

MFSA

MALTA FINANCIAL SERVICES AUTHORITY

22 September 2006

Securities Unit

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Dear Sir/Madam

Re: Proposed regulatory requirements concerning Performance Fees payable by retail collective investment schemes

We refer to our circulars dated 17th and 27th June 2005, 1st August 2005 and 15th December, 2005 regarding the above and related market consultation exercise.

The purpose of this note is to up-date you regarding the status of the proposed new requirements on performance fees.

Following due and extensive consideration of the additional comments received from the industry following publication of the Feedback Statement referred to in our circular of 15th December 2005, the Authority has finalised the proposed regulatory requirements. These are attached herewith as Appendix 1.

It is intended that the new requirements will, in the near future, be published by way of regulations issued in terms of article 12 of the Investment Services Act, 1994, rather than by way of new Standard Licence Conditions in the MFSA's Investment Services Guidelines, as originally envisaged. This should ensure better legal clarity.

We are pleased to inform you that on the proposal made by certain retail schemes which currently have a performance fee structure in place, the new requirements shall become applicable for such schemes from the beginning of the next accounting period following the coming into force of the regulations referred to above. In the case where the next accounting period for such schemes commences within a period of less than eight weeks from publication of the said regulations, such schemes shall be required to comply with the regulations as from the commencement of the subsequent accounting period.

Yours sincerely,



Cristina Parlato Trigona
Director

Encl.