

# Feedback Statement on Pillar III of the Capital Markets Strategy – Strengthening the Sponsors' Regime

**Ref:** 05-2024

**Date:** 21 October 2024

## Table of Contents

<b>1</b>	<b>Introduction.....</b>	<b>3</b>
<b>2</b>	<b>Feedback on the Main Features of the Framework.....</b>	<b>3</b>
2.1	Eligibility Criteria.....	3
2.2	Role Definition .....	4
2.3	Organisation and Governance.....	4
<b>3</b>	<b>Feedback on the Implementation Options.....</b>	<b>5</b>
<b>4</b>	<b>Conclusion .....</b>	<b>5</b>

## 1 Introduction

On 2 July 2024, the Malta Financial Services Authority ('MFSA' or 'the Authority') published a [Consultation Document on Pillar III of the MFSA Capital Markets Strategy – Strengthening the Sponsors' Regime](#). The proposal, put forward by the MFSA, aims to strengthen the role of sponsors within the local context, given their pivotal role in maintaining a high reputation of the local regulated market.

As such, the proposal focussed on the three main features of the sponsors' regime namely:

- i) Eligible candidates;
- ii) Role definition; and
- iii) Organisation and governance.

The consultation document also sought stakeholders' views on the options identified for the implementation of the regime.

This Feedback Statement highlights the key points of feedback received in relation to the aforementioned consultation and sets out the MFSA's response and position thereto.

The MFSA would like to thank stakeholders for their valid and detailed responses, all of which have been noted and carefully considered.

## 2 Feedback on the Main Features of the Framework

### 2.1 Eligibility Criteria

#### Feedback Received

A stakeholder group noted that investment services firms are deeply engaged in the capital markets through a variety of activities and are also already subject to regulation by the MFSA which requires them to demonstrate various characteristics such as sound corporate governance and integrity. It was also highlighted that the current segregation of roles between legal, financial advisory and sponsor firms is crucial in ensuring the integrity of the capital markets and that a combination of professionals each having their own expertise and responsibilities should be retained in the context of capital market transactions. They therefore expressed the view that sponsor services should remain exclusive to investment services firms.

## **MFSA Position**

The Authority has taken note of the preference to retain the requirement that eligible candidates wishing to provide sponsors services must be authorised to provide investment services. At this stage, the MFSA deems it preferable not to extend the pool of candidates who are eligible to act as sponsors to other regulated entities and intends to incorporate certain governance provisions in the framework for sponsors to ensure that the standards expected from investment services firms are maintained. That being stated, this position may be reconsidered in the future should the need arise - in such an event, the Authority would be consulting with stakeholders once more.

## **2.2 Role Definition**

### **Feedback Received**

A stakeholder group concurred that clearly defining the sponsors' roles and responsibilities should result in a level playing field among participants and ensure that there is more uniformity in their operations. With respect to declarations which are expected to be made by sponsors, it was noted that for independence to be maintained, sponsors should not be held accountable for any matters which go beyond the application process and a certain degree of reliance on other professionals/advisors ought to be allowed.

## **MFSA Position**

The Authority acknowledges the feedback received and shall be considering the comments put forward when promulgating the framework relevant to sponsors.

## **2.3 Organisation and Governance**

### **Feedback Received**

A stakeholder group agreed that it is imperative for sponsors to have adequate knowledge and experience in providing such services. It was however highlighted that it may not be viable for sponsors to have staff who are "idle" when the firm is not engaged in any sponsor assignments and therefore an outright prohibition on performing any other duties should not be contemplated.

With respect to independence and management of conflicts of interest, the stakeholder group noted that any requirements should be limited to ensuring that sponsors have adequate procedures and safeguards in place, mindful of the fact that investment firms are already subject to related requirements under MiFID II.

## **MFSA Position**

The Authority acknowledges the feedback received and shall be considering the comments put forward when formulating the framework relevant to sponsors.

## **3 Feedback on the Implementation Options**

### **Feedback Received**

A stakeholder group expressed its preference for the implementation of Option 3 (the hybrid approach), whilst noting that the framework should be kept as simple as possible without overburdening all parties involved.

### **MFSA Position**

The Authority shall be proceeding with the implementation of a hybrid approach. The MFSA also acknowledges other comments put forward and shall be considering the these when promulgating the framework relevant to sponsors.

## **4 Conclusion**

Having considered stakeholders' feedback, the Authority shall be proceeding to draft the necessary amendments to the regulatory framework. Stakeholders should expect further consultations, in due course, particularly on the aforementioned amendments.

Any queries or requests for clarifications in respect of the above should be addressed by email on [sponsorsconsultation@mfsa.mt](mailto:sponsorsconsultation@mfsa.mt).