

## MFSA registers growth in financial services operations and supervision

### *MFSA Annual Report for 2017 tabled in Parliament*

The activity of the Malta Financial Services Authority continued to register growth in 2017 with the issuance of various licences and authorisations predominantly in the areas of insurance business, investment services, investment funds and trust. The Authority has given a snapshot of its activities through its Annual Report tabled in Parliament by Parliamentary Secretary Hon. Silvio Schembri.

The MFSA today regulates over 2,180 licence holders, a significant increase of over 360 during the past three years. This increase was paralleled by a significant strengthening of supervision and compliance, with the latter being carried out through both off-site and on-site inspections.

The year 2017 was also an important year for the Authority in connection with Malta's role as the Presidency of the Council of the European Union for the first six months of the year. The Presidency came at an important juncture for the financial services sector, particularly in view of technical discussions on the completion of the Banking Union and upcoming negotiations on key legislative proposals related to the Capital Markets Union.

The MFSA was also involved in drafting various pieces of legislation and regulation throughout the year. Commenting on the publication of the Annual Report, incoming Chief Executive Officer Joseph Cuschieri, described the report as "a detailed snapshot of the extensive work carried out by the Authority. The MFSA is handling an ever growing number of licence holders, and invested significant resources to strengthen its due diligence processes, both prior and post licencing. This is being done to ensure that Malta delivers on the expectations placed on it as a respectable financial services jurisdiction. However, as an Authority, we are also looking forward at embracing the new opportunities arising from financial technology, blockchain and other means of digital innovation. May I take this opportunity to thank all the management and staff for driving the Authority through another year of growth and for strengthening its place among the foremost worldwide financial services jurisdictions."

The MFSA Annual Report is available online by [clicking here](#).



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### *What's Inside This Issue:*

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## MFSA activities at a glance



The MFSA provided a summary of its extensive activity throughout the year. It details information in terms of licencing which confirmed that the financial services sector in Malta continued to register growth in 2017 with the issuance of various licences and authorisations predominantly in the areas of insurance business, investment services, investment funds and trusts.

In particular, 2017 brought about:

- Six new investment services licence holders, taking total to 162
- 97 new investment funds: Funds domiciled in Malta reported an aggregate net asset value of €10.6 billion in 2017. This represents an increase of 7.8 percent from the previous year.
- Net increase of three insurance undertakings, taking the total to 63
- Five new retirement schemes (Total: 50)
- Six new financial institutions, taking the total to 48
- 36 new Company Service Providers (Total: 172)
- 5,297 new companies and 109 new partnerships (Total 84,503)
- 106 companies transferred their domicile to Malta Supervision & Compliance

The MFSA also shed further light on its supervisory efforts, which were also strengthened during the year in review. During 2017 the Supervisory Council met 55 times to approve new licences, decide on compliance and other supervisory issues, sanction breaches of licence conditions and take other regulatory measures as appropriate.

In its Annual Report, the Authority pointed out that more than 200 employees are dedicated to licencing and supervision. In the year under review there were:

- 100+ regulatory notifications issued
- 23 Administrative Measures and / or Penalties imposed during the year
- 83 circulars issued to the industry

Efforts to strengthen contact with the public were also highlighted in the Report. The MFSA website, [www.mfsa.com.mt](http://www.mfsa.com.mt) remains the point of contact, with just under 2 million visits to the portal last year alone. The MFSA also increased its activity across its social network. Moreover, it issued 12 consultation documents or feedback statements and replied to over 1,300 written queries by the public. Five warnings on companies of dubious nature were also published.

## Appointment of Director Banking Supervision Unit



*Ms Catherine Galea*

Ms Catherine Galea has been appointed as Director of the Banking Supervision Unit of the MFSA.

Catherine Galea commenced her career in 1990 with the Central Bank of Malta before joining the MFSA in 2002 in order to pursue her career within the Banking Supervision remit. At that time she occupied senior positions within the Off-site, On-site, as well as the Regulation and Compliance Sections, and was also directly involved in the transposition and implementation of various EU Directives, namely EU Directive 2006/48/EC (CRD).

In 2010, Ms Galea was appointed Deputy Director within the Authorisation Unit of the MFSA. Throughout her career, Ms Galea has actively participated and represented the MFSA in various international and EU fora. Furthermore, she is a frequent lecturer regarding various regulatory issues, including the CRD and related licensing processes.

Ms Galea is an Associate of the Chartered Institute of Bankers (ACIB) and holds an MSc degree in Finance from the University of Leicester (UK). She was also presented with the award of 'best specialist masters student 2008' by the latter University.

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## Financial Innovation & Retail Investor Trends Survey, 2017

The Conduct Supervisory Unit ('CSU') within the MFSA is primarily responsible for the regulatory framework that secures appropriate consumer protection in financial services on a cross-sectorial basis. One of the objectives of the CSU is to employ a pre-emptive supervisory regime seeking to identify any potential or emerging risks which may be posed by certain activities of regulated entities for financial services consumers and which would need to be addressed from a supervisory perspective. Various tools are adopted by the CSU towards the fulfilment of the aforementioned objective. One such tool is the collection of data from firms authorised to provide investment services in terms of the Investment Services Act (CAP. 370 of the Laws of Malta). These firms are required to submit, on a quarterly basis, data relating to developments to financial innovation, cross-border passporting services, retail investor trends, complex products offered to retail clients and complaints. The CSU considers the collection and analysis of such data to be a useful supervisory tool for the fulfilment of its duties.

This article aims to present the results of the analysis conducted by CSU of the data collected for the year 2017 relating to Financial Innovation ('FI') and Retail Investor Trends ('RIT').

### 1. Financial innovation

The FI survey is used to gain an understanding of the financial innovations that investment firms are or have been involved in, or which have caught their attention for some reason. It aims to give an insight into the current state of financial innovation in the local market.

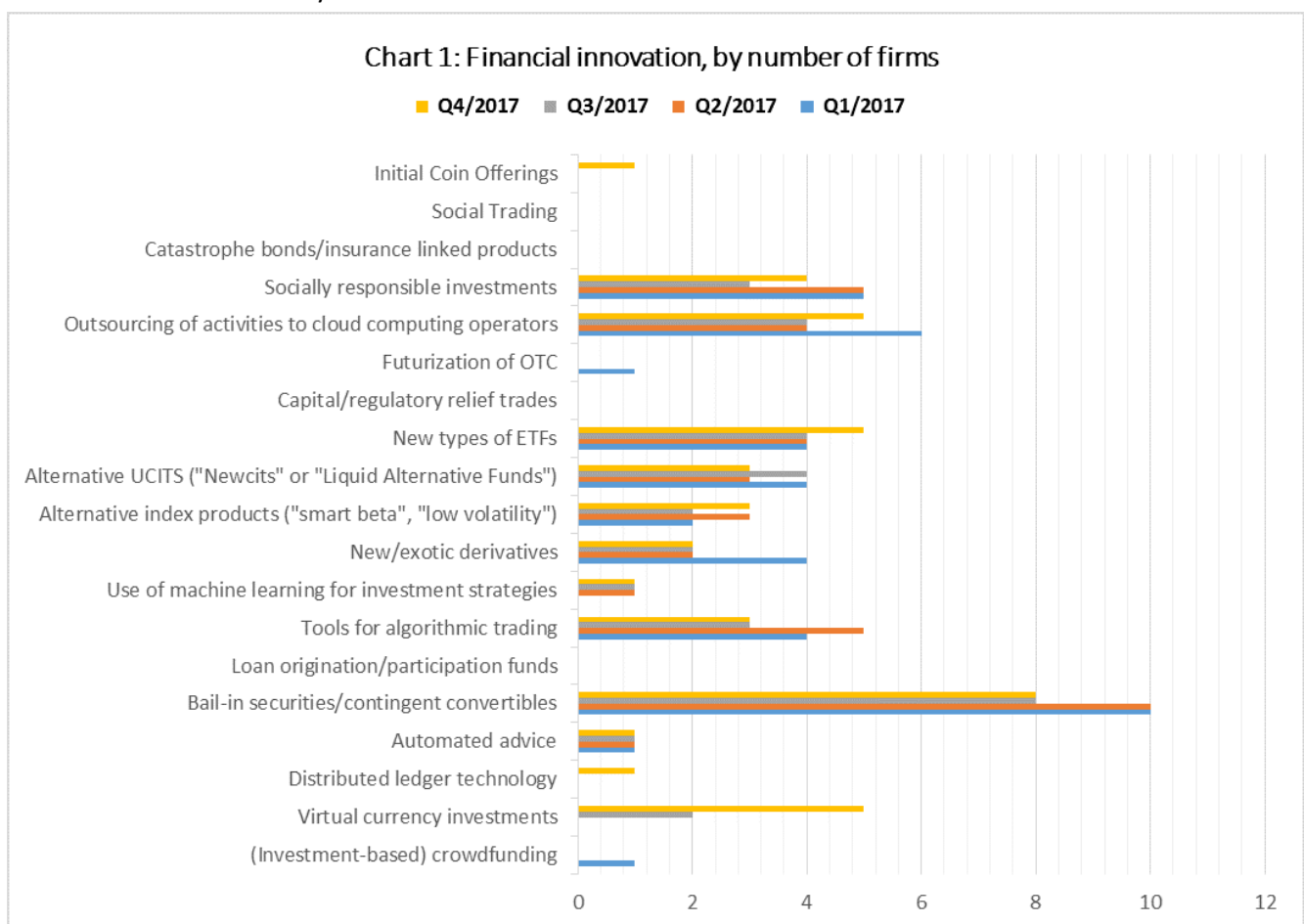
Financial Innovation relates to new financial products, services or processes in which such products and services are provided to the client. The list of financial innovations provided in the FI survey reflect the list of financial innovations as specified by the European Securities and Markets Authority ('ESMA').

In this exercise, firms are asked to indicate their involvement in financial innovation - that is whether they are providing financial products services or instruments which are new to the market and/or whether they are involved in the use or design of new processes through which they provide their services to their clients. Firms were also asked to highlight the characteristics and complexity of any reported financial innovation activity.

The results for 2017 show that during this year local firms were involved in **15 innovations**. An overview is given in Chart 1, which chart depicts the number of firms indicating an involvement or interest in a particular financial innovation, on a quarter-by-quarter basis.

Chart 1 clearly indicates that **bail-in securities / contingent convertibles** was the most reported financial innovation by firms. This is followed by outsourcing of activities to cloud computing operators and by socially responsible investments. It is interesting to note that whereas no firm reported any involvement or interest in virtual currency investments during the first two quarters of 2017, 5 firms reported an interest during Q4/2017. New types of ETFs, alternative UCITS, new/exotic derivatives and tools for algorithmic trading appear to exhibit similar levels of involvement and interest. No involvement or interest was reported by firms in loan origination / participation funds, capital / regulatory relief trades, catastrophe bonds / insurance linked products and social trading.

The majority of the firms participating in the FI survey, reported having no evidence of such innovations through the submission of a nil survey.



**2. Retail investor trends**

The RIT survey aims to track the main developments in the local retail investment market covering trends in **four main areas**: the demand for financial instruments, the distribution channels used by retail investors, means of communication used by investors in purchasing financial products and the advertising of financial products. It refers to **eight types of financial instruments**, namely: shares, bonds, structured securities, money market securities, mutual funds, derivatives, CFDs and other financial instruments.

Firms were requested to indicate which of the abovementioned financial instruments they offer to retail clients. An overview of the results is provided in Chart 2. The findings show that **mutual funds** are the most popular. This is



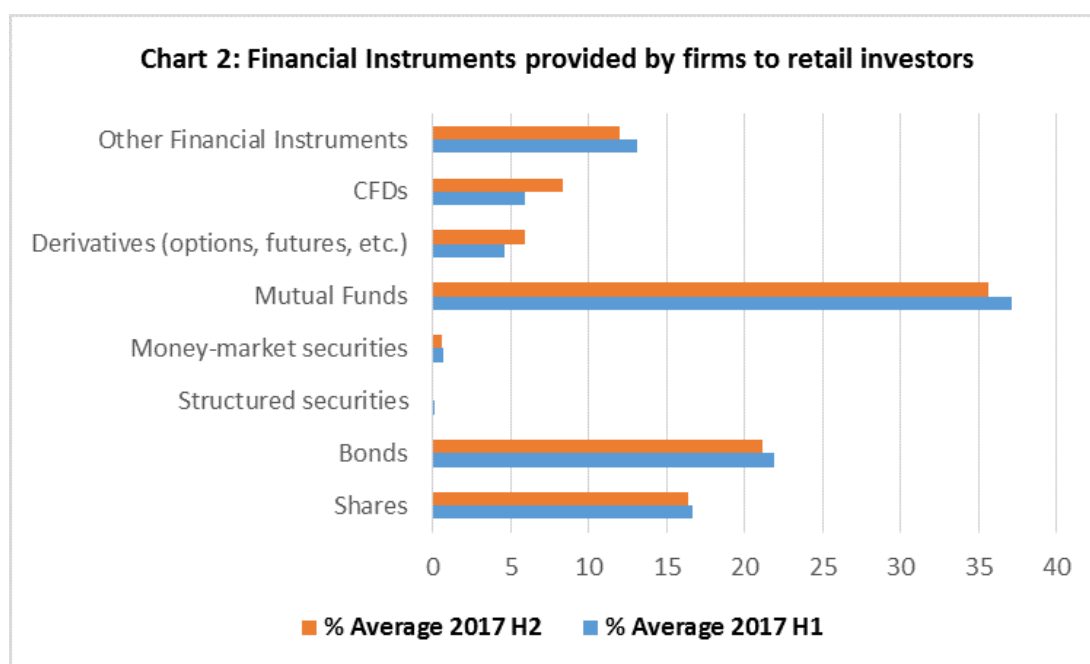
followed by **bonds** and **shares**, respectively. The data also indicates that structured securities have not been provided by firms to retail clients during the same period.

Firms reported an increase in retail investors' demand for derivatives (options, futures, etc.). On the contrary, they reported a decrease in demand for bonds, mutual funds and other financial instruments, including spot forex and exchange traded funds. Retail investors' demand for shares, structured securities, money-market securities and CFDs has been reported to have remained unchanged.

The survey also indicates that retail investors' level of use of three different execution services, namely, execution only services, advisory services, wealth/portfolio management services remained unchanged during 2017.

Firms were requested to indicate the preferred means of communication used by retail clients. In this respect, the preferred means of communication were a mix of face-to-face, telephone and internet-mobile/terminals. However it seems that internet communication and communication through mobile terminals are becoming more popular, mainly due to their convenience. Nevertheless, it appears that despite increased use of technological means, investors still prefer to meet firm representatives on a face-to-face basis.

Firms reported an increase in advertising for the majority of the financial instruments. The only exception relates to advertising in relation to money-market securities which activity appears to have remained unchanged. Firms indicated market competition as the key driver for the increase in marketing of financial instruments to retail investors.



Any queries in relation to the above can be addressed to the Conduct Supervisory Unit on [finpro@mfsa.com.mt](mailto:finpro@mfsa.com.mt).

## New Investment Services Rules for Alternative Investment Funds

The Authority has announced the publication of the following parts of the Investment Services Rules for Alternative Investment Funds (“the Rules”):

- Part A – The Application Process;
- Part B – Standard Licence Conditions applicable to Alternative Investment Funds;
- Appendix I - Supplementary Licence Conditions applicable to Alternative Investment Funds adopting different structures; and
- The Glossary.

The publication of the revised Rules is primarily aimed at updating the definition of ‘qualifying investor’. The revised Rules will be applicable with immediate effect. Any queries or requests for clarifications should be addressed to Dr. Isabelle Agius by e-mail on [iagius@mfsa.com.mt](mailto:iagius@mfsa.com.mt)

The full list of Rules for AIFs is available here: <http://www.mfsa.com.mt/pages/viewcontent.aspx?id=512>

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## MFSA consults on Ancillary Insurance Intermediaries

Following the Consultation Document issued by the MFSA on the 3rd July 2017, relating to the proposed amendments to the Insurance Intermediaries Act (Cap.487) (to be renamed Insurance Distribution Act) and the Insurance Business Act (Cap.403), and the Consultation Document issued by the MFSA on the 16th March 2018, relating to the proposed new Chapters of the Insurance Distribution Rules, the draft Chapter on Knowledge and Ability and the draft Chapter on Continuous Professional Development, as part of the transposition exercise of Directive (EU) 2016/97 of the European Parliament and of the Council of 20 January 2016 on insurance distribution (recast), the MFSA has issued for consultation a Chapter on Ancillary Insurance Intermediaries which sets out the regime on ancillary insurance intermediaries as proposed by the MFSA, which will form part of a Single Rulebook containing all the Insurance Distribution Rules to be issued under the Insurance Distribution Act (“IDA”).

This proposed Chapter lays down the Insurance Distribution Rules to be complied with by a person desirous to carry out insurance distribution activities on an ancillary basis and on a continuous basis, an ancillary insurance intermediary carrying out insurance distribution activities on an ancillary basis.

The MFSA has also pointed out a bill entitled An act to amend various financial services laws, to transpose Directive (EU) 2016/97 ("Insurance Distribution Directive"), and to provide for matters ancillary or incidental thereto (Bill Number 38 of 2018) was published in the Government Gazette of Malta, No. 19,979 on the 17th April 2018.

Any comments and feedback in relation to the attached draft Insurance Distribution Rule are to be addressed to the Insurance and Pensions Supervision Unit and submitted in writing on [idd@mfsa.com.mt](mailto:idd@mfsa.com.mt), by not later than Friday 8th June 2018.

## MFSa gives Feedback on Payment Accounts Regulations

The MFSa has issued a Feedback Statement detailing its reaction to a consultation process carried out with regards to the proposed amendments to the Credit Institutions and Financial Institutions (Payment Accounts) Regulations (S.L. 371.18) which transposes Directive 2014/92/EU of the European Parliament and of the Council of 23 July 2014 on the comparability of fees related to payment accounts, payment account switching and access to payment accounts with basic features (hereinafter referred to as the “PAD”).

Feedback Received by the MFSa Stakeholders were given until the 6th of December 2017 to provide the MFSa with feedback and comments on the manner the Authority intended to amend the PARs. The MFSa received feedback from four stakeholders. In addition one stakeholder also approached the MFSa with other queries and clarifications on the interpretation of the proposed amendments to the PARs. A summary of the feedback received together with the relevant MFSa position, including any actions taken to address any identified issues is available in this statement.

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## MFSa Awarded the Equality Mark at the 14th Annual Conference of the NCPE

During the 14th Annual Conference of the National Commission for the Promotion of Equality (NCPE), the Ministry for European Affairs and Equality, Helena Dalli and Ms Renee Laiviera, Commissioner for NCPE, presented officially the Equality Mark to the Malta Financial Services Authority and seven other local organisations.

The Equality Mark is awarded to companies that promote actively work-life balance for workers with caring responsibilities, making gender equality one of their values, and whose management is based on the recognition and promotion of the potential of all women and men.



The Malta Financial Services Authority recognises the significance of employing a diverse workforce, and currently employs a workforce comprising persons from 11 nationalities with largely equal gender representation (female employees 54.7% of the total workforce; male employees 45.3% of the total workforce), with female employees involved in leadership positions including Director and Director General roles.

Persons interested in additional information on equal opportunities policies or job opportunities at the MFSa may reach out on [hrd@mfsa.com.mt](mailto:hrd@mfsa.com.mt).



## Book Review

Grech A.G., Micallef B., Zerafa S., Gauci T.M. (2018) - *The Central Bank of Malta's First Fifty Years: A Solid Foundation for the Future* – (Gutenberg Press, Tarxien).



Launched at its 4th May 2018 excellent Conference to commemorate its 50th anniversary, this wonderful book must certainly rank as the best available contemporary record of both how the Maltese economy has evolved over the past half-century and, simultaneously, on what role was continuously being played in the country's economic evolution during that period by the Central Bank of Malta. The authors and researchers who worked on it deserve hearty applause and appreciation for having produced a comprehensive contemporary Maltese banking history record that not only should feature on every local FS practitioner's shelf, but is also a tool that all academics and students in our field will henceforth always have need to refer to for any fair, objective, but also detailed, coverage of what Malta has seen over this half-century.

Even if this very attractive volume is structured in a manner that structurally sectionalizes economic developments in Malta over the last 50 years separately from the history of the central bank's own history and operations, the fact remains that the Central Bank of Malta was, and continues to be, always at the core of almost every important economic development or problem in the Maltese economy, be it in any of the roles of mere chronicler, or implementor, advisor, macro-economic regulator, or even as just trail blazer.

It is for example wonderful to see how the institution continued to remain at the pinnacle of the country's financial evolution even after several aspects of its pre-2002 functions ended up in the laps of the MFSA. Indeed that had been a development first mooted in 1994, and one can only try to imagine what was happening outside Malta on the regulatory front over such a long time to eventually take an effective and implemented decision. Similarly admirable is the role which the institution now plays as a member of the European System of Central Banks. That, today's role of the CBM in the EU, it must never be forgotten came in the wake of a very active period of exchange rate management in the run-up to adoption of the Euro as our national currency.

Space precludes detailed coverage here of the many themes dealt with in detail in this volume. There is an abundance of excellently clear graphs and tables that supports the coverage of the cyclical evolution of our economy over a full half-century. It is no easy task ever for researchers to come up with illustrative numerary clarity that shows in detail the many developments treated here. The backdrop of the international scenario is never totally forgotten or ignored, even as the researchers wrote about such fronts as prices and costs, tourism, exchange rate policy, and the ever immensely vital role of monetary policy over various economic conjunctures of this half century of Malta's economic history.

Perhaps few people in Malta realize that when one says the Central Bank of Malta it now no longer is just that "former Vernon Club" edifice. That yes is the beautifully done core building, but the whole structure or complex nowadays also includes a beautifully done Binja Laparelli (which is a lovely conference centre), Binja Glormu Cassar, and the Victor Passmore art gallery which, to be honest, is possibly misplaced within the overall central banking concept of the whole edifice. What has been the historic past, and the many roles of today (banking hall, library services, research offices, numismatic museum, staff amenities, and so much more) are all illustrated in this wonderful volume. No banking historian or student can risk being without a copy. An excellent bibliography supports the whole effort.

John A. Consiglio



## MFSA Circulars

- 02/05/2018 - [Circular to the Industry regarding changes to the MFSA's LH Portal pertaining to the AIFMD reporting procedures](#)
- 09/05/2018 - [Circular to the industry on the implementation of the ESMA Guidelines on Sound Remuneration Policies under the UCITS Directive and the AIFMD](#)
- 09/05/2018 - [Persons Discharging Managerial Responsibility \(PDMR\) Notifications Section on the Issuers' Website](#)
- 11/05/2018 - [Circular to the financial services industry relating to the Market Abuse Regulation \('MAR'\)](#)
- 16/05/2018 - [Circular to the industry on the regulatory developments relating to the MMF Regulation particularly in the context of stress tests scenarios under Article 28 of the MMF Regulation](#)
- 16/05/2018 - [Circular to the Financial Services Industry on the revised rules for Alternative Investment Funds](#)
- 30/05/2018 - [Circular: ESMA MiFID II / MiFIR Investor Protection Q&As](#)
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## MFSA Consultation Documents & Feedback Statements

- 09/05/2018 - [Consultation on Ancillary Insurance Intermediaries in terms of the Insurance Distribution Directive](#)
- 15/05/2018 - [Feedback Statement Issued Further to Stakeholder Responses to the MFSA Consultation Document on Proposed Amendments to the Credit Institutions and Financial Institutions \(Payment Accounts\) Regulations](#)
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## MFSA Media Releases

- 08/05/2018 - [MFSA registers growth in financial services operations and supervisory activity](#)
- 11/05/2018 - [Public statement in relation to Ariadne Capital Malta Limited](#)
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## MFSA Warnings

Foreign warnings received by MFSA can be viewed on [MFSA Website / Announcements / Warnings](#)

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## European Supervisory Authorities' Announcements

- 14/05/2018 - [EIOPA launches the fourth EU-wide insurance stress test](#)
- 30/05/2018 - [EBA and ESMA: institutions and authorities must consider retail holders of debt financial instruments in resolutions](#)
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## MFSA Licences – May 2018

### New Licences

#### Securitisation Vehicles

- Acknowledgement issued to **Hera Cell**

#### Collective Investment Schemes

##### *Alternative Investment Funds*

- Collective Investment Scheme licence issued **CTH SICAV plc** (“the Scheme”) in respect to one sub-fund
- Collective Investment Scheme licence issued **Northern Cross SICAV plc** (“the Scheme”) in respect to one sub-fund

##### *Notified Alternative Investment Funds targeting Professional and Qualifying Investors*

- **24 Capital Management SICAV plc** in respect of two sub-funds included in the List of Notified AIFs in terms of Regulation 6 of the Investment Services Act (List of Notified AIFs) Regulations 2016
- **Bergholt SICAV plc** in respect of one sub-fund included in the List of Notified AIFs in terms of Regulation 6 of the Investment Services Act (List of Notified AIFs) Regulations 2016

##### *UCITS*

- Collective Investment Scheme licences issued **Solid Future UCITS Funds SICAV plc** (“the Scheme”) in respect to two sub-funds

#### Investment Services

- Category 3 licence issued to **nextmarkets Trading Limited**
- Category 2 licence issued to **Spinoza Capital Management Limited**

#### Securitisation Vehicles

##### *Cells*

- Acknowledgement issued to **vision& Digital Asset Cell**
- Acknowledgement issued to **BC Blockchain Asset Cell**

## Pensions

### Occupational Retirement Schemes

- Registration of **Mdina Master Trust Retirement Scheme** as an Occupational Retirement Scheme set up in the form of a trust in terms of the Retirement Pensions Act
- Registration of **Lifetime Occupational Pension Scheme** as an Occupational Retirement Scheme in terms of Article 4 of the Retirement Pensions Act

### Company Service Providers

- Registration certificate issued to **Action Consulting Limited**
- Registration certificate issued to **CSB International Ltd**
- Registration certificate issued to **Reliance Management Ltd**

## Insurance

### Cells

- Approval for **SVG Insurance Cell** as a cell of **Mangrove Insurance Europe PCC Limited** to write business of insurance in three classes of the general business

## Surrendered Licences

### Collective Investment Schemes

#### Professional Investor Funds

- Surrender of licence issued to **NCC Funds SICAV plc** (“the Scheme”) in respect of one sub-fund
- Surrender of licence issued **Windrush Capital SICAV plc** (“the Scheme”) in respect of one sub-fund
- Surrender of licence issued **Strategica Funds SICAV plc** (“the Scheme”) in respect of one sub-fund
- Surrender of licences issued **Monte Rosa SICAV plc** (“the Scheme”) in respect of its two sub-funds

## Registry of Companies - New Registrations – May 2018

Companies	Partnerships
355	9



Training by members of the ECC:

- [Malta International Training Centre](#)
- [Malta Institute of Accountants](#)
- [Malta Stock Exchange Institute \(MSEI\)](#)
- [Institute of Financial Services](#)
- [Institute of Legal Studies](#)
- [Institute of Financial Services Practitioners](#)
- [Malta Institute of Management](#)
- [Castille Institute](#)
- [PricewaterhouseCoopers](#)
- [Malta College of Arts, Science and Technology \(MCAST\), Institute of Business & Commerce](#)
- [The Department of Banking & Finance, Faculty of Economics, Management & Accountancy, The University of Malta](#)

Communications to be addressed to:

*The Secretary, Educational Consultative Council, MFSA, Notabile Road, Attard.*



*A portal of financial information from the regulator about financial products and services.*



You can keep up-to-date on our news and regulatory developments by regularly visiting our [website](#) or by subscribing to our [RSS feeds](#).



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