

Consultation Document on Chapter 3 of the Financial Institutions Rulebook

APPLICABLE TO FINANCIAL INSTITUTIONS ISSUING ELECTRONIC MONEY
OR PROVIDING PAYMENT SERVICES IN TERMS OF THE FINANCIAL
INSTITUTIONS ACT

Ref: 02-2024

Date: 21 May 2024

Closing Date: 21 June 2024

Introduction

With a view to ensuring a sound and robust regulatory framework for payment institutions, the MFSA has today issued a consultation on the revised Chapter 3 of the Financial Institutions Rulebook ('FIR/03')¹. The new FIR/03 is being issued in terms of Article 13 of the [Financial Institutions Act](#) (hereinafter 'the Act') and is modelled on the requirements of the Electronic Money Directive and Payment Services Directive, as currently transposed in the Act.

FIR/03

The new FIR/03 will be applicable to Financial Institutions authorised to provide the payment services listed in Paragraph 2(a) to 2(g) of the Second Schedule to the Act or to issue electronic money in terms of the Third Schedule to the Act.

The FIR/03 now contains a comprehensive set of rules which include:

- Notification requirements;
- Requirements relating to prior approval of the Authority;
- Passporting;
- Appointment of agents and distributors;
- Sound & prudent management;
- Outsourcing;
- Safeguarding;
- Prudential Requirements; and
- Record Keeping & Reporting Requirements.

It is worth noting that the FIR/03 makes reference to a 'Financial Institutions Return', which Licence Holders will be required to submit on a quarterly basis. The Authority is currently finalising the said return which will be issued for consultation separately, prior to the regulatory requirement being introduced.

Once the consultation is concluded and the new FIR/03 is published, the Authority is considering the imposition of a 3-month transitory period to enable Licence Holders to duly

¹ Previously Financial Institutions Rule 3

comply with the revised rules. This time-frame is being considered in view of the fact that (i) the rules were mostly clarified to avoid ambiguity or multiple interpretations; (ii) many of the rules were already being applied in practice and discussed during supervisory meetings with Licence Holders for some time, prior to the revision of FIR/03; and (iii) the rules are not implementing any new EBA Guidelines or EU legislation that has not already been in force for some time.

Other Planned Regulatory Work

Going forward throughout 2024, the Authority also intends to revise other existing Financial Institutions Rules, as set out below:

FIR/01 | Chapter 1 of the FI Rulebook which will continue to deal with authorisations;

FIR/02 | Chapter 2 of the FI Rulebook which will apply to FIs carrying out any services of the First Schedule other than payment services and issuance of electronic money;

FIR/04 (*new rules*) | Chapter 4 of the FI Rulebook which will comprise a new set of rules which will apply to entities registered as account information service providers.

Any revised or new rules shall be issued for consultation prior to their entry into force.

Conclusion

Licence Holders and other relevant stakeholders are invited to submit their feedback on the new FIR/03 to fintechpolicy@mfsa.mt by no later than Monday 17 June 2024.

Any queries in relation to the above may also be addressed to fintechpolicy@mfsa.mt.

Any updates in relation to this consultation will be made available on the Authority's website once the consultation is closed.