and conditions of any potential deal and information about one or both parties' businesses. The fact that information may be discussed or disclosed under the terms of a confidential agreement or any other agreement made between the parties should not in itself cause the information to cease to qualify as 'inside information'.

### **Memorandum of Understanding**

At some stage during discussions between the potential acquirer and the (major) shareholders of a Offeree company, consideration will be given to the formulation of an agreement (or memorandum of understanding) setting out the conditions that need to be fulfilled before the Offeror commits to making an offer to all Shareholders of the Offeree Company for up to 100% of its shares.

This agreement would normally set out the terms agreed in anticipation of the Offer, agreement to the structure of the transaction, which may include the commitment of the board of directors of the Offeree Company to recommend the acquisition, representations and warranties and covenants restricting the material change in the operation of the business of the Offeree Company until the end of the Offer and the Offeree Company on such matters as the successful completion of a due diligence exercise, restrictions on the ability of the Offeree Company to solicit competing proposals and possibly agreement to a termination fee should the acquisition not be completed should a third party make a competing offer. The agreement may not under any circumstances contain clauses which imply that a transfer of shares has been agreed to or has taken place, nor may it not contain details of the proposed Bid, including details of any consideration that may be offered.

A condition for an Offer to be considered 'unconditional' may include that a level of acceptances is received for the Bid to be considered 'unconditional', implying that should this condition not be fulfilled the Offeror may consider the Offer as lapsed and return to shareholders any shares which may have been tendered in acceptance of the offer. The offer would be declared "unconditional" only after all the conditions have been met.

### **Equal Treatment of Shareholders**

The provisions of Article 3 (General Principles) of Directive 2004/25/EC on Takeover Bids make it clear that all shareholders of an Offeree Company must be afforded equal treatment and that as a rule information disclosed to any single or group of shareholders must be made available to all shareholders. Particular attention is drawn to the first three Principles of Article 3 which relate to all the holders of Securities in Offeree Companies, and as such, include those who are not signatories to any pre-takeover agreement that may be signed between the Major Shareholders of an Offeree company and a Prospective Offeror.

The parties to a Bid are reminded of the provisions of Capital Markets Rule 11.25 under which the MFSA may request for the filing of a copy of any confidential agreements made between the parties. Capital Markets Rule 11.25 reads 'The MFSA may request that the parties to a Bid shall provide the Authority with all the information in their possession concerning the Bid at any time on request.'

May 2018

## **Guidance Note 6 to Chapter 11 of the Capital Markets Rules – TAKEOVER BIDS – DEFENSIVE TACTICS AND THE BREAK THROUGH RULES**

A Bid could be termed as ‘friendly’ when following discussions two interested parties’ agree that the potential of their two combined businesses offers both the potential for greater synergies and as efficiencies and consequently greater growth and ultimately profits. The result of such discussions normally results in the potential Offeror and the major shareholders of the Offeree Company formulating a form of memorandum of understanding, on what conditions need to be further discussed between both parties before the Offeror can make a firm offer for the securities of the Offeree Company.

A Bid is considered ‘hostile, the other hand, when an offer is rejected by the Offeree Company's board and where the Offeror continues to pursue it. In a hostile Bid an Offeror could make the offer directly to the Offeree Company’s shareholders after having announced its firm intention to make an offer.

### **Non Frustration Rule**

The Takeover Directive 2004/25/EC, in Article 9(3), provides that it is the general meeting of a Company that shall ‘approve and confirm’ any decisions which do not form part of the normal course of a company’s business and the implementation of which may result in the frustration of a Bid. Capital Markets Rule 11.37 entitled ‘*Defensive tactics*’ transcribes the provisions of the Directive Article 9(3).

Defensive tactics may take many different forms and may, for example, include the Board entering into a material transaction which is not part of the Offeree Company’s normal course of business, effect a transaction which may materially affect the financial position of the company, as for example through a buy-back of shares or the undertaking of any action which is designed to influence the holding of a future shareholder. Such actions may of course be agreed with the Offeror as part of the Bid conditions.

Capital Markets Rule 11.37 does not rule out the board of directors of a Offeree Company taking action which may result in an offer being frustrated if the action is approved by an ordinary resolution of the Offeree Company; if the action was taken or permitted under a contractual obligation entered into before the Offeree Company became aware that the offer was imminent; or if the action is taken or permitted for reasons unrelated to the offer with the approval of the MFSA. This would possibly include pre-emptive action which directors may take in the absence of an Offer but which is all the same designed to protect against a possible future change of control (‘poison-pill’).

Article 9(3) makes it clear that decisions on the control and ownership of a company should be the preserve of the shareholders. Accordingly, directors of an Offeree Company should proceed with caution when considering action that has the potential to frustrate an offer and obtain independent legal and financial advice on such actions.

### **Breakthrough**

Article 11 of Directive 2004/25/EC sets out the provisions relating to ‘Breakthrough’, provisions which apply to any Bid which has been made public. The provisions of Article 11 are transcribed in Capital Markets Rules 11.50 -11.56 headed ‘*Opting in and Opting Out*’. Holders of Securities of in an Offeree Company may, at a General Meeting following the announcement of a Bid, choose to either apply the restrictions on transfers of Securities provided for in Capital Markets Rules 11.51 – 11.54 (*opting-in resolution*) or to opt out of these (*opting-out resolution*). Additionally, Capital Markets Rules 11.55 and 11.56, and their possible effect on Securities holders voting rights, need to be taken into consideration when considering any decisions that need to be taken in this regard at a General Meeting.

May 2018

Chapter 12  
Shareholders' rights



## *Scope*

- 12.1 This Chapter applies to Issuers whose registered office is in Malta and whose Shares are admitted to trading on a Regulated Market situated or operating within a Member State or EEA State. Furthermore, these Capital Markets Rules shall apply to all Issuers notwithstanding anything contained in the memorandum and articles of association of the Issuer and any provision in the memorandum and articles of an Issuer shall, in the event of conflict with any of the provisions of this Chapter, be construed and interpreted as if the relevant provisions of this Chapter were written into and form an integral part of the memorandum and articles of association of the Issuer.
- 12.1A This Chapter also refers to specific requirements intended to encourage shareholder engagement, in particular in the long term. These specific requirements apply in relation to identification of shareholders, transmission of information, facilitation of exercise of shareholders rights, transparency of institutional investors, asset managers and proxy advisors, remuneration of directors and related party transactions.
- 12.2 Chapter 12 of these Capital Markets Rules shall not apply to:
- 12.2.1 undertakings for collective investment in transferable securities (UCITS) within the meaning of Article 1(2) of Directive 2009/65/EC of the European Parliament and of the Council<sup>2</sup>
  - 12.2.2 collective investment undertakings within the meaning of point (a) of Article 4(1) of Directive 2011/61/EU of the European Parliament and of the Council<sup>3</sup>, with the exception of closed-end collective investment undertakings which are set up as a Company.
  - 12.2.3 cooperative societies.
  - 12.2.4 credit institutions and/or investment firms subject to the use of resolution tools, powers and mechanisms provided for in Title IV of Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012.
- 12.2A In this Chapter, unless the context otherwise requires, the following expressions have the meaning hereby assigned to them:
- ‘Information regarding shareholder identity’ means Information allowing the identity of a shareholder to be established, including at least the following information:
- a) name and contact details (including full address and, where available, email address) of the shareholder, and, where it is a legal person, its registration number, or, if no registration number is available, its unique identifier, such as legal entity identifier;
  - b) the number of shares held; and

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<sup>2</sup> Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) (OJ L 302, 17.11.2009, p.32).

<sup>3</sup> Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010 (OJ L 174, 1.7.2011, p.1).

- c) only insofar they are requested by the company, one or more of the following details: the categories or classes of the shares held or the date from which the shares have been held.

‘Intermediary’ A person, such as an investment firm as defined in point (1) of Article 4(1) of Directive 2014/65/EU, a credit institution as defined in point (1) of Article 4(1) of Regulation (EU) No 575/2013 of the European Parliament and of the Council and a central securities depository as defined in point (1) of Article 2(1) of Regulation (EU) No 909/2014 of the European Parliament and of the Council, which provides services of safekeeping of shares, administration of shares or maintenance of securities accounts on behalf of shareholders or other persons.

‘Institutional investor’ means:

- a) an undertaking carrying out activities of life assurance within the meaning of points (a), (b) and (c) of Article 2(3) of Directive 2009/138/EC of the European Parliament and of the Council ( 4 ), and of reinsurance as defined in point (7) of Article 13 of that Directive provided that those activities cover life-insurance obligations, and which is not excluded pursuant to that Directive;
- b) an institution for occupational retirement provision falling within the scope of Directive (EU) 2016/2341 of the European Parliament and of the Council ( 5 ) in accordance with Article 2 thereof, unless a Member State has chosen not to apply that Directive in whole or in parts to that institution in accordance with Article 5 of that Directive;

‘asset manager’ ‘asset manager’ means an investment firm as defined in point (1) of Article 4(1) of Directive 2014/65/EU that provides portfolio management services to investors, an AIFM (alternative investment fund manager) as defined in point (b) of Article 4(1) of Directive 2011/61/EU that does not fulfil the conditions for an exemption in accordance with Article 3 of that Directive or a management company as defined in point (b) of Article 2(1) of Directive 2009/65/EC, or an investment company that is authorised in accordance with Directive 2009/65/EC provided that it has not designated a management company authorised under that Directive for its management;

‘proxy advisor’ means a legal person that analyses on a professional and commercial basis, the corporate disclosure and, where relevant, other information of listed companies with a view to informing investors’ voting decisions by providing research, advice or voting recommendations that relate to the exercise of voting rights;

‘director’ means:

- a) Any member of the board of directors;
- b) Where they are not members of the administrative, management or supervisory bodies of a company, the chief executive officer and, if such function exists in a company, the deputy chief executive officer;
- c) Where so determined by a Member State, other persons who perform functions similar to those performed under point (a) or (b) above.

‘Remuneration policy’ a policy which contributes to the Issuer’s business strategy and long-term interests and sustainability as described in Capital Markets Rules 12.26A-12.26J.

#### *Identification of shareholders*

- 12.2B An Issuer shall have the right of requesting intermediaries to communicate, to it, without delay information regarding shareholder identity.
- 12.2C An Issuer shall ensure that personal data of shareholders transmitted to them in accordance with the requirements of this Chapter, with the view of facilitating the exercise of shareholder rights and shareholder engagement with the company, is not stored for longer than 12 months after the Issuer becomes aware that the person concerned has ceased to be a shareholder.
- 12.2D Issuers shall accept the correction of incomplete or inaccurate information regarding the identity of shareholders.

#### *Transmission of Information*

- 12.2E Issuers are required to provide intermediaries in a standardised and timely manner with the information required by the shareholder, to enable the shareholder to exercise rights flowing from its shares, and which is directed to all shareholders in shares of that class. Where such information is available on the Issuer’s website, a notice indicating where on the website that information can be found shall be provided to the intermediaries.

Provided that where Issuers send the information or notice directly to all their shareholders or to a third party nominated by the shareholder, the requirements under this Listing Rule shall not apply.

#### *General meetings of shareholders*

- 12.3 Issuers shall ensure equal treatment for all Shareholders who are in the same position with regard to participation and the exercise of voting rights in the general meeting.

#### *Notice of general meetings*

- 12.4 Without prejudice to Capital Markets Rules 11.36 and 11.56, the notice convening a general meeting shall be issued in the manner specified by Capital Markets Rules 12.8 and 12.9 not later than the 21<sup>st</sup> day prior to the day when the meeting is due to be held.
- 12.4A For the purposes of Directive 2014/59/EU the general meeting may, by a majority of twothirds of the votes validly cast, issue a convocation to a general meeting, or modify the statutes to prescribe that a convocation to a general meeting is issued, at shorter notice than as laid down in Capital Markets Rule 12.4, to decide on a capital increase, provided that:
- 12.4A.1 that meeting takes place at least ten calendar days after the convocation is issued;
- 12.4A.2 the conditions of Article 27 or 29 of Directive 2014/59/EU are met; and
- 12.4A.3 the capital increase is necessary to avoid the conditions for resolution laid down in Articles 32 and 33 of Directive 2014/59/EU.

- 12.5 Notwithstanding Capital Markets Rule 12.4, the notice issued in the manner specified by Capital Markets Rules 12.8 and 12.9 may be issued at least fourteen (14) days prior to the meeting provided that:
- 12.5.1 the general meeting is not an annual general meeting;
  - 12.5.2 the Issuer offers the facility for Shareholders to vote by Electronic Means accessible to all Shareholders;
  - 12.5.3 a resolution reducing the period of notice to not less than fourteen (14) days has been duly passed by a majority of not less than two thirds of the shares having voting rights or the issued share capital represented at the meeting.
- 12.6 The resolution referred to in Capital Markets Rule 12.5.3 shall be valid until the next annual general meeting.
- 12.7 Where a general meeting is adjourned due to lack of a quorum, the adjourned meeting may be convened by a shorter notice period than that required by Capital Markets Rules 12.4 and 12.5 provided that:
- 12.7.1 the first meeting was duly convened in accordance with the requirements of Capital Markets Rule 12.4 or 12.5;
  - 12.7.2 no new item is put on the agenda; and
  - 12.7.3 the adjourned meeting is held at least 10 days after the final convocation is issued.
- 12.8 The Issuer shall send the notice referred to in Capital Markets Rules 12.4, 12.5 or 12.7 to Shareholders by pre-paid mail at their last known residential address.
- 12.9 Notwithstanding the provisions of Capital Markets Rule 12.8, the Issuer may publish the notice referred to in Capital Markets Rules 12.4, 12.5 or 12.7 either on its website or on the website of the Regulated Market on which its Shares are listed, provided that having sent a notice by mail at the last known address of each Shareholder requesting his consent to the publication of notices convening the general meetings of the Issuer on the website indicated in the notice, shareholders give their consent to receive notice by such means. Shareholders that do not give their consent shall remain entitled to receive notices convening general meetings of the Issuer by mail at their last known residential address in accordance with the provisions of Capital Markets Rule 12.8.

*Contents of notice of the general meeting*

- 12.10 The notice convening a general meeting shall contain at least the following information:
- 12.10.1 the date, time of commencement of the meeting and venue of the general meeting together with the proposed agenda for the general meeting;
  - 12.10.2 a clear and precise description of the procedures that Shareholders must comply with in order to be able to participate in and to vote at the general meeting, including information on:
    - 12.10.2.1 either the rights available to shareholders under Capital Markets Rule 12.14 to the extent that those rights can be exercised after the notice of the meeting is issued, and under Capital Markets Rule 12.24 and the periods within which those rights may be exercised; or a notice stating only the deadlines within which the rights under Capital Markets Rules 12.14 and 12.24 may be exercised, provided such notice contains a reference to more detailed information concerning those rights being made available on the website of the Issuer;

- 12.10.2.2 the procedure for voting by proxy, notably the proxy forms to be used and the means by which the Issuer is prepared to accept electronic notifications of the appointment of proxy holders pursuant to Capital Markets Rule 12.35 (if any); and
- 12.10.2.3 where the Issuer offers the facility for Shareholders to vote in advance in terms of Capital Markets Rule 12.38 or by Electronic Means, the procedures for doing so (including the date by which it must be done and details of any forms to be used);
- 12.10.3 state the record date referred to in Capital Markets Rule 12.17 and explain that only those who are Shareholders on that date shall have the right to participate and vote in the general meeting;
- 12.10.4 indicate where and how the full, unabridged text of the documents referred to in Capital Markets Rule 12.11.3 and draft resolutions referred to in Capital Markets Rule 12.11.4 may be obtained, unless the draft resolutions are included as part of the notice itself; and
- 12.10.5 indicate the address of the internet site on which the information referred to in Capital Markets Rule 12.11 will be made available.

*Publication of information in advance of general meeting*

- 12.11 An Issuer shall ensure that for at least a continuous period commencing on the 21<sup>st</sup> day immediately preceding the date scheduled for the general meeting and including the day of the meeting, the following minimum information is made available to its Shareholders on its website:
  - 12.11.1 a copy of the notice referred to in Capital Markets Rule 12.4;
  - 12.11.2 the total number of Shares and voting rights at the date of the notice (including separate totals for each Class of Shares where the Issuer's capital is divided into two or more Classes of Shares);
  - 12.11.3 the documents to be submitted to the general meeting, including the Annual Report,
  - 12.11.4 a draft resolution or, where no resolution is proposed to be adopted, a comment from the Directors of the Issuer for each item on the proposed agenda of the meeting, with an explanation of the reason why that item has been placed on the agenda of the meeting;
  - 12.11.5 where applicable, the proxy forms and the forms to vote by correspondence, unless such forms are sent directly to each Shareholder:
 

Provided that where these forms cannot be made available on the Issuer's website for technical reasons, an indication of how a hard copy of the forms can be obtained and in such case, the Issuer shall send the forms by postal services and free of charge to every Shareholder who so requests.
- 12.12 Draft resolutions tabled by Shareholders and received by the Issuer after the date on which notice of the meeting is given shall be uploaded on the Issuer's internet site as soon as practicable after the Issuer has received them.
- 12.13 Where, pursuant to Capital Markets Rule 12.5 above or Capital Markets Rules 11.36 or 11.56, the notice of the general meeting is issued less than twenty one (21) days prior to the meeting, the period specified in Capital Markets Rule 12.12 above shall be shortened accordingly.

*Right to put items on the agenda of the general meeting and to table draft resolutions*

- 12.14 Without prejudice to the provisions of Capital Markets Rule 12.15, a Shareholder or Shareholders holding not less than 5% of the voting issued share capital of the Issuer may:
- 12.14.1 request the Issuer to include items on the agenda of the general meeting, provided that each item is accompanied by a justification or a draft resolution to be adopted at the annual general meeting; and
  - 12.14.2 table draft resolutions for items included in the agenda of a general meeting.
- 12.15 The request to put items on the agenda of the general meeting or the draft resolution referred to in Capital Markets Rule 12.14 shall be submitted to the Issuer in hard copy form or in electronic form at least forty six (46) days before the date set for the general meeting to which it relates and shall be authenticated by the person or persons making it. The Issuer shall not be obliged to entertain any requests by shareholders after the lapse of the 46 day time limit set out above.
- 12.16 Where the right referred to in Capital Markets Rule 12.14.1 requires a modification of the agenda for the general meeting that has already been communicated to Shareholders, the Issuer shall make available a revised agenda in the same manner as the previous agenda in advance of the applicable record date referred to in Capital Markets Rule 12.17 or, if no such record date applies, sufficiently in advance of the date of the general meeting so as to enable other Shareholders to appoint a Proxy or, where applicable, to vote by correspondence.

*Requirements for participation and voting in the general meeting*

- 12.17 In this section ‘record date’ means the day falling thirty (30) days immediately preceding the date set for the general meeting to which it relates.
- 12.18 A person shall be entitled to receive notice of, participate in and vote at a general meeting if such person is entered as a shareholder on the register of Shareholders on the record date and any change to an entry on the said register after the record date shall be disregarded in determining the right of any person to attend and vote at the meeting.
- 12.19 Any provision of the Articles of Association of the Issuer is void in so far as it would have the effect of:
- 12.19.1 imposing a restriction on a right of a Shareholder to participate in and vote at a general meeting of the Issuer unless his Shares are deposited with, or transferred to, or registered in the name of, another person before the meeting; or
  - 12.19.2 imposing a restriction on the right of a Shareholder to sell or otherwise transfer Shares in the Issuer at any time between the record date and the general meeting to which it applies if the right to sell would not otherwise be subject to a restriction.
- 12.20 Proof of qualification as a Shareholder may be required by an Issuer subject only to such requirements as are necessary to ensure the identification of Shareholders and only to the extent that they are proportionate to the achievement of that objective.

*Participation in the general meeting by electronic means*

- 12.21 Issuers may allow their Shareholders to participate in the general meeting by Electronic Means, including any or all of the following forms of participation:

- 12.21.1 real-time transmission of the general meeting;
  - 12.21.2 real-time two-way communication enabling Shareholders to address the general meeting from a remote location;
  - 12.21.3 a mechanism for casting votes, whether before or during the general meeting, without the need to appoint a proxy holder who is physically present at the meeting.
- 12.22 The use of Electronic Means pursuant to Capital Markets Rule 12.21 may be made subject only to such requirements and constraints as are necessary to ensure the identification of Shareholders and the security of the electronic communication and only to the extent that they are proportionate to the achievement of those objectives.
- 12.23 The Shareholders shall be informed of any requirements or restrictions which an Issuer puts in place pursuant to Capital Markets Rule 12.22.
- 12.23A Where votes by Shareholders are cast electronically, an electronic confirmation of receipt of the votes shall be sent to the person that casts the vote.
- 12.23B Issuers shall ensure that after the general meeting the Shareholder or a third party nominated by the shareholder can obtain, at least upon request, confirmation that their votes have been validly recorded and counted by the company, unless that information is already available to them.
- 12.23C The format of the electronic confirmation of receipt of the votes shall comply with the Commission Delegated Regulation (EU) 2018/1212 of 3 September 2018 laying down minimum requirements implementing the provisions of Directive 2007/36/EC of the European Parliament and of the Council as regards shareholder identification, the transmission of information and the facilitation of the exercise of shareholders rights.

*Right to ask questions*

- 12.24 Every Shareholder shall have the right to ask questions which are pertinent and related to items on the agenda of a general meeting and to have such questions answered by the Directors or such person as the directors may delegate for that purpose subject to any reasonable measures that the Issuer may take to ensure the identification of the Shareholder. The said right shall also be enjoyed by a proxy holder appointed by the Shareholder.
- 12.25 The Issuer may provide one overall answer to questions having the same content.
- 12.26 An answer to a question asked pursuant to Capital Markets Rule 12.24 is not required where:
- 12.26.1 to give an answer would interfere unduly with the preparation for the meeting, involve the disclosure of confidential information or cause prejudice to the business interests of the Issuer;
  - 12.26.2 the answer has already been given on the Issuer's website in the form of an answer to a question;
  - 12.26.3 it is not in the interests of good order of the meeting that the question be answered; or
  - 12.26.4 the Issuer is unable to provide an immediate reply, provided that such reply is subsequently posted on the website of the Issuer.

*Right to vote on the remuneration policy*

- 12.26A Issuers shall establish a remuneration policy as regards directors. Furthermore, issuers shall grant the right to shareholders to vote on the remuneration policy at the general meeting, which vote shall be binding.
- 12.26B The remuneration policy be clear and understandable and shall describe the different components of fixed and variable remuneration, including all bonuses and other benefits in whatever form, which can be awarded to directors and indicate their relative proportion.
- 12.26C The remuneration policy shall explain how the pay and employment conditions of employees of the company were taken into account when establishing the remuneration policy.
- 12.26D Where an Issuer awards variable remuneration, the remuneration policy shall set clear, comprehensive and varied criteria for the award of the variable remuneration. It shall indicate the financial and non- financial performance criteria, including, where appropriate, criteria relating to corporate social responsibility, and explain how they contribute to the objectives set out in the first subparagraph, and the methods to be applied to determine to which extent the performance criteria have been fulfilled. It shall specify information on any deferral periods and on the possibility for the Issuer to reclaim variable remuneration.
- 12.26E Where the Issuer awards share-based remuneration, the policy shall specify vesting periods and where applicable retention of shares after vesting and explain how the share based remuneration contributes to the objectives set out in the first subparagraph.
- 12.26F The remuneration policy shall indicate the duration of the contracts or arrangements with directors and the applicable notice periods, the main characteristics of supplementary pension or early retirement schemes and the terms of the termination and payments linked to termination.
- 12.26G The remuneration policy shall explain the decision-making process followed for its determination, review and implementation, including, measures to avoid or manage conflicts of interests and, where applicable, the role of the remuneration committee or other committees concerned. Where the policy is revised, it shall describe and explain all significant changes and how it takes into account the votes and views of shareholders on the policy and reports since the most recent vote on the remuneration policy by the general meeting of shareholders.
- 12.26H Issuers shall pay remuneration to their directors only in accordance with a remuneration policy that has been approved by the general meeting.
- Provided that, where no remuneration policy has been approved and the general meeting does not approve the proposed policy, Issuers may continue to pay remuneration to its directors in accordance with its existing practices, and shall submit a revised policy for approval at the following general meeting.
- Provided further that where an approved remuneration policy exists and the general meeting does not approve the proposed new policy, the Issuer shall continue to pay remuneration to its directors in accordance with the existing approved policy and shall submit a revised policy for approval at the following general meeting.
- 12.26I Issuers shall submit the remuneration policy to a vote by the general meeting at every material change and in any case at least every four years.



- 12.26J Issuers shall ensure that after the vote on the remuneration policy at the general meeting the remuneration policy together with the date and the results of the vote is made public without delay on the Issuer's website and remains publicly available, free of charge, at least as long as it is applicable.

*Information to be provided in the remuneration report*

- 12.26K Issuers shall draw up a clear and understandable remuneration report. The contents of the remuneration report shall be in line with the requirements listed in Appendix 12.1 to this Chapter.
- 12.26L The annual general meeting shall have the right to hold an advisory vote on the remuneration report of the most recent financial year. The Issuer shall explain in the following remuneration report how the vote by the general meeting has been taken into account.

Provided that, in the case of small and medium-sized companies as defined, respectively, in Article 3(2) and (3) of Directive 2013/34/EU, Issuers shall provide, as an alternative to a vote, for the remuneration report of the most recent financial year to be submitted for discussion in the annual general meeting as a separate item of the agenda. The Issuer shall explain in the following remuneration report how the discussion in the general meeting has been taken into account.

- 12.26M Issuers shall, after the general meeting, make the remuneration report publicly available on their website, free of charge, for a period of 10 years, and may choose to keep it available for a longer period provided it no longer contains the personal data of directors.
- 12.26N The auditor shall check that the information that needs to be provided in the remuneration report, as required in terms of Chapter 12 of the Capital Markets Rules including Appendix 12.1, has been included.

*Proxy voting*

- 12.27 Without prejudice to Capital Markets Rule 12.28, every person entered into the register of members kept by the Issuer shall be entitled to appoint one person to act as proxy holder to attend and vote at a general meeting instead of him. The proxy holder shall enjoy the same rights to speak and ask questions in the general meeting as those to which the member thus represented would be entitled.
- 12.28 Where a person whose details are entered into the register of members is holding the shares for and on behalf of third parties, such member is entitled to grant a proxy to each of his clients or to any third party designated by a client. The said member shall be entitled to cast votes attaching to some of the Shares differently from the others. Accordingly proxy forms shall be designed by Issuers to allow such split voting.
- 12.29 A proxy holder shall, prior to a general meeting disclose to the Shareholder who appointed him any facts of which he is aware and which may be relevant for that Shareholder in assessing any risk that the proxy holder might pursue any interest other than the interest of such Shareholder.
- 12.30 Without prejudice to the generality of Capital Markets Rule 12.29, the facts that a proxy holder is required to disclose include:
- 12.30.1 whether he is a controlling Shareholder of the Issuer, or is another entity controlled by such Shareholder;

- 12.30.2 whether he is a Director of the Issuer, or of a controlling Shareholder or controlled entity referred to in Capital Markets Rule 12.30.1;
- 12.30.3 whether he is an employee or an auditor of the Issuer, or of a controlling Shareholder or controlled entity referred to in Capital Markets Rule 12.30.1; and
- 12.30.4 whether he has a family relationship with a natural person referred to in Capital Markets Rules 12.30.1 to 12.30.3.
- 12.31 A proxy holder appointed in terms of Capital Markets Rule 12.27 shall not transfer his proxy to another person. Where, however, the proxy holder is a legal person, it may exercise the powers conferred upon it through a duly appointed corporate representative.
- 12.32 A proxy holder shall vote in accordance with any instructions given by the appointing Shareholder, keep a record of such instructions for at least five years and, confirm, upon a request of the appointing Shareholder, that the voting instructions have been complied with. Unless otherwise provided in the memorandum and articles of association of an Issuer or the terms of issue of shares:
- 12.32.1 on a show of hands a shareholder present in person or by proxy shall have one vote independently of the number of shares held or represented;
- 12.32.2 on a poll a shareholder present in person shall have one vote for every share of which he is the holder; and
- 12.32.3 on a poll a proxy shall have one vote for each share for which he holds a valid proxy form.
- 12.33 Any person acting as a proxy holder may hold a Proxy from more than one Shareholder without limitation as to the number of Shareholders so represented. Where a proxy holder holds Proxies from several Shareholders, he may cast votes for a certain Shareholder differently from votes cast for another Shareholder.

In the case of voting by a show of hands, a proxy who has been mandated by several shareholders and instructed to vote by some shareholders in favour of a resolution and by others against the same resolution, shall have one vote for and one vote against the resolution

*Formalities for the appointment of proxy holders and notification*

- 12.34 A Proxy shall be appointed by written notification to an Issuer or by Electronic Means.
- 12.35 A Shareholder shall be entitled to:
- 12.35.1 appoint a Proxy by Electronic Means, to an address specified by the Issuer,
- 12.35.2 have the electronic notification of such appointment accepted by the Issuer; and
- 12.35.3 have at least one effective method of notification of a Proxy by Electronic Means offered to it by an Issuer.
- 12.36 Capital Markets Rules 12.34 and 12.35 shall apply *mutatis mutandis* to the revocation of the appointment of a Proxy.
- 12.37 The provisions of the articles of association of an Issuer relating to the appointment of a Proxy and the notification of such appointment to an Issuer may only contain such formal requirements as are necessary to ensure the identification of a Shareholder, or the Proxy. Likewise, any provision of the articles of association of an Issuer dealing with the issuing of voting instructions to a Proxy may contain only such formal requirements as are necessary to ensure the possibility of verifying the content of such voting instructions. In both cases, the said formal requirements shall be proportionate to the achievement of those objectives.

*Voting by correspondence*

- 12.38 An Issuer's articles of association may provide that on a vote on a resolution on a poll taken at a meeting, the votes may include votes cast in advance. Any such provision may be made subject only to such requirements and restrictions as are:
- 12.38.1 necessary to ensure the identification of the person voting; and
  - 12.38.2 proportionate to the achievement of that objective.
- 12.39 Nothing in this section affects the power of an Issuer to require reasonable evidence of the entitlement of any person who is not a Shareholder to vote.

*Voting results*

- 12.40 Where a poll is taken at a general meeting of an Issuer and a request is made by a Shareholder for a full account of the poll, the Issuer shall publish the following information on its website by not later than fifteen (15) days after the day of the general meeting at which the voting result was obtained:
- 12.40.1 the date of the meeting;
  - 12.40.2 the text of the resolution or, as the case may be, a description of the subject matter of the poll;
  - 12.40.3 the number of shares for which votes have been validly cast;
  - 12.40.4 the proportion of the Issuer's issued share capital at close of business on the day before the meeting represented by those votes;
  - 12.40.5 the total number of votes validly cast; and
  - 12.40.6 the number of votes cast in favour of and against each resolution and, if counted, the number of abstentions.
- 12.41 Where no Shareholder requests a full account of the voting at a general meeting, it shall be sufficient for the Issuer to establish the voting results only to the extent necessary to ensure that the required majority is reached for each resolution.
- 12.42 Where voting on a particular item or resolution is conducted by a show of hands rather than by a poll, it shall not be necessary in the case where a Shareholder requests a full account of the voting at a general meeting for the Issuer to publish the information required under Capital Markets Rules 12.40.3 to 12.40.6 (both included) and it shall be sufficient for the chairman of the meeting to publish a statement indicating:
- 12.42.1 the total number of Shareholders entitled to vote present at the meeting;
  - 12.42.2 that upon a show of hands at the meeting it appeared that the resolution had either been carried or rejected.

## Appendix 12.1

### Information to be provided in the Remuneration Report

#### *Introduction*

Issuers shall draw up a clear and understandable remuneration report, providing a comprehensive overview of the remuneration, including all benefits in whatever form, awarded or due during the most recent financial year to individual directors, including to newly recruited and to former directors, in accordance with the remuneration policy as defined in Chapter 12 of the Capital Markets Rules.

#### *Content*

The remuneration report shall contain the following information (as applicable) regarding each individual director's remuneration:

- (a) the total remuneration split out by component, the relative proportion of fixed and variable remuneration, an explanation how the total remuneration complies with the adopted remuneration policy, including how it contributes to the long-term performance of the company, and information on how the performance criteria were applied;
- (b) the annual change of remuneration, of the performance of the company, and of average remuneration on a full-time equivalent basis of employees of the company other than directors over at least the five most recent financial years, presented together in a manner which permits comparison;
- (c) any remuneration from any undertaking belonging to the same group where the term group means a parent undertaking and all its subsidiary undertakings;
- (d) the number of shares and share options granted or offered, and the main conditions for the exercise of the rights including the exercise price and date and any change thereof;
- (e) information on the use of the possibility to reclaim variable remuneration;
- (f) information on any deviations from the procedure for the implementation of the remuneration policy as defined in Chapter 12 of the Capital Markets Rules;
- (g) a statement that the contents of the remuneration report has been checked by the Auditor.

#### *General Remarks*

Issuers shall not include in the remuneration report special categories of personal data of individual directors within the meaning of Article 9(1) of Regulation (EU) 2016/679 of the European Parliament and of the Council (1) or personal data which refer to the family situation of individual directors.

Issuers shall process the personal data of directors included in the remuneration report for the purpose of increasing corporate transparency as regards directors' remuneration with the view to enhancing directors' accountability and shareholder oversight over directors' remuneration.

Without prejudice to any longer period laid down by any sector-specific Union legislative act, the personal data of directors included in the remuneration report shall be made public for a period of 10 years from the publication of the remuneration report.