

Consultation Procedure

Proposals for Legal Notices / Ministerial Regulations and for new laws and amendments to existing laws

Explanatory 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 not only from licence-holders and other involved parties, but also following the necessary review and vetting by the Office of the Attorney General and the relevant Minister to whom the MFSA is required by law to provide advice on financial services matters. It is important that persons involved in the consultation bear these considerations in mind.

In the case of primary legislation in particular, Bills may and do undergo revisions during the Parliamentary stages.

This consultation is also being exercised at the request and on behalf of the Ministry of Finance.

Note for Consultation

(Insurance Business (Companies Accounts) Regulations)

1. Purpose

- 1.1 The audited financial statements of insurance companies are drawn up in accordance with the Insurance Business (Companies Accounts) Regulations, 2000 (as subsequently amended) in which the requirements of EU Directives 78/660/EEC, 83/349/EEC, 91/674/EEC, 2001/65/EC and 2003/51/EC have been transposed. The aforementioned EU directives have been amended by Directive 2006/46/EC of the European Parliament and of the Council of 14 June 2006. Therefore, the MFSA is proposing to amend the Insurance Business (Companies Accounts) Regulations, 2000 (“the Regulations”), to align them with the requirements of Directive 2006/46/EC. In this respect, we are attaching draft amendments to the Regulations in order to seek consultation prior to implementation. Comments are to be provided to the MFSA in writing by not later than **31st July 2008**.

2. Proposed Amendments

2.1 Regulation 2

It is proposed to amend regulation 2(1) to include an interpretation of “generally accepted accounting principles and practice”.

Regulation 2(4) of the principal regulations is being amended to include an interpretation of “related party” which is to be interpreted in accordance with International Accounting Standards. This is being included since a reference to related party transactions will be made sub-paragraph (l) of paragraph 54 (*as amended*) of the First Schedule to the Regulations.

2.2 First and Second Schedules to the Regulations

The First Schedule sets out the form and content of individuals accounts of authorised companies and groups while the Second Schedule sets out the form and content for consolidated accounts. It is being proposed to amend paragraph 54 of the First Schedule which lays down the information to be provided in the Notes to the Accounts. By virtue of the proposed amendments, the notes to the accounts should also include information about off-balance sheet arrangements and related party transactions.

Paragraph 9 of Title I of the Second Schedule is also being amended to include information about off-balance sheet arrangements and related party transactions. As stated in recital (8) of Directive 2006/46/EC, off-balance-sheet arrangements may expose a company to risks and benefits which are material for an assessment of the financial position of the company and, when the company belongs to the group, the financial position of the group as a whole. Therefore, by virtue of these amendments, appropriate disclosure of the material risks and benefits of such arrangements that are not included in the balance sheet should be set out in the notes to the accounts of the consolidated accounts.

3rd July, 2008

