

MFSA

MALTA FINANCIAL SERVICES AUTHORITY

CONSULTATION DOCUMENT

**CONSULTATION ON THE PROPOSED REVIEW OF
FEES FOR INVESTMENT SERVICES PROVIDERS,
COLLECTIVE INVESTMENT SCHEMES, REGULATED
MARKETS, CENTRAL SECURITIES DEPOSITARIES AND
ADMISSIBILITY TO LISTING
FOR THE PERIOD
2014 TO 2018**

[MFSA REF.: 16-2013]

Closing Date: 2nd December, 2013

Note: The documents circulated by the MFSA for the purpose of consultation are in draft form and consist of proposals. Accordingly, these proposals are not binding and are subject to changes and revisions following representations received from Licence Holders and other involved parties. It is important that persons involved in the consultation bear these considerations in mind.

1. Introduction

Since the Malta Financial Services Authority [MFSA] was established in 2002, the Authority has sought to generate stability and predictability of the regulatory fees charged to licence holders.

Over the last ten years, the MFSA has retained licence fees unchanged for two consecutive periods of five years. The Authority anticipates that the revised fees will remain stable for a further five year period from 2014 to 2018 unless economic or regulatory requirements dictate an earlier review.

2. Proposed Fee Changes for Investment Services Providers, Collective Investment Schemes, Regulated Markets, Central Securities Depositories and Admissibility to Listing

In proposing the new fee structure for all licence holders, the Authority has taken into account that over the five year period from 2009 to 2013, the operational costs of the supervisory units have increased as a result of additional resources to comply with EU structures. It is projected that the resources employed over the forthcoming 5 years will not be materially different from those at the end of the current period. Direct expenses have increased at an average cumulative rate of 19% [nineteen per cent] per annum while shared expenses with other non-supervisory units have increased by 13% [thirteen per cent].

In the Securities and Markets Supervision Unit, 59% [fifty one per cent] of the Unit's total expenditure is represented by direct expenses while 41% [forty nine per cent] constitute indirect expenditure.

The revised fees will be effective from 1st January 2014 and fees are non-refundable.

Investment Services Companies

Application for Authorisation Fees

- The current application and licensing fees have been re-aligned to the actual cost structures required for granting an authorisation to investment services company. The separate licence fee is being abolished and a single application fee for authorisation as an investment services company is being introduced as follows:

	Application Fee
Category 1a	€2,500
Category 1b	€3,000
Category 2	€5,000

Category 3	€7,000
Category 4a	€17,000
Category 4b	€7,500

A new licence classification, Category 4b is being introduced to cater for licence holders authorised to act as custodians of collective investment schemes which have no redemption rights exercisable during the five year period from the date of initial investment and which generally do not invest in assets that must be held in custody.

Annual Supervision Fees

- The annual supervision fee to be paid by authorised investment services license holders will continue to be computed with reference to the revenue of the year immediately preceding the year when the fees are payable. The revised annual supervisory fee will be as follows:

	Supervisory Fee
Category 1a [revenue less than €50,000]	€2,000
Category 1a [additional revenue tranches of €50,000 up to €1,000,000]	€350
Category 1b [revenue less than €50,000]	€2,750
Category 1b [additional revenue tranches of €50,000 up to €1,000,000]	€350
Category 2 [revenue less than €250,000]	€4,500
Category 2 [additional revenue tranches of €250,000 up to €5,000,000]	€400
Category 3 [revenue less than €250,000]	€6,000
Category 3 [additional revenue tranches of €250,000 up to €5,000,000]	€400
Category 4a	€15,000
Category 4b	€5,000

- A newly authorized investment services license holder will be required to pay the minimum annual supervisory fee for the first year of operation upon receipt of the license. The fee payable shall be proportionate to the period remaining between the date of the granting of the licence and the date for the submission of the annual audited financial statements.

Collective Investment Schemes

Application for Authorisation

UCITS and non-UCITS Retail Schemes

The current application and licensing fees have been re-aligned to the actual cost structures required for granting of authorisation to Collective Investment Schemes which fall within the

scope of Article 4 of the Investment Services Act and which are authorised as UCITS Schemes or non-UCITS Retail Schemes. The separate licence fee is being abolished and a Scheme application fee of €2,500 is being introduced. No distinction on the number of sub-funds of the Scheme will be taken into account from 2014. The authorisation fee per sub-fund of the Schemes will be €450.

Professional Investor Funds and Alternative Investment Funds

- The current application and licensing fees have been re-aligned to actual cost structures required for the authorisation of Collective Investment Schemes which fall within the scope of Article 4 of the Investment Services Act and which are authorised as Professional Investor Funds and Alternative Investment Funds. The separate licence fee is being abolished and a Scheme application fee of €2,000 is being introduced. No distinction on the number of Scheme sub-funds will be taken into account from 2014. The authorisation fee per Scheme sub-fund will be €1000.

Recognised Private Collective Investment Schemes

- The current application and licensing fees have been re-aligned to actual cost structures required for the authorisation of Recognised Private Collective Investment Schemes under the Investment Services Act. The separate license fee is being abolished and an application fee of €2,000 is being introduced.

Annual Supervision Fees

UCITS and non-UCITS Retail Schemes

- The annual supervision fee to be paid by Collective Investment Schemes which fall within the scope of Article 4 of the Investment Services Act and which are authorised as UCITS Schemes or non-UCITS Retail Schemes will be €3,000. The annual supervision fee per Scheme sub-fund up to 15 sub-funds will be of €500. No annual supervision fee will be payable from the 16th Scheme sub-fund upwards.

Professional Investor Funds and Alternative Investment Funds

- The annual supervision fee to be paid by Collective Investment Schemes which fall within the scope of Article 4 of the Investment Services Act and which are authorised as Professional Investor Funds and Alternative Investment Funds will be €2,000. The annual supervision fee per sub-fund of the Scheme will be €600.

Recognised Private Collective Investment Schemes

- The annual supervision fee to be paid by Recognised Private Collective Investment Schemes recognised in terms of the Investment Services Act will be €750.

A newly licensed Collective Investment Scheme which falls within the scope of Article 4 of the Investment Services Act whether this is licenced as a UCITS Scheme, non-UCITS Retail Scheme, Professional Investor Fund, Alternative Investment Fund or Recognized Private Collective Investment Scheme in terms of the Investment Services Act will be required to pay an annual supervisory fee for the first year of operations upon receipt of the license. A sub-fund of a Collective Investment Scheme which falls within the scope of Article 4 of the Investment Services Act whether this is licensed as a UCITS Scheme, non-UCITS Retail Scheme, Professional Investor Fund or Alternative Investment Fund will be required, **where applicable**, to pay an annual supervisory fee for the first year of operations upon receipt of the licence.

Passporting of Undertakings of Collective Investment in Transferable Securities [UCITS] in terms of Regulation 8 of the Investment Services Act (Marketing of UCITS) Regulations, 2011

- The initial fee for a UCITS Scheme authorised in the EU/EEA to market its units in Malta will be €2,500. No distinction on the number of Scheme sub-funds will be taken into account from 2014. The initial fee per Scheme sub-fund will be €450.
- The annual fee for a UCITS Scheme authorised in another EU/EEA Member State to market its Units in Malta will be €3,000. The annual fee per Scheme sub-fund will be €500. No annual fee will be payable from the 16th Scheme sub-fund upwards.

Passporting of Alternative Investment Funds in terms of Regulation 5 of the Investment Services Act (Marketing of Alternative Investment Funds) Regulations, 2013

- The initial fee for an Alternative Investment Fund (AIF) authorised in the EU/EEA to market its units in Malta will be €2,500. No distinction on the number of Scheme sub-funds will be taken into account from 2014. The initial fee per Scheme sub-fund will be €450.
- The annual fee for an AIF authorised in another EU/EEA Member State to market its units in Malta will be €3,000. The annual fee per Scheme sub-fund will be €500. No annual fee will be payable from the 16th Scheme sub-fund upwards

Notification of marketing of units of an AIF (whether established in an EU/EEA Member State or in a third country) by an Alternative Investment Fund Manager (whether established in an EU/EEA Member State or in a third country) pursuant to Regulations 7 and 22 of the Investment Services Act (Alternative Investment Fund Manager) (Third Country) Regulations, 2013 [Articles 36 and 42 of the Alternative Investment Fund Managers Directive]

- The initial fee for the marketing of units of an AIF in Malta (whether authorised in the EU/EEA Member State or in a third country) by an Alternative Investment Fund Manager (whether established in an EU/EEA Member State or in a third country) by

private placement will be €2,500. No distinction on the number of Scheme sub-funds will be taken into account from 2014. The initial fee per Scheme sub-fund will be €450.

- The annual fee for the marketing of units of an AIF (whether authorised in the EU/EEA Member State or in a third country) by an Alternative Investment Fund Manager (whether established in an EU/EEA Member State or in a third country) by private placement will be €3,000. The annual fee per Scheme sub-fund will be €500. No annual fee will be payable from the 16th Scheme sub-fund upwards

Branches of Investment Firms Authorised in another Member State:

- There will no change in the current initial and annual fees for branches of investment firms authorised in another Member State established for the period 2014 to 2018.

Establishment of a Branch of a European Management Company in terms of Regulation 9 of the Investment Services Act (UCITS Management Company Passport) Regulations, 2011

- There will no change in the current initial and annual fees established for the period 2014 to 2018 for branches of management companies authorised in another Member State.

Establishment of a Branch of a European Alternative Investment Fund Manager in terms of Regulation 7 of the Investment Services Act (Alternative Investment Fund Manager) (Passport) Regulations, 2013

- The initial fee for a European Alternative Investment Fund Manager establishing a branch in Malta shall be €1,250.
- The annual fee for a European Alternative Investment Fund Manager establishing a branch in Malta shall be €4,000.

Persons Providing Administration services in terms of Art 9A of Investment Services Act

- The authorisation fee for persons Providing Administration services in terms of Art 9a of Investment Services Act will remain unchanged. The annual supervision fee will be raised to €1500.

Tied Agents registered by the Competent Authority in terms of regulation 5 of the Appointment of Tied Agents Regulations

- The current application fees for Tied Agents registered by the Competent Authority in terms of regulation 5 of the Appointment of Tied Agents Regulations have been re-aligned to the actual cost structures required for licensing. The new application fees for Tied Agents registered by the Competent Authority in terms of Regulation 5 of the Appointment of Tied Agents Regulations will be €300 where the Tied Agent is an

individual and €350 where the Tied Agent is not an individual. There will be no change in the annual supervision fee for the period 2014 to 2018.

Regulated Markets and Central Securities Depositaries

- The MFSA is keen to encourage development of Regulated markets and Central Securities Depositaries in Malta. No change is anticipated in the current application and supervisory fees for Regulated Markets and Central Securities Depositaries. The fee for an institution which carries out the both activities will also remain unchanged. Legal Notice 360 of 2008 will remain in force for the period 2014 to 2018.

Fees Payable for Admissibility to Listing

- The fee structure based on market capitalisation for the Admissibility to Listing for both Fixed Income Securities and Equities on the Official and the Alternative Company List will essentially be retained except for minor adjustments to the fees per bracket of capitalisation. The fees listed in Appendix 1.3 of Chapter 1 of the Listing Rules issued by the Listing Authority under the Financial Markets Act for both Fixed Income Securities and Equities on the Official and the Alternative Company List will be as follows:

Market Capitalisation	
€1.0 to €12.5m	Minimum Fee of €12,500 plus €1,500 per €2.5m increment
Next €12.5m	€2,500 per tranche of €2.5m
Next €25m	€2,000 per tranche of €2.5m
On the excess	€1,500 per tranche of €2.5m
The maximum fee payable will be €60,000	

- The fees listed in Appendix 1.3 of Chapter 1 of the Listing Rules issued by the Listing Authority in terms of the Financial Markets Act (Cap. 345) for Admissibility to Listing of Collective Investment Schemes will be €2,000. Where the Collective Investment Scheme has a Primary Listing on an Overseas Investment Exchange, the fee for Admissibility to Listing will be reduced by 50%.
- The fee structure listed in Appendix 1 of the Listing Rules issued by the Listing Authority under the Financial Markets Act (Cap. 345) for the listing of securities for the wholesale capital markets in terms of the Prospectus Directive will remain unchanged for the period 2014 to 2018.

3. Contact

Interested parties are to send their comments in writing by not later than **2nd December 2013** and are to be addressed to the Communications Unit at communications@mfsa.com.mt

Communications Unit
Malta Financial Services Authority
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