

MFSA

MALTA FINANCIAL SERVICES AUTHORITY

Media Release

MFSA Annual Report 2012

Economic stability and political consensus have been central to the industry's continuing growth and to Malta's success in attracting new financial services activities. MFSA Chairman Professor Joseph Bannister said this in the Annual Report tabled in Parliament yesterday.

"Malta's political, economic and regulatory stability has taken on greater importance to the continuing growth of the finance industry than prior to the financial crisis of 2008," says Professor Bannister. He cites the fact that the country is leading the EU in the creation of new monetary financial institutions, the strong rankings Malta's finance sector achieved for bank soundness and financial market development in the World Economic Forum's competitiveness index and the steady flow of new licenses granted by the MFSA to local and incoming financial concerns.

Prof Bannister commented: "What has happened in Cyprus is a tragedy and shows just how damaging a collapse of confidence in a financial system can be for families, businesses and national reputations. There have been and will continue to be great efforts made by all concerned to keep Malta a stable and dependable financial services hub. The behaviour of our banks in Malta is fundamental to our worldwide reputation for stability. It would not be a surprise if we witnessed increased capital flows into Malta, as people seek prudent banking behaviours."

"The Authority is fully engaged with the government of Malta, other public institutions and international organisations and regulatory bodies in continuing to improve mechanisms to help safeguard financial sector stability in the country."

Professor Bannister says that Malta's finance industry has built a solid mass of skills, knowledge and products and has a proven regulatory system and a trusted legal system, which he says are all essential pillars of our national success.

Malta's success consolidated in 2012

2012 consolidated Malta's standing as a successful, stable, skilled and reliable financial services economy, according to the Malta Financial Services Authority's Annual Report for 2012, tabled in Parliament yesterday.

Malta's financial services sector remained buoyant, despite the surrounding adversities, particularly in the Eurozone. New licences were issued in all areas, with electronic money and payment services, pension fund activity, non-life insurance business and trustee services all registering above average rates of growth.

The investment services sector performed well. The number of firms licensed in the field increased and, while servicing funds mainly domiciled in Malta, the sector also increased its tally of non-Maltese domiciled funds being administered in Malta. There were 144 of these in 2012. These funds increased in value by 21% in 2012.

The majority of all funds, including those managed and administered in Malta grew in value in 2012. For example, the net asset value of Professional Investor Funds reached €6.5 billion in December 2012, representing an increase of nearly 12 per cent from the previous year. UCITS funds reported a surge of almost 40 per cent over the same period, reporting a net asset value of €2.3 billion at the end of 2012.

Insurance too is a highly internationalised part of the finance economy, particularly in the non-life and pensions side. Malta's relatively new pensions legislation is attracting a growing international following. Last year, four new schemes came into being; bringing the total to 17 and asset value reached €533 million. This is an excellent performance by a sector that is just over two years old.

The total investment assets of all insurance undertakings expanded by almost seven per cent over the period, from nearly €8.8 billion in 2011 to €9.4 billion in 2012. The total gross premiums written in the insurance sector (long-term and general business) increased by almost five per cent (or €100 million) over the period, from €2.21 billion in 2011 up to €2.31 billion in 2012.

The number of new companies registered in Malta in 2012 was one of the highest on record and nearly three quarters of all registrations came from outside the EU.

Serious challenges

Whilst confirming the robustness of the financial services sector in Malta and remarking on the country's economic stability in recent times, Professor Bannister warns that the next few years will bring serious challenges. He also points out that the finance industry faces operational and cost implications in understanding and managing differing regulatory approaches, citing the new regulatory structures recently introduced in the UK, the EU and the US.

“Navigating Malta's way through the next five or more years will require a great deal of cooperation between the MFSA, the government, the Central Bank, the industry and all other parties that want to ensure that we can continue to benefit from an expanding finance sector. We also have to build on our reputation for dependability, skill and expertise in a stable environment.”

“We need to demonstrate to the world that Malta adds value, that what its finance industry does here not only benefits Malta but also benefits the wider world by building capital and assets that help to fuel growth, jobs and recovery in many places.”

Stronger consumer protection blueprint on way

The report says that in 2012 the overwhelming majority of businesses operated to the very high standards expected in Malta. Those that fell short were handled with full impartiality and fair penalties imposed as appropriate to each case. Details are given in the report of the compliance and supervision work undertaken by the MFSA and its work on consumer complaints arbitration and consumer finance education.

It notes that Malta has an excellent record in consumer education and says that greater protection for consumers of financial services products is on the way. The Authority began work in 2012 on a plan to introduce upgraded consumer protection measures and has given a commitment to the International Monetary Fund to produce a blueprint of an enhanced consumer protection regime for Malta.

Wide ranging consultation has begun with consumer and industry bodies, Authority experts are examining systems in other countries and advice taken on a wide range of legal issues. A final report of recommendations is forecast for the first part of 2014.

“We will listen to all voices and take advice from expert quarters. We have embarked on a necessarily complex road that has implications for future consumer and investor confidence, finance industry costs and Malta's competitiveness and reputation,” says Professor Bannister.

The full report can be accessed at the [MFSA website](#).

Additional Info:

Report highlights include:

- *New licenses issued in all areas of financial services*
- *Blueprint for stronger consumer protection measures in the pipeline*
- *Malta leads EU in growth in monetary financial institutions*
- *Bank assets grew to €52.9 billion, up 4.3%*
- *Local lending by domestic banks rose slightly, at just under 2%*
- *Steady expansion in investment services licenses. There are now 113 licenses, up 4 on the previous year*
- *The value of all categories of funds under management grew, from very modest gains to very strong performances*
- *Malta's growing reputation as an insurance industry hub saw good growth in gross premiums written and in new licenses issued.*
- *€1.31 billion of insurance business was written, a 10% increase*
- *Retirement schemes, one of the newer sectors in Malta, saw four new licenses granted, with 17 schemes now operating*
- *Assets managed by retirement schemes reached nearly €533 million in 2012*
- *73.4% of new company registrations were from outside the EU*

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