

# MFSA

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## MALTA FINANCIAL SERVICES AUTHORITY

### **Circular addressed to Investment Firms authorised to provide investment advice**

#### **Background**

In March 2015, MFSA embarked on an information gathering exercise in order to gain an insight on the provision of investment advice to retail investors by Investment Services Licence Holders (hereinafter referred to as “investment firms”). A questionnaire was sent to forty-four (44) investment firms authorised to provide investment advice to retail clients in Malta. It resulted that as at 31 December 2014, only twenty-six (26) investment firms actually provided investment advice to retail clients.

By way of summary investment firms were queried on the following issues:

- I. Whether investment advice was actually provided during the reporting period (from 1 January 2013 to 31 December 2014) and whether investment advice constituted the major business driver;
- II. To specify the main financial instruments in which the majority of the investment firms’ clients invested after receiving financial advice;
- III. To provide information on the mechanics of the provision of investment advice as well as the processes which the investment firm adhered to in the provision of investment advice; and
- IV. Future trends in the provision of investment advice.

The collated information was used by MFSA, on a no names basis, in order to participate in an ESMA peer review on ‘MIFID Suitability Requirements’. The objective of this peer review was for ESMA to assess how national regulators assess compliance with MiFID’s suitability requirements when firms provide investment advice to retail clients as well as to ensure supervisory convergence across EU member states.

## **Conclusion**

The peer review report which may be accessed [here](#) provides a summary of ESMA's the key findings – across all EU member states - that have emerged from this exercise. Overall, ESMA found that most national regulators have a good understanding of the investment advice market in their jurisdictions. However there is still scope to adopt more proactive supervisory approaches and strengthen enforcement activities.

Whilst thanking the investment firms who had participated in this exercise, MFSA would also like to them to consider the findings of ESMA's report in the context of their operations.

## **Contacts**

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