2023

MFSA MALTA FINANCIAL SERVICES AUTHORITY

Annual Report

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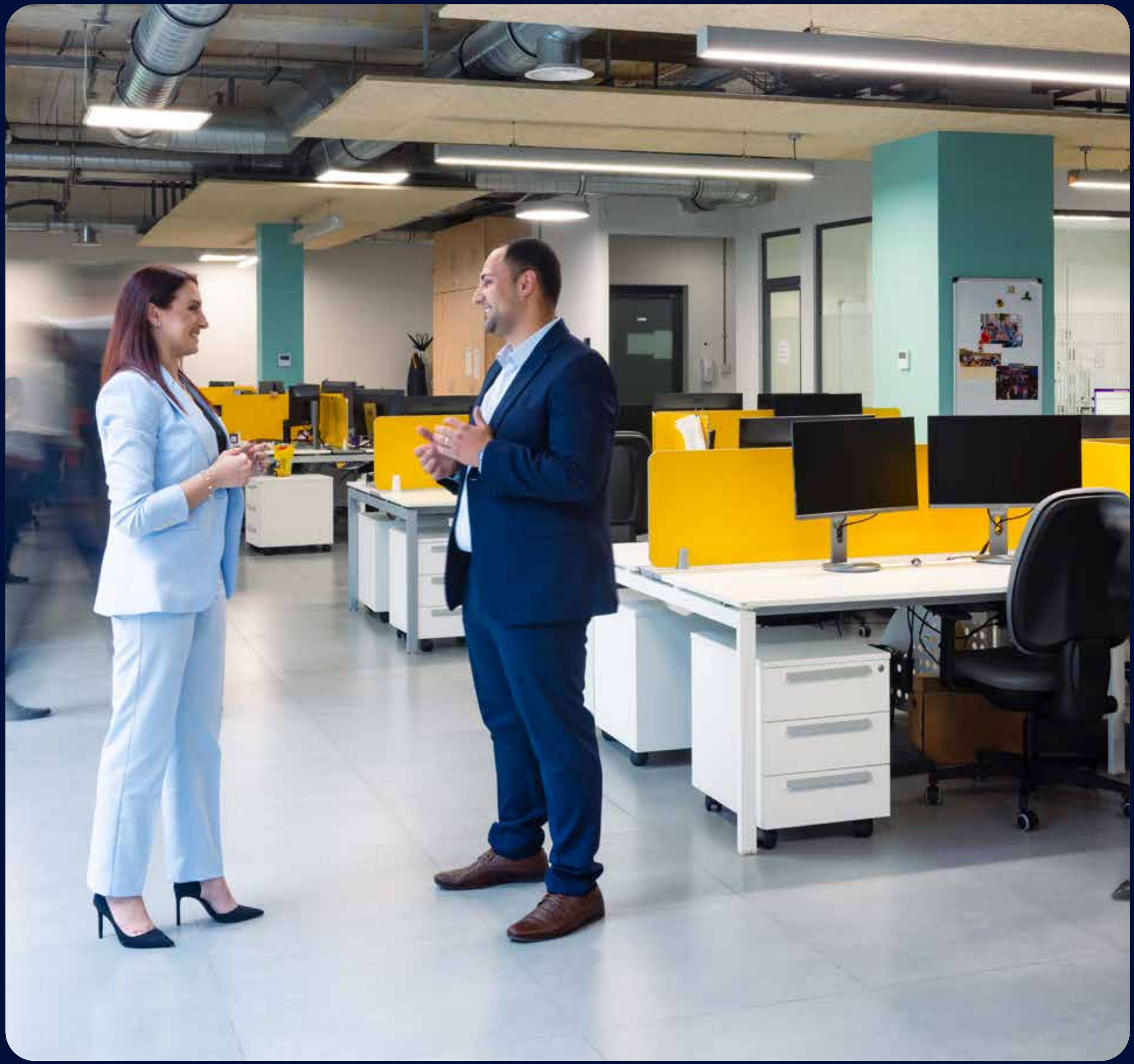
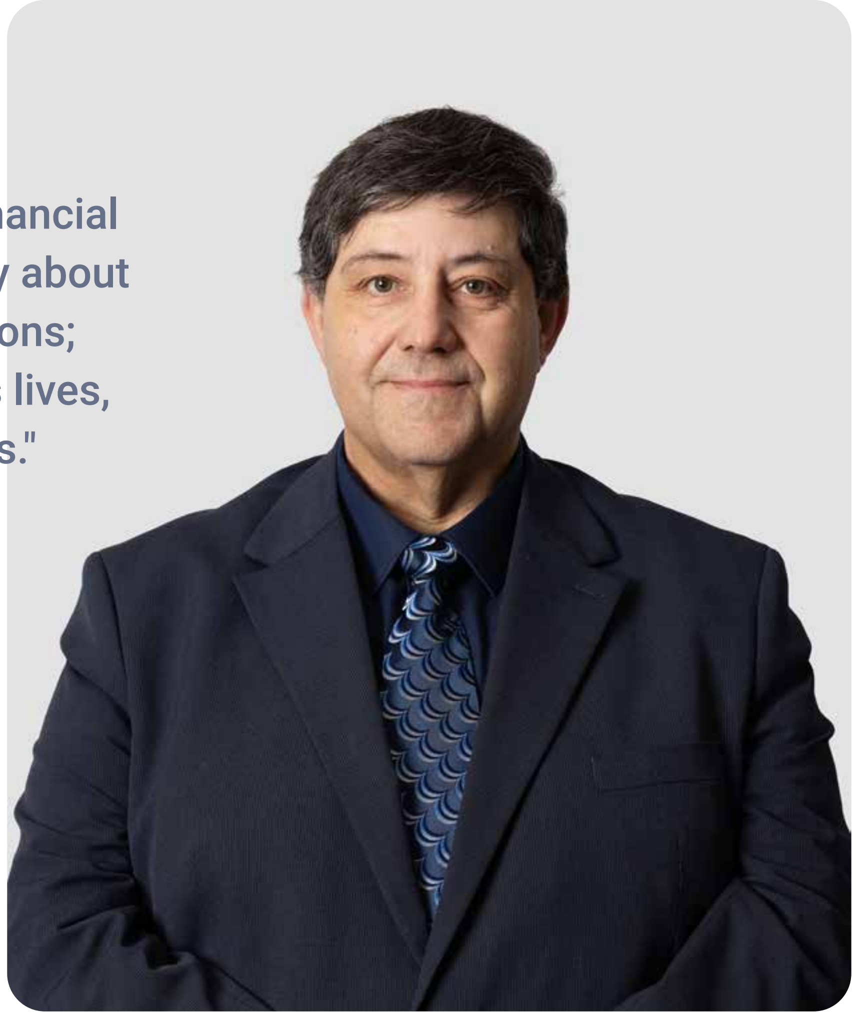


Our Mission

To be an independent, proactive and trustworthy supervisory authority whose purpose is to safeguard the integrity of markets and maintain stability within the financial sector for the benefit and protection of consumers.

Chairman's Foreword

"We understand that financial services are not merely about numbers and transactions; they are about people's lives, aspirations, and futures."



In the rapidly evolving world of financial services, trust remains the cornerstone upon which our industry is built. The Malta Financial Services Authority (MFSA) recognises the immense responsibility that comes with overseeing and regulating this dynamic sector. As I reflect on my first full year in office, it is imperative to highlight the unwavering commitment of the MFSA to foster a financial environment that prioritises consumer protection while encouraging innovation and growth. This balance is critical for upholding the stability and integrity of Malta's financial services industry.

Locally, the industry has demonstrated remarkable resilience and growth in 2023, outperforming many of our peers in the Euro area. Malta's economic performance has been robust, with the financial and insurance sector contributing significantly to the country's Gross Value Added. This sector has shown steady growth, reflecting the strength and stability of Malta's financial ecosystem. Our achievements in this domain underscore our leadership and the effectiveness of our regulatory frameworks.

Integrity and consumer protection remain our prerogatives, reinforcing our reputation as a trusted and forward-looking regulator. Trust is not a static attribute; it is cultivated through consistent actions, transparent communication, and a steadfast dedication to the principles of fairness and integrity. Over the past year, the MFSA has taken significant strides to enhance trust within the financial sector. Central to this effort has been our focus to ensure the industry connects with the aspirations of society. We understand that financial services are not merely about numbers and transactions; they are about people's lives, aspirations, and futures. Our regulatory framework is designed to protect consumers, ensuring they have access to transparent and reliable financial products and services.

Consumer protection is a complex and multifaceted task that requires rigorous oversight, solid regulatory mechanisms, and an empathetic understanding of the needs and concerns of the public. In 2023, the MFSA intensified its efforts to safeguard consumer interests through various initiatives aimed at enhancing transparency and accountability within the sector. We have implemented stringent measures to ensure that financial entities operate with the highest standards of ethical conduct, thereby fostering an environment where consumers feel secure and valued.

Our commitment to enhancing the financial services sector extends to the capital markets, which remain a key source of liquidity and investment for firms. The MFSA has actively participated in discussions on the EU clearing and listing packages and the Benchmarks Regulation, reinforcing Malta's position in the European Capital Markets Union. The role of the capital markets in the ESG revolution and green transition is something that the MFSA is also mindful of and will continue supporting.

In addition, we have strengthened our resolution capabilities, demonstrating our commitment to protection and prevention. The expansion of our resolution team underscores our dedication to safeguard financial stability and the prevention of systemic risks. By enhancing our resolution functions, we ensure that we are prepared to handle financial crises efficiently, thereby protecting the interests of consumers and the broader economy.

Yet, our commitment to consumer protection should not be misconstrued as a barrier to innovation or a hindrance to the growth of the financial services industry. On the contrary, we recognise that a thriving, innovative sector is essential for economic prosperity and competitiveness. We believe that innovation and consumer protection are not mutually exclusive; rather, they are complementary forces that, when balanced correctly, can drive the industry forward.

Our approach emphasises stakeholder engagement, with the MFSA strengthening relationships and fostering collaboration through consultations, forums, and outreach programmes to create a sustainable regulatory environment. This collaborative approach has granted us deeper insights into the sector's hurdles and opportunities, allowing us to formulate policies and regulations that are impactful, pragmatic, and sensible. Together with other national competent authorities, this year has also seen the MFSA taking an active role in the implementation of various initiatives in the Malta Financial Services Advisory Council Strategy, which are also aligned to the Authority's priorities. Our outreach extends also to our international partners, regulatory authorities in other jurisdictions and supra-national authorities.

The MFSA is proud to be a leader in several regulatory areas, setting benchmarks even on a European level. Our Virtual Financial Assets (VFA) Framework, introduced in 2018, positions us at the forefront of digital finance regulation, closely aligning with the upcoming Markets in Crypto-Assets (MiCA) regulation. Our proactive stance on the Digital Operational Resilience Act (DORA) highlights our commitment to ensuring that financial entities are equipped to manage ICT risks and cybersecurity challenges effectively.

Looking ahead, the MFSA remains dedicated to its mission of building a trustworthy, innovative, and inclusive financial services sector. We are committed to continually evolving our regulatory framework to address emerging challenges and opportunities, to protect consumers, and promote growth. Our focus will remain on fostering an environment where trust is earned and maintained through consistent, transparent, and ethical practices.

In the preceding year, we intensified our supervision and carried out more investigations than in previous years. Enforcement action is also a tool in our kit for ensuring righteous behaviour by our licensed firms and I do hope that the current legal challenges on various enforcement actions taken by public authorities is resolved to further support confidence and trust in regulatory authorities. We have also made substantial strides in enhancing the Authority's operational efficiency and effectiveness, in line with our published Strategy. These efforts are underpinned by our unwavering commitment to building a financial services sector that is trusted, inclusive, and dynamic. As we move forward, we will continue to prioritise these values, ensuring that Malta remains a leading hub for financial services on the global stage.

All this has been possible thanks to our team that continues to grow in number and quality. I extend my appreciation to all our employees for their dedication and passion, as well as to the Board of Governors and the Executive Committee for their leadership.

Once again, I thank all stakeholders for their continued trust and support as we work together to build a brighter future for the financial services sector and all those that it serves.

Jesmond Gatt
Chairman

Our Vision

To be a leading, forward-looking financial services regulator, having the respect and trust of the industry and the general public, contributing towards a strong and dynamic financial sector.

CEO Statement

"Our focus on being an effective, engaging, enabled, and efficient regulator has strengthened our role in the financial services sector, both in Malta and internationally."

The Malta Financial Services Authority (MFSA) has long been a pillar of stability and innovation in Malta's financial landscape. Looking back on my first full year at the Authority, I am proud to reflect on our journey so far and the strides we have made towards becoming an effective, engaging, enabled, and efficient regulator. This past year has been marked by significant achievements and transformations, driven by our commitment to maintaining Malta's reputation as a dynamic, reliable, and trustworthy financial services jurisdiction.

Effectiveness: Focus on Supervision, Enforcement, and Innovation

Our primary mandate is to ensure robust supervision and effective enforcement to safeguard the integrity of Malta's financial system. In 2023 we have boosted our supervisory interactions by 50% when compared to the previous year, while adopting a risk-based approach that allows us to focus our resources on areas of greatest concern.

We have conducted comprehensive supervisory reviews and meetings across all sectors. Nearly half of our inspections also had an anti-money laundering and counter-terrorism financing (AML/CFT) element, and we undertook 44 FIAU-delegated supervisory engagements specifically focused on financial crime compliance. These efforts underscore our resolve to combat financial crime and uphold Malta's reputation as a secure, safe and transparent financial hub.

Enforcement remains a cornerstone of our effectiveness. In 2023, we completed over 1,300 integrity checks and carried out more than 450 investigations to keep the conduct of financial service providers and authorised people in check. We also issued enforcement actions and warnings to alert the public of any unauthorised business or scams.

Innovation has also been a key driver of our regulatory effectiveness. We have introduced the Notified Professional Investor Fund (NPIF) framework, designed to reduce regulatory complexity and operating costs, thus enhancing Malta's attractiveness as a fund jurisdiction. Additionally, our pioneering Virtual Financial Assets (VFA) Framework aligns closely with the European Union's Markets in Crypto-Assets (MiCA) regulation, positioning Malta at the forefront of digital finance.

The MFSA is also committed to promoting sustainable finance as a core component of our regulatory framework. As one of our supervisory priorities for 2024, we will intensify our focus on this area, evaluating compliance with SFDR, taxonomy, and the relevant delegated Acts.

Engagement: Stakeholder consultation, industry closeness, and international collaboration

Engaging with our stakeholders is crucial to our mission of fostering a resilient financial sector. Throughout the year, we have prioritised open and transparent dialogue with industry participants, regulatory peers, and international bodies. Our stakeholder consultations have been extensive, ensuring that our policies and frameworks are well-informed and broadly supported. In 2023, the Authority established a consultative panel made up of industry experts and stakeholders. The objective of the MFSA Stakeholders Panel is to provide external and independent input from the point of view of the industry as well as other regulators from other sectors.

Our contribution to the Malta Financial Services Advisory Council (MFSAC) strategy, launched in 2023, has also been pivotal in fostering a collaborative approach, as we aligned our own objectives and priorities to these strategic initiatives.

Our commitment to maintaining engagement is also reflected in our active participation in international forums and collaborations. We have played a significant role in discussions with European Supervisory Authorities, contributing to the development of the EU's regulatory framework. Our regular meetings with other European regulators and the International Organisation of Securities Commissions (IOSCO) further underscores our dedication to maintaining high standards of regulation and supervision.

Conferences and industry events have been at the core of our engagement strategy. In October, we hosted a highly successful Sustainable Finance Conference, bringing together scholars, industry leaders, and regulators to discuss the future of sustainable finance. Similarly, our "Future of Banking Supervision" conference in November highlighted the critical role of banks in facilitating a sustainable economic transition. The MiCA conference, attended by over 500 participants from 17 countries, showcased Malta's leadership in the regulation of crypto-assets.

Enablement: Investments in digital transformation and human resources

To be a leading regulator, we must be enabled by technology, a skilled workforce, and a robust digital infrastructure. Over the past year, we have made significant investments in technology and human resources, laying the foundation for a digitally advanced regulatory environment. Investing in our people is central to our enablement strategy. We have prioritised continuous professional development through the Financial Supervisors Academy (FSA), offering training programmes and resources to enhance the skills and competencies of our staff. Our focus on employee wellbeing, modern work design, and a dynamic organisational culture ensures that we attract and retain the best talent in the industry. We are also being proactive and through our collaboration with the University of Malta, we worked to launch a new post-graduate course in 2024 that will focus on building the capacity of regulatory and compliance professionals in the industry.

Digitalisation of our processes has also been a key focus. We have implemented a comprehensive digitisation strategy, streamlining regulatory submissions and supervisory workflows. This has not only improved efficiency but also enhanced our ability to conduct data-driven supervision and regulatory oversight. Additionally, this effort is serving as a platform to spearhead the Supervisory Case Management System (SCMS), which will be making use of advanced technologies and data governance to improve the MFSA supervisory effectiveness by making our approach more agile and data-driven.

Efficiency: Improvements in regulatory and supervisory processes

Efficiency is crucial to our role as a regulator, and we have made significant strides in enhancing our regulatory and supervisory processes. We have launched initiatives to streamline our framework, such as implementing new Banking Rules to clarify standards for credit institutions, improving their risk management and governance. Simplifying regulatory submissions for licence holders is another project launched as part of the objectives of the MFSAC whereby MFSA, FIAU, MBR and Central Bank are working together to consolidate the Annual Compliance Return, rulebooks, REQ and other returns requested by different Authorities to save time and costs. Digital tools like the upgraded Trusts Ultimate Beneficial Ownership Register (TUBOR) platform, which now features automation, have improved efficiency and data accuracy. This ensures timely access to beneficial ownership information for law enforcement and regulatory authorities.

Looking Ahead

As I start my second year as CEO of the MFSA, I am immensely proud of the progress we have made, owing to the hard work of the MFSA team throughout the year. Our focus on being an effective, engaging, enabled, and efficient regulator has strengthened our role in the financial services sector, both in Malta and internationally. We have bolstered our supervisory and enforcement capabilities, engaged closely with our stakeholders, invested in technology and human resources, and improved our regulatory processes.

The challenges of the global financial landscape, including the aftermath of Brexit and ongoing geopolitical tensions, require us to remain vigilant and adaptable. However, our achievements over the past year demonstrate our resilience and our commitment to safeguarding Malta's financial system. We will continue to build on this foundation, driving innovation and ensuring that Malta remains a dynamic, reliable, and trustworthy financial hub.

I look forward to the year ahead, confident that with the support of our dedicated team, industry partners, and stakeholders, we will continue to achieve our mission and uphold the highest standards of regulation and supervision. While thanking all those who contributed - our staff, local and foreign stakeholders, and collaborators - for their continued dedication, support, and engagement, I remain confident that together, we will navigate the challenges and opportunities that lie ahead, ensuring a bright and prosperous future for Malta's financial services sector.

Kenneth Farrugia
Chief Executive Officer

Our Values

Integrity
An integral part of our mission, guiding our actions and decisions

Trustworthiness
To act with fairness, objectivity and respect when dealing with consumers and licence-holders

Dependability
To act in a reliable, transparent and accountable manner at all times

Excellence
To have the right competencies to combine quality with efficiency to demonstrate professionalism and to contribute to the setting of high standards

Independence
Refers to performing the Authority's duties without external influence

1 Our Identity

Organisation

The MFSA was established in 2002 by the Malta Financial Services Authority Act (Cap. 330). The Authority is the single regulator for the financial services sector in Malta, including credit and financial institutions, securities and investment service companies, recognised investment exchanges, insurance companies and intermediaries, pension schemes, company service providers, trustees and virtual financial assets. The MFSA is also responsible for the regulation and oversight of the capital markets in Malta.

Board of Governors

The Board of Governors is responsible for establishing the policies and risk parameters to be pursued by the Authority. In determining such policies, the Board of Governors follows policy guidelines as set out by Government and the MFSA Act. The Board of Governors is also responsible for advising Government on matters relating to the development and regulation of the financial services sector. The Chairman and the members of the Board were appointed by the Prime Minister on 21 February, 2023.

Board of Governors – As at 31 December, 2023

Mr Jesmond Gatt
Chairman

Mr Kenneth Farrugia
Chief Executive Officer appointed on 12 April 2023 - Non-voting member

Prof. Edward Scicluna
Member

Prof. Philip von Brockdorff
Member

Mr Mark Galea
Member

Dr Carl Brincat
Member

Dr Stephanie Vella
Member

Mr Joseph Caruana
Member

Dr Anton Bartolo
Member

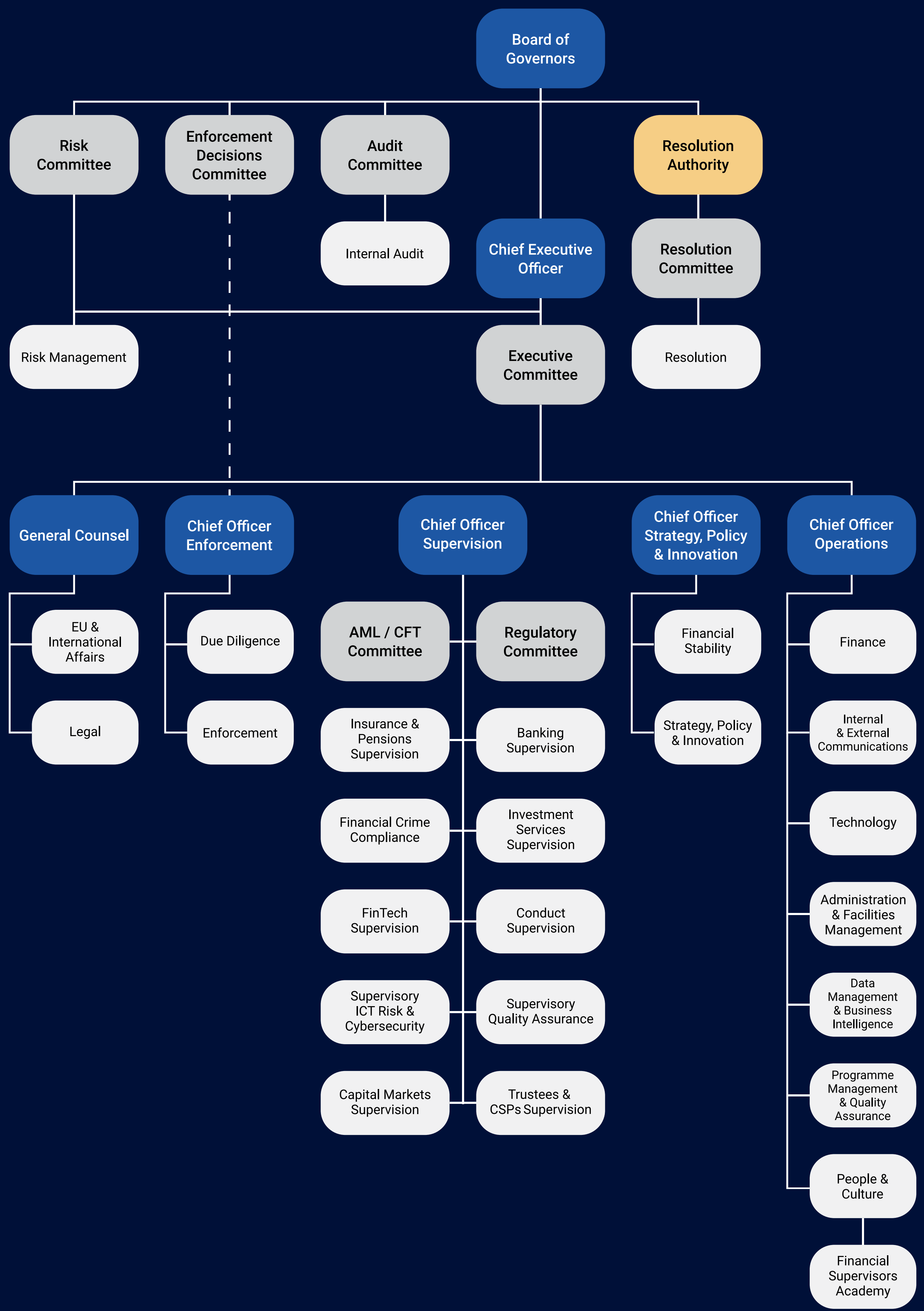
Mr John Sammut
Secretary

Prof. John Mamo
served as Chairman until 16 February 2023.

Dr Michelle Mizzi Buontempo
served as Acting CEO until 11 April 2023 - Non-voting member.

MFSA Organisational Chart

as at 31 December 2023



Committee

Executive Committee

The Executive Committee (ExCo), appointed in terms of Article 9 of the MFSA Act, is the main organ of the Authority, being responsible for the implementation of the strategy and policies of the MFSA. Approvals related to regulation as well as those required for the issuing of licences and other authorisations also fall under the responsibility of this Committee. It is also entrusted with the monitoring and supervision of entities licensed or authorised by the Authority in the financial services sector, as well as the enforcement of the regulatory framework in this same sector. It also makes recommendations to, and otherwise assists, the Board of Governors in the admissibility to listing of financial instruments. ExCo is also responsible for the overall performance of the Authority including its financial affairs, human resources, and ancillary services, as well as the general coordination and management of the Authority's administrative and operational affairs.

Mr Kenneth Farrugia
Chief Executive Officer and Chair of ExCo (appointed on 12 April 2023)

Prof. Christopher P. Buttigieg
Chief Officer Supervision

Dr Edwina Licari
General Counsel

Dr Michelle Mizzi Buontempo
Acting CEO and Chair of ExCo (until 11 April 2023) and Chief Officer Enforcement

Dr Michael Xuereb
Chief Officer Strategy, Policy and Innovation

Ing. Ivan Zammit
Chief Officer Operations

Ms Rosalie Tanti
Secretary

Resolution Committee

The Resolution Committee is appointed by the Resolution Authority, whose composition, powers and functions are governed by provisions set out in the First Schedule to the MFSA Act and the Recovery and Resolution Regulations (RRR). The Resolution Authority has assigned all its powers to the Resolution Committee which has all the necessary powers in order to carry out its functions. The Committee is ultimately responsible for taking resolution decisions pursuant to the MFSA Act and the RRR. It also interacts and collaborates closely with the Single Resolution Board (SRB) which is responsible for resolution matters at Banking Union level as established in the Single Resolution Mechanism Regulation. The Resolution Authority and the Resolution Committee operate independently from each other and from the supervisory arm of the MFSA to ensure that the statutory responsibilities are achieved in a transparent and credible way, and to be in line with the provisions of the Bank Recovery and Resolution Directive (BRRD) as amended by the second BRRD.

Members

Ms Paulanne Mamo	Chairperson
Dr John Consiglio	Member
Dr Philip Magri	Member
Dr Daniela Aquilina	Secretary

Audit Committee

The Audit Committee is established by and reports to the Board of Governors in accordance with Article 12A of the Malta Financial Services Authority Act (Cap. 330). The Audit Committee assists the Board of Governors in its oversight responsibilities with respect to internal governance and controls, financial statements, risk management and internal audit functions of the Authority.

Members

Prof. Philip von Brockdorff	Chairperson
Dr Anton Bartolo	Member (appointed on 16 March 2023)
Dr Stephanie Vella	Member
Mr Charles Zammit	Member (until 3 February 2023)
Mr John Sammut	Secretary (appointed on 15 October 2023)
Ms Sera Underwood	Secretary (until 14 October 2023)

The Regulatory Committee members and observers. Missing: Doreen Balzan, Camille Pepos.

AML/CFT Coordination Committee

Established in 2020, this Prevention of Money Laundering and Funding of Terrorism Committee acts as a forum for alignment and coordination relating to AML investigations and processes. This Committee reports on its activity to ExCo.

Members

Prof. Christopher P. Buttigieg	Chairman
Dr Michael Xuereb	Deputy Chairman
Mr Paul Caruana	Member
Ms Margherita Privitera	Member
Mr Matthew Scicluna	Member

Regulatory Committee

The Regulatory Committee (Reg Co) has been established as a sub-committee of the ExCo. The Regulatory Committee, following the introduction of the Delegation of Authorisations Framework, in October 2023, has become a decision-making body for the approval and issuing of licences and other authorisations to the extent specified in the Delegation of Authorisations Framework. The RegCo remained an advisory body to the Chief Officer Supervision for the monitoring and supervision of natural persons and entities of financial services sectors within the regulatory and supervisory remit of the MFSA. The Reg Co is composed of the Chief Officer responsible for Supervision as its Chair, and the Heads of Supervisory functions. The Chief Officer responsible for Supervision updates the ExCo on an ongoing basis on the discussions and decisions made at the level of the Committee.

Members

Prof. Christopher P. Buttigieg	Chairman
Ms Lorraine Vella	Deputy Chair
Ms Doreen Balzan	Member
Mr Herman Ciappara	Member (until March 2024)
Mr Alan Decelis	Member
Ms Catherine Galea	Member
Mr Camille Pepos	Member (appointed in March 2024)
Dr Sarah Pulis	Member
Mr Ray Schembri	Member
Mr Matthew Scicluna	Member
Dr Michelle Whitehead	Secretary

Risk Committee

The Risk Committee is established by the Board of Governors of the Authority as part of the governance structure of the Board's responsibilities. While ultimately reporting to the Board of Governors, the Committee is independent and acts independently of the Board. The Committee operates in accordance with the relevant provisions of the Risk Committee Charter.

The responsibility of the Committee is the establishment of an organisation-wide risk management framework for the Authority and the oversight of the operations of the risk management framework including the ongoing review of the Risk Register and the action plans around it. Consequently, the Committee assists the Board of Governors, who has the ultimate responsibility for risk management, in setting out the risk appetite of the Authority, and in fulfilling the Board's overall oversight of risk management responsibilities.

Members

Mr Herbert Zammit LaFerla	Chairman
Ing. Ivan Zammit	Deputy Chairman
Prof. Christopher P. Buttigieg	Member
Ms Margherita Privitera	Member
Ms Rachel Tabone	Secretary (appointed on 1 January 2024)
Dr Kristina Pavia	Secretary (between April 2023 and December 2023)
Ms Sephora Scerri	Secretary (until April 2023)

Directorates

The MFSA delivers its supervisory mandate through the concerted effort of a team of professionals which – as at end 2023 – amounted to 448 full-time equivalents. The Authority operates through five directorates, each of which addresses core functional areas:

Supervision	Enforcement	Strategy, Policy & Innovation	Operations	Legal and International Affairs

There are also three functions which operate independently of the directorates:

- Internal Audit
- Resolution
- Risk Management

The following is a brief description of the functions pertaining to each directorate, as at 31 December, 2023.

Supervision Directorate

Banking Supervision

The function is responsible for the processing of authorisation and supervision of banks, in line and in accordance with the Single Supervisory Mechanism (SSM) framework. In terms of the latter framework, the European Central Bank (ECB) has the ultimate responsibility for the licensing decisions of all credit institutions. The direct supervision of Significant Institutions (SIs) in Malta falls under the remit of the ECB and is carried out through Joint Supervisory Teams (JSTs) made up of officials from the ECB together with officials from the Banking Supervision function.

Other credit institutions are supervised directly by Banking Supervision officials. In all cases, offsite monitoring of financial, operational and qualitative data is carried out on an ongoing basis and is also complemented by periodic onsite inspections, regulatory communications and competence interviews with key function holders and Board members, as required.

Capital Markets Supervision

The Capital Markets Supervision function ensures fairness, efficiency, and transparency in financial markets, while also protecting investors. This is achieved through a range of policy and supervisory measures at different stages including the primary market, secondary market and post-trading.

The function processes applications for admissibility to listing on regulated markets in Malta and grants approvals of prospectuses in terms of the Prospectus Regulation and regulates companies having securities listed on the local regulated markets. It also oversees trading activity on the capital markets and authorises and supervises trading venues, central securities depositories, benchmark administrators, CCPs, FMIs operating on a DLT platform and crowdfunding platforms.

Conduct Supervision

The Conduct Supervision function establishes a regulatory framework to ensure that clients of financial services are treated fairly, honestly and professionally by regulated entities. A pre-emptive supervisory regime addresses potential or emerging risks for financial services consumers, while an operational regime strengthens the responsibilities of regulated persons to treat customers fairly. Up to December 2022, the function was also responsible for authorising and subsequently overseeing the conduct of trustees and corporate service providers.

Financial Crime Compliance

The Financial Crime Compliance function is dedicated to strengthening the MFSA's role in preventing the use, involvement, and/or facilitation of Authorised Persons in money laundering, financing of terrorism and other financial crimes. The function supports the Authority's authorisation and supervisory teams in their operations across all sector-specific functions. Through the establishment of a bilateral Memorandum of Understanding, the function also collaborates with the Financial Intelligence Analysis Unit and the Sanctions Monitoring Board, and other national and international stakeholders.

Insurance and Pensions Supervision

Insurance and Pensions Supervision is responsible for the prudential oversight of authorised insurance and reinsurance undertakings, insurance intermediaries, retirement schemes, retirement funds and retirement service providers. This includes business carried out in an EU member state or the European Economic Area via freedom of services and freedom of establishment.

FinTech Supervision

The FinTech Supervision function is responsible for the supervision of the Virtual Financial Asset (VFA) sector and non-bank financial institutions in Malta. The function also provides cross-sectoral expertise on digital finance and FinTech-related policy and supervisory initiatives. The function is responsible for the oversight of one of the first frameworks specifically developed to provide legal certainty to VFAs falling outside the scope of traditional financial services legislation. Likewise, the function is also responsible for the authorisation and supervision of non-bank financial institutions (payment institutions and e-money institutions).

The FinTech Supervision team is also entrusted with the development and implementation of the MFSA FinTech Strategy and Regulatory Sandbox as well as the coordination of the implementation of the Digital Finance Package within the MFSA.

Investment Services Supervision

The Investment Services Supervision function is responsible for authorising and supervising investment firms, fund managers, collective investment schemes, recognised private collective investment schemes, registered tied agents, and recognised fund administrators. Through its supervision, the function assesses compliance with prudential requirements emanating from European Directives and local legislation and regulations. It also examines the adequacy of systems and controls, governance arrangements, risk management and risk mitigation, within licensed entities falling within its remit. The function carries out supervisory interactions, collects regulatory data, and makes use of desk-based supervisory tools and data intelligence to achieve its objectives. To support its supervisory work, the function actively participates in European Supervisory Authorities' committees and working groups.

Supervisory ICT Risk and Cybersecurity

The Supervisory ICT Risk and Cybersecurity function is a cross-sectoral unit which, using a risk-based approach, supervises Authorised Persons in the area of ICT and Cybersecurity risk management. In view of the industry's increased dependency on ICT Third Party Providers, this kind of supervision also takes into consideration ICT third party risk.

This function is involved within the entire supervisory life cycle and encompasses additional processes such as Incident Reporting. As it prepares itself and the industry for compliance with the Digital Operational Resilience Act, its work also interfaces with macroprudential tools for cyber resilience.

Supervisory Quality Assurance

Supervisory Quality Assurance (SQA) is a control function, serving as a second line of defence within the MFSA, with the main objective of developing a quality-focused culture within the supervisory functions. The function also provides assurance to management regarding the quality of supervisory activities and deliverables, specifically in terms of consistency, effectiveness, efficiency and timeliness. SQA is involved from inception in new projects and whenever there are changes in supervisory procedures.

Trustees & CSPs Supervision

The Trustees and Company Service Providers (CSPs) Supervision function is responsible for the supervision of authorised company service providers, which are entities or individuals providing corporate services by way of business. These services include the formation of companies, directorship/company secretary services and the provision of a registered office, business correspondence or administrative address for legal entities. The function is also responsible for the supervision of authorised trustees and other fiduciaries, including administrators of private foundations. The overall aim is to supervise these Authorised Persons and monitor their level of compliance with the applicable legislative and regulatory framework.

Enforcement Directorate

Due Diligence

The Due Diligence function ensures that persons holding or being proposed to take on a controlling function within entities licensed by the MFSA are of good repute as part of the wider fitness and properness assessment across the various functions, on an ongoing basis. Among its responsibilities, the function also oversees ongoing due diligence to ensure continued integrity, name screening of all functionaries and other tasks such as the vetting of prospective Highly Qualified Persons.

Enforcement

The Enforcement function investigates possible breaches of financial services laws and regulations in relation to persons or entities authorised and supervised by the MFSA. Any enforcement action taken is published on the MFSA website. The function also investigates those engaging in financial services activities without the necessary licence or authorisation, as well as fraudulent activities and scams related to financial services. The Enforcement function issues warnings, notices and public guidelines to protect investors and promote consumer awareness.

Strategy, Policy & Innovation Directorate

Financial Stability

The Financial Stability function contributes to the safeguarding of the financial sector's resilience through the identification and mitigation of current and emerging risks which could potentially cause a significant strain on the sector and the general economy. Through research and analysis, the function plays an important role in engaging with international stakeholders – such as the ECB, ESRB, IMF and credit rating agencies in relation to their respective remit. In collaboration with other macroprudential authorities, the function also contributes to policy recommendations and implementation, while actively participating in projects by reputable international organisations.

Strategy, Policy and Innovation

The Strategy, Policy and Innovation function provides advice, analysis and reviews on strategies and policies, as well as identifying new areas of development to strengthen Malta's financial services regulatory framework. The function ensures that the Authority is proactive in the face of new opportunities, perceived risks and changing international standards, while fostering innovation and enhancing access to financial products, further positioning Malta as a jurisdiction of choice.

Operations Directorate

Administration and Facilities Management

The Administration and Facilities Management function is responsible for overseeing the Authority's building management services. These include managing the cleaning and security services, the centralised travel desk, hospitality and transport services, and running the reception. The function's goal is to support MFSA staff by providing a safe and functional work environment. This is achieved through regular preventive maintenance and renovation/refurbishment projects. In addition, the function is also responsible for procuring goods and services in line with Public Procurement Regulations.

Communications

Communications handles all internal and external communications, aiming to maintain positive relationships with stakeholders and keeping its own employees, licence-holders and the public up to date. It organises B2B and consumer education campaigns, and events, and is also the designated brand guardian of the MFSA, managing its various digital and offline platforms.

Data Management and Business Intelligence

The Data Management and Business Intelligence (BI) function is tasked with overseeing data governance, data quality management, and the overarching data architecture within the Authority. It also administers a centralised records management office and manages the central data warehouse and BI analytics platform, offering valuable insights and dashboards for users. Additionally, it holds responsibility for the Supervisory Cycle Management System, a system which is aimed at digitising and automating core supervisory processes.

Finance

The Finance function manages the finances of the Authority and provides support to other functions for financial matters such as revenue collection, payments, payroll, financial control, budgetary control and management information preparation. The function also administers the MFSA's financial control framework ensuring compliance with established policies and controls. Furthermore, the team is also responsible for the submission of statutorily required financial information to Parliament.

People and Culture

The People and Culture function provides human resources essential for the fulfilment of the MFSA's mandate, covering recruitment, retention, and learning and development. Adopting an HR Business Partner approach to talent management, the function places employees at the heart of the Authority's mission, reflecting the drive being undertaken to bring about change and organisational growth. The team implements other staff-related provisions, including the MFSA Ethics Framework, Occupational Health and Safety, and training programmes under the Financial Supervisors Academy.

Programme Management and Quality Assurance

The Programme Management and Quality Assurance function ensures strategic alignment across the Authority, enabling it to achieve operational efficiency and effectiveness through digitisation and digitalisation. The function provides a holistic programme oversight to the MFSA's ExCo, aligns project priorities with the strategic objectives and articulates a project's interdependencies to plan demand capacity. Programme Management is also responsible for the quality assurance of project deliverables and operational process improvements.

Technology

The Technology function is responsible for information systems, technology operations, governance and planning. The team leverages cutting edge technology, industry standards and methodologies to provide reliable services to the rest of the organisation and to the financial services sector. Technology facilities are attained through research, design, planning, network and security architecture, systems infrastructure, software development, business applications and platforms, service and support, IT risk management and information security. To support its mandate, the function actively participates in European Supervisory Authorities' committees and working groups.

Legal and International Affairs Directorate

EU and International Affairs

The EU and International Affairs function ensures that the MFSA has an active role in international forums. The function coordinates relations with international organisations and memoranda of understanding with foreign regulators, as well as handling exchange of information requests. The function advises Government on the formulation of financial services policy, mainly relating to proposals issued by the European Commission, particularly when it comes to taking a national position in this sector.

Legal Affairs

The Legal Affairs function provides legal advice across the organisation, also drafting and/or vetting legal documents involving the Authority. The function attends to any MFSA-related litigation matters, including the preparation and filing of judicial acts, any legal or judicial submissions, as well as any other work necessary in preparation for court or tribunal sittings. The function also coordinates and oversees the legislative process falling under the administration of the MFSA, including amendments or new laws required to transpose EU Directives or implement EU Regulations.

Other MFSA Functions

Internal Audit

The Internal Audit function is accountable to the Audit Committee and reports to the Board of Governors. The function is responsible for evaluating and improving the effectiveness of the internal risk management, control, and governance processes, to help the Authority achieve its objectives in a systematic and disciplined manner.

Resolution

Resolution operates independently from the Supervisory Directorate and other functions and is primarily responsible for resolution-planning activities for credit institutions and certain investment services firms. It is also responsible for the policies and legislation forming the Resolution Framework. The same responsibilities will eventually extend to central counterparties and insurance undertakings. The Board of Governors is the designated resolution authority in Malta, however, the MFSA's Resolution Committee is the decision-making body, advised by the function as to whether an institution should go into liquidation or resolution, and on the application of resolution tools, as necessary.

Risk Management

Risk Management is responsible for risk oversight and therefore oversees the organisation's development of work processes for the identification, assessment, management and reporting of risk within the Authority. Risk Management is an important element for implementing effective controls and corporate governance structures within the entire Authority. It is the process by which the MFSA systematically identifies, evaluates and manages the potential risks and opportunities inherent to its activities and objectives. Risk Management reports to the Risk Committee, an independent committee of the MFSA Board of Governors.

In accordance with data protection requirements the MFSA has a Data Protection Officer (DPO), which forms part of the Risk Management function. The DPO's role includes monitoring and assessing compliance with the various data protection legislation and requirements, coordinating any data protection related incidents, and regularly reporting to committees internally and, if required, to the Information and Data Protection Commissioner.

2

Our People and Organisation

Over the past year, the MFSA continued to transform how it works. The Authority remains focused on continuing to change and improve so it can deliver on its commitments, constantly learning and adjusting so that it can become more efficient and effective. This section explains some of the changes undertaken and initiatives to become more proactive and effective in its operations.

People-centred Organisation

Our people are at the heart of fulfilling the MFSA's purpose and strategy. We seek to cultivate a culture where each and every person is empowered to act decisively in the public interest. This has been a year focused on growth and retention to ensure that we have the capability, skills, and capacity we need to deliver our strategic objectives. During this financial year, we have welcomed 107 new recruits bringing the total number of full-time-equivalent employees to 448.

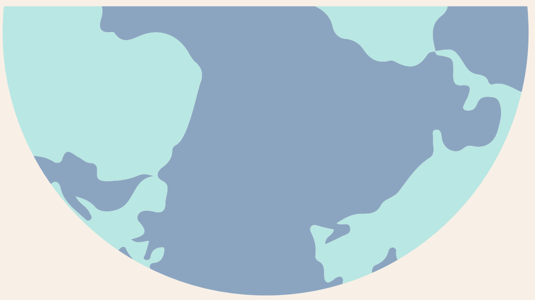
448

Full-Time-Equivalent Employees

107

New Recruits

67 International Employees



from **23** countries

Top Qualifications at the MFSA

BA Criminology
Computing
B Comm
Accountancy
Banking
BSC
Economics
LLM
Business Enterprise
International Relations
Insurance
Finance
Financial Services Management
ICT
ACCA
Business

Attracting and Keeping Talent

Our continued ability to attract, retain, and progress talented individuals will help us to continue enhancing our effectiveness. It also reflects the strength of our organisational purpose with many colleagues choosing to work at the MFSA in part because of their desire to make a difference in the lives of the public we serve. A number of initiatives took place in 2023, whereby the Authority was actively seeking to attract undergraduates and fresh graduates. Through its participation at student fairs and during freshers' week, both at the University of Malta and MCAST, as well as a student meet-up event at its premises, it successfully recruited a total of 33 students who became part of the team. The Authority has strengthened its offering to its employees with a strong focus on well-being and work-life balance which includes flexible and hybrid work arrangements and a robust programme on developing talent. The MFSA also offers various international postings and experiences giving employees unique exposure to the regulatory landscape. The Authority also has an active social calendar with various social events being organised including the MFSA Employee Awards as well as several Town Hall meetings during the year.

To maintain a high-performing and trustworthy workforce, the Authority conducts thorough employee screening processes. This includes thorough due diligence, and comprehensive security clearance procedures to ensure the safety and integrity of our operations. We have also established a comprehensive ethics framework that outlines the principles and standards we expect all employees to adhere to, regardless of their position or tenure.

International Exposure

In 2023

1	MFSA Employee was seconded as a National Expert
1	Employee was seconded to the MFSA from another Supervisory Authority
6	Employees engaged as interns with the Deutsche Bundesbank
3	Employees participated in ECB Cross-Border Missions

Participated **350+** times in **60+** International Forums*

25+	Meetings with international regulators and associations
31+	Meetings with joint European Supervisory Authorities and other European Institutions.

*Includes international committees, working groups, expert groups, task forces, bilateral meetings, cooperation platforms, workstreams, board meetings, forums, high-level groups.

17+ Social and networking initiatives including staff Town Halls and team building events

"The MFSA is a large organisation within a fast-moving industry, providing an array of possibilities for professional development. Working at Malta's single regulator for financial services is certainly an opportunity to grow."

David Scerri

Technology

The Financial Supervisors Academy

We are committed to equipping colleagues with the skills and knowledge necessary to succeed in their roles and to help them evolve as the financial and regulatory landscape changes.

The setting up of the Financial Supervisors Academy (FSA) supports the MFSA's dedicated efforts to cultivating a highly skilled workforce that embodies professionalism and upholds high standards in financial regulation.

The Academy is training both new and seasoned financial supervisors to ensure that they have the necessary expertise and technical competencies to carry out the MFSA's functions effectively in today's dynamic financial environment. Through its Financial Supervisors Academy, the Authority invested 27,400 hours in training its staff, with an average of 65 hours per full-time equivalent employee, up from 52 hours a year earlier.

When designing its curriculum, the FSA takes into account the business and supervisory priorities of the MFSA and considers the international developments in the financial services space that may necessitate the upskilling or retraining of the Authority's workforce. In 2023 the Financial Supervisors Academy successfully conducted 69 training sessions covering more than 50 topics.

As part of its internal curriculum, the MFSA implemented numerous initiatives aimed at nurturing the growth of our people, particularly emphasising the enhancement of management and leadership competencies. The People Fundamentals training programme is designed to enhance management and leadership skills crucial for effective organisational development. One significant programme, the LEAP initiative (Leaders and Experts Advancement Programme), was tailored for high-performing individuals within the MFSA, providing a platform to elevate their skills through a series of sessions spread across the year. In 2023 Phase 2 of the DiSC profiling implementation, known as DiSC - Work Of Leaders (Vision, Alignment, Execution), focused on enhancing self-awareness to facilitate more impactful and effective leadership.

In 2023, the FSA collaborated with the University of Malta on the development of a new Post Graduate Diploma in Financial Regulation and Compliance.

The FSA also serves as a hub for collaborative learning, extending its reach to a diverse audience, beyond MFSA staff, namely, other regulatory bodies, policymakers and academics from around the world. In 2023, the Academy organised 4 conferences, hosting 69 speakers, and attended by 717 external participants. Two of these conferences were dedicated to Leadership and Development, bringing together MFSA's senior leadership and executives from other local authorities.

The other two conferences centred around Sustainable Finance and Markets in Crypto-Assets Regulation. By promoting dialogue and knowledge sharing among peers, the Authority is supporting the convergence of supervisory methods across different jurisdictions, ultimately contributing to the stability and integrity of financial markets worldwide.

Training for staff in 2023

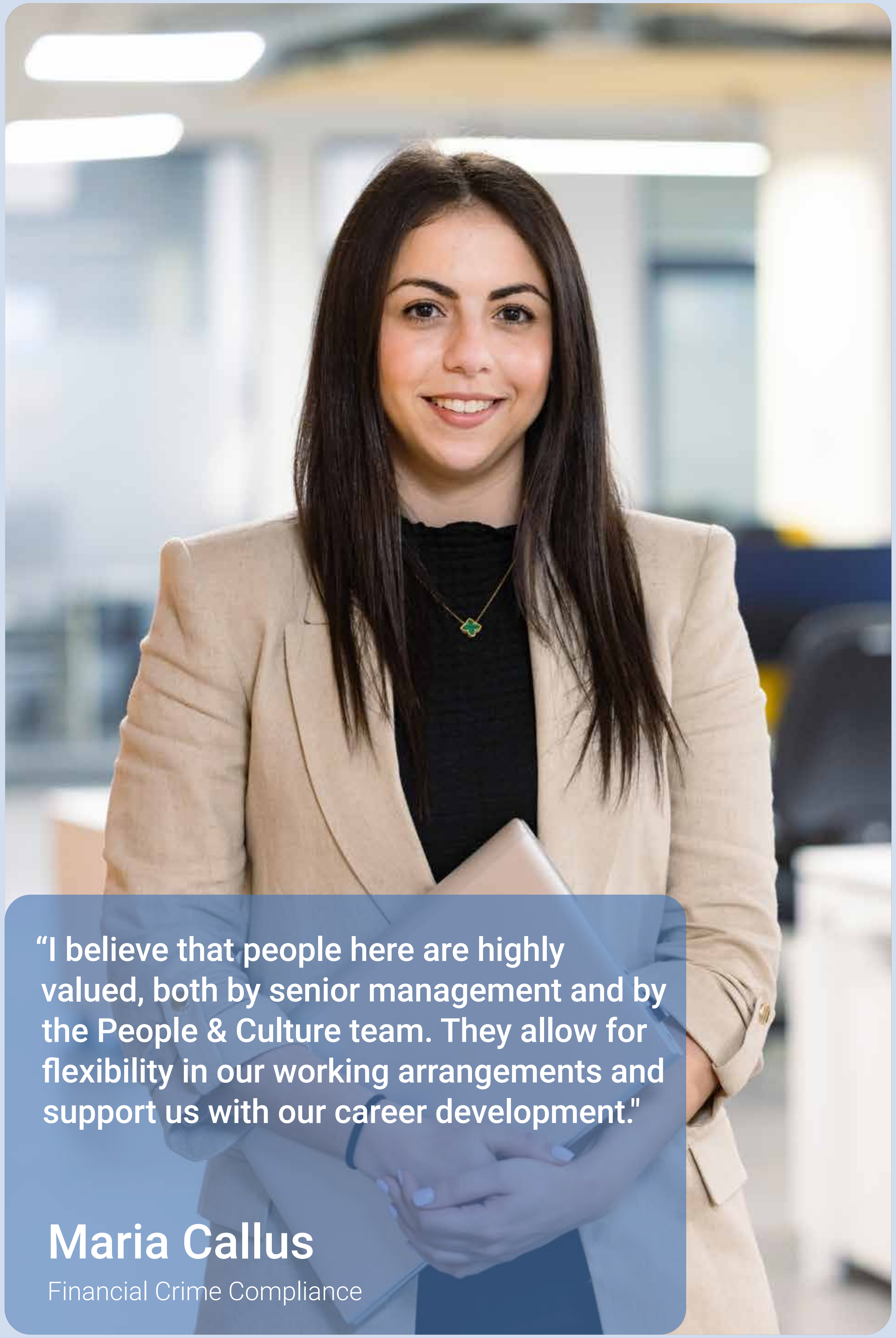
29% more than in 2022

27,400hrs

2023 65hrs/FTE

2022 52hrs/FTE

69	4	69	961
Training sessions covering 50 topics	Conferences	Speakers	Attendees



Employee Wellbeing

We are committed to fostering a working environment that protects the physical and mental wellbeing of all. This means creating healthy working environments, supporting work-life balance, and enabling our people to access relevant support and information to identify health risks and manage their wellbeing effectively. We offer a comprehensive programme covering mental health including professional counselling. Employees also have access to a range of support services such as private medical insurance and an Employee Support Programme.

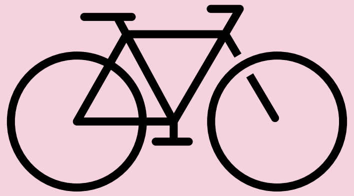
The MFSA has undertaken significant initiatives to improve the work environment and facilities. Recognising the importance of a conducive workspace in fostering productivity and well-being, several enhancements have been implemented throughout the year.

Building Social Connections Through Food:

We have partnered with a new canteen operator to offer a diverse range of nutritious meals, catering to the different dietary preferences and requirements for our employees.

Fostering a Greener Workplace and Lifestyle:

Installation of reverse osmosis systems across our premises ensures access to clean drinking water while leading to significant savings. The wastewater produced by the Reverse Osmosis for the purification process is recycled as secondary class water thereby saving around 200,000 litres of water per year.



Recognising the importance of both an active and greener lifestyle, showers have also been installed on-site to encourage employees to use alternative and more environmentally friendly modes of transport when commuting to work.

"MFSA paves the way for a dynamic career path, with great opportunities for international exposure. Working here is a highly rewarding experience and I'm grateful that I get to share this experience with so many talented individuals every day."

Stephanie Gauci

Financial Stability

Rewarding our Employees

During the year, we conducted external salary benchmarking to ensure that our reward package becomes competitive and is shaped in a way which supports our aspiration to be an inclusive employer for all. Following this, several proposals that addressed grade restructuring, salary adjustments, and other critical elements, including reporting structures, internal mobility, shared resources, and strategies for change management were considered.

Technology and Processes

In the past year, the MFSA continued to embrace the transformative power of technology to further improve operational efficiency and effectiveness, ensuring that our decision-making processes remain timely, informed, and robust.

In alignment with the evolving regulatory landscape, the MFSA has actively engaged in adapting our BORIS eIDAS system to meet the revised technical specifications mandated by the European Commission under the AML Directive. In a strategic partnership with the Malta Business Registry and MITA, our team has worked diligently to implement vital enhancements to the platform. This collaborative endeavour is aimed at streamlining and fortifying the authentication process, ensuring a seamless experience for authorised users on the BORIS platform, while also upholding compliance with regulatory requirements.

Focus was placed on further strengthening the Authority's security posture, through further investments in technology infrastructure, internal network architecture, vulnerability scanning and monitoring systems. Such investments and ongoing IT risk assessments enable the Authority to improve the identification, assessment and mitigation of potential threats associated with current and new IT systems. Policies and procedures were revised and updated as part of good governance, focusing on information security and access management. These measures were implemented to protect sensitive information from unauthorised access, usage, disclosure, disruption, alteration, or destruction.

All employees undergo regular cyber security training and an innovative tool has been introduced to deliver and assess MFSA's security culture using phishing simulations and informative videos with corrective action taken when needed.

The MFSA is committed to technological advancement and user enablement, investing in scalable technologies across all areas of its business. In this regard the Authority has also invested in new technology for the production of high-quality podcasts and related events.

Risk Management

As a regulator, risk management is central to our governance and operation. Through the MFSA's Risk Committee, the Authority continues to strengthen its risk identification, assessment and management function. Today there is a unified risk assessment framework which is closely aligned with the Internal Audit function and plan. There is an integration of risk management into strategic and operational planning with specific risk assessments being undertaken for significant operational processes. The Risk Management Culture Statement was reviewed in 2023. One of the main changes emphasised the importance of both senior management and employees owning and promoting a risk culture while emphasising the importance of continuous communication as an integral part of a good risk culture.

During 2023, the MFSA continued to ensure the proper implementation of the Risk Incident Reporting Process to enable all risk incidents to be escalated with confidence. Throughout the year, the Business Continuity Management Framework, comprising a policy, guiding principles and Business Impact Analysis Preparation Guidelines, was finalised.

3

Our Strategy

Strategic Statement 2023-2025

Following the launch of its Strategic Statement in February 2023, the Authority embarked on its first year of delivering on its ambitious goals. The creation of our strategy was a collaborative effort involving inputs from various stakeholders, including industry representatives, consumer associations, and other regulatory entities. The Statement includes 27 priorities grouped under five strategic pillars and two corporate objectives serving as internal drivers for change.

Corporate Objectives

A People-Centred Organisation

Digital Transformation

Targeted Investments in Our Systems and Infrastructure

Strategic Objectives

Delivering Agile and Proactive Regulation

Sustaining a Resilient, Internationally Networked Financial Sector

Promoting Good Governance and Compliance

Embracing Innovation

Engaging with the Public

Achieving Our Strategic Goals

The MFSA's strategic journey reflects a commitment to excellence, innovation, and stakeholder engagement, setting a solid foundation for sustainable growth and success in the dynamic financial services sector. The following is a brief overview of the work carried out so far for every objective that we have set.

Delivering Agile and Proactive Regulation

We are streamlining supervision to be more agile, risk-sensitive and data-driven, while continuously improving processes and addressing timeliness, in order to address regulatory concerns promptly and efficiently.

Operational Efficiency and Independence

- In order to obtain **a comprehensive view of Regulated persons**, we are augmenting and enhancing our data architecture. For this purpose, we have drafted and updated our policies related to data classification, data governance and records management, and worked on data models for authorisation and passporting.
- We are also **strengthening the interface between macroprudential and microprudential supervision** by ensuring that our risk assessments conducted by separate functions within the Authority are thoroughly discussed with the respective supervisory units.
- To enhance the ongoing monitoring of all approved individuals, our Due Diligence team is adopting **a new leading name-screening solution.** This will result in more accurate and efficient identification of potential risks associated with individuals under review.
- To be more transparent in our expectations and processes, in 2023 we have published the **Administrative Measures & Penalties - Publication Policy.** This outlines guidelines and regulations regarding the dissemination of information when it comes to any administrative measures imposed on an Investigated Person.
- As part of our digitalisation journey, a **new HR information system** was launched in 2023. Works on our **Supervisory Cycle Management System** have also commenced in 2024, with a view to streamline and optimise our supervisory processes for a more agile, data-driven and focused approach.

Effective Supervision and Regulation

- We seek to **keep updating our Rulebooks in order to strengthen our regulatory framework.** A number of changes where made to the CSP Rulebook to address proportionality in regulatory submissions, and further changes will be made to broader policies. A draft of the Conduct of Business Rulebook for Credit Institutions was issued for consultation in February 2024, followed by an industry workshop and discussions with the MFSA's Stakeholder's Panel.
- We developed a **banking sector impact assessment tool** that quantifies the effect on capital and liquidity. The tool enables comprehensive impact assessments on banks' balance sheets and income statements.
- A **delegation framework has been established** internally, to streamline our decision-making processes and practices, minimising the need for unnecessary escalations. This system enhances efficiency by distributing responsibilities appropriately, fostering autonomy, and facilitating smoother operations across the board.
- We **published our Supervisory Priorities** for both 2023 and 2024, ensuring that they are aligned with the European Inter-institutional work programme, to foster cross-sectoral consistency as well as supervisory convergence. In 2024 we announced that we will be shifting to an **outcomes-based approach** in our supervision, which will enable us to measure the effectiveness of our work.
- With the increased adoption of digitalisation tools in the financial services sector, **managing ICT risk effectively** has become a fundamental requirement for organisations. In the running up to the applicability of the EU's Digital Operational Resilience Act (DORA) in January 2025, the MFSA has undertaken several initiatives to raise the industry's level of preparedness. A comprehensive Feedback Statement as well as further **guidance on the minimum expectations** were published by the Authority.

Sustaining a Resilient, Internationally Networked Financial Sector

We aim to build a robust financial sector that is well-connected internationally, promoting stability and growth in a global environment.

Pro-Active Engagement With Other Regulators and Relevant Stakeholders

- **Several Memoranda of Understanding (MoUs) were successfully established** with a number of key financial institutions, including the Banca Centrale della Repubblica di San Marino, Nissan College, the Bermuda Monetary Authority, and the ECB third-country branches. Additionally, **numerous bilateral meetings** were conducted with prominent organisations such as UK and US regulatory bodies, and other national competent authorities, (such as the Financial Market Authority of Austria, BaFin, the Central Bank of Ireland, Banca D'Italia, Commissione Nazionale per le Società e la Borsa, and the Belgian Financial Services and Markets Authority. The Chairs of European Supervisory Authorities, the Bank of International Settlements, and the Directorate-General for Financial Stability, Financial Services and Capital Markets Union. Such collaborations underscore our role as an international financial centre.
- We continued to **provide advice to Government on the formulation of financial services policy**, mainly relating to upcoming legislative and non-legislative proposals issued by the European Commission. In addition, we also actively engaged in negotiations, policy dialogue and followed up with EU Institutions so as to provide constructive feedback in the attainment of national positions in the area of financial services.
- A list of regulatory returns has been drawn up and numerous meetings were conducted across institutions to formulate a comprehensive plan to **improve data gathering and information sharing.** A reporting obligation register has also been established as part of our efforts to ensure **elimination of duplicate information received by different local institutions** from the same authorised entities.

Relentlessly Combatting Financial Crime

- Relevant **authorisation processes have been revamped** to consider the Financial Intelligence Analysis Unit's (FIAU) involvement in application reviews and proposed individuals for key functions through the application of the risk-based approach. This is intended to ensure that the MFSA's gatekeeping role to the financial services sector also features a robust element of financial crime compliance.
- From a supervisory perspective, certain processes have been similarly revamped to ensure the MFSA's proper and **formal consideration of AML/CFT supervisory information emanating for the FIAU.**
- The MFSA's authorisation and supervisory expectations relevant to financial crime compliance are being communicated through **formal publications and outreach initiatives.**
- The MFSA is participating in ongoing discussions internally to consider the results of the newly revised National Risk Assessment (NRA) (after being a key stakeholder in its compilation). The MFSA is also coordinating with other National Competent Authorities (NCAs) and the National Coordinating Committee for AML/CFT to support the latter's **drafting of a new National AML/CFT Strategy.**
- The MFSA contributes to working groups and drafting teams, alongside other NCAs from across the European Union, coordinated and led by the European Banking Authority. These workstreams are intended to complete initial groundwork to **support the establishment of the European Union's new Anti-Money Laundering Authority** and facilitate the successful fulfilment of its responsibilities.
- The MFSA actively participates in **MONEYVAL plenary sessions.**

Promoting Good Governance and Compliance

We are placing good governance programmes on a durable footing and launching compliance initiatives designed to ensure, build and maintain confidence levels.

Industry Outreach

- We are currently focusing on **reassessing corporate governance obligations for listed companies**, with particular attention to integrating the Gender Balance Directive and the Corporate Sustainability Reporting Directive. Efforts are underway to transpose these directives into actionable frameworks, signalling a proactive approach towards enhancing gender diversity and sustainability reporting practices within listed entities.
- The MFSA is set on **clearly communicating supervisory expectations** on compliance with expected regulatory standards. To provide guidance to the industry, several iterations of the publication "The Nature & Art of Supervision" as well as a number of letters addressed to CEOs of financial entities, were published.
- The MFSA is also actively engaging with industry stakeholders through its newly established **MFSA Stakeholders Panel**, which convenes local industry experts and representatives to exchange ideas and perspectives. This initiative aligns with the MFSA's strategic goal of enhancing standards, transparency, and collaboration within the financial services sector, providing a platform for dialogue on European and international regulatory developments and key industry topics.

Embracing Innovation

Innovation is at the heart of our strategic vision. We are focused on integrating digitalisation in our operations, evaluating emerging business models, and ensuring that our regulatory framework supports technological advancements and new business processes.

Sustainable Finance

- The **transposition of the Corporate Sustainability Reporting Directive** (CSRD) is underway. Work is also progressing on the implementation of the EU Green Bond Regulation, the Sustainable Finance Disclosure Regulation (SFDR) and the Taxonomy Regulation, including the drafting of necessary legislative texts.
- A Sustainable Finance Regulatory Briefing was held, with the participation of the Malta Asset Service Association (MASA). In 2024 two **workshops took place with listed entities, fund managers, investment firms and insurance undertakings to provide guidance** on the new sustainability disclosures.
- We have held meetings with the European Commission and industry representatives on several topics related to sustainable finance. **Meetings with ESMA focused on addressing greenwashing issues.**
- Significant strides were made in enhancing the transparency and consistency of sustainability-related website disclosures as per the SFDR guidelines. **Thematic reviews on sustainability preferences** were conducted, and regulatory expectations were published, followed by "Dear CEO" letters addressing these preferences in suitability assessments under MiFID and IDD.

- **Supervisory interactions** included meetings with investment firms and insurance companies to discuss SFDR website disclosures, onsite inspections for insurance distributors, and increased scrutiny of climate-related risks. A thematic review and interactive examinations were performed on companies which fall under the scope of the Non-Financial Reporting Directive.
- The MFSA's Financial Supervisors Academy has developed a bespoke **Sustainable Finance Training Programme** for 2024. This programme includes courses and self-paced certifications that are promoted internally to ensure comprehensive staff training and development in sustainable finance.
- A project aimed at **enhancing MFSA's supervisory capacity with respect to the disclosure and reporting requirements under the EU Sustainable Finance package** is being implemented. The project comprises the development of comprehensive set of supervisory tools, training workshops for supervisors and the sharing of good compliance practices with industry stakeholders. The project also explores supervisory convergence practices with other EU NCAs and is funded by the European Commission under the TSI instrument and supported by DG REFORM.

Digital Finance

- The implementation of MiCA is progressing with the alignment of the VFA framework being completed by way of **amendments to the VFA Act and updates to the VFA Rulebook.** The drafting of the MiCA bill is well underway, with ongoing discussions on its impact.
- As part of the **Retail Payment Strategy,** coordination with the Central Bank of Malta, participation in Council meetings, and outreach to the sector through the Electronic Money Association are actively being pursued.
- The MFSA engaged in the European Forum for Innovation Facilitators (EFIF) meetings and surveys, and **actively contributed to Global Financial Innovation Network (GFIN) initiatives,** including the Greenwashing TechSprint and the Annual General Meeting. These engagements enable the sharing of innovative business use cases and the development and adoption of best practices in supervisory techniques.

New Business Models

- The MFSA has **launched the Notified Professional Investor Fund framework** and has also initiated work relating to registered de minimis managers.
- Legislative drafts to create **a legal framework for Collective Investment Schemes** structured as Limited Partnerships without legal personality have been prepared, and a consultation on these proposals closed in March 2024.

Engaging With the Public

Public engagement is essential for transparency and trust. We aim to enhance our outreach efforts, engage with consumer associations, and collaborate with educational institutions to promote financial literacy and attract talent to the sector.

Consumer Education

- A **Financial Education Working Committee** was established, devising a comprehensive schedule of outreach initiatives. Starting in January 2024, a review of the educational materials shared with students during school visits has been initiated.
- Discussions and meetings have been conducted to explore potential **cooperation between the Department of Social Policy and the MFSA.**
- A **campaign on greenwashing** was rolled out in 2024, targeting various demographics, both offline and online. Another two consumer awareness campaigns will be launched this year, focusing on investment in bonds, and cybersecurity.
- **Coordination with other stakeholders** involved in financial literacy initiatives is currently underway, facilitated by the involvement of the Malta Financial Services Advisory Council (MFSAC).

Open and Approachable Regulator

- Regular engagement with stakeholders remains a top priority for the MFSA. A total of **15 industry briefings** and conferences were held by the MFSA in 2023 and 2024 to date.
- Between January 2023 and March 2024, the MFSA issued **40 media releases**, published over **700 social media posts** and recorded **13 podcasts**, highlighting various publications and ongoing regulatory matters.

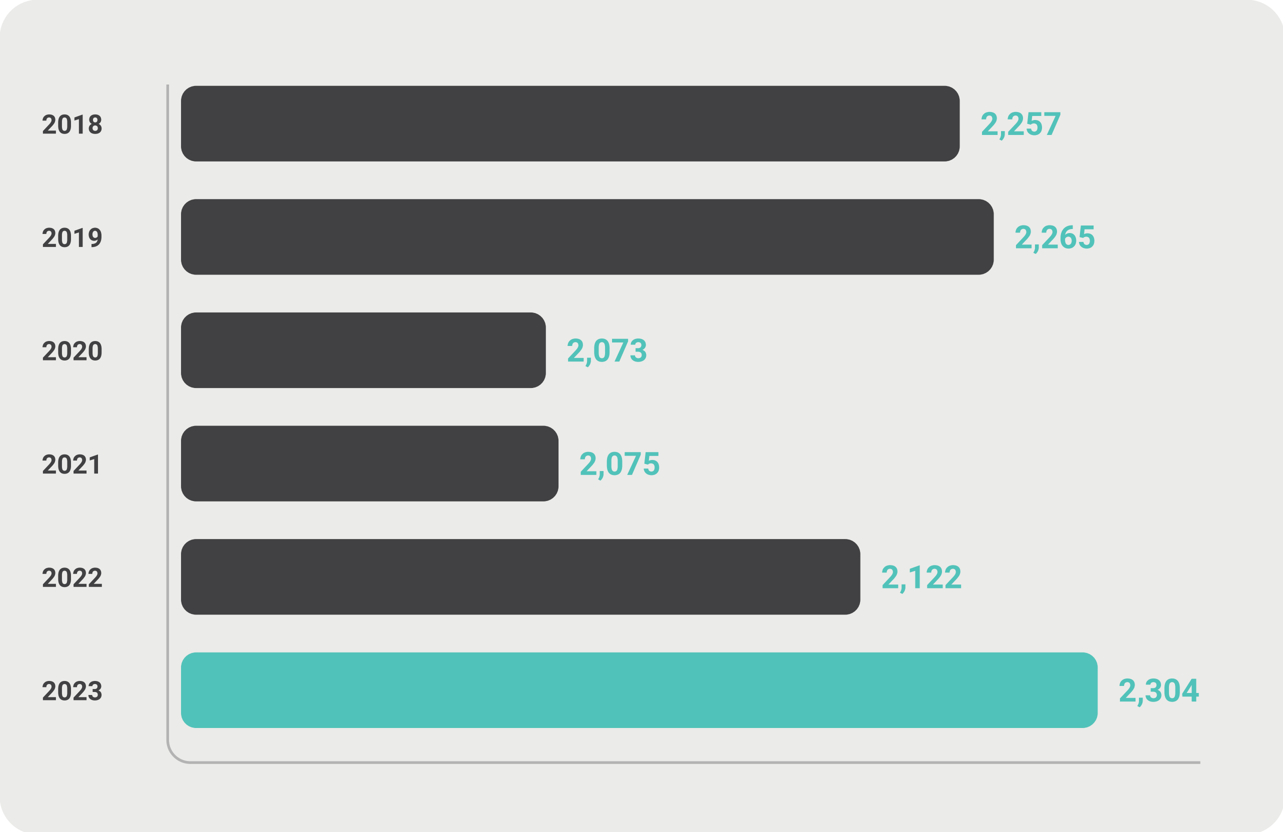
4 Our Work

Who We Regulate

In 2023, the MFSA supervised a total of **2,304 authorised entities**

21	Credit Institutions	17	Fund Administrators	506	Trust Services and CSPs
53	Financial Institutions	66	Insurance and Re-insurance Undertakings	34	Securitisation Vehicles
142	Investment Services	81	Pensions	23	Virtual Financial Assets
518	Investment Funds*	826	Insurance Intermediaries (including agents)	17	Incorporated Cells

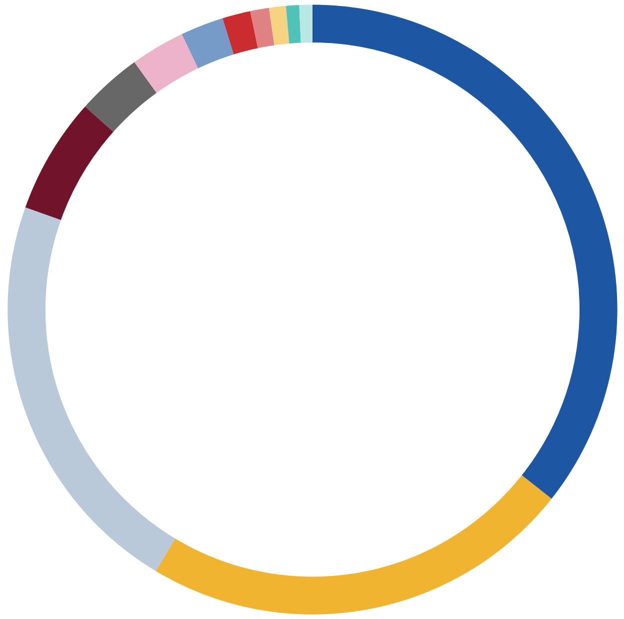
Number of Active Authorisations



*including 92 Notified Alternative Investment Funds.

Licence-holder Population

- 35.9% Insurance Intermediaries (including agents)
- 22.5% Investment Funds
- 22% Trust Services and TCSPs
- 6.2% Investment Services
- 3.5% Pensions
- 2.8% Insurance and Re-insurance Undertakings
- 2.3% Financial Institutions
- 1.5% Securitisation Vehicles
- 1% Virtual Financial Assets
- 0.9% Credit Institutions
- 0.7% Fund Administrators
- 0.7% Incorporated Cells



Applications for Authorisation in 2023

352 applications processed	**296** approved	**56** withdrawn or refused

Policy & Regulation

We remain steadfast in our commitment to strengthen Malta's position as a dynamic, reliable, and trustworthy jurisdiction. Our responsibility is to ensure that Malta's financial regulatory environment remains attractive and robust, and over the past year, the Authority worked proactively to secure and improve Malta's position. Key to this was engaging with other national authorities and our international counterparts on legislative and policy matters within the financial services sector.

Enhancing Malta's Investment Services' Attractiveness

The Notified Professional Investor Funds (NPIF) Framework was officially launched in December 2023. The Framework seeks to provide an additional and innovative fund structure which complements existing frameworks while reducing regulatory complexity and operating costs. This new framework necessitated the promulgation of a new Rulebook for NPIFs and various amendments to legislation.

Work on a framework for Collective Investment Schemes (CIS) established as Limited Partnerships without separate legal personality (i.e. Limited Partnership Funds (LPFs)) which had commenced in 2022 continued throughout 2023. This framework will strengthen Malta's standing as a fund jurisdiction by bridging an existing gap in the local regulatory framework and will therefore enhance Malta's fund toolbox by introducing a flexible vehicle for CISs pursuing private equity, private credit, infrastructure, real asset, and similar investment strategies. The proposed new framework has underwent a dedicated consultation exercise in March 2024.

Proactive Regulation in the Virtual Financial Asset Space

Being a pioneering jurisdiction that introduced, way back in November 2018, a framework under the Virtual Financial Assets Act (VFAA) that is very similar to the Markets in Crypto-Assets (MiCA) regulation, Malta is well-placed to meet the needs of this growing sector under the new European framework. The MFSA had devised this VFAA framework to support innovation and new technologies for financial services related to crypto assets while ensuring effective investor protection, financial market integrity, and financial stability. The standards set by the VFAA framework have proven to be effective in helping to achieve this. This has been very clear during 2023 as the MFSA and the jurisdiction displayed high levels of preparedness in the transition to MiCA.

Supporting Malta's Capital Markets and the European Capital Markets Union

Capital markets remain a key source of liquidity for firms, and the European Union is actively working to strengthen the Capital Markets Union while also prioritising the transition towards an agenda driving more sustainability and gender equality in access to financial markets. As part of a comprehensive legislative package aimed at boosting the European capital markets, the MFSA has been deeply involved in discussions on the EU clearing and listing packages and the Benchmarks Regulation. Further work is expected within European institutions throughout 2024.

The MFSA has actively participated in the discussions regarding the European Commission's proposal for a Regulation on ESG Ratings, as the EU continues to work towards a stronger and more sustainable finance framework. The proposal's main objective is to introduce certain disclosure and organisational requirements with which the providers of ESG Ratings will be required to comply to ensure transparency on elements such as methodology and key indicators, and that the production of ESG ratings is free from conflict of interest. Coming into effect in January 2023, the directive is now being transposed by the MFSA, in liaison with other third parties which shall be impacted. By enhancing transparency on sustainability-related matters, such as the environmental and social impact of business activities, the Corporate Sustainability Reporting Directive will help the end users of annual reports in evaluating the sustainability performance of EU companies along with the related business impacts and risks.

The Authority has started work on the Women on Board Directive in 2023. The Directive needs to be transposed into local law by December of 2024. This Directive is intended to improve gender balance on boards of large, listed entities. Specifically, the Directive introduces gender representation quotas for boards. The Authority is currently engaging with stakeholders to facilitate a seamless transposition process across all the bodies being impacted.

Harmonising Malta's Local Banking Framework with that of the EU

The Authority focused on transposing and implementing The Credit Servicers and Credit Purchasers Directive into local legislation. The Directive seeks to establish an EU-wide strategy for addressing non-performing loans in credit institutions, while also streamlining and enhancing the efficiency of credit purchasing.

The implementation of the Basel III reforms into EU's Banking Package includes significant amendments to the Capital Requirements Directive and the Capital Requirements Regulation. The new and amended requirements establish more prudent and risk-based measures in the requirements and supervision of credit institutions. The implementation of the Banking Package into local legislation will be one of the main priorities for 2024.

- The Rule on Loan Origination and Monitoring sets out standards and requirements for credit institutions in credit risk-taking, management, and monitoring. The rule aims at enhancing credit institutions' practices, governance arrangements, processes, and mechanisms concerning credit granting.
- The Rule on the Management of Interest Rate Risk and Credit Spread Risk arising from Non-trading Book Activities specifies criteria for the identification, evaluation, management, and mitigation of the risks arising from potential changes in interest rates, and for the assessment and monitoring of credit spread risk in institutions' non-trading book activities. This rule has been an important development in the current environment of growing interest rates.
- The Rule on Establishing an Intermediate EU Parent Undertaking ('IPU') implements requirements for credit institutions belonging to third-country groups and third-country branches to monitor the threshold for the establishment of an IPU. The rule also outlines the methodology for relevant calculations and reporting requirements to the Authority.

Strengthening the Insurance Sector

Several amendments have been proposed to the Insurance Distribution Rules, the Insurance Distribution Act, and the Conduct of Business Rulebook. These modifications were informed by consultations and circulars to the industry.

Empowering Trustees and Company Service Providers

Throughout 2023, the Authority was engaged in further developing the regulatory frameworks around Trustees and Company Service Providers (TCSPs). This included intensive preparations for the various consultation processes that will take place in 2024.

With the conclusion of the reforms to the legal and regulatory framework for CSPs in November 2022, the MFSA pivoted its attention to feedback from CSPs regarding the regulatory submission requirements in the Rulebook for CSPs and updating the regulatory frameworks applicable to persons regulated by the Trusts and Trustees Act.

In 2023, a consultation document and draft Rulebook for Family Trust Trustees were published to enhance transparency in their evaluations and procedures, especially in the registration process. The final Rulebook, incorporating industry feedback, is scheduled for release in 2024.

Additionally, policy work focused on the updating of rules for individuals authorised under the Trusts and Trustees Act such as professional trustees. The new rules, expected to be available for consultation in 2024, aim to align with international standards, enhance governance, increase compliance, and improve risk management. These updates were all based on feedback received during supervisory interactions.

Efforts were made in late 2023 to simplify regulatory submissions by CSPs, following feedback received from practitioners since the publication of the Rulebook in 2021. This involved updating the Annual Compliance Return and the CSP Rulebook, to implement streamlined processes for CSPs going forward.

The MFSA also contributed to international requests by analysing and providing constructive comments on policy documents and proposed legislation relevant to Trust and Company Service Providers (TCSPs), including discussions on changes to the EU AML package that impact central registers and financial crime compliance obligations.

To meet Malta's international commitments and emphasise the importance of accurate beneficial ownership information, the MFSA focused on ensuring timely access for law enforcement, financial intelligence units, tax agencies, and other government authorities. The Trusts Ultimate Beneficial Ownership Register (TUBOR) platform underwent enhancements in 2023, incorporating automation to minimise human error and adding details for clearer interpretation of data.

These changes align with Malta's efforts to implement the Beneficial Ownership Registers Interconnection System (BORIS) as required by EU legislation, ensuring compliance with EU standards. In addition to overseeing the trustee sector through desktop reviews and supervisory engagements, targeted inspections were conducted to verify reported trusts' beneficial ownership data, reinforcing Malta's commitment to these standards.

Supervision

In delivering on its mission, the Authority engaged with regulated firms across all sectors throughout 2023 to promote continued financial and operational resilience, with a heightened focus on consumer and investor protection and the safeguarding of client assets. Good governance and robust risk management align closely with the stated and published Supervisory Priorities.

Ongoing Supervisory Priorities

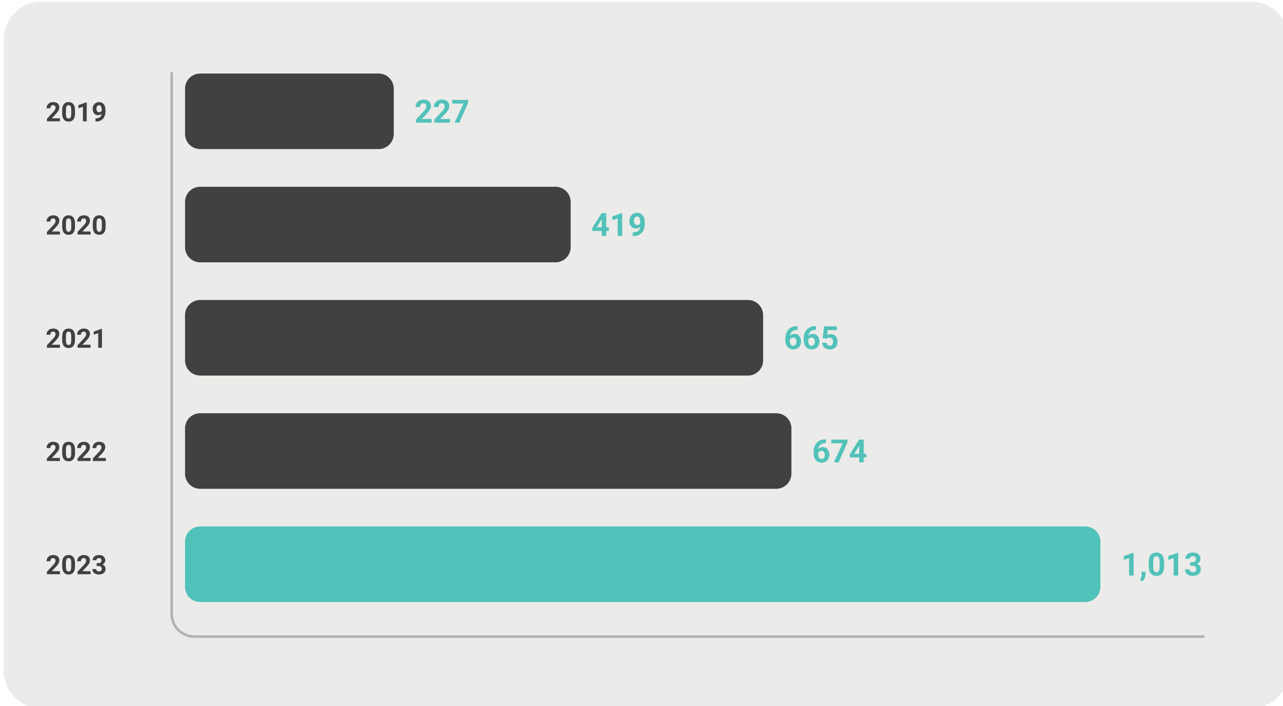
- Governance, Risk & Compliance
- Financial Crime Compliance
- Consumer Protection and Education

High-level Supervisory Priorities for 2023

- Resilience of our Supervised Entities
- Sustainable Finance
- Digital Finance

During 2023, the Authority continued to adopt a risk-based approach to its supervisory activities, with risk being assessed at both sector and firm level across several dimensions, including solvency, liquidity, operational, and retail conduct. The MFSA engaged with firms, or across sectors, according to the level of risks identified. Actions included targeted reviews and inspections of compliance with regulatory requirements, as well as the launch of several thematic reviews.

Total Supervisory Interactions



Supervisory interactions more than **quadrupled** from 2019 to 2023.

An increase of **50%** between 2022 and 2023.

1013 Supervisory Interactions

200 Supervisory Inspections

49% of which had an AML/CFT focus

533 Supervisory Meetings

15 Mystery Shopping Exercises

234 Thematic Reviews

15 Supervisory Review and Evaluation Processes

16 Projects in collaboration with the European Central Bank

Ensuring a Robust Banking Sector

In 2023, the Authority carried out several meetings with key function holders and members of the Boards of banks, to discuss alignment with supervisory expectations. Issues raised included strengthening succession planning and diversity, reinforcing the AML-CFT culture from a prudential point of view and any other bank-specific matters set against the economic and geopolitical environment. The outcome of such interactions informs ongoing supervisory work and/or the Supervisory Review and Evaluation Process (SREP) to complement the information provided by the banks. In 2023, the MFSA performed SREP assessments for six Less Significant Institutions (LSIs), evaluating business model viability and sustainability, while considering the macroeconomic environment, internal governance, risk management controls and capital/liquidity risks.

The MFSA conducted on-site supervision aligned with its 2023 priorities during its supervisory interactions with credit institutions. Specialised exercises focused on emerging risks, including thematic reviews on climate risk and a survey on digital transformation and FinTech usage in local banks. Additionally, thematic reviews on operational risk management, specifically the outsourcing of material services to third parties, were conducted. The emphasis was on the management and governance of these arrangements. The Liquidity Risk management framework thematic review was also concluded for those banks that relied extensively on Online Deposit Platforms (ODPs) for their funding.

Strengthening the Financial Institution and FinTech Sector

The MFSA continued to maintain high levels of supervisory engagements for Virtual Financial Assets Service Providers (VFASPs) and financial institutions through supervisory visits, meetings, and reviews of regulatory deliverables. Emphasis was given particularly to the financial institutions space. Here the MFSA held supervisory meetings with the whole population of licence-holders to communicate both the Authority's strategy of strengthening the supervisory attention being given to the ever-growing FinTech sector in Malta, as well as to set out the expectations in terms of a strong governance culture, safeguarding of assets and financial crime compliance.

Safeguarding the Insurance and Pensions Sector

The financial soundness of licensed undertakings is critical to the Authority's supervisory focus in the insurance and pensions sector. Financial and actuarial reviews remained a key priority together with a focus on the approved auditors of insurance undertakings. In 2023, the MFSA conducted compliance inspections on tied insurance intermediaries, focusing on funds held in trusts. Considering the upcoming Motor Insurance Directive, the Authority has also increased its supervision in claims reserving, as well as processes, systems, and controls put in place by licence-holders. The sensitivity of outsourcing arrangements also remained central to the Authority's supervisory focus during the year.

Protecting Investments and Investor Assets

The MFSA kept a close eye on the strength of the business models of collective investment schemes, fund managers, and investment firms. The focus was on ensuring strong governance structures and control functions that match the nature and size of each licencee's operations. The Authority also paid attention to managing liquidity risk and conducting stress tests, especially due to the volatile geopolitical and economic environment marked by an increasing trend in interest rates. Follow-ups were also carried out with several licence-holders following key findings identified from the 2022 ESMA Common Supervisory Action on asset valuation principles and methodologies. Special attention was given to safekeeping duties and reconciling processes between key service providers, such as depositaries and recognised fund administrators for collective investment schemes. On the prudential side, the MFSA evaluated Investment Firms' compliance with the Investment Firm Directive and Regulation through supervisory engagements. Thematic supervisory interactions focused on safekeeping, client asset segregation, and reconciliation processes to ensure proper safeguarding of clients' funds and assets.

Strengthening Capital Markets

During 2023, the Authority continued to conduct supervisory inspections with issuers of financial instruments and persons professionally arranging or executing transactions. A similar exercise was undertaken for entities falling within the Markets in Financial Instruments Regulation (MiFIR), the European Market Infrastructure Regulation (EMIR), and the Securities Financing Transactions Regulation (SFTR), all of which require a level of reporting to the Authority in terms of the respective legal obligations.

Additionally, the Authority conducted desk-based reviews with a focus on governance, risk, and compliance, particularly addressing data quality, market transparency, and integrity.

Ensuring Compliant Trustees and CSPs

The MFSA prioritised interactions with TCSPs related to governance and compliance, including evaluating the effectiveness of the risk management functions. Some interactions were part of a Thematic Review. Following the regulatory framework reform for CSPs in 2022, the MFSA continued with its efforts in 2023 by ensuring newly authorised CSPs meet post-authorisation conditions. The Authority provided guidance to CSPs, expecting them to conduct a gap analysis between their actions and the Authority's guidance. The Authority reviewed these analyses, maintaining a risk-based approach.

Enforcement

The Authority continued to strengthen and uphold Malta's reputation as a responsible and trusted financial centre through sustained efforts that combat money laundering and terrorism financing, enforcing regulations and adhering to global principles. During 2023, the Authority continued to deliver significant and varied enforcement outcomes across the various sub-sectors. These actions reflect the breadth of enforcement tools available to the MFSA to address the range of regulatory breaches committed by both regulated firms and individuals.

474 investigations in 2023

73	276	125
complex cases	cases related to late submissions	non complex cases

77 Enforcement Actions

60	Administrative penalties
5	Directives
4	Settlement agreements
3	Licences cancelled
2	Individuals not deemed fit and proper
1	Strike-off
1	Appointment of competent person
1	Suspension of licence

The sum of penalties issued in **2023** amounted to

€444,800

None of the 77 enforcement actions imposed by the MFSA in 2023 were appealed before the Financial Services Tribunal.

Enhancing Due Diligence

During 2023, the MFSA completed more than 1,300 reports, focusing primarily on integrity checks on individuals proposed to take up new positions in the market. The MFSA is also responsible for conducting several other checks beyond newly Authorised Persons that cover several ad-hoc situations that arise throughout the supervisory lifecycle.

The Authority has been at the forefront in strengthening cooperative relationships with national and international regulators as well as law enforcement agencies. To this end, the Due Diligence function has led several discussions on information sharing, joint training, dedicated case studies, and lessons-learned exercises. In parallel, the Authority is also actively engaged in the prospective initiative by the three European Supervisory Authorities (EBA, EIOPA, ESMA) to establish a common platform for exchange of information on fitness and propriety. This will seek to increase the efficiency of information exchange, harmonise processes, and bolster cooperation amongst supervisory authorities.

These efforts are being strengthened by the MFSA's participation in the Kleptotrace project. This initiative by the European Commission aims to boost the investigation, tracing and recovery of assets related to transnational high-level corruption and to sanctioned regimes and entities through a combination of research, training, and data-driven tools.

Strengthening The AML Function and Focus

The MFSA plays a critical role in the line of defence against money laundering and financing of terrorism. Notably, it assesses the competence of licence-holders' incumbent Money Laundering Reporting Officers (MLROs) and the adequacy of the respective financial crime frameworks. The Authority also performs AML/CFT compliance inspections on Authorised Persons using FIAU's supervisory methodologies.

Additionally, the MFSA co-operates with the Sanctions Monitoring Board (SMB) by assisting in the monitoring of the Subject Person's compliance with the obligations stemming from the National Interest (Enabling Powers) Act, during the AML/CFT Compliance Examinations. During these interactions, the MFSA assesses the sanctions screening processes, procedures, and systems, together with the review of a sample of customer files from the perspective of sanctions obligations.

In 2023, the Authority undertook a total of 44 FIAU-delegated supervisory engagements, with a focus on AML/CFT and sanctions compliance, across the various sectors that are supervised. Sanctions Monitoring and implementation are covered in all the MFSA's AML examinations, irrespective of the thematic focus. In 2023, 31 reports were sent to the SMB for their consideration and possible action.

Locally, the MFSA actively participated in the updating of the National Risk Assessment and the AML/CFT National Strategy. On a European level, the Authority is involved in talks on the Anti-Money Laundering Package to improve supervision and rule enforcement.

1,300	Due diligence reports
44	FIAU-delegated supervisory engagements focusing on sanctions and AML compliance
31	Reports from AML examinations sent to the Sanctions Monitoring Board

Embracing Innovation

Maintaining Malta's attractiveness and competitiveness as a regional financial centre depends on our collective ability to embrace innovation. As a regulator, we have taken the lead in the regulation of digital finance, particularly virtual financial assets, and remain committed to promoting technology and innovation-driven growth in Malta's financial sector, focusing on promoting digital and sustainable finance as two pillars of innovation.

Building a Digital and Resilient Financial Sector

The financial sector needs to become more digital and competitive, but it must also ensure that it is secure and resilient in the digital realm. As part of Europe's Digital Finance Package, the Authority is currently focused on the preparedness and implementation of the Digital Operational Resilience for the Financial Sector (DORA). In 2023, the MFSA also started engaging with financial entities in relation to their transition to DORA and efforts towards ensuring compliance with the regulation will remain a supervisory priority in the coming years.

Initiatives to Increase DORA Preparedness

In preparation for the upcoming DORA Regulation effective in January 2025, the MFSA has been actively involved in outreach initiatives throughout 2023. These efforts focus on raising awareness not only among Authorised Persons but also across the industry, including relevant associations, consultants, and tertiary education students.

To keep Authorised Persons informed about DORA Regulation developments, the MFSA utilised social media where it published several podcasts on the topic, as well as several Circulars. Additionally, a Consultation Document on the Adoption of the TIBER-EU Framework in Malta was published.

The MFSA's Supervisory ICT Risk and Cybersecurity (SIRC) function carried out cross-sectoral supervision in the areas of ICT risk and cybersecurity and the management of risks associated with ICT outsourcing. Guided by the priorities of the European Central Bank and the European Supervisory Authorities, and in line with the MFSA's Supervisory Priorities, the Authority continued to engage with supervised financial entities to ensure that they have adequate internal governance and control frameworks in place for their ICT and Cybersecurity risks. In 2023, the MFSA applied various supervisory tools using a risk-based approach to assess the financial entities in scope, focusing specifically on fundamental cybersecurity measures and business continuity management.

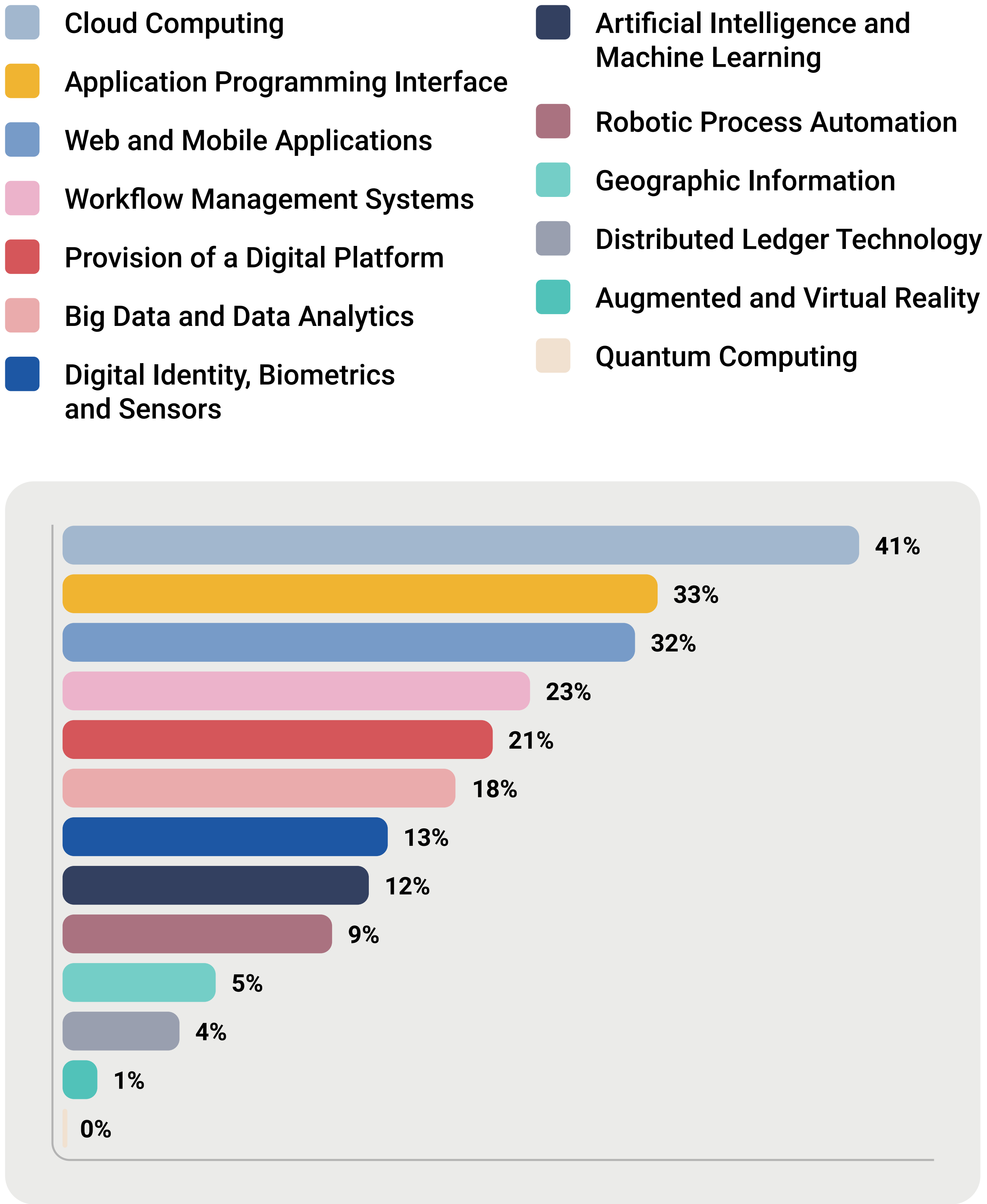
From a digital finance point of view, the MFSA continued integrating ICT assessment in its prudential assessments of insurance licencees, while also maintaining its monitoring in relation to exposure of licence-holders to operational cyber risk in its Own Risk Solvency Assessment (ORSA) review processes. The MFSA maintained a close eye on developments in terms of cyber insurance cover provided by insurance undertakings and whether the companies writing such risks (either explicitly or silently) have an adequate risk management framework in place to manage the associated risks.

A Local Study on FinTech Adoption in the Financial Sector

To shed light on the state of digital transformation and FinTech adoption within the Maltese financial services sector, the MFSA conducted a comprehensive study among **390 Authorised Entities** or Persons holding a total of 472 licences. With a high **response rate of 95%** from surveyed entities, the study aimed to gain insights into the adoption of enabling technologies and innovations, identify objectives behind digital transformation strategies, and evaluate perceived risks and impacts.

Adoption of Enabling Technology as a Percentage of Target Population

Cloud computing, Application Programming Interfaces, and web and mobile applications emerged as the main enabling and innovative technologies adopted by the Maltese financial services entities. These technologies were recognised for their positive impact on the overall financial services sector, particularly in areas such as payment services, payment infrastructures, and commercial banking.



Implementation of Digital Transformation Strategies

Over 50% of the surveyed financial services entities in Malta have taken actions toward digitisation, digitalisation, or the implementation of enabling technologies and innovations.

Yes	No
52%	48%

Top 3 Objectives for Digital Transformation Strategies Implementation

Efficiency, enhanced customer experience and engagement as well as the reduction of operational risks have been cited as main objectives for adopting digital transformation strategies. Several factors within the Maltese context influence the state of digital transformation and FinTech adoption. Access to the European Single Market, availability and access to adequate IT infrastructure, and the Maltese regulatory openness and accessibility were identified by surveyed entities as the top three factors positively influencing this space. Payment services, payment infrastructures, and commercial banking were identified as the main areas influenced by digital transformation.

- Enhanced Efficiencies
- Enhanced Customer Experience and Engagement
- Reduction of Operational Risk

Greening the Financial System

The Authority continues to partner with the financial sector to strengthen resilience to environmental and climate risks. This entails the implementation of further initiatives to incorporate and disclose sustainable practices in licensed entities, to develop a vibrant green finance ecosystem.

- Approved the first local application for the listing of a **green bond** in 2023.
- Incorporated legislative requirements related to sustainable finance into the supervisory programme for 2023 and **integrated ESG monitoring** and assessment into supervisory processes.
- Collaborated with European Supervisory Authorities and the European Commission to **align with best practices** in sustainable finance.
- Raised awareness among supervised entities and **established partnerships with other regulators** to share supervision best practices in sustainable finance.
- Communicated outcomes and expectations on **SFDR website disclosures** through Volume VII of the Nature and Art of Financial Supervision.
- Intensified **review of prospectuses during authorisation**, focusing on sustainability aspects.
- **Reviewed financial advisors** with a focus on sustainable products.
- Monitored how insurance companies assess **climate-related risks.**
- Started an **ESG risk exercise** to assess preparedness and compliance by all credit institutions.
- Conducted **thematic reviews** and visits to investment firms focused on sustainable finance. Findings show that local staff needs to be trained much more in this area.

Promoting Financial Stability in the Maltese Economy

The MFSA serves the public interest by safeguarding financial stability and ensuring that the financial system operates in the best interests of the community and the wider economy.

The Authority actively conducted thorough risk assessments and suggested micro and macroprudential policies as part of the supervisory toolkit. A notable development occurred in March 2023 when the Central Bank of Malta and the MFSA, through the Joint Financial Stability Board (JFSB), collaboratively decided to implement a Sectoral Systemic Risk Buffer (sSyRB) of 1.5%. This buffer specifically targets the risk-weighted assets linked to domestic mortgage exposures, addressing concerns related to the increasing concentration of mortgage loans in the Maltese banking sector. Throughout the year, the MFSA also supported the Central Bank of Malta in the annual review of Other Systemically Important Institutions (OSIIs) and associated capital buffers for the banking sector. These proactive measures not only strengthen the resilience of the banking sector but also highlight collaborative efforts to promote financial stability in the Maltese economy.

During the year under review, comprehensive assessments were undertaken, including the analyses of exposures to benchmarks within the domestic financial services sector, aligning with the amendments to the Benchmarks Regulation (BMR) of the European Parliament and the Council. In the investment fund sector, regular monitoring of leverage was carried out. This assessment considers the potential macroprudential threats posed using substantial leverage by investment funds. The findings of this exercise were submitted to the European Securities and Markets Authority (ESMA).

Another significant European Systemic Risk Board (ESRB) Recommendation with relevance to addressing and mitigating systemic risk is the pan-European systemic cyber incident coordination framework. In this regard, the ESRB proposed to establish a pan-European systemic cyber incident coordination framework which seeks to enhance coordination among financial authorities within the EU and with other relevant authorities at the international level.

Following the global banking sector upheaval in 2023, a thorough analysis was undertaken across various sectors. The focus was on evaluating the exposure of Maltese banking, insurance, and investment fund sectors to US and European banks affected by the crisis. Work continued in setting up an impact assessment framework of the Maltese banking system, considering both micro and macro aspects. This comprehensive analysis examines banks' overall soundness following shocks through various channels.

In the investment fund sector, the annual liquidity stress testing for Maltese retail investment funds was updated in the past year. The goal of this exercise is to assess the sector's resilience in situations where net redemptions and market-driven reductions in Net Asset Values are prevalent. There was also a focus on non-bank financial intermediation (NBFI) in Malta, particularly involving the creation of a composite indicator to identify bank-like risks posed by non-bank entities. The MFSA actively monitored domestic NBFI developments and participated in EU-level initiatives in this sector.

The MFSA also embarked on relatively new areas, initiating research on the theoretical risks linked to the utilisation of FinTech, with a notable emphasis on cyber risk and crypto assets. Research was conducted with a macroprudential perspective, aiming to examine the potential impact of these evolving risks on the stability of the financial system. The assessment not only considers the immediate implications but also considers the broader systemic repercussions that could arise from the increasing integration of FinTech solutions. The analysis of interconnectedness within the Maltese financial system continued to be an integral aspect of the MFSA's risk oversight mechanism. The in-house network model facilitated monitoring contagion risk through equity, credit, and funding channels. Coverage is extended to over 450 licence-holders, incorporating interlinkage and transitional channel assessments of the financial sector together with that of non-financial entities.

Strengthening the Resolution Function

In 2023, the MFSA focused on engaging further with the industry and on raising awareness of its responsibilities and obligations that emanate from the Bank Recovery and Resolution Directive (BRRD).

The Authority worked on implementing amendments to the Bank Recovery and Resolution Directive (BRRD) in alignment with the Central Counterparties Recovery and Resolution Regulation. Additionally, legislative changes were introduced, and a significant project was continued with the European Commission Directorate-General for Structural Reform Support and a private-sector provider. This project focuses on developing an Administrative Insolvency Regime for Banks in alignment with International Monetary Fund (IMF) Financial Sector Assessment Program recommendations.

During 2023, the MFSA was actively involved in the Council meetings on Crisis Management and Deposit Insurance and provided extensive feedback on the Insurance Recovery and Resolution Directive. The MFSA played a crucial role in the liquidation of three banks. Furthermore, the efforts were initiated to revamp the Domestic Crisis Management Framework, encompassing the management of financial crises at a national level with cooperation from the Ministry responsible for Finance and the Central Bank of Malta.

The MFSA was also actively involved in monitoring compliance with the Minimum Requirement of Own Funds and Eligible Liabilities (MREL), through verification exercises and analysis of resolution reporting data collection, and has also effectively implemented SRB decisions for this category of banks. In terms of MREL monitoring, throughout 2023 the MFSA dedicated particular attention to the path towards adherence to the MREL funding plans that banks provided to the MFSA to comply with the final binding MREL target on 1st January 2024.

Enhancing Governance Structures and Compliance Standards

In 2023, the MFSA continued to emphasise the importance of corporate governance, viewing it as a priority in both its strategic and supervisory aspects. Policy efforts in this regard included updates to the 'Corporate Governance Manual for Directors of Investment Companies and Collective Investment Schemes' which was published as a revised manual in October 2023.

The Authority also continued to monitor its licence-holders ensuring that appropriate internal control mechanisms by way of the three lines of defence mechanism are in place to ensure that exposure to risks are identified, managed, mitigated and, where appropriate, disclosed. During 2023, the Authority has undertaken considerable work in assessing the governance culture and standards of authorised entities which has led to the identification of areas where further improvement may be required. In several cases, the Authority has communicated recommendations to the Board of Directors of authorised entities to ensure that the desired controls are in place to measure the effectiveness and performance of the individuals occupying key control functions as well as the over-arching performance of the Board of Directors itself, in line with the risks posed by the business model.

Efforts have been made to improve the documentation of meeting minutes for licence-holders. It was noted that Boards need to enhance the recording of discussions and challenges that influenced decisions, particularly at the Board and Committee levels. While boards often focus extensively on topics like strategy and business performance, there's a need for more attention to crucial matters like regulatory compliance, evaluating the effectiveness of the Product Oversight and Governance (POG) process, and assessing products, particularly in the insurance sector. In the case of insurance entities, the Authority also noted significant room for improvement with respect to compliance with disclosure requirements and complaints handling arrangements.

Protecting Consumers and Promoting Fair Treatment

The MFSA proactively engages with firms and industry representative bodies to ensure that its supervisory expectations about the fair treatment of customers are fulfilled, and consumers are protected.

Ensuring Integrity in the Conduct of Business

Throughout 2023, the Authority carried out various onsite inspections and visits at financial service providers across different sectors to ensure that their conduct of business is in line with the MFSA's expectations.

Pre-contractual documentation and disclosure of fees in relation to mortgage and personal lending were the key focus of inspections to several credit institutions. In addition, a mystery shopping exercise was conducted, identifying several gaps which credit and financial institutions were requested to address, mostly in terms of improving their processes.

With respect to insurance providers and intermediaries, the Authority focused on selling practices and procedures. Several thematic reviews were carried out, shedding light on a key issue in relation to the complexity of policies and documentation being provided to insurance customers. Sustainable finance was also a key area of interest, but it was noted that the understanding of the related products was relatively weak.

The Authority also reviews financial promotional material to ensure that regulations are followed and there is no abuse or misleading information. During the year under review, several gaps were identified on social media material and websites by the Authority, which licence- holders were asked to rectify.

How We Protect Consumers

34

Public Warnings and Consumer Notices

A mystery shopping exercise revealed that **banks** need to refine their processes when disclosing fees and sharing pre-contractual documents on home personal loans.

Insurance companies were urged to make their policies less complex to be more easily understood.

Investment firms were encouraged to train their staff more in sustainable finance products.

531 Checks

on social media adverts published by financial entities to ensure information is not misleading

Resulting in

21

Corrections

35

Reviews of websites belonging to financial entities

264

Conduct Related Returns

from entities across three sectors were examined. This helps us detect risks early on by identifying patterns of unusual activity, such as an increase in complaints.

Strengthening Our Stakeholder Engagement and Outreach

The Malta Financial Services Authority has a key role in ensuring and promoting Malta as a reputable and resilient jurisdiction. It is also duty-bound to communicate its supervisory and regulatory expectations to licensed entities and to support them in their knowledge of the expected changes within the regulatory landscape.

Setting New Standards in Regulatory Conferences

Throughout the year, the MFSA organised four large and successful conferences attracting key international stakeholders, and garnering significant interest from industry practitioners. In October the Authority, through its Financial Supervisors Academy, hosted a highly successful Sustainable Finance Conference. The conference brought together esteemed scholars, industry leaders, and regulatory authorities to delve into critical topics surrounding the importance of sustainable finance in shaping a greener and more sustainable financial future. The conference featured engaging panel discussions on Malta's effort to move towards a green economy as well as on disclosure and reporting. The panellists shared their insights and recommendations on how Malta can leverage its strengths and address weaknesses in achieving its green goals.

The "Future of Banking Supervision" conference, organised by the MFSA's Financial Supervisors Academy in November, brought together key figures from the local and EU banking industry, including representatives from the EBA and the European Central Bank. The conference underscored the crucial role banks can play in facilitating a smooth transition to a sustainable environment and economy. The Conference aimed to enhance transparency around the expectations of the Authority from banks and encourage discussion on upcoming regulations. Attended by over 100 bank representatives, the conference's agenda was thoughtfully structured to address several key themes, including ESG risk management and sustainable finance, regulating digital finance, and AML/CFT developments and the supervisory approach.

The Academy also organised the highly anticipated Markets in Crypto Assets Regulation (MiCA) conference during the same month. The conference, with the participation of over 500 participants, including delegates from over 25 European Supervisory Authorities, competent authorities, and ministries situated in 17 different countries, marked a significant step forward in gaining a deeper understanding of the evolving regulatory frameworks governing crypto assets. The 32 speakers addressing the conference, including 12 foreign experts and key figures joining from Europe and the US, shed light on the new MiCA regulation which came into force in June 2023 and sets out a framework for the regulation of crypto-assets in the European Union. Discussions emphasised investor protection and included insights from Malta's regulatory experience. Additionally, the conference examined supervisory convergence and discussed nuances in regulating the crypto-assets space, as well as the impact of this regulation on traditional banking and efforts to address Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) concerns within the crypto industry.

An additional conference was dedicated to Leadership and Development, bringing together MFSA's senior leadership and executives from other local authorities.

Industry Workshops to Enhance Preparedness

Given the fast-changing regulatory environment, the Authority organised a number of industry workshops to deep dive into particular topics and directives. Such workshops were carried out for the insurance, investment and banking sectors. The latter brought together key players from the industry and aimed to provide a comprehensive overview of the Resolution Framework, a crucial yet often overlooked aspect of banking operations. The MFSA also addressed and participated in several local third-party conferences.

"Engaging in open dialogue and cooperation on MiCA topics in public venues such as the FSA Forum assists us in getting our messages across to the stakeholders."

Verena Ross

Chair of the European Securities and Markets Authority at the MiCA conference held in November 2023

"Events which bring climate change and finance together in Malta help to increase the knowledge of what the European Union is doing in the field and also of how the ECB is contributing to the Green Agenda within its mandate."

Iñigo Arruga Oleaga

Adviser, DG Legal Services, ECB at the Sustainable Finance conference organised by the FSA in October 2023

"It's wonderful that you're able to attract so many people to this event. We are all a global family. As regulators, we have to work with each other and talk to each other and to the industry. The industry wants to do the right thing and sometimes it just needs a reminder of what that right thing is."

Kevin Piccoli

Deputy Director, US Commodity Futures Trading Commission at the MiCA conference held in November 2023

Fostering International Collaboration

As part of the MFSA's efforts to continue to strengthen Malta's position as a dynamic, reliable, and trustworthy jurisdiction, the MFSA prioritises international engagement through frequent engagement with global institutions and regulators. The MFSA actively participates in various international forums, including international committees, working groups, expert groups, task forces, cooperation platforms, workstreams, board meetings, forums and high-level groups, emphasising areas like investor protection, risk and governance. The MFSA also participated in several bilateral meetings with other European Institutions including the UK's Financial Conduct Authority, the Commission de Surveillance du Secteur Financier of Luxembourg and the Financial Market Authority of Austria.

Participation in these forums strengthens our role and the importance we give to these crucial areas.

Participation in International Forums

European Central Bank

Participated **140+** times in over **30** forums

European Banking Authority

Participated **85+** times in over **15** forums

European Insurance and Occupational Pensions Authority

Participated **55+** times in over **15** forums

European Securities and Markets Authority

Participated **70+** times in over **15** forums

25+ Meetings with international regulators and associations

31+ Meetings with joint European Supervisory Authorities and other European Institutions.

Themes discussed within international forums:

5

Regulatory Briefings

4

Conferences

113

Speakers

1,500+

Participants

Regular Communication through Various Channels

The MFSA continued to communicate regularly about its work using the corporate website, media releases, and social media platforms to reach the general public. The Authority has also continued to publish material directed towards industry players. These updates are being appreciated by industry stakeholders as they guide and inform on the expectations of the Authority, shedding light on findings and supporting financial entities in increasing their general level of preparedness.

Our Digital Presence

Number of website Sessions increased by

15%

Totalling to **721,456**

Over **22,000** LinkedIn Followers

Up **+16%** From 2022

10% Increase in Facebook Followers

29% Increase in Instagram Followers

Collaborating Closely with the Industry

In 2023, the Authority established a consultative panel made up of industry experts and stakeholders. The objective of the MFSA Stakeholders Panel is to provide external and independent input from the point of view of the industry as well as other regulators from other sectors.

The MFSA holds regular meetings with industry associations to discuss ongoing regulatory developments and to foster an open channel of communication between the regulator and regulated entities to promote a better understanding of the applicable regulatory requirements, and hence, a more robust compliance culture.

In collaboration with the Accountancy Board, the Malta Institute of Accountants, and the Malta Insurance Managers Association, the Authority worked on the new Accountancy Profession Regulations which enable certain categories of insurance undertakings to make use of these new General Accounting Principles instead of International Financial Reporting Standards. A new International Financial Reporting Standard (IFRS 17) also necessitated amendments to the National Specific Templates issued by the Authority.

Educating and Empowering Consumers

In 2023, the MFSA rolled out an educational campaign on the effect of rising levels of inflation on consumers of financial services. The campaign aimed to increase awareness about the impact that inflation may have on investments, loans, and savings, with a focus on explaining the difference between the different types of interest rates and the related risks during times of rising inflation.

Another campaign launched in 2023 focused on the detection of financial scams, raising awareness of the different types and the red flags to watch out for.

In partnership with the International Organisation of Securities Commission, the MFSA rolled out an education campaign during World Investor Week, explaining best practices and providing tips on how one should go about investing their money. The last campaign for 2023 built on this topic of investments, this time focusing on cryptocurrencies, highlighting the risks and benefits attached to them.

As part of these campaigns, and to promote financial literacy in general, several MFSA employees have participated in local radio and tv programmes, and several school visits were organised throughout the year.

In 2024, the Authority is planning to adopt a more active role in financial education with a monthly calendar featuring multi-channel initiatives aimed at reaching specific segments within the general public more effectively.

Our 4 Consumer Education Campaigns

- How to detect financial scams
- Inflation and its impact on your finances
- Investing smartly
- Unlocking crypto

Our Campaigns Registered:

1.025	Million Video Views
9,000+	Website Visits
2.15	Million in Social Media Reach

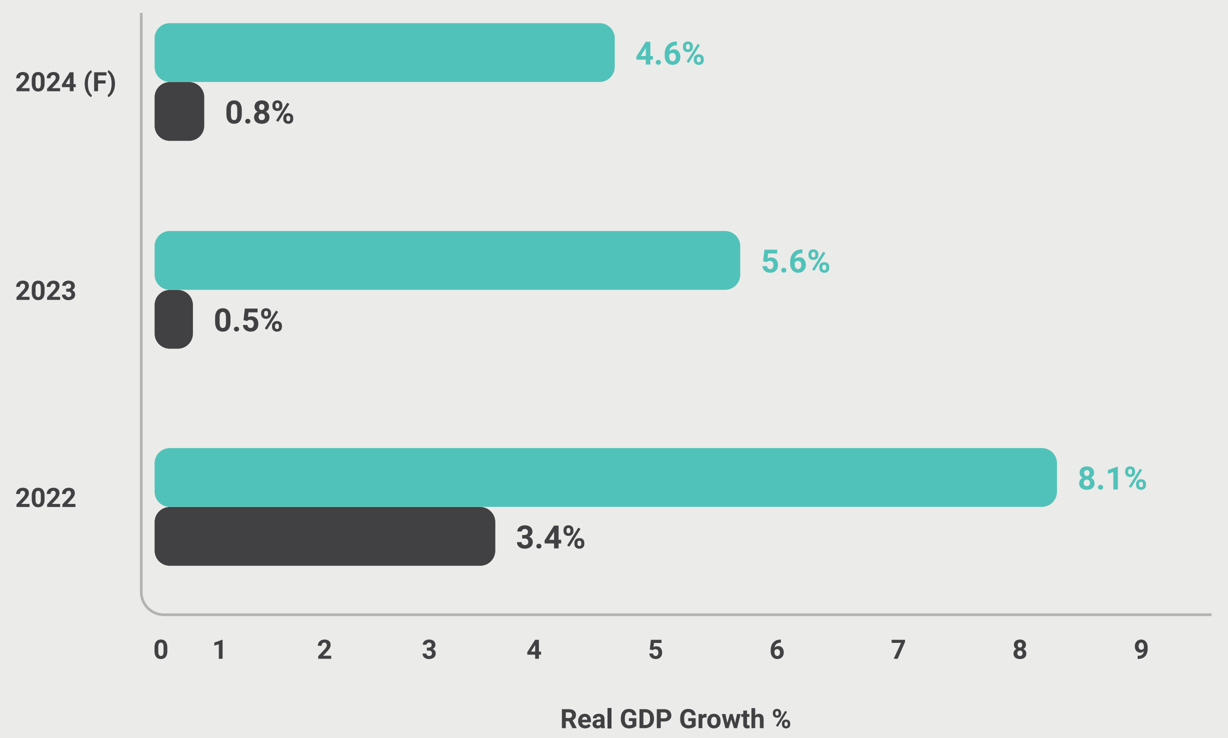
5 State of the Financial Industry

Malta's Economic Performance

The Local Economy Continues to Expand

Malta's real gross domestic product (GDP) is expected to increase at a slower pace than the peaks achieved after the COVID-19 pandemic of 8.1% in 2022. GDP growth stood at 5.6% in 2023 and is projected to stand at 4.6% in 2024. This remains a very strong outlook for Malta, especially in comparison to the GDP growth rates of the euro area, which decelerated to 0.5% in 2023 and is projected to stand at 0.8% in 2024.

Growth in Real GDP - Malta and Euro Area



Source: NSO, Central Bank, ECB, European Commission

Malta Real GDP Growth Rate   Euro Area Real GDP Growth Rate

This economic growth comes also as a result of a resilient labour force. In 2024, the unemployment rate is projected to remain unchanged from 2023, at 2.6% of the labour supply, dropping slightly from 2022. As the tightness in the labour market is expected to persist in the foreseeable future, pressure on wages will remain a key factor.

As the economy continues to demonstrate resilience, the Government will gain further traction in rebalancing public finances. This will also be supported by easing expenditures aimed at reducing the impact of inflation. The general government deficit-to-GDP ratio will be further reduced to -4% in 2024 from -4.5% in 2023, while the government debt-to-GDP ratio shall be maintained well under the 60% mark.

Growth in GDP is expected to remain robust over the coming years. The Central Bank of Malta is projecting growth to ease at 4.4% in 2024, moderating further to 3.6% in 2025. Despite this cooling off, Malta is still expected to remain among the fastest-growing countries in Europe. The global economy remains volatile, with risks tilted to the downside, making Malta's performance even more significant.

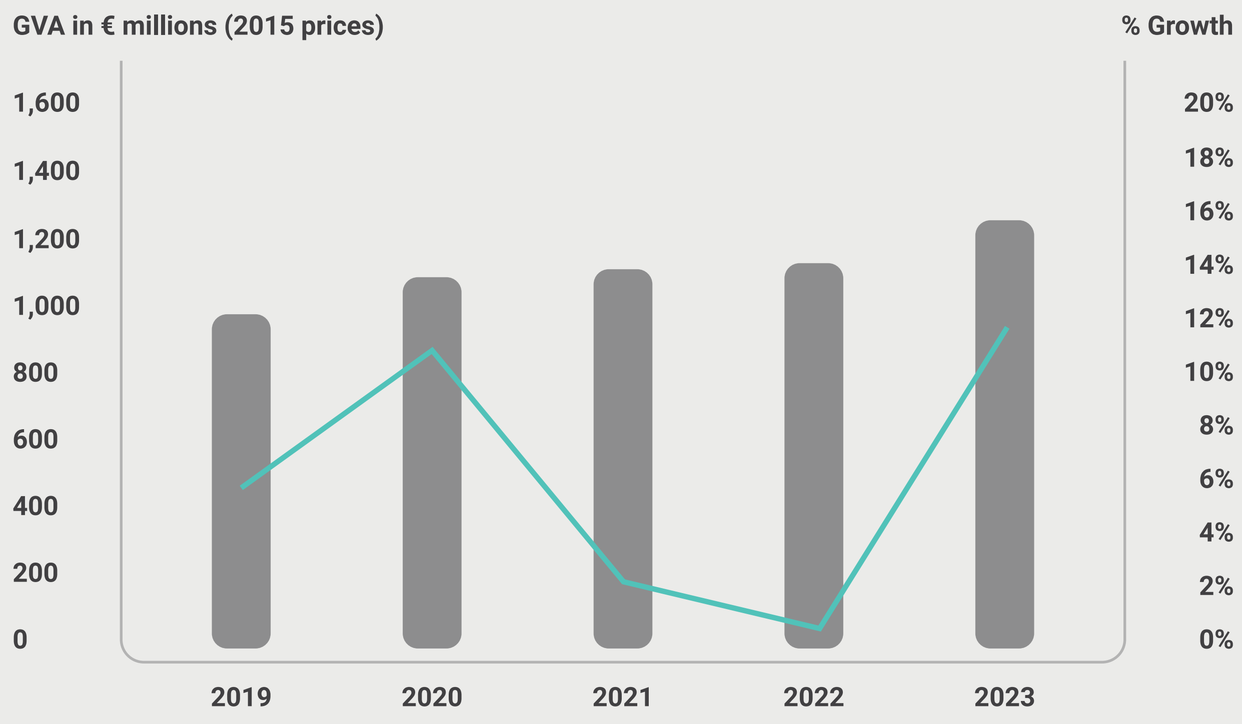
Key Economic Indicators

	2022 (%)	2023 (%)	2024 (F) (%)
Real GDP growth rate	8.1	5.6	4.6
Financial Services Sector GVA growth rate – 2015 prices	0.8	11.8	-
Unemployment Rate	2.9	2.6	2.6
General Government Balance to GDP	5.6	4.5	4.0
General Government Gross Debt to GDP	51.6	50.7	52.7
Inflation rate	6.1	5.6	2.9

Source: NSO, Central Bank, European Commission

Malta's economic performance was primarily driven by strong export growth, namely service exports. Professional services, remote gaming, and tourism continued to grow steadily while the expansion in information and communications technology and trade moderated. The past five years have proven to be very positive for the financial services sector, which, generated significant growth despite the pandemic and global supply-side pressures. In 2019, the sector generated around €977 million in gross value added (at 2015 prices), increasing steadily to €1,251 million in 2023. Between 2022 and 2023, the financial services sector witnessed a robust 11.8% growth.

GVA for Malta's Financial Services Sector

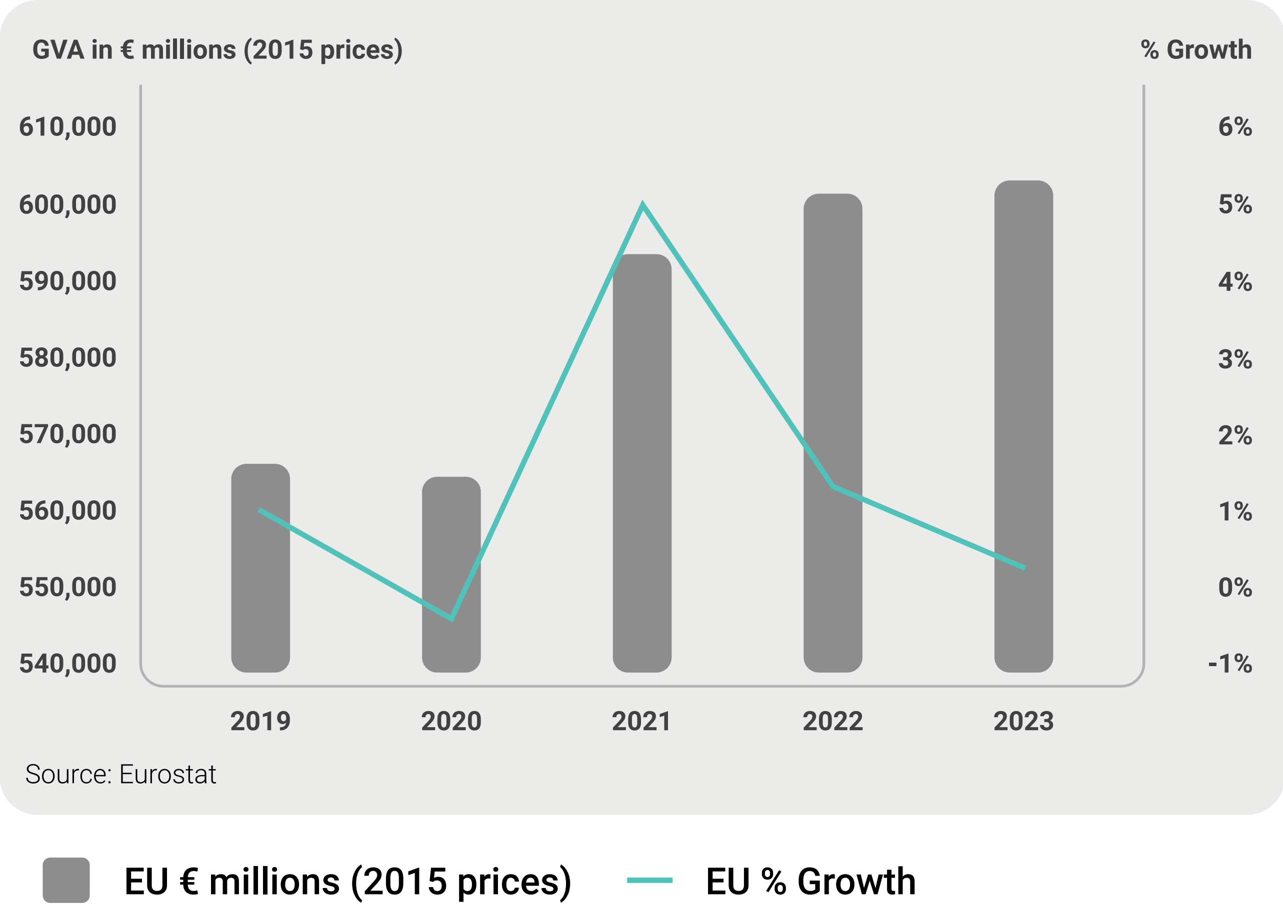


Source: NSO

Malta € millions (2015 prices)   Malta % Growth

The growth in the local financial services sector over the past five years closely reflects the growth trajectory of the EU average. At an EU level, however, this growth was more muted when compared to Malta, peaking at 5.1% in 2021 before easing again to 0.2% in 2023.

GVA for Financial Services in the EU



Source: Eurostat

Buoyant Labour Markets Continue

Employment continues to grow fast on account of economic growth. With the employment rate standing at 79% in 2023, Malta has outperformed its peers in the euro area and the European Union.

The unemployment rate in Malta remains historically low approaching the natural rate of unemployment. Malta has one of the lowest unemployment rates within the European Union confirming the tightness of its labour market. This is confirmed by various other labour market indicators, such as an activity rate of 81%. Notably, labour market growth has been driven by the sizeable influx of foreign workers, mainly composed of third country nationals.

Inflation Pressures are Moderating

The annual inflation rate based on the Harmonised Index of Consumer Prices (HICP) stood at 3.7% in December, down from 3.9% in the previous month. Inflation based on the Retail Price Index (RPI) remained unchanged at 3.6%. Government measures aimed at shielding consumers from international energy and food price pressures are expected to continue to contribute to this easing of inflationary pressures, until tapering of government subsidies commences.

Government's Fiscal Position Improves Marginally

At 4.5%, the general government deficit narrowed from the 5.6% registered a year earlier, on account of the buoyant economic performance. The government anticipates this positive trend to continue with the deficit projected to fall below the 3% threshold by 2025. Despite increasing in level terms, government debt as a percentage of GDP fell to 50.7% in 2023 on account of higher economic activity. Government debt is forecasted to rise again, with the debt reaching 52.7% and 53.5% in 2024 and 2025, respectively.

The Banking Sector Remains Resilient and Highly Liquid

Deposits belonging to households in the banking sector continued to rise, further improving the liquidity in the banking sector. Credit remained strong, though moderating, on account of the activity in the property market, which continued to drive the improvement in the profitability of the banking sector. The sector remains well-capitalised and maintains strong liquidity positions on account of high domestic deposits.

Growth is Expected to Accelerate

Despite a weaker global and European environment, Malta's economic growth is expected to maintain its strong position in Europe with economic output projected to expand at more than 4.4% in 2024 and 3.6% in 2025. Inflation is predicted to decrease further, though it will stay above the 2% target level. Unemployment is expected to remain low despite a tight labour market as foreign labour continues to address supply shortages.

The Global Economic Environment

A More Resilient Global Economy

The International Monetary Fund is projecting global growth at 3.1% in 2024 and 3.2% in 2025, on account of greater-than-expected resilience in the United States and several large emerging market and developing economies, as well as fiscal support in China. Inflation is falling faster than expected in most regions due to tapering of supply-side issues and restrictive monetary policy.

Risks to the Global Economy Remain Broadly Balanced

With disinflation and steady growth, risks to global growth are broadly balanced. On the upside, faster disinflation could lead to easing of the interest rate hikes. Looser fiscal policy could imply temporary higher growth but at the risk of a more costly adjustment later on. Stronger structural reform momentum could bolster productivity with positive cross-border spillovers. On the downside, new commodity price spikes from geopolitical shocks–including continued attacks in the Red Sea - and supply disruptions or more persistent underlying inflation - could prolong tight monetary conditions. Deepening national economic issues, a disruptive turn towards tax hikes, and spending cuts could also cause growth disappointments.

Geopolitical Tensions Remain the Biggest Threat

The Middle East crisis could escalate further into the wider region, which is responsible for producing about 35% of the world's oil exports and 14% of its gas exports. Continued attacks in the Red Sea, through which 11% of global trade flows, and the ongoing war in Ukraine risk generating fresh adverse supply shocks to the global recovery, with further spikes in food, energy, and transportation costs. Container shipping costs have already sharply increased, and the situation in the Middle East remains volatile. Further geo-economic fragmentation could also constrain the cross-border flow of commodities, causing additional price rises. Climate-induced geopolitical implications, through more severe weather shocks, including floods and droughts, could, together with the El Niño phenomenon, also cause food price spikes, exacerbate food insecurity, and jeopardise the global disinflation process. This features as a considerable threat to the real purchasing power of many households, in particular for those sectors experiencing slow wage growth.

The Euro Area's Economy Remains Sluggish

The euro area economy stagnated at the end of 2023 amid tight financing conditions, subdued confidence, and past competitiveness losses. A slower recovery in the short run is anticipated compared to that foreseen in the December 2023 projections. Nevertheless, economic growth is projected to gradually pick up during this year as real disposable income rises, amid declining inflation and robust wage growth, and as the terms of trade improve. Over the medium term, the recovery is seen to also be supported by the gradual fading of the impact from the ECB's monetary policy tightening. Overall, annual average real GDP growth is expected to be 0.6% in 2024, and to strengthen to 1.5% in 2025 and 1.6% in 2026.Inflation is projected to moderate further owing to lower energy prices and the impact of monetary policy tightening, albeit at a more modest pace than seen in 2023.

A Closer Look at Financial Services

A Year of Global Recovery and Transformation

In 2023, the global financial services sector witnessed a period of recovery and transformation, navigating through the challenges posed by geopolitical tensions, inflationary pressures, and the lingering effects of the COVID-19 pandemic. Key developments included the accelerated adoption of digital banking and FinTech solutions, driven by consumer demand for convenience and efficiency. This digital shift has not only enhanced service delivery but also opened new avenues for financial inclusion globally.

Investment banking faced a mixed landscape. There was a notable rebound in mergers and acquisitions activity in some regions, which was counterbalanced by cautious investor sentiment in other regions due to market volatility. The asset management sub-sector saw a surge in sustainable and ESG (Environmental, Social, and Governance) investing, reflecting a broader trend and need towards responsible investing. Central banks in major economies continued to play a critical role in stabilising financial markets, with monetary policy adjustments aimed at controlling inflation without stifling economic growth.

The European Financial Sector Displayed Resilience and Innovation

Within the EU, the financial services sector in 2023 showcased resilience, buoyed by strategic regulatory frameworks and digital innovation. The EU's emphasis on sustainable finance further cemented its position as a global frontrunner in ESG investing. This is evidenced by the substantial capital flows into green bonds and sustainability-linked financial products. The European Central Bank (ECB) and national regulators closely monitored inflation rates, implementing monetary policies that balanced inflation control with the need to support economic recovery post-pandemic.

Banking consolidation emerged as a key theme, with several cross-border mergers and acquisitions aimed at creating more robust European banks capable of competing on a global scale. This consolidation was partly driven by the need to navigate the low-interest-rate environment more effectively, which continued to challenge profitability.

Digital transformation remained at the forefront, with the EU advancing its digital finance strategy. This included the promotion of innovation in digital payments, the regulation of cryptocurrency, and the enhancement of cybersecurity. These efforts ensure a secure and competitive financial ecosystem. The Payment Services Directive (PSD2) and other regulatory measures facilitated this transformation, enhancing consumer protection and promoting competition.

Moreover, the EU's Capital Markets Union project made strides in integrating national markets, aiming to provide businesses with greater access to financing and offering investors a wider array of investment opportunities. This effort towards market integration underscores the EU's commitment to strengthening its financial architecture and ensuring long-term economic growth and stability.

Malta's Financial Services Sector Remains Robust

Sector's contribution to country's GVA is **8.6%**

18,100 are employed in financial services

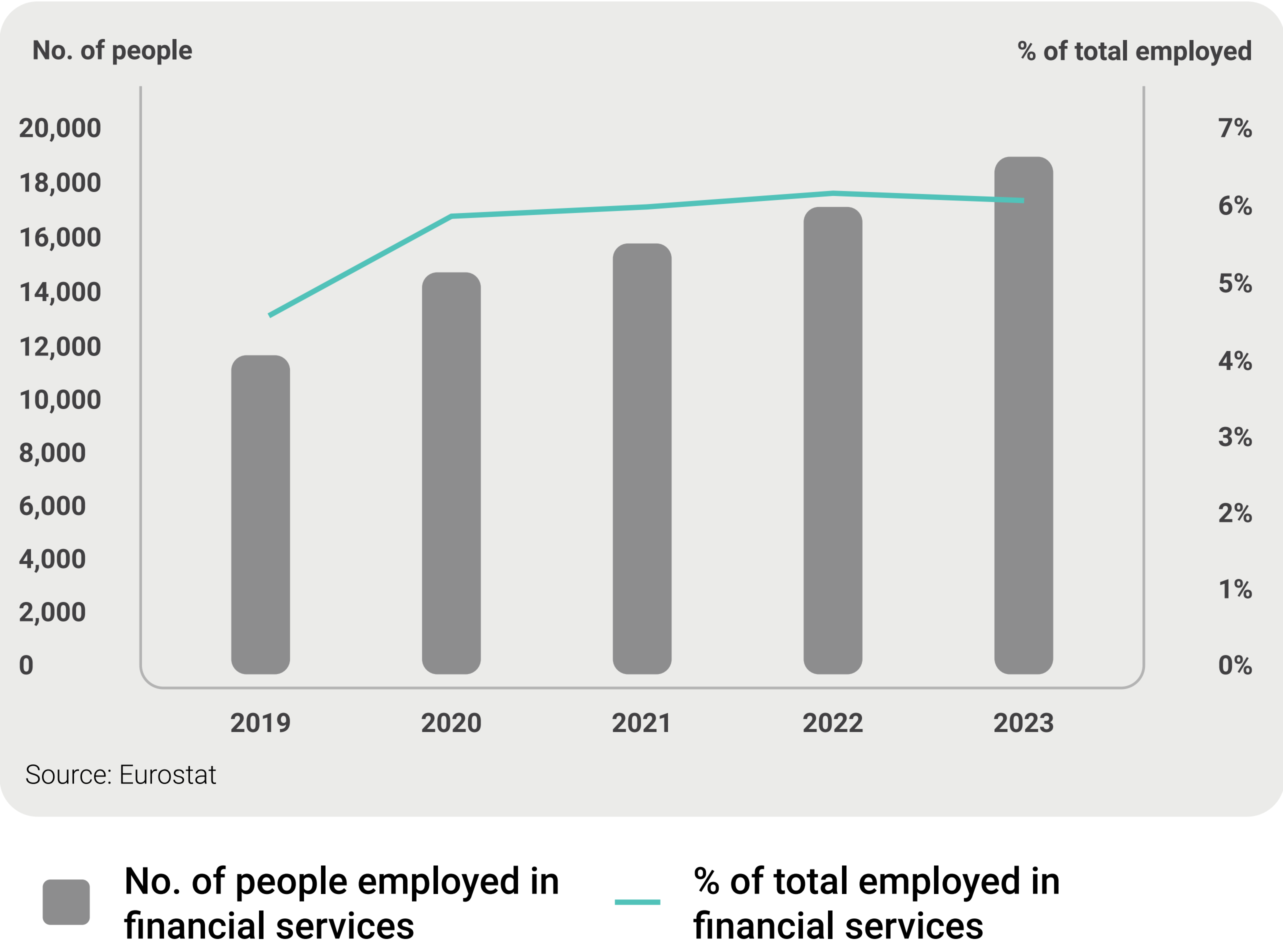
Average monthly basic salary is **€2,573**

The sectoral contribution to growth confirms the pivotal role that financial services continue to play in Malta's economy. Services remained the main driver behind the rise in economic activity, adding 4.8 percentage points to real GDP growth. Most of the increase stemmed from the sector comprising professional, scientific, administrative, and related activities, which contributed 2.1 percentage points to GDP growth. The sector comprising financial and insurance activities added a further 1.1 percentage points to the growth.

In 2023, the financial and insurance activities sector contributed to 8.6% of the country's GVA (at 2015 prices).

As at December 2022, Malta's Foreign Direct Investment stock stood at €460.8 billion, with Direct Investment abroad totalling €447.5 billion. The financial and insurance sectors were the key contributors to both inbound and outbound FDI, underscoring their significance.

Employment in Financial Services in Malta



Source: Eurostat

The financial services sector has grown by nearly 6,500 people in absolute terms between 2019 and 2023. As at 2023, the sector represented around 6% of total employed. The average monthly basic salary for employees in the financial and insurance activities sector was €2,573 in Q4 of 2023, up from €2,411 year-on-year. The sector continued offering more attractive salaries than the average monthly basic salary, which for Q4 2023 stood at €1,837.

Enhancing Digital Resilience

The Digital Operational Resilience Act (DORA) is a pivotal regulation within the European Union, aimed at fortifying the information and communication technology (ICT) security framework for the financial sector. Enacted on January 16, 2023, and set to be applied from January 17, 2025, DORA covers a wide spectrum of financial entities, including banks, investment firms, insurance companies, and a diverse array of ICT third-party service providers. This regulation seeks to enhance the digital resilience of the financial sector against operational disruptions by standardising the operational resilience rules across the EU. It emphasises the need for robust ICT risk management, the handling of ICT-related incidents, digital operational resilience testing, and the oversight of critical third-party ICT service providers.

DORA's establishment of a harmonised regulatory framework for digital risk management at the European level is in response to the growing reliance on technology and external ICT service providers by the financial sector. This dependence places financial institutions at potential risk from ICT (third-party) issues, underlining the necessity for a unified approach to protect the operational integrity and continuity of financial services. With the financial industry's digitalisation and the dynamic cyber threat landscape, DORA mandates comprehensive governance, risk management frameworks, incident reporting mechanisms, resilience testing, and third-party risk management strategies. This regulation represents a significant leap towards ensuring the operational resilience of Europe's financial sector amidst an era of digital transformation and escalating cyber threats.

Deepening the Capital Markets Union

Ensuring well-functioning European capital markets is key to unlocking the private capital necessary to fund the EU's major investment needs. It will allow investments and savings to move smoothly across all EU countries. Consumers, investors, and businesses will benefit, regardless of where they are located.

On 18 October 2023, the Council published the final compromise texts with regard to the revision of the MiFID II framework. The final compromise texts reflect the provisional political agreement that was reached between the Council and the Parliament in June 2023.

Some of the key proposals are as follows:

- The establishment of EU-wide consolidated tapes or centralised data feeds that encompass different kinds of assets. These bring together key market data provided by multiple platforms (such as stock exchanges and investment banks) on which financial instruments are traded. This will make it easier for both professional and retail investors to access accurate and up to date information such as the price of instruments and the volume and time of transactions.
- A general ban on 'payment for order flow' (PFOF) - a practice through which brokers receive payments for forwarding client orders to certain trading platforms. However, certain Member States, where PFOF is more common, will have until 30 June 2026 to implement the ban provided PFOF is only given to clients within that Member State. Practitioners will note that implementation will bring the EU closer to the UK position where there has been a long-standing PFOF ban.
- Regulated markets must be able to temporarily halt or constrain trading in an emergency or if there is a significant price movement in a financial instrument within a short time. In exceptional cases, they must be able to cancel, vary or correct any transaction.

Future Proofing Europe's Payments Systems

On 28 June 2023, the European Commission announced its proposal for modernising payment services and opening financial services data. The Proposal aims to bring payments and the broader financial sector into 'the digital age' prioritising consumer protection, competition, security, and trust.

The Proposal consists of two distinct measures: 1) a revision of the Payment Services Directive; and a legislative proposal for a framework for Financial Data Access. The Proposal seeks to ensure that the EU's financial sector remains fit for purpose and capable of adapting to the risks and opportunities the ongoing digital transformation presents, particularly for consumers. In line with this, the Commission has also put forward its proposal for a legislative framework to support the establishment of the digital euro.

The PSR and PSD3 proposals can be distilled into a few core topics: fraud mitigation, simplifying and standardising the regulatory framework, open banking improvements, creating a level playing field between banks and non-banking PSPs and facilitating cash availability.

One of the most pressing concerns addressed by PSD3 and PSR is the triad of cybersecurity, data protection, and operational resilience. Recognising the digital nature of modern transactions, the directive emphasises the establishment of robust cybersecurity measures, safeguarding sensitive data and fortifying the ecosystem against potential threats. Additionally, data protection regulations are bolstered to enhance consumer trust and privacy, while measures are put in place to ensure operational continuity even in the face of disruptions.

As it embraces emerging players, addresses cybersecurity concerns, and pioneers enhanced authentication, PSD3 propels the financial sector toward a future where innovation harmoniously coexists with the highest standards of safety and user experience.

The Financial Data Access measure looks to establish clear rights and obligations on managing customer financial data sharing in the financial sector beyond payments and facilitate widespread access to data-driven financial services and products for customers. The measure will establish a framework for Financial Data Access and builds on the open banking regime set up in PSD2 while creating a new data access right for sets of data not previously covered by EU legislative frameworks.

Harmonising Virtual Financial Asset Regulations

The Markets in Crypto-Assets Regulation (MiCA) represents a major step forward in regulating the crypto-asset market within the EU. Implemented in June 2023, MiCA seeks to provide a unified and robust regulatory framework for crypto assets that are not currently covered by existing financial services legislation. MiCA introduces uniform market rules for crypto-assets in the EU, covering assets like asset-reference tokens and e-money tokens. Key provisions revolve around transparency, disclosure, authorisation, and supervision of crypto-asset transactions. The regulation's primary goals are to safeguard market integrity, ensure financial stability, and enhance consumer awareness of associated risks. During the transitional phase, Member States can implement specific "transitional measures" allowing existing crypto-asset service providers to continue their operations until July 1, 2026, or until granted or refused a MiCA authorisation. ESMA is actively promoting supervisory convergence to harmonise practices across EEA (European Economic Area) jurisdictions during this period.

Embracing Sustainable Finance

In June 2023, the European Commission published a number of legislative proposals and supporting documents to further develop the EU sustainable finance framework. Importantly, the package does not introduce any new disclosure or reporting requirements beyond those already set out in the Sustainable Finance Disclosure Regulation ("SFDR") or the Corporate Sustainability Reporting Directive ("CSRD"). The package includes proposals to add economic activities to the EU Taxonomy and new rules for ESG rating providers, intended to increase transparency on the market for sustainable investments. The Commission has issued documents supporting the legislative initiatives as part of the package. These are aimed at simplifying the sustainable finance framework, enabling it to continue contributing effectively to the European Green Deal objectives. The legislative proposals included in the package are:

- A proposed regulation on the transparency and integrity of ESG ratings activities; and
- Proposed delegated acts introducing technical screening criteria for the non-climate environmental objectives in the EU Taxonomy Regulation and targeted amendments to the EU Taxonomy Climate Delegated Act, which expands on the economic activities contributing to climate change mitigation and adaptation not included so far.

In September 2023, the European Commission published a public consultation and a targeted consultation on the EU Sustainable Finance Disclosures Regulation (SFDR) which has been law in EU Member States since 10 March 2021. The consultation, which closed in December 2023, was part of a comprehensive assessment of the framework to assess potential shortcomings – focusing on legal certainty, the useability of the regulation, and its ability to play its part in tackling greenwashing.

Further Regulatory Developments Expected in 2024

Having stepped into 2024, the financial sector braces itself for a dynamic regulatory landscape amid geopolitical shifts and economic challenges. Notable regulatory changes encompass the finalisation of Basel III through the banking package and the adoption of the EU anti-money laundering (AML) package, achieved through the amendment of existing legislation and the implementation of new frameworks. Supervisory authorities will focus on ensuring financial institutions maintain a robust governance and compliance framework and appropriately manage risks, including those relating to ICT, cybersecurity, and sustainability (ESG).

The data provided in this chapter is valid as at mid-May 2024.

6 Financial Statements

Board of Governors' Report

The Governors present their report and the audited financial statements for the year ended 31 December 2023.

Principal Activities

The Malta Financial Services Authority (the 'MFSA' or 'the Authority') is the single regulator for financial services in Malta, which incorporates credit institutions, financial and electronic money institutions, securities and investment services companies, regulated markets, insurance companies, pension schemes, trustees, VFA agents and VFA service providers. The MFSA also acts as the Resolution Authority and is also responsible for the approval of prospectuses and admissibility to listing of securities on regulated markets in Malta. The Authority is a fully autonomous public institution and reports to Parliament on an annual basis. Prior to 30 April 2018, the MFSA also managed the Registry of Companies ('the Registry').

Review of the Business

The Governors hereby report a surplus of €2,765,092 for the financial year 2023 (2022: surplus of €1,357,221). The Authority has recorded a further increase of 4% in income over 2022 (2022: an increase of 6% over 2021), mainly on Investment Services, Banking, and Financial Institution supervisory fees. During 2023, the intention of the Authority was to continue to invest in its human resources and capacity building, as well as in technology and business intelligence, all in line with the MFSA's long term Strategic Plan. The increase on such investments was that of a 6% over 2022. There was also an increase in professional services mainly on enforcement and compliance services, and other costs associated to travelling.

Throughout 2023, the MFSA delivered on its responsibilities by conducting more supervisory interactions and carrying out its enforcement work effectively. In line with its Strategic Statement launched during the same year, it has continued to strengthen its outreach, mainly by organising industry briefings and conferences, actively promoting and enabling insight-sharing across the financial sector. It has also maintained regular engagement with the industry through several circulars and guidance notes, as well as with consumers and the media through the timely dissemination of notices, warnings, and educational campaigns. Complementing these initiatives, the MFSA continued to play a key role in the framing of national and EU-wide policies by actively contributing to meetings on legal, technical and regulatory developments with other supervisory bodies and competent authorities.

Results and Surplus Funds

The statement of comprehensive income is set out on page 96. During 2023 and 2022, no surplus funds for the financial year were payable to Government, in terms of the Mata Financial Services Authority Act, 1988.

Governors

The Governors of the Authority who held office during the year were:

Prof. John Mamo LLD. BLitt. (Oxol). BA	**Chairman** (until 16 February 2023)
Mr Jesmond Gatt, B.Sc (Hons)	**Chairman** (Appointed on 17 February 2023)
Dr Michelle Mizzi Buontempo, LL.D. M.A	(Acting Chief Executive Officer until 11 April 2023) (Non-Voting)
Mr Kenneth Farrugia, B.Accty (Hons), FIA, CPA (pc), MA (Business Ethics)	(Appointed as Chief Executive Officer on 12 April 2023) (Non-Voting)
Dr Anton Bartolo, LL.D.	(Appointed on 17 February 2023)
Dr Carl Brincat, LL.D.	(Appointed on 17 February 2023)
Mr Joseph Caruana, MBA (Executive), DPA, FIAB, MIM	(Appointed on 17 February 2023)
Mr Mark Galea, BCom. Hons (Banking & Finance)	(Re-appointed on 17 February 2023)
Prof. Edward Scicluna, BA (Hons) Econ, MA (Toronto), PhD (Toronto), DSS (Oxon)	(Re-appointed on 17 February 2023)
Dr Stephanie Vella, BCom. (Hons) (Econ.) (Melit.), MA (Econ.) (Melit.), PhD (Melit.)	(Re-appointed on 17 February 2023)
Prof. Philip von Brockdorff, BA (Hons) (Melit.), MSc. (Econ.) (Wales), DPhil. (York), Grad. CIPD (UK)	(Re-appointed on 17 February 2023)

Statement of Governors' Responsibilities

With effect from 17 February 2024, the following persons have been re-appointed as members of the Board of Governors:

Mr Jesmond Gatt, B.Sc (Hons)	**Chairman**
Mr Kenneth Farrugia, B.Accty (Hons), FIA, CPA (pc), MA (Business Ethics)	**Chief Executive Officer** (Non-Voting)
Dr Anton Bartolo, LL.D.	
Dr Carl Brincat, LL.D.	
Mr Joseph Caruana, MBA (Executive), DPA, FIAB, MIM	
Mr Mark Galea, BCom. Hons (Banking & Finance)	
Prof. Edward Scicluna, BA (Hons) Econ, MA (Toronto), PhD (Toronto), DSS (Oxon)	
Dr Stephanie Vella, BCom. (Hons) (Econ.) (Melit.), MA (Econ.) (Melit.), PhD (Melit.)	
Prof. Philip von Brockdorff, BA (Hons) (Melit.), MSc. (Econ.) (Wales), DPhil. (York), Grad. CIPD (UK)	

In preparing the financial statements the Governors are responsible for:

- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU and the Malta Financial Services Authority Act, 1988;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances;
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Authority will continue in operation as a going concern.

The Governors are also responsible for designing, implementing and maintaining internal control as the Governors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Malta Financial Services Act, 1988. They are also responsible for safeguarding the assets of the Authority and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements of the Authority for the year ended 31 December 2023 are included in the Annual Report 2023, which is being made available on the Authority's website. The Governors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the Authority's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

On behalf of the board

Mr Jesmond Gatt	**Mr Kenneth Farrugia**
Chairman	**Chief Executive Officer**

Malta Financial Services Authority,
Triq l-Imdina,
Zone 1, Central Business District,
Birkirkara CBD 1010
Malta

14 May 2024

KSi Malta

Independent Auditors' Report

To the stakeholders of the Malta Financial Services Authority

Opinion

We have audited the financial statements of the Malta Financial Services Authority (the Authority) set out on pages 95 to 117, which comprise the statement of financial position as at 31 December 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of the Malta Financial Services Authority as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and have been prepared in accordance with the requirements of the Malta Financial Services Authority Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Authority in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) in Malta, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matters

Our report, including the opinions, has been prepared for and only for the Authority's stakeholders as a body in accordance with Public Administration Act and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior written consent.

Other Information

The Board members are responsible for the other information. The other information comprises the Board of Governors' statement report. Our opinion on the financial statements does not cover this information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

In addition, in light of the knowledge and understanding of the Authority and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Board of Governors' Report. We have nothing to report in this regard.

KSi Malta

Responsibilities of the Board Members

The Board members are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and the requirements of the Malta Financial Services Authority Act, and for such internal control as the Board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board members are responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority or the Government of Malta has plans to dissolve it or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but, is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board members.
- Conclude on the appropriateness of the Board members' use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Authority's ability to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings including any significant deficiencies in internal control that we identify during our audit.

KSi Malta

Report on Other Legal and Regulatory Requirements

We have responsibilities under the Companies Act (Cap.386) enacted in Malta to report to you if, in our opinion:

- The information given in the Board of Governors' Report is not consistent with the financial statements.
- Adequate accounting records have not been kept.
- The financial statements are not in agreement with the accounting records and returns.
- We have not received all the information and explanations we require for our audit.
- Certain disclosures of Governors' emoluments specified by law are not made in the financial statements, giving the required particulars in our report.

We have nothing to report to you in respect of these responsibilities.

for and on behalf of

Mr Bernard Charles Gauci
Partner

KSi Malta
Certified Public Accountants
The Core
Valley Road
Msida MSD 9021
Malta (EU)

14 May 2024

KSi Malta is a Civil Partnership registered in Malta bearing registration number LPA-92, with offices at KSi Malta, The Core, Valley Road, Msida MSD9021, Malta (EU)

Statement of Financial Position

As at 31 December

	Notes	2023 €	2022 €
Assets			
Non-Current Assets		16,844,403	17,337,405
Property, plant and equipment	5	1,018,679	1,247,486
Right-of-use assets	11	28,927	52,162
Intangible assets	6	1,115,171	1,117,138
Financial assets at amortised cost	7		
Total non-current assets		**19,007,180**	**19,754,191**
Current assets			
Trade and other receivables	8	2,616,334	2,752,162
Cash and cash equivalents	9	17,393,163	13,435,360
Total current assets		**20,009,497**	**16,187,522**
Total assets		**39,016,677**	**35,941,713**
Equity and Liabilities			
Capital and reserves			
Capital fund	12	1,164,687	1,164,687
Revaluation reserve	13	6,151,769	6,151,769
Employee pension fund reserve	14	1,375,001	1,300,001
Reserve fund		18,977,017	16,286,925
Total equity		**27,668,474**	**24,903,382**
Non-current liabilities			
Lease liabilities	11	636,631	916,707
Current liabilities			
Trade and other payables	10	10,312,794	9,770,206
Lease liabilities	11	398,778	351,418
Total current liabilities		**10,711,572**	**10,121,624**
Total liabilities		**11,348,203**	**11,038,331**
Total equity and liabilities		**39,016,677**	**35,941,713**

The notes on pages 99 to 117 are an integral part of these financial statements.

The financial statements on pages 95 to 117 were approved by the Board of Governors and were authorised for issue on 14 May 2024. These were signed on its behalf by:

Mr Jesmond Gatt
Chairman

Mr Kenneth Farrugia
Chief Executive Officer

Statement of Comprehensive Income

	Notes	2023 €	2022 €
			Year ended 31 December
Income	18	14,658,089	14,074,462
Government subvention	19	18,062,994	14,330,066
Operating expenses	15	(30,113,170)	(27,133,665)
Operating surplus for the year		**2,607,913**	**1,270,863**
Finance Income	17	95,636	45,013
Other Income	20	61,543	41,345
Surplus for the year – total comprehensive income		**2,765,092**	**1,357,221**

The notes on pages 99 to 117 are an integral part of these financial statements.

Statement of Changes in Equity

Year ended 31 December

	Note	Capital Fund €	Revaluation Reserve €	Employee Pension Fund Reserve €	Reserve Fund €	Total €
Balance at 1 January 2022		1,164,687	5,220,690	1,225,001	15,004,704	22,615,082
Comprehensive income						
Appropriation from income statement		-	-	-	1,357,221	1,357,221
Transfer to pension fund reserve	14	-	-	75,000	(75,000)	-
Revaluation of property		-	931,079	-	-	931,079
Total comprehensive income for the year		**-**	**931,079**	**75,000**	**1,282,221**	**2,288,300**
As at 31 December 2022		**1,164,687**	**6,151,769**	**1,300,001**	**16,286,925**	**24,903,382**
Balance at 1 January 2023		1,164,687	6,151,769	1,300,001	16,286,925	24,903,382
Comprehensive income						
Appropriation from income statement		-	-	-	2,765,092	2,765,092
Transfer to pension fund reserve	14	-	-	75,000	(75,000)	-
Total comprehensive income for the year		**-**	**-**	**75,000**	**2,690,092**	**2,765,092**
As at 31 December 2023		**1,164,687**	**6,151,769**	**1,375,001**	**18,977,017**	**27,668,474**

The notes on pages 99 to 117 are an integral part of these financial statements.

Statement of Cash Flows

	Notes	Year ended 31 December 2023 €	2022 €
Cash flows from operating activities			
Cash generated from operations	22	4,774,928	3,090,087
Net cash generated from operating activities		**4,774,928**	**3,090,087**
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(460,557)	(811,043)
Purchase of intangible assets	6	(78,547)	(17,817)
Redemption of investments	7	-	211,740
Interest income from investing activities	17	119,718	63,246
Proceeds from sale of assets		4,455	4,551
Net cash used in investing activities		**(414,931)**	**(549,323)**
Cash flows from financing activities			
Capital repayments of lease liabilities		(387,124)	(370,800)
Net cash used in financing activities		(387,124)	(370,800)
Net movement in cash and cash equivalents		**3,972,873**	**2,169,964**
Cash and cash equivalents at beginning of year		**13,435,360**	**11,265,396**
Expected credit losses		**(15,070)**	**-**
Cash and cash equivalents at end of year	9	**17,393,163**	**13,435,360**

The notes on pages 99 to 117 are an integral part of these financial statements.

Notes to the Financial Statements

1. Summary of Material Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 Basis of Preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Malta Financial Service Authority Act, 1988. They have been prepared under the historical cost convention as modified by the fair valuation of the land and buildings class of property. The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires the Governors to exercise judgement in the process of applying the Authority's accounting policies (see Note 4 – Critical accounting estimates and judgements).

During 2023, the Authority reported a surplus of €2,765,092 and a net current asset position of €9,297,925. The Governors have taken cognisance of the overall performance and cash flow position of the Authority and to that effect, a system of pre-approval of the annual subvention as approved by the House of Representatives has been agreed and established. This will be based on annual and 5-year forecasts of revenues and expenditure. On this understanding, the Board of Governors have determined that there is a reasonable expectation that the Authority will have adequate resources to continue its operations for the foreseeable future. For this reason, these accounts have been prepared on a going concern basis.

1.2 Foreign Currency Translation

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Euro, which is the Authority's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

All foreign exchange gains or losses are presented in the Statement of comprehensive income.

1.3 Property, Plant and Equipment

All property, plant and equipment is initially recorded at historical cost. Land and buildings, comprising mainly the Authority's offices, are shown at fair value based on periodic valuation, less subsequent depreciation of buildings. Valuations are carried out on a regular basis such that the carrying amount of property does not differ materially from that which would be determined using fair values at the end of the reporting period. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Authority and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against the revaluation reserve directly in equity; all other decreases are charged to profit or loss.

Items of property, plant and equipment comprise land and buildings, furniture, fixtures and fittings, and equipment, and are initially recognised at acquisition cost. Subsequently they are carried at acquisition cost less subsequent depreciation and impairment losses.

Land is not depreciated as it is deemed to have an indefinite life. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amount to their residual values over their estimated useful lives, as follows:

	%
Land and buildings	1
Furniture, fixtures and fittings	20
Equipment	20

Buildings are depreciated over an estimated useful life of 75 years while improvements carried out on leased property are depreciated over the lease period, which is three years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are recognised in the income statement. When re-valued assets are sold, the amounts included in the revaluation reserve relating to the assets are transferred to retained earnings.

1.4 Intangible Assets

Computer Software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of four years. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

1.5 Financial Assets

1.5.1 Classification

From 1 January 2018, the Authority classifies its financial assets in the following measurement categories;

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The Authority's financial assets are classified at amortised cost.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held-for-trading, this will depend on whether the Authority has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). The Authority reclassifies debt instruments when, and only when, its business model for managing those assets changes.

1.5.2 Recognition and Derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Authority commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Authority has transferred substantially all the risks and rewards of ownership.

1.5.3 Measurement

Subsequent measurement of debt instruments depends on the Authority's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Authority classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

From 1 January 2018, the Authority assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Authority applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables - see note 1.6 for further details.

1.5.4 Impairment of Financial Assets

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements.

The measurement of expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument. The Authority considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument. IFRS 9's impairment requirements use forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'.

From 1 January 2018, the Authority assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

1.6 Trade and Other Receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets.

If not, they are presented as non-current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less loss allowance.

The Authority makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Authority uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

Trade receivables are assessed for impairment by the Authority on a collective basis as they have been grouped based on the days past due, possessing shared credit risk characteristics.

1.7 Cash and Cash Equivalents

Cash and cash equivalents are carried in the statement of financial position at face value. Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments maturing within 90 days from the date of acquisition that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

1.8 Trade and Other Payables

Trade payables comprise obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.9 Provisions

Provisions for legal claims are recognised when the Authority has a present legal or constructive obligation as a result of past events. It is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

The Authority has chosen to account for a specific provision related to certain debtors, rather than establishing a general provision covering all debtors.

1.10 Revenue Recognition

The Authority recognises revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity, and when specific criteria for each of the Authority's activities have been met, as described below:

i. Income from application fees is recognised upon receipt of the application.
ii. Income from annual supervisory fees is recognised by reference to the stage of completion of the transaction, which equates to a systematic recognition of revenue as it accrues over time.
iii. Interest income from investments is reported on an accrual basis using the effective interest method.

1.11 Leases

The Authority has changed its accounting policy for leases where the Authority is the lessee. The new policy is described below and the impact of the change is described in Note 2.

Accounting policy as from 1 January 2019

The Authority leases office spaces. Rental contracts are typically made for fixed periods ranging from two to three years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Authority.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities comprise the net present value of the fixed lease payments (including in-substance fixed payments), less any lease incentives receivable.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Authority, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Authority where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third-party financing was received.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Lease payments due within 12 months are classified as current, and if not, they are presented as non-current liabilities.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability.

Right-of-use assets are generally depreciated over the lease term on a straight-line basis.

Payments associated with short-term leases of vehicles and land are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Accounting policy as at 31 December 2018

Until 31 December 2018, leases in which a significant portion of the risks and rewards of ownership were not transferred to the Authority as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

1.12 Government Subvention and EU Grants

Grants from the Government, including national Government and EU, are recognised at their fair value, where there is a reasonable assurance that the grant will be received, and the Authority will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

2. Application of new and revised International Financial Reporting Standards (IFRSs) and IFRS sustainability disclosure standards

Standards and Interpretations Applied During the Current Year

Amendments and interpretations applicable for the first time in 2023 shown here-under have been implemented. The application of the below standards and interpretations do not have an impact on the financial statements of the Authority.

Standard	Subject of Amendment	Effective Date
IFRS 4 Insurance Contracts	Amendments regarding the expiry date of the deferral approach	1 January 2023
IFRS 17 Insurance Contracts	**Original issue**	1 January 2023
	Amendments to address concerns and implementation challenges that were identified after IFRS 17 was published (includes a deferral of the effective date to annual periods beginning on or after 1 January 2023)	1 January 2023
IAS 1 Presentation of Financial Statements	Amendment regarding the disclosure of accounting policies	1 January 2023
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	Amendments regarding the definition of accounting estimates	1 January 2023
IAS 12 Income Taxes	Amendments regarding deferred tax on leases and decommissioning obligations	1 January 2023
	Amendments to provide a temporary exception to the requirements regarding deferred tax assets and liabilities related to pillar two income taxes	1 January 2023

Standards Issued but Not Yet Effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Authority's financial statements are disclosed below. The Authority intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Standard	Subject of Amendment	Effective Date
IFRS 7 Financial Instruments: Disclosures	Amendments regarding supplier finance arrangements	1 January 2024
IFRS 16 Leases	Amendments to clarify how a seller-lessee subsequently measures sale and leaseback transactions	1 January 2024
IFRS S1 General requirements for Disclosure of Sustainability-related Financial Information	Original issue	1 January 2024
IFRS S2 Climate-related Disclosures	Original issue	1 January 2024
IAS 1 Presentation of Financial Statements	Amendments regarding the classification of liabilities	1 January 2024
	Amendment to defer the effective date of the January 2020 amendments	
	Amendments regarding the classification of debt with covenants	
IAS 7 Statement of Cash Flows	Amendments regarding supplier finance arrangements	1 January 2024

The Board of Governors is of the opinion that the adoption of these Standards (where applicable) will not have a material impact on the financial statements.

3. Financial Risk Management

3.1 Financial Risk Factors

The Authority's activities potentially expose it to a variety of financial risks namely market risk, credit risk and liquidity risk. The Authority's risk management is coordinated by the Board of Governors and focuses on actively securing the Authority's short to medium term cash flows by minimising the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Authority does not actively engage in trading of financial assets for speculative purposes, nor does it write options. The most significant financial risks that the Authority is exposed to are described below.

(a) Market risk

In view that the investments in Malta Government Stocks (see Note 7) are accounted for at amortised cost, the Governors do not consider that the Authority is exposed to significant market risk.

(b) Credit risk

The Authority's exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below. The Authority's exposures to credit risk as at the end of the reporting periods are analysed as follows:

	Notes	2023 €	2022 €
Financial assets at amortised cost	7	1,115,171	1,117,138
Trade and other receivables	8	493,304	889,587
Cash and cash equivalents	9	17,393,163	13,435,360
		19,001,638	**15,442,085**

The Authority assesses the credit quality of its customers taking into account financial position, past experience and other factors. It has policies in place to ensure that sales of services are affected to customers with an appropriate credit history. The Authority monitors the performance of its receivables on a regular basis to identify incurred collection losses, which are inherent in the Authority's receivables, taking into account historical experience.

The Authority's receivables, which are not impaired financial assets, are principally in respect of transactions with customers for whom there is no recent history of default. Management does not expect any losses from non-performance by these customers. None of the Authority's financial assets are secured by collateral.

As at 31 December 2023, trade receivables of €420,348 (2022: €475,972) were impaired, and the amount of the provisions in this respect are equivalent to these amounts. Reversal of provisions for impairment arises in those situations where customers recover from unfavourable circumstances and accordingly start meeting repayment obligations. The Authority does not hold any collateral as security in respect of the impaired assets. Amounts are net of expected credit losses as outlined in Note 1.5. Expected credit losses for the year amount to €51,083.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2023	2022
	€	€
Balance at beginning of year	475,972	1,092,570
Decrease in loss allowance on trade receivables	(55,624)	(616,598)
Balance at end of year	**420,348**	**475,972**

Credit risk in relation to cash and cash equivalents and held-to-maturity investments is considered to be limited, since the counterparts and issuer are reputable banks, and the Government of Malta, respectively.

(c) Liquidity risk

The Authority is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise trade and other payables (Note 10). Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the Authority's obligations.

The Authority monitors liquidity risk by reviewing expected cash flows and ensures that no additional financing facilities are expected to be required over the coming year. The Authority's liquidity risk is not deemed material in view of the matching of cash inflows and outflows arising from expected maturities of financial instruments.

3.2 Capital Risk Management

The Authority's equity, as disclosed in the statement of financial position, constitutes its capital. The Authority's objectives when managing capital are to safeguard the respective entity's ability to continue as a going concern in order to provide returns and benefits for stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. The Authority's equity is maintained in line with the provisions set within the Malta Financial Services Authority Act, 1988.

In view of the nature of the Authority's activities and its financial position, the capital level as at the end of the reporting period is deemed adequate by the Governors.

3.3 Fair Values of Financial Instruments

The following table analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as Level 1 in view of the quoted prices (unadjusted) in active markets for identical assets or liabilities.

The following table presents the Authority's assets and liabilities that are measured at fair value at the respective dates:

	Level 1
	€
31 December 2023 Financial assets at amortised cost	1,115,171
31 December 2022 Financial assets at amortised cost	1,117,138

At 31 December 2023 and 2022 the carrying amounts of cash at bank, receivables, payables and accrued expenses reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

4. Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the Governors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

5. Property, Plant and Equipment

	Land and Buildings	Furniture, fixtures and fittings	Equipment	Total
	€	€	€	€
Year ended 31 December 2022				
Opening net book amount	**14,599,307**	**412,371**	**1,534,119**	**16,545,797**
Additions	-	95,192	715,851	811,043
Revaluation	931,082	-	-	931,082
Reclassification from AUC IT account	-	-	239,695	239,695
Disposals	-	-	(26,526)	(26,526)
Depreciation charge	(10,281)	(314,890)	(852,442)	(1,177,613)
Depreciation released on disposal	-	-	13,927	13,927
Closing net book amount	**15,520,108**	**192,673**	**1,624,624**	**17,337,405**
At 31 December 2022				
Cost or valuation	16,204,876	2,936,042	9,270,964	28,411,882
Accumulated depreciation	(684,768)	(2,743,369)	(7,646,340)	(11,074,477)
Net book amount	**15,520,108**	**192,673**	**1,624,624**	**17,337,405**
Year ended 31 December 2023				
Opening net book amount	**15,520,108**	**192,673**	**1,624,624**	**17,337,405**
Additions	877	85,073	374,607	460,557
Reclassification from AUC IT account	-	-	77,195	77,195
Disposals	-	-	(119,100)	(119,100)
Depreciation charge	(107,698)	(117,788)	(804,156)	(1,029,642)
Depreciation released on disposal	-	-	117,988	117,988
Closing net book amount	**15,413,287**	**159,958**	**1,271,158**	**16,844,403**
At 31 December 2023				
Cost or valuation	16,205,753	3,021,115	9,603,666	28,830,534
Accumulated depreciation	(792,466)	(2,861,157)	(8,332,508)	(11,986,131)
Net book amount	**15,413,287**	**159,958**	**1,271,158**	**16,844,403**

Fair value of land and buildings

The Authority's office building was revalued on 31 December 2022 by independent professionally qualified valuers. The valuation was conducted by DeMicoli & Associates (a firm of architects). The book value of the property was adjusted to the revaluation and the resultant surplus was credited to the revaluation reserve (refer to Note 13). The Board of Governors has reviewed the carrying amount of the property as at 31 December 2023 and no further adjustments to the carrying amount were deemed necessary as at that date taking cognisance of developments that occurred during the current financial year.

The Authority is required to analyse non-financial assets carried at fair value by level of the fair value hierarchy within which the recurring fair value measurements are categorised in their entirety (Level 1, 2 or 3). The different levels of the fair value hierarchy have been defined as fair value measurements using:

- Quoted prices (unadjusted) in active markets for identical assets (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2);
- Inputs for the asset that are not based on observable market data (that is, unobservable inputs) (Level 3).

The recurring property fair value measurement at 31 December 2023 uses significant unobservable inputs and is accordingly categorised within Level 3 of the fair valuation hierarchy.

The Authority's policy is to recognise transfers into and out of fair value hierarchy levels as of the beginning of the reporting period. There were no transfers between different levels of the fair value hierarchy during the year ended 31 December 2023.

A reconciliation from the opening balance to the closing balance of non-financial assets for recurring fair value measurements categorised within Level 3 of the value hierarchy, is reflected in the table above.

Valuation processes

The valuation of the property is performed regularly on the basis of valuation reports prepared by independent and qualified valuers. At the end of every reporting period, management assesses whether any significant changes in the major inputs have been experienced since the last external valuation. Management reports to the Board of Governors on the outcome of this assessment.

When an external valuation report is prepared, the information provided by the valuers – and the assumptions and the valuation models used by the valuers – are reviewed by the Chief Operations Officer (COO). This includes a review of fair value movements over the period. When the COO considers that the valuation report is appropriate, the valuation report is recommended to the Board of Governors. The Board of Governors considers the valuation report as part of its overall responsibilities.

Valuation techniques

The Level 3 fair valuation of the Authority's land and buildings was determined by using a comparative approach whereby the current selling prices and rental values of similar developments were compared in order to obtain an equitable rental value of the property. The significant unobservable inputs in the valuation include:

Equivalent rental values	based on the actual location, type and quality of property supported by current market rents for similar properties.
Capitalisation rates	based on actual location, size and quality of the property and taking into account market data at the valuation date.

Information about fair value measurements using significant unobservable inputs (level 3)

		Significant Unobservable Inputs		
Description	**Fair value at 31 December 2023 €**	**Valuation technique**	**Equivalent rental value €**	**Capitalisation Rate %**
Office building	15.5m	Comparative and Investment method	0.96m	6.25

The higher the rental yield and the lower the capitalisation rate, the higher the fair value. Conversely, the lower the rental value and the higher the capitalisation rate, the lower the fair value.

Historical cost of land and buildings

If the land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2023	**2022**
	€	€
Cost	10,808,916	10,808,039
Accumulated depreciation	(1,395,784)	(1,287,695)
Net book amount	**9,413,132**	**9,520,344**

6. Intangible Assets

	Computer Software
At 31 December 2022	€
Cost	228,278
Accumulated depreciation	(176,116)
Net book amount	**52,162**
Year ended 31 December 2023	
Opening net book amount	52,162
Depreciation charge	(24,586)
Reclassifications to equipment	(77,195)
Additions	78,546
Closing net book amount	**28,927**
At 31 December 2023	
Cost	229,629
Accumulated depreciation	(200,702)
Net book amount	**28,927**

7. Financial Assets at Amortised Cost

Financial assets include the following investments:

	2023	2022
	€	€
Non-current		
Financial assets at amortised cost	1,115,171	1,117,138
As at 31 December	**1,115,171**	**1,117,138**

The movements during the year in financial assets at amortised cost, which comprise Malta Government Stocks, were as follows:

	2023	2022
	€	€
Opening net book amount	**1,117,138**	**1,330,845**
Redemptions	-	(211,740)
Amortisation	(1,967)	(1,967)
As at 31 December	**1,115,171**	**1,117,138**

8. Trade and Other Receivables

	2023	2022
	€	€
Current		
Trade receivables – gross	558,601	1,002,585
Less: Loss allowance on trade receivables	(420,348)	(475,972)
Trade receivables – net	**138,253**	**526,613**
Other receivables	355,051	362,974
Prepayments	1,910,351	1,735,730
Accrued income	212,679	126,845
	2,616,334	**2,752,162**

Trade receivables and prepayments are net of Expected credit losses as per note 1.5. Expected credit losses amount to €32,846 and €3,167 respectively.

9. Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

	2023	2022
	€	€
Cash in hand and cash at bank	2,897,490	13,435,360
Treasury Bills	14,495,673	-
As at 31 December	**17,393,163**	**13,435,360**

Cash and cash equivalents are net of Expected credit losses as per note 1.5. Expected credit losses amount to €15,070.

10. Trade and Other Payables

Financial assets include the following investments:

	2023	2022
	€	€
Current		
Trade and other payables	1,982,756	1,598,334
Indirect taxation	461,340	481,762
Accruals	2,700,395	1,928,950
Deferred government subvention	3,472,415	3,995,443
Deferred income	1,695,888	1,765,717
	10,312,794	**9,770,206**

11. Lease Liabilities

This note provides information on leases where the Authority is a lessee.

i. Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	2023	2022
	€	€
Right-of-use assets		
Vehicles	117,434	-
Offices	901,245	1,247,486
	1,018,679	**1,247,486**
Lease liabilities		
Current	398,778	351,418
Non-current	636,631	916,707
	1,035,409	**1,268,125**

ii. Amounts recognised in the statement of comprehensive income

The statement of comprehensive income shows the following amounts relating to leases:

	2023	2022
	€	€
Depreciation charge of right of-use of assets		
Vehicles	14,863	-
Offices	346,241	344,365
	361,104	**344,365**
Interest expense (included in finance cost note 17)	**22,115**	**16,266**

12. Capital Fund

The capital fund of €1,164,687 represents the initial contribution by the Government to the Authority in 1989 upon its establishment.

13. Revaluation Reserve

	2023	2022
	€	€
As at 31 December	6,151,769	6,151,769

The revaluation reserve is not distributable and represents the accumulated fair value movements on the Authority's land and buildings.

During 2022, the office building was revalued to Euro 15.5m by independent professional qualified valuers (note 5). The book value of the property was adjusted to the revaluation and the resultant surplus was credited to the revaluation reserve.

14. Employee Pension Fund

	2023	2022
	€	€
Balance as at 1 January	1,300,001	1,225,001
Transfer for the year	75,000	75,000
As at 31 December	**1,375,001**	**1,300,001**

The employee pension fund reserve has been created to set aside reserves to prepare for the potential employee pension fund that may be set up for the benefit of the employees at the opportune time.

15. Expenses by Nature

Financial assets include the following investments:

	2023	2022
	€	€
Depreciation of property, plant and equipment (Note 5)	1,029,642	1,177,613
Depreciation of intangible assets (Note 6)	24,586	54,911
Depreciation of right of use asset (Note 11)	361,104	344,365
Employee costs (Note 16)	21,509,037	19,609,808
Professional fees	666,447	797,203
Regulatory support fees	51,490	-
Enforcement and compliance fees	124,697	6,614
Decrease on loss allowance on trade receivables	(55,624)	(616,598)
Bad debts	178	674,558
Communications and events	81,027	81,789
Governors' emoluments	113,388	105,857
IT professional services	694,021	793,021
Licenses and maintenance	1,853,186	1,818,481
Other administrative expenses	3,608,908	2,286,043
Expected credit losses	51,083	-
Total operating expenses	**30,113,170**	**27,133,665**

Auditor's fees

Fees charged by the auditor for the statutory audit amount to €15,000 (2022: €15,000).

16. Employee Costs

	2023	2022
	€	€
Wages and salaries	18,904,974	17,616,272
Social security costs	1,113,330	1,017,454
Other staff costs	1,490,733	976,082
As at 31 December	**21,509,037**	**19,609,808**

Average number of persons employed by the Authority during the year:

	2023	2022
Professionals	415	400
Administration	57	48
	472	**448**

17. Finance Income/(cost)

	2023	2022
	€	€
Interest income from Government Stocks	56,141	63,246
Interest charges for lease liabilities	(22,115)	(16,266)
Amortisation of MGS premium	(1,967)	(1,967)
Interest income from treasury bills	63,577	-
	95,636	**45,013**

18. Income

	2023	2022
	€	€
Applications	662,950	777,875
Investment services supervision	3,493,353	3,282,216
Insurance and pensions supervision	2,708,765	2,587,284
Trustees and CSPs supervision	606,947	650,800
Banking supervision	4,623,187	4,354,482
Capital markets supervision	637,267	805,653
Fintech supervision	845,343	770,225
Financial institutions supervision	1,080,277	845,927
Total Income	**14,658,089**	**14,074,462**

19. Government Subvention

The government subvention represents a contribution by Government towards the Authority to ensure that it has adequate resources to continue its operations and meet its obligations as the single regulator for financial services in Malta.

20. Other Income

	2023	2022
	€	€
EU grants designated for specific due diligence purposes	6,536	-
Disposal of assets	4,455	-
Other income	50,552	41,345
	61,543	**41,345**

EU funds designated for specific due diligence purposes amounting to €6,536 at 31 December 2023 (2022: €Nil) are amortised to profit or loss over the term of the service concession.

21. Tax Expense

Section 30 of the Malta Financial Services Authority Act, Cap 330, exempts the Authority from any liability to pay income taxes.

22. Cash Generated from Operations

Reconciliation of operating surplus generated from operations:

	2023	2022
	€	€
Operating surplus for the year	2,765,092	1,357,221
Adjustments for:		
Depreciation of property, plant and equipment (Note 5)	1,029,642	1,177,613
Depreciation of intangible assets (Note 6)	24,586	54,911
Depreciation of right-of-use assets (Note 11)	361,104	344,365
(Profit)/Loss on sale of property, plant and equipment	(3,343)	431
Amortisation of investment (Note 7)	1,967	1,967
Decrease in loss allowance on trade receivables (Note 8)	(55,624)	(616,598)
Interest on right of use (Note 17)	22,115	16,266
Interest income (Note 17)	(119,718)	(63,246)
Other expense	-	6,301
Expected credit losses	51,083	-
Changes in working capital:		
Movement in trade receivables	155,439	756,875
Movement in trade payables	542,585	53,981
Total Income	**4,774,928**	**3,090,087**

23. Commitments

	2023	2022
Capital expenditure	€	€
Capital expenditure that has been contracted for but not yet accounted for in the Financial Statements	142,528	12,630
Capital expenditure that has been authorised by the Board of Governors but has not yet been contracted for	4,172,501	2,041,309

24. Contingencies

The Authority has not provided for claims instituted against it by a number of persons on the basis that the proceedings are still at an early stage and the potential financial impact and probable outcome of these claims has as yet not been quantified.

25. Statutory Information

The Malta Financial Services Authority is the single regulator for financial services in Malta enacted by virtue of the Malta Financial Services Act, 1988 and reports to the Maltese Parliament.

On 20 March 2018, by virtue of Act No. VI of 2018, Articles 2(2) and 6, it had been established that the Registry of Companies shall no longer form part of the Malta Financial Services Authority.

7 Statistical Compendium

Banking

T1 - Branches and ATMs (2021-2023)

	2021	2022	2023
Branches	94	94	87
ATMs	201	196	187

T2 - Capital Requirements Ratio and Tier 1 Capital Ratio (2021-2023) (%)

		2021	2022	2023
Capital Requirements Ratio	Core Domestic Banks	21.6	21.8	23.3
	Non-Core Domestic Banks	20.3	20.2	21.0
	Other Banks	46.7	41.1	38.5
	Aggregate Banking Sector	24.7	23.9	24.9
Tier 1 Capital Ratio	Core Domestic Banks	18.6	18.7	19.9
	Non-Core Domestic Banks	20.1	19.2	19.9
	Other Banks	46.6	40.7	38.2
	Aggregate Banking Sector	22.4	21.3	22.1

T3 - Assets (2021-2023) (€m)

	2021	2022	2023
Core Domestic Banks	29,826.7	31,313.2	32,821.4
Non-Core Domestic Banks	3,414.7	3,483.4	3,698.7
Other Banks	11,255.2	9,932.7	9,898.0
Aggregate Banking Sector	44,496.6	44,729.3	46,418.1

T4 - Distribution of Assets (2023) (€m)

	Loans and Receivables	Debt Securities	Cash Balances	Equity Instruments	Financial Derivatives	Other Assets
Core Domestic Banks	17,481.2	9,169.4	5,210.6	122.0	229.5	608.7
Non-Core Domestic Banks	1,553.1	1,183.3	805.8	17.9	0.6	137.9
Other Banks	4,433.0	3,628.9	1,189.4	83.4	455.8	107.5
Aggregate Banking Sector	23,467.3	13,981.6	7,205.8	223.4	686.0	854.1

T5 - Loans and Advances (2021-2023) (€m)

	2021	2022	2023
Core Domestic Banks	21,956.9	21,843.6	22,344.5
Non-Core Domestic Banks	2,038.6	2,022.5	2,338.6
Other Banks	7,118.8	5,905.3	5,516.5
Aggregate Banking Sector	31,114.3	29,771.4	30,199.6

The sum of figures shown in the tables may not exactly add up due to rounding. Source of all charts in the Statistical Compendium: Malta Financial Services Authority. Cut-off date of figures is March 2024.

T6 - Loans and Advances - Top Eight Sectors (2023) (€m)

	Core Domestic Banks	Non-Core Domestic Banks	Other Banks	Aggregate Banking Sector
Households	10,806.1	134.5	513.7	11,454.2
Credit Institutions	1,416.2	266.3	748.6	2,431.0
Transport and Storage	320.5	6.6	1,272.7	1,599.8
Construction	570.4	160.4	609.7	1,340.5
Real Estate Activities	987.3	206.7	22.4	1,216.5
Manufacturing	365.5	227.0	580.9	1,173.4
Wholesale and Retail Trade	727.7	201.9	36.2	965.8
Accommodation and Food Service Activity	736.0	25.1	72.9	834.0

T7 - Deposits (2021-2023) (€m)

	2021	2022	2023
Core Domestic Banks	26,123.6	26,642.2	27,667.2
Non-Core Domestic Banks	2,823.4	2,986.2	3,137.0
Other Banks	10,140.0	8,850.3	8,556.2
Aggregate Banking Sector	39,086.9	38,478.7	39,360.4

T8 - Distribution of Deposits (2023) (%)

	Current Accounts/ Overnight Deposits	Deposits With Agreed Maturity	Deposits Redeemable at Notice	Repurchase Agreements
Core Domestic Banks	82.8	14.2	1.2	1.8
Non-Core Domestic Banks	39.2	55.8	0.0	4.9
Other Banks	12.1	61.5	3.2	23.3
Aggregate Banking Sector	63.0	28.4	1.6	7.0

T9 - Geographical Positions of Loans (2023) (%)

	Residents	Non-residents
Aggregate Banking Sector	64.3	35.7

T10 - Geographical Positions of Deposits (2023) (%)

	Residents	Non-residents
Aggregate Banking Sector	63.7	36.3

T11 - Deposits (2021-2023) (€m)

	2021	2022	2023
Core Domestic Banks	26,123.6	26,642.2	27,667.2
Non-Core Domestic Banks	2,823.4	2,986.2	3,137.0
Other Banks	10,140.0	8,850.3	8,556.2
Aggregate Banking Sector	39,086.9	38,478.7	39,360.4

T12 - Distribution of Deposits (2023) (%)

	Current Accounts/ Overnight Deposits	Deposits With Agreed Maturity	Deposits Redeemable at Notice	Repurchase Agreements
Core Domestic Banks	82.8	1.2	1.8	14.2
Non-Core Domestic Banks	39.2	0.0	4.9	55.8
Other Banks	12.1	3.2	23.2	61.5
Aggregate Banking Sector	63.0	1.6	7.0	28.4

T13 - Geographical Positions of Loans (2023) (%)

	Residents	Non-residents
Aggregate Banking Sector	64.3	35.7

T14 - Geographical Positions of Deposits (2023) (%)

	Residents	Non-residents
Aggregate Banking Sector	63.7	36.3

Securities and Investment Services

T15 - New Issues on the Malta Stock Exchange

	2022	2023
Corporate Bonds	19	12
MGS	17	15
Equities	3	1
Total	**39**	**28**
Aggregate Nominal Value (€ million)	**1,795**	**1,756**

T16- Market Turnover on the Malta Stock Exchange (€m)

	2022	2023
Equities	32.0	58.0
Corporate Bonds	99.9	102.5
MGS	108.4	132.4

T17 - Net Asset Value of Malta-Domiciled Funds (€m)

	NAV	NAV	NAV
	2021	2022	2023
UCITS	3,376	2,761	2,915
Non-UCITS	17,737	16,909	16,890
	21,113	**19,670**	**19,805**

T18 - Net Asset Value by Asset Allocation - 2023

	NAV (€ million) at end 2023	% Share
Diversified	6,979	35.2
Equity	6,523	33.0
Bond	2,503	12.6
Other	1,719	8.7
Property	1,058	5.4
Mixed	920	4.6
Hedge	85	0.4
Commodity	18	0.1
	19,805	**100.0**

T19 - Management Of Malta Domiciled Funds

	% of funds (incl. sub-funds) at end 2022	% of funds (incl. sub-funds) at end 2023
Self-managed	34.0	35.7
Managed in Malta	49.7	49.7
Managed From Outside Malta	16.3	14.6
	100.0	**100.0**

T20 - Administration of Malta Domiciled Funds

	% of funds (incl. sub-funds) at end 2022	% of funds (incl. sub-funds) at end 2023
Administered in Malta	89.5	90.0
Administered from outside Malta	10.5	10.0
	100.0	**100.0**

T21 - Non-Malta-Domiciled Funds

	Funds (incl. sub-funds) at end 2022	Funds (incl. sub-funds) at end 2023
Non-Malta domiciled funds administered in Malta	253	291
Non-Malta domiciled funds managed in Malta	139	140

T22 - Net Asset Value of Non-Malta Domiciled Funds (€m)

	NAV 2022	NAV 2023
Non-Malta domiciled funds administered in Malta	5,842	7,137
Non-Malta domiciled funds managed in Malta	14,373	11,388

Insurance & Pensions

T23 - Solvency Capital Requirement (SCR) Ratio and Minimum Capital Requirement (MCR) Ratio (%)

	SCR Ratio			MCR Ratio		
	Life	Non-Life	Reinsurance	Life	Non-Life	Reinsurance
2021	212	187	346	500	529	790
2022	194	189	310	510	525	703
2023	228	189	284	569	529	647

T24 - Gross Written Premiums of the General Business Sector (€m)

	2021	2022	2023
Risks in Malta	223.7	243.5	276
Risks Outside Malta	6,180.2	7,079.9	6,197.7

T25 - Gross Written Premiums of the Long-Term Business Sector (€m)

	2021	2022	2023
Risks in Malta	404.9	332.6	283
Risks Outside Malta	1,691.5	1,510.3	1,447.0

T26 - Gross Claims Paid of the General Business Sector (€m)

	2021	2022	2023
Risks in Malta	90.1	102.0	85.6
Risks Outside Malta	2,675.0	3,587.8	3,223.0

T27 - Gross Claims Paid of the Long-Term Business Sector (€m)

	2021	2022	2023
Risks in Malta	368.3	358.9	360.3
Risks Outside Malta	805.8	960.3	776.0

T28 - Insurance Penetration

Year	General Business - HO Malta	General Business - HO Outside Malta	Long-term Business - HO Malta	Long-term Business - HO Outside Malta
2020	1.5	4.0	2.6	1.0
2021	1.5	3.0	2.8	1.4
2022	1.4	3.5	1.9	0.4

Figures for undertakings with Head Office outside Malta writing general and long-term business in relation to risks in Malta during 2023 were unavailable at the time of preparation of this report.

T29 - Insurance Density

Year	General Business - HO Malta	General Business - HO Outside Malta	Long-term Business - HO Malta	Lon-term Business - HO Outside Malta
2020	391.9	1,003.7	667.7	260.7
2021	429.6	844.0	777.7	385.8
2022	449.2	1,108.6	610.0	115.2

Figures for undertakings with Head Office outside Malta writing general and long-term business in relation to risks in Malta during 2023 were unavailable at the time of preparation of this report.

8 Appendices

Appendix 1: Financial Services Legislation Published In 2023

Primary Legislation

1. Financial Markets (Amendment) Act, 2023
   – Amends Chapter 345 of the Laws of Malta through Act IX of 2023 on 14 March 2023

2. Chapter 637 of the Laws of Malta, The Crowdfunding Service Providers Act
   – Enacted via Act XXV of 2023 on 14 July 2023

Secondary Legislation

1. Financial Markets Act (Covered Bonds) Regulations, 2023
   - Published as Legal Notice 59 of 2023 on 14 March 2023

2. Investment Services Act (Supervisory Review) (Amendment) Regulations, 2023
   - Published as Legal Notice 71 of 2023 on 4 April 2023 amending S.L. 370.15

3. Investment Services Act (Provision of Investment Services and Activities by Third-Country Firms) (Amendment) Regulations, 2023
   - Published as Legal Notice 72 of 2023 on 4 April 2023 amending S.L. 370.43

4. Investment Services Act (Supervisory Consolidation) (Capital Requirements Directive) (Amendment) Regulations, 2023
   - Published as Legal Notice 73 of 2023 on 4 April 2023 amending S.L. 370.46

5. Investment Services Act (Supervisory Review Investment Firms Directive) (Amendment) Regulations, 2023
   - Published as Legal Notice 74 of 2023 on 4 April 2023 amending S.L. 370.47

6. Supervisory Consolidation (Investment Firms Directive) (Amendment) Regulations, 2023
   - Published as Legal Notice 75 of 2023 on 4 April 2023 amending S.L. 370.49

7. European Passport Rights for Investment Firms (Amendment) Regulations, 2023
   - Published as Legal Notice 145 of 2023 on 4 July 2023 amending S.L. 370.10

8. Investment Services Act (UCITS Management Company Passport) (Amendment) Regulations, 2023
   - Published as Legal Notice 146 of 2023 on 4 July 2023 amending S.L. 370.20

9. Investment Services Act (Alternative Investment Fund Manager) (Passport) (Amendment) Regulations, 2023
   - Published as Legal Notice 147 of 2023 on 4 July 2023 amending S.L. 370.22

10. Supervisory Consolidation (Credit Institutions) (Amendment) Regulations, 2023
    - Published as Legal Notice 148 of 2023 on 4 July 2023 amending S.L. 371.22

11. Financial Collateral Arrangements (Amendment) Regulations, 2023
    - Published as Legal Notice 208 of 2023 on 1 September 2023 amending S.L. 459.01

12. Depositor Compensation Scheme (Amendment) Regulations, 2023
    - Published as Legal Notice 279 of 2023 on 7 December 2023 amending S.L. 371.09

13. Investor Compensation Scheme (Amendment) Regulations, 2023
    - Published as Legal Notice 280 of 2023 on 7 December 2023 amending S.L. 370.09

14. Investment Services Act (Exemption) (Amendment) Regulations, 2023
    - Published as Legal Notice 290 of 2023 on 15 December 2023 amending S.L. 370.02

15. Investment Services Act (Fees) (Amendment) Regulations, 2023
    - Published as Legal Notice 291 of 2023 on 15 December 2023 amending S.L. 370.03

16. Trusts and Trustees Act (Exemption) (Amendment) Regulations, 2023
    - Published as Legal Notice 292 of 2023 on 15 December 2023 amending S.L. 331.02

17. Investment Services Act (List of Notified AIFs) (Amendment) Regulations, 2023
    - Published as Legal Notice 294 of 2023 on 15 December 2023 amending S.L. 370.34

18. Recovery and Resolution (Amendment) Regulations, 2023
    - Published as Legal Notice 300 of 2023 on 22 December 2023 amending S.L. 330.09

Ancillary Legislation – Competence Shared With Other Entities

1. Insurance Business (General Provisions of Supervision) (Amendment) Regulations, 2023
   - Published as Legal Notice 194 of 2023 on 28 July 2023 amending S.L. 403.24

2. Declaration of Bank Holidays Order, 2023
   - Published as Legal Notice 269 of 2023 on 17 November 2023

3. Residual Balances Fund Act (Compliance Review) Regulations, 2023
   - Published as Legal Notice 278 of 2023 on 7 December 2023

4. Companies Act (Investment Companies with Variable Share Capital) (Amendment) Regulations, 2023
   - Published as Legal Notice 293 of 2023 on 15 December 2023 amending S.L. 386.02

Appendix 2: Rules Issued or Amended in 2023

Banking

Banking Rule Rule BR/09 – Amended

The update to the Rule which was published on 19 January 2023 included the quantitative requirements for non-performing exposures, specifically those exposures that originated before 26 April 2019. Furthermore, the update included the transposition of four EBA Guidelines, namely: the Guidelines on the application of the definition of default under Article 178 of Regulation (EU) No. 575/2013 (EBA/GL/2016/07), the Guidelines on credit institutions' credit risk management practices and accounting for expected credit losses (EBA/GL/2017/06), the Guidelines on management of non-performing and forborne exposures (EBA/GL/2018/06), and the Guidelines on disclosure of non-performing and forborne exposures (EBA/GL/2018/10).

Banking Rule BR/23 – Repeal

The Rule on the Reporting and Disclosure of Exposures Subject to Measures Applied in Response to the COVID-19 Crisis was repealed on 19 January 2023 following the publication by the European Banking Authority ('the EBA') on 6 December 2022 of its closure report of COVID-19 measures which provided an overview of the policy measures taken during the pandemic, their state of play and the path out of policy support. In addition, the EBA repealed the Guidelines on COVID-19 reporting and disclosure subject to measures applied in response to the COVID-19 crisis, with effect from 1 January 2023.

Banking Rule BR/01 – Amended

An amended version of the Rule was issued on 23 January 2023 to align the information required with the EBA Guidelines on a common assessment methodology for granting authorisation as a credit institution under Article 8(5) of Directive 2013/36/EU (EBA/GL/2021/12).

Banking Rule BR/02 – Amended

An amended version of the Rule was issued on 23 January 2023 to transpose the EBA Guidelines specifying the criteria to assess the exceptional cases when institutions exceed the large exposure limits of Article 395(1) of Regulation (EU) No 575/2013 and the time and measures to return to compliance pursuant to Article 396(3) of Regulation (EU) No 575/2013 (EBA/GL/2021/09), and the EBA Guidelines specifying the conditions for the application of the alternative treatment of institutions' exposures related to 'tri-party repurchase agreements' set out in Article 403(3) of Regulation (EU) 575/2013 for large exposures purposes (EBA/GL/2021/01).

Banking Rule BR/20 – Amended

An amended version was issued on 23 January 2023 thereby incorporating the revised EBA Guidelines on recovery plan indicators under Article 9 of Directive 2014/59/EU (EBA/GL/2021/11) and the EBA Guidelines specifying the conditions for group financial support under Article 23 of Directive 2014/59/EU (EBA/GL/2015/17).

Banking Rule BR/28 – New

The Rule on Loan Origination and Monitoring by Credit Institutions was published on 22 June 2023 thereby transposing the EBA Guidelines on loan origination and monitoring which aim to ensure that institutions have robust and prudent standards in place for credit risk taking, management and monitoring (EBA/GL/2020/06).

Banking Rule BR/29 – New

The Rule on the Management of Interest Rate Risk and Credit Spread Risk Arising from Non-Trading Book Activities was issued on 22 June 2023 to transpose the EBA Guidelines issued on the basis of Article 84 (6) of Directive 2013/36/EU specifying criteria for the identification, evaluation, management, and mitigation of the risks arising from potential changes in interest rates and the assessment and monitoring of credit spread risk, of institutions' non-trading book activities (EBA/GL/2022/14).

Furthermore, two Annexes were published under this Rule; Annex 1 on Exposures Associated with High-Risk, transposing the EBA Guidelines EBA/GL/2019/01, and Annex II on the Treatment of Foreign Exchange, transposing the EBA Guidelines EBA/GL/2020/09.

Banking Rule BR/30 – New

The Rule on the establishment of an Intermediate EU Parent Undertaking was issued on 22 June 2023 to transpose the EBA Guidelines on the monitoring of the threshold and other procedural aspects on the establishment of intermediate EU parent undertakings under Article 21b of Directive 2013/36/EU ((EBA/GL/2021/08). The Rule applies to institutions forming part of third-country groups and to third-country branches.

Credit Intermediares Rules Under The Credit Agreements for Consumers Relating to Residential Immovable Property Regulations (S.L. 378.10)

Credit Intermediaries Rule – Amended

An updated version of the Rule was issued on 3 August 2023, thereby amending paragraph 16 of the Rule in relation to the knowledge and competence requirements to operate as a credit intermediary involved in mortgage lending.

Capital Markets

Capital Markets Rule 8.2 – Amended

The amended rule was issued on 23 January 2023 to clarify the requirements for a collective investment scheme in order to qualify for listing with regard to Notified Alternative Investments Funds ("NAIFs"). NAIFs are exempt from licensing in terms of the Investment Services Act (Cap. 370 of the laws of Malta), subject to inclusion in the List of NAIFs maintained by the MFSA in terms of the Investment Services Act (List of Notified AIFs) Regulations, and therefore Capital Markets Rule 8.2 was amended to cater for the eligibility for admissibility to listing of NAIFs.

Conduct Supervision

Conduct of Business Rulebook (The "Rulebook")

Chapter 1 of the Rulebook
Guidance to insurance sector to ensure clear information relating to the manufacturer and the distributor of an insurance product - Amended

As outlined in the MFSA Circular of 19 October 2023, amendments applicable to the insurance sector have been carried out to Chapter 1 of the Rulebook. For the purposes of enhancing consumer protection, a new guideline G.1.2.6 was inserted in the said Chapter 1 to complement R.1.2.18 and clarify that the information relating to the Manufacturer and the Distributor of an insurance product should be clearly legible and not diminished, disguised or obscured in any way by the content, design or format of the information or advertisement. In particular, to specifically address "white labelling" of insurance products, the requirement for a new disclaimer was inserted and the term white labelling was also defined.

Chapter 2 of the Rulebook
Implementation of revised ESMA Guidelines on MiFID II product governance requirements - Amended

As outlined in the MFSA Circular of 19 October 2023, amendments applicable to the investments sector have been carried out to Chapter 2 of the Rulebook and a new Appendix 1 thereto was added to implement the revised ESMA Guidelines on MiFID II Product Governance Requirements. The said Guidelines aim primarily to take into account: (a) the sustainability-related amendments to Commission Delegated Directive (EU) 2021/1269 as introduced by the Commission Delegated Directive (EU) 2021/1269; (b) the recommendations on the product governance guidelines by ESMA's Advisory Committee on Proportionality; and (c) the findings of ESMA's 2021 Common Supervisory Action on product governance.

On 27 March 2023, ESMA published its Final Report on the said revised Guidelines which have become applicable as from 2 months from the date of publication of the said revised Guidelines on ESMA's website in all EU Member States' official languages, that is, on 3 October 2023. The 2018 Guidelines on the same subject matter ceased to apply on the same date.

Chapter 3 of the Rulebook
Implementation of ESMA Guidelines on certain aspects of MiFID II remuneration requirements - Amended

As outlined in the MFSA Circular of 19 October 2023, amendments applicable to the investments sector have been carried out to Chapter 3 of the Rulebook and a new Appendix 2 thereto was added to implement the ESMA Guidelines on certain aspects of MiFID II Remuneration Requirements. The said Guidelines aim primarily to enhance clarity and foster convergence in the implementation of certain aspects of the application of MiFID II remuneration requirements set out in Article 27 of the MiFID II Delegated Regulation as well as the conflicts of interest requirements set out in Articles 16(3) and 23 of MiFID II and Article 34 of the MiFID II Delegated Regulation in the area of remuneration; and the conduct of business rules set out in Article 24(1) and (10) of MiFID II.

On 31 March 2022, ESMA issued its Final Report on the said ESMA Guidelines which have become applicable as from 6 months from the date of publication of the said revised Guidelines on ESMA's website in all EU Member States' official languages, that is, on 3 October 2023. The 2013 Guidelines on the same subject matter issued under MiFID I ceased to apply on the same date.

Chapter 4 of the Rulebook

Revised ESMA Guidelines on certain aspects of MiFID II suitability requirements - Amended

As outlined in the MFSA Circular of 19 October 2023, amendments applicable to the investments sector have been carried out to Chapter 4 of the Rulebook and a new Appendix 7 thereto was added to implement the revised ESMA Guidelines on certain aspects of MiFID II Suitability Requirements. The said Guidelines aim primarily to reflect: (a) the sustainability-related amendments to MiFID II Delegated Regulation (EU) 2017/565 as introduced by Commission Delegated Regulation (EU) 2021/1253; and (b) the good and poor practices identified in ESMA's 2020 Common Supervisory Action the application of the MiFID II suitability requirements.

On 23 September 2022, ESMA issued the Final Report on the said revised Guidelines (vide MFSA Circular of 6 October 2022) which have become applicable as from 6 months from the date of publication of the said revised Guidelines on ESMA's website in all EU Member States' official languages, that is, on 3 October 2023. The 2018 ESMA Guidelines on the same subject matter ceased to apply on the same date.

Updated References To Conduct of Business Rulebook (The "Rulebook") Laid Down In Other Rules

Update of references to the Rulebook which are laid down in Annexes to chapter 9 of the Insurance Rules and in Annexes to Chapter 16 of the Insurance Distribution Rules - Amended

As outlined in the MFSA Circular of 25 May 2023 amendments were carried out to update references to the Conduct Rulebook as laid down in Annex I and Annex II to Chapter 9 of the Insurance Rules issued under the Insurance Business Act (Cap. 403), as well as in Annex I and Annex II to Chapter 16 of the Insurance Distribution Rules issued under the Insurance Distribution Act (Cap. 487) To ensure that such references are accurate and proper and that also align with the latest version of the Conduct of Business Rulebook.

The references which were updated relate particularly to general good provisions regulating insurance distribution in addition to those set out in the Insurance Distribution Directive which are required to be observed by European insurance undertakings and European intermediaries authorised in a Member State or EEA State other than Malta, which provide cross-border activities in Malta as host Member State.

FinTech

Several rules in Chapter 3 of the Virtual Financial Assets Rulebook – Amended

In June 2023 the Markets in Crypto-Assets Regulation ('MiCAR') came into force and in this regard, this regulation shall apply to crypto-asset service providers as of 30 December 2024. In order to ensure a smooth transition for Virtual Financial Assets ('VFA') Service Providers, the Authority has taken steps to align the VFA Framework to the MiCAR prior to its date of application. To this end, following additional feedback and considerations received from relevant stakeholders, the MFSA has amended Chapter 3 of the Virtual Financial Assets Rulebook.

In summary, the new changes to Chapter 3 of the Virtual Financial Assets Rulebook shall become applicable in two stages, the first becoming applicable on 1 January 2024 and the second on 1 July 2024.

In terms of the first stage the Systems and IT Audit requirements ((Title 2, Section 1, Subsection 4 & R3-3.1.6.6) & (Title 2, Section 1, Sub-section 5 & R3-3.1.6.7)) have been removed as well as the reporting requirements ('RMICAAP' – R3-3.5.4.5) and requirements pertaining to client categorisation (R3-3.4.3.3). Moreover, certain conduct of business requirements have been introduced (R3-3.4.1.3 – R3- 3.4.1.5). In terms of the second stage the outsourcing requirements (R3-3.1.6.4) have been amended to directly reflect MiCAR requirements. Additionally, an orderly wind-down plan (Title 3, Section 1Sub-section 8), supplementary conditions applicable to specific VFA services (Title 3, Section 2) and certain disclosure requirements relating to the conduct of business (R3-3.4.1.6) were introduced.

A Circular on the Amendments to Chapter 3 of the Virtual Financial Assets Rulebook was published on 7 December 2023 following an earlier Consultation Document which was published on 18 September 2023.

Insurance and Pensions

Annexes to Appendix 14 of the Pension Rules for Occupational Retirement Schemes – Amended

On 16 July 2022, EIOPA released Taxonomy Version 2.7.0 which updated the list of validations according to the governance of taxonomies releases. In view of the release of Taxonomy Version 2.7.0, the MFSA amended the Annexes to Appendix 14 of the Pension Rules for Occupational Retirement Schemes. The aim behind the introduction of these Annexes is to create a more automated and efficient way to produce taxonomies. Thus, the MFSA introduced one new reporting template and changes that needed to be affected to existing reporting templates to improve the current taxonomies implementation with an updated xBRL Euro filing taxonomy architecture.

Annexes 1 and 2 to Chapter 9 of the Insurance Rules and Annexes 1 and 2 of Chapter 16 of the Insurance Distribution Rules – Amended

Prior to the proposed amendments, Annexes 1 and 2 to Chapter 9 of the Insurance Rules and Annexes 1 and 2 of Chapter 16 of the Insurance Distribution Rules contained various cross-references to the Rules of the Conduct of Business Rulebook. The amendments carried out to these Annexes were primarily aimed at updating the references to the relevant Rules of the Conduct of Business Rulebook found within the said Annexes, in order to ensure that such references are accurate and proper and to align with the latest version of the Conduct of Business Rulebook.

Chapters 1, 2, 4, 8, 9, and 10 of the Insurance Distribution Rules – Amended

On 26 January 2023, the MFSA issued a Consultation Document on the Proposed Amendments to the Insurance Distribution Rules. Following the lapse of the consultation period and internal discussions held on the feedback received, the MFSA amended a number of Chapters of the Insurance Distribution Rules. The main amendments that were proposed in the abovementioned Consultation Document related to the professional indemnity insurance cover, the bank reference requirement, the notification requirement relating to the credit risk transfer agreement, monies to be paid into the Tied Insurance Intermediaries Account or Ancillary Insurance Intermediaries Account, the fidelity bond, and the requirements relating to the auditor’s management letter.

Professional Indemnity Cover under the Pension Rules for Service Providers – Amended

Following two rounds of feedback, the MFSA amended the Pension Rules for Service Providers with respect to the minimum limits of indemnity that retirement scheme administrators, investment managers, and custodians are to have in place. For clarification purposes, the MFSA also amended these Rules to state that the professional indemnity policy shall be governed by the law of a European Union Member State or the law of the United Kingdom. Finally, the MFSA also amended SLC 4.8.5 to state that, where the policy is subject to an excess, this shall be for a sum not exceeding 1% of the limit of indemnity and subject to a maximum of €250,000.

Annexes VI and VII to Chapter 8 of the Insurance Rules – New

On 28 November 2023, the MFSA issued a Circular on the Reporting Requirements of Insurance Undertakings Adopting IFRS 17 – Insurance Contracts. This Circular aimed to notify insurance undertakings about the revised Quarterly National Specific Templates and Annual National Specific Templates, which may be found in Annex VI and Annex VII that were published together with this Circular. In this Circular, the MFSA noted that these revisions do not include any changes with regards to content, but only minor technical adjustments to facilitate the process of uploading onto the LH Portal.

Reference to Commission Implementing Regulation (EU) 2015/2450 and Commission Implementing Regulation (EU) 2015/2452 under Chapter 8 of the Insurance Rules – Amended

Prior to the proposed amendments, paragraphs 8.6.2(a)(i) and 8.12.1(b) of Chapter 8 of the Insurance Rules referred to Commission Implementing Regulation (EU) 2015/2450. The MFSA amended the said paragraphs to replace reference to Commission Implementing Regulation (EU) 2015/2450 with reference to the new Commission Implementing Regulation (EU) 2023/894. Moreover, paragraphs 8.6.2(a)(ii) and 8.12.1(b) of Chapter 8 of the Insurance Rules referred to the Commission Implementing Regulation (EU) 2015/2452. The MFSA amended the said paragraphs to replace reference to the Commission Implementing Regulation (EU) 2015/2452 with reference to the Commission Implementing Regulation (EU) 2023/895.

Reference to the Accountancy Profession (General Accounting Principles in respect of certain Eligible Entities) Regulations, 2023 under Chapter 8 of the Insurance Rules – Amended

Following the newly published Accountancy Profession (General Accounting Principles in respect of certain Eligible Entities) Regulations, 2023 (Legal Notice 299 of 2023), the MFSA also amended paragraph 8.2.1 of Chapter 8 of the Insurance Rules, as well as the titles to Annexes II and III to Chapter 8 of the Insurance Rules. Undertakings that opt to adopt GAPEE shall continue to submit the Quarterly National Specific Templates and Annual National Specific Templates which may be found in Annex II and Annex III to Chapter 8 of the Insurance Rules.

Investment Services

The Investment Services Rulebooks: The Money Market Funds Regulation – Amended

As the European Securities and Markets Authority guidelines continued to develop, several amendments were made to incorporate these updates within the Investment Services Rulebooks as per the Circular issued on 12 April 2023. Changes have occurred in standard licence conditions applicable to investment services licence holders which qualify as UCITS (Undertakings for Collective Investment in Transferable Securities) management companies, standard licence conditions applicable to investment services licence holders which qualify as Alternative Investment Fund Managers, standard licence conditions applicable to Alternative Investment Funds and the standard licence conditions applicable to Malta-based Retail UCITS Collective Investment Schemes. These changes update the various Rules which implement the Stress Test Guidelines issued under the Money Market Funds Regulations.

Furthermore, new Rules have been added to each one of the abovementioned Rulebooks to refer to Commission Implementing Regulation 2018/708 with regard to the template to be used by managers of MMFs when reporting to competent authorities as stipulated by Article 37.

Amendments to the Investment Services Rules for Alternative Investment Funds Part A: The Application Process – New & Amended

Two new sub-sections were introduced as per the Circular issued on 4 September 2023 to partly transpose the Cross Border Distribution of Funds Directive. This Rulebook has also been revised to ensure it's aligned with the current MFSA formatting template for Rulebooks. The numbering has been changed from Standard Licence Conditions (SLCs) to Rules (R).

The Rule which detailed the documents which are required to be submitted when an AIF is established as a self-managed scheme has been slightly revised to clearly specify that a Risk Manager needs to submit a Personal Questionnaire when the day-to-day risk management function is delegated to them.

The Investment Services Rules for Retail Collective Investment Schemes, Part A: The Application Process – New & Amended

The Section 'Categories of retail Collective Investment Schemes' was amended as per the Circular issued on 4 September 2023 to reflect the decision taken by the Authority in 2016 to consolidate and reduce the number of fund frameworks available. The Retail Non-UCITS Schemes and the Overseas Based Retail Non-UCITS Schemes were discontinued.

A new 'Section 6' dealing with the exercise of passport rights by European retail AIFs has been introduced.

New sub-sections and Rules have been introduced to partly transpose the Cross Border Distribution of Funds Directive.

In an effort to ensure a level playing field and better investor protection, some of the CBDFD UCITS requirements have also been extended to Retail AIFs.

This Rulebook has been cosmetically revised for it to be aligned with the current formatting template for the Rulebooks.

Amendments to Various Rulebooks to implement the PRIIPs Regulation – New

To implement this Regulation, various Rulebooks have now been amended to introduce Rules which oblige PRIIPs manufacturers, and/or persons advising on such products, and/or persons selling PRIIPs, to produce a PRIIPs KID in line with the PRIIPs Regulation. The amendments as per the Circular issued on 4 September are:

- Investment services rules for retail collective investment schemes, Part A: the application process;
- Investment services rules for retail collective investment schemes – Part B - Standard licence conditions Part BII: Malta based UCITS collective investment schemes;
- Investment services rules for investment services providers Part A: the application process;
- Glossary to the investment services rules for retail collective investment schemes;
- Glossary to the investment services rules for investment services providers;
- Investment services rules for alternative investment funds Part B: Standard licence conditions applicable to alternative investment funds;
- Glossary to the investment services rules for alternative investment funds;
- Investment services rules for investment services providers Part B III: Standard licence conditions applicable to investment services licence holders which qualify as alternative investment fund managers;
- Investment services rules for investment services providers Part B II: Standard licence conditions applicable to investment services licence holders which qualify as UCITS management companies;
- Investment services rules for professional investor funds Part B: Standard licence conditions Part B I: professional investor funds targeting experienced investors;
- Investment services rules for professional investor funds Part B: Standard licence conditions part B II: Professional investor funds targeting qualifying investors; and
- Investment services rules for professional investor funds Part B: Standard licence conditions Part B III: professional investor funds targeting extraordinary investors.

Schedule D – Amended

Schedule D was replaced through Section 12 of the Investment Services Rules For Retail Collective Investment Schemes Part A: The Application Process as per the Circular issued on 4 September. Therefore, it is obsolete.

Amendments to Implement ELTIF II

Following the entry into force of ELTIF II, Rule 3.04 of Alternative Investment Funds Part A: The Application Process was updated as per the Circular issued on 4 September 2023 to make reference to the ELTIF II and any subsequent iterations of such Regulation. The preamble in Investment Services Rules for Alternative Investment Funds Part B: Standard Licence Conditions Applicable to Alternative Investment Funds has also been amended to this effect.

Appendix 3: Licensing in Numbers

Source of all charts in Appendix 3: Malta Financial Services Authority

Banking

T1 - Credit and Financial Institutions

	Total licences at end 2021	Total licences at end 2022	Total licences at end 2023
Credit Institutions[1]	22	21	21
Financial Institutions	52	51	53
of which:			
Authorised to provide payment services	41	37	39
Authorised to issue electronic money	24	24	27

Insurance

T2 - Insurance Undertakings

	Total licences at end 2021	Total licences at end 2022	Total licences at end 2023
Non- Life	55	52	50
Life	10	10	10
Composite	2	2	2
Reinsurance:	4	4	4
Total	**71**	**68**	**66**
of which:			
Affiliated	7	7	7
Protected Cell Companies (and cells)	17 (73)	14 (77)	14 (79)
Insurers of Domestic Origin	9	9	9

[1] Including branches of credit institutions exercising the right of establishment in Malta (passporting).

T3 - Insurance Intermediaries: Companies

	Total licences at end 2021	Total licences at end 2022	Total licences at end 2023
Enrolled Insurance Managers	10	10	10
Of which PCCs	2	2	2
Enrolled Insurance Agents	20	14[2]	17[3]
Enrolled Insurance Brokers	36	36	35
Of which PCCs (and cells)	6 (13 cells)	5 (16 cells)	5 (17 cells)

T4 - Insurance Intermediaries: Individuals

	Total licences at end 2021	Total licences at end 2022	Total licences at end 2023
Registered Insurance Managers	24	22	22
Registered Insurance Agents	27	29	40
Registered Insurance Brokers	125	125	135
Tied Insurance Intermediaries[4]	369	352	410
Ancillary Insurance Intermediaries[5]	1	1	1

Pensions

T5 - Authorisations and registrations in terms of Retirement Pensions Act

	Total licences at end 2021	Total licences at end 2022	Total licences at end 2023
Retirement Schemes	52	50	47
Retirement Funds	2	2	2
Retirement Scheme Administrators	15	13	13
Investment Managers (Registered)	7	7	5
Investment Managers (Exempted)	6	7	7
Custodian (Registered)	4	4	4
Custodian (Exempted)	2	2	3

[2] Suspended licences and companies in run-off are excluded.
[3] Suspended licences and companies in run-off are excluded.
[4] Includes both individuals and companies.
[5] Includes both individuals and companies.

Securities

T6 - Investment Services

	Total licences at end 2021	Total licences at end 2022	Total licences at end 2023
Investment Services[6]	148	145	142

T7 - Recognised Fund Administrators

	2022			2023		
	New recognitions	Surrendered recognitions	Total recognitions at end 2022	New recognitions	Surrendered recognitions	Total recognitions at end 2023
Recognised Fund Administrators	0	1	**17**	1	1	**17**

T8 - Collective Investment Schemes

	2022			2023		
	New licences	Surrendered licences	Total licences at end 2022	New licences	Surrendered licences	Total licences at end 2023
AIFs	2	13	**114**	5	13	**109**[7]
of which ICs	1	1	**8**	1	1	9[7,8]
PIFs	19	52	**218**	6	23	**198**[7,8]
of which ICs	0	1	**8**	0	2	5[7]
Retail Non-UCITS	0	0	**5**	0	3	**2**
Recognised Private Schemes	0	0	**5**	0	0	**5**
UCITS	3	6	**114**	8	10	**112**
of which ICs	0	0	**1**	0	1	0
Total	**24**	**71**	**456**	**19**	**49**	**426**

[6] Includes investment firms, UCITS managers, AIF managers, De Minimis AIF managers, Depositories and Depositories Lite.
[7] One PIF IC scheme had its licence converted to an AIF IC scheme.
[8] Two PIF sub-funds had their licence converted to AIF sub-funds

T9 - Notified Alternative Investment Funds

	2022			2023		
	New notifications	Surrendered notifications	Total notifications at end 2022	New notifications	Surrendered notifications	Total notifications at end 2023
NAIFs	24	15	**106**	13	27	**92**
of which ICs	0	1	0	0	0	0

T10 - Recognised Incorporated Cell Companies

	2022			2023		
	New licences	Surrendered licences	Total licences at end 2022	New licences	Surrendered licences	Total licences at end 2023
Recognised Incorporated Cell Companies	0	1	**3**	0	0	**3**
Incorporated Cells	1	3	**17**	1	4	**14**

Trusts Services

T11 - Authorised Trustees, Nominees and Trusts

	Total authorisations at end 2021	Total authorisations at end 2022	Total authorisations at end 2023
Authorisations in terms of the Trusts and Trustees Act (Trustees/ Fiduciary Service Providers/ Administrators of Private Foundations)	162	153	151
Nominees[9]	8	6	5
Trusts registered in terms of the Trust Act, 1988	61	60	60

[9] The coming into force of the Trusts & Trustees Act in 2005 brought the issuing of licences for trusts and nominee services to an end. Accordingly, these licences continued to be phased out.

Company Service Providers

T12 - Company Services Providers

	Total authorisations at end 2021[10]	Total authorisations at end 2022	Total authorisations at end 2023
Class A CSP	10	48	51
Class B CSP	29	30	28
Class C CSP	118	148	141
Under Threshold Class A CSP	4	10	10
Under Threshold Class B CSP	55	63	60
Total	**216**	**299**	**290**

Securitisation Vehicles

T13 - Notifications in terms of the Securitisation Act

	Total notifications at end 2021	Total notifications at end 2022	Total notifications at end 2023
Notified Securitisation Vehicles	41	41	34
Of which notified Securitisation Cell Companies (and cells)	23 (72)	22 (86)	21 (94)

Virtual Financial Assets

T14 - Virtual Financial Assets Agents

	Total registrations at end 2021	Total registrations at end 2022	Total registrations at end 2023
Virtual Financial Assets Agents	13	10	10

T15 - Virtual Financial Assets Service Providers

	Total registrations at end 2021	Total registrations at end 2022	Total registrations at end 2023
Virtual Financial Assets Service Providers	14	12	13

[10] The introduction of classes of authorisation applicable to company service providers is a result of the amendments to the Company Service Providers Act which were introduced by Act L of 2020, and which came into force on 16 March 2021.

Appendix 4: Memoranda of Understanding (MoU) in Force

Bilateral MoUs with Foreign Regulators

Entity	Scope of Agreement
Albanian Financial Supervisory Authority	Non-bank financial markets
Australian Prudential Regulation Authority	Banking and insurance
Austrian Financial Market Authority	Credit institutions
Belgian Banking and Finance Insurance Commission	Banking
Bermuda Monetary Authority	Insurance, credit, institutions, and trusts
Cayman Islands Monetary Authority	Credit institutions, insurance, securities, and trusts
Central Bank of San Marino	Securities, insurance, and banking
China Banking Regulatory Commission	Banking
China Securities Regulatory Commission	Securities
Cyprus Central Bank	Credit institutions
German Federal Financial Supervisory Authority	Banking, securities, and insurance (primarily banking)
Gibraltar Financial Services Commission	Banking, securities, and insurance
Guernsey Financial Services Commission	Banking, investment services, insurance, and fiduciary services
Isle of Man Financial Services Commission	Securities and banking
Isle of Man Insurance and Pensions Authority	Mutual assistance and exchange of information
Jersey Financial Services Commission	Mutual assistance and exchange of information
Mauritius Financial Services Commission	Securities, insurance, and pensions
Netherlands Central Bank	Banking
Portugal Central Bank	Credit institutions
Portugal Securities Market Commission	Securities
Qatar Financial Centre Regulatory Authority	Banking, financial, and insurance-related business
Slovakia National Bank	Banking, insurance and securities
South Africa Financial Services Board	Securities, insurance, and pension funds
Turkey Banking Regulation and Supervision Agency	Banking
Turkey Capital Markets Board	Securities
UAE Abu Dhabi Global Market Financial Services Regulatory Authority	Banking, securities, and insurance
UAE Dubai Financial Services Authority	Securities, credit institutions, insurance, and trusts
USA Nebraska Department of Insurance	Insurance
UK Financial Conduct Authority	Banking, insurance, and investment services
UK Financial Conduct Authority	Securities
Ukraine National Securities and Stock Markets Commission	Securities and markets
Vatican Financial Information Authority	Financial institutions
Vietnam National Financial Supervisory Commission	Banking, securities, and insurance

Bilateral MoUs with Local Authorities

Entity	Scope of Agreement
Accountancy Board	Framework for co-operation, mutual assistance, and exchange of information between the two entities
Central Bank of Malta	Payment and securities settlements systems; Exchange of information in the fields of financial services; Joint financial stability board, Financial market infrastructures
Commissioner for Voluntary Organisation	Framework for co-operation, mutual assistance and exchange of information between the two entities, for the purpose of assisting each other in the discharge of their own respective functions
Financial Intelligence Analysis Unit (FIAU)	Cooperation; Rendering of mutual assistance and exchange of information in the field of AML/CFT compliance supervision
	Formalise cooperation and exchange of information; and the allocation of responsibilities in ensuring compliance by subject persons with their obligations under the Prevention of Money Laundering Act (PMLA) and National Interest Act (NIA)
Malta Business Registry (MBR)	Framework for co-operation, mutual assistance and exchange of information between the two entities
Office of Fair Competition	Mutual assistance and exchange of information
Malta Police Force	To provide a framework for the parties to cooperate and communicate constructively for the purpose of assisting each other in the discharge of their own respective functions

Multilateral MoUs and Protocols

Entity	Scope of Agreement
European Central Bank Third Country Branches	Multilateral Memorandum of Cooperation between the ECB and NCAs of participating Member States in their capacity as supervisors of third-country branches;
European Insurance and Occupational Pensions Authority (EIOPA)	Insurance and occupational pensions
European Securities and Markets Authority (ESMA)	Securities
Financial Supervisory Authorities, Central Banks and Finance Ministries of the EU	Cross-border financial stability
International Organization of Securities Commissions (IOSCO)	Securities, administrative arrangement for the transfer of personal data with non-EEA Authorities
Ministry of Finance, the Economy and Investment and Central Bank of Malta	Co-operation in the management of financial crisis situations
Nissan College	Group-wide insurance related supervision of the Nissan Group
The Institute of Directors (IoD UK) and the Institute of Directors Malta Branch (IoD Malta)	Setting up of a joint initiative between IoD Malta and the MFSA for the scope of improving board education and standards
International Association of Insurance Supervisors (IAIS)	Exchange of information in insurance regulatory and supervisory matters
MGA, Sanctions Monitoring Board, FIAU, MFSA	Formalise their cooperation and exchange of information, and the allocation of responsibilities in ensuring compliance by subject persons with their relevant obligations under the PMLA and NIA

Agreements by means of Letters with Foreign Regulators

Entity	Scope of Agreement
Commissione Nazionale per le Società e la Borsa (CONSOB)	Securities
Swiss Financial Market Supervisory Authority (FINMA)	Banking and securities

Appendix 5: Litigation in connection with the MFSA's exercise of its Regulatory and Supervisory Functions

Pending Appeals Before The Financial Services Tribunal as at December 2023

1. Nicholas Portelli v MFSA (Case Ref: FST 04/09)
2. FX-CAM Consulting and Advertisement Ltd (formerly Sensus Capital Markets Ltd) v MFSA (Case Ref: FST 02/16)
3. Heikki Niemela, Mika Lehto, Nemea plc, Nevestor SA, Nemea Bank plc v MFSA (Case Ref: FST 04/16)
4. Heikki Niemela, Mika Lehto, Nemea plc, Nevestor SA, Nemea Bank plc v MFSA (Case Ref: FST 10/16)
5. Heikki Niemela, Mika Lehto, Nemea plc, Nevestor SA, Nemea Bank plc v MFSA (Case Ref: FST 01/17)
6. Pilatus Holding Ltd v MFSA (Case Ref: FST 02/18)
7. Johannes Helmut, Michael Bauer, Claude-Anne Sant Fournier, Hamidreza Ghanbari, Robert L. Klingensmith, Luis Felipe Rivera and Mustafa Cetinel in their personal capacities as directors of Pilatus Bank plc and for and on behalf of Pilatus Bank plc v MFSA (Case Ref: FST 03/18)
8. Portmann Capital Management Ltd v MFSA (Case Ref: FST 04/18)
9. Portmann Capital Management Ltd v MFSA (Case Ref: FST 05/18)
10. Signia Holding Ltd & Satabank plc v MFSA (Case Ref: FST 06/18)
11. E&S Consultancy Ltd v MFSA (Case Ref: FST 03/19)
12. E&S Consultancy Ltd v MFSA (Case Ref: FST 06/19)
13. Karl Schranz v MFSA (Case Ref: FST 01/20)
14. Dr Christian Ellul v MFSA (Case Ref: FST 02/20)
15. Signia Holding Ltd & Satabank plc v MFSA (Case Ref: FST 03/20)
16. Dennis Muscat v MFSA (Case Ref: FST 05/20)
17. Signia Holding Ltd & Satabank plc v MFSA (Case Ref: FST 08/20)
18. Clayton Formosa practising trade under the name 'Odin Professional Services' v MFSA (Case Ref: FST 09/20)
19. Phoenix Payments Ltd v MFSA (Case Ref: FST 01/21)
20. Investar plc v MFSA (Case Ref: FST 03/21)
21. Integrated-Capabilities (Malta) Ltd v MFSA (Case Ref: FST 04/21)
22. Iosif Galea v MFSA (Case Ref: FST 05/21)
23. Portmann Capital Management Ltd vs MFSA (Case Ref: 04/22)
24. Atom Trustees v MFSA (Case Ref: 06/22)

Pending Court Cases/Appeals as at 31 December 2023

Court of Appeal (Civil, Inferior)

25. Portmann Capital Management Ltd v FIAU & MFSA (Case Ref: 95/2018 LM)
26. MC Trustees v MFSA (Case Ref: 82/2023 LM)
27. CCFX v MFSA (Case Ref: 19/2023 LM)

Civil Court, First Hall (Constitutional Jurisdiction)

28. Phoenix Payments Ltd v MFSA et (Case Ref: 272/2021 TA)
29. Iosif Galea v MFSA et (Case Ref: 49/2022 FDP)
30. Alexander Mangion et v MFSA et (Case Ref: 453/2023 AB)
31. Clayton Formosa v MFSA et (Case Ref: 23/2023 GG)

Civil Court (First Hall)

32. International Properties & Investments Ltd v Marine Offshore Investments (Case Ref: 167/2019 FDP)
33. Pilatus Holding Ltd et v MFSA (Case Ref: 936/2018 MS)
34. Dennis Muscat v MFSA (Case Ref: 237/2021 MS)
35. Mortar Holding Services Company Ltd v Satabank plc et (Case Ref: 94/2022 GG)
36. Lifestar Holding plc et v MFSA et (Case Ref: 292/2022 DC)
37. Oneka Aircraft Leasing Limited v Pilatus Bank plc et (Case Ref: 1048/2022 FDP)

Civil Court (Commercial Section)

38. All Invest Company Limited v X (888/2013 ISB)
39. Maltese Cross Financial Services Ltd v X (204/2015 ISB)
40. Mark Refalo noe v Brian Tonna Pro Et Noe (827/2017 ISB)
41. MFSA v The Timeless Uranium Fund SICAV plc (Case Ref: 79/2022 ISB)
42. MFSA v The Timeless Precious Metals Fund SICAV plc (Case Ref: 80/2022 ISB)
43. MFSA v Sierra Madre Gold & Silver Venture Capital Fund SICAV plc (Case Ref: 81/2022 ISB)

Constitutional Court

44. Carmel Cortis et al v Prim Ministru et al (Case Ref: 21/2019/1)

Appendix 6: Other Information

The following clickable headings link directly to the relevant web pages.

Administrative Measures and Penalties

Circulars issued in 2023

Consultation Papers issued in 2023

Surrendered Licences