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## MFSA Proposes Enhancements to Framework Regulating Company Directors and Secretaries

The Malta Financial Services Authority is proposing an enhancement to its current regulatory framework for Company Service Providers (CSPs), which also covers the provision of directorship and company secretary services.

The improvements being proposed are outlined in a [Consultation Document](#) and aim to ensure compliance with Malta's international commitments, whilst simultaneously adopting a more proportionate regulatory approach.

### **The Evolution of the CSPs Framework**

In 2019, the MFSA initiated a comprehensive reform of the CSPs sector, drawing on years of regulatory experience and incorporating recommendations from international bodies such as the Financial Action Task Force (FATF) and MONEYVAL. The reform mainly consisted in the removal of exemptions previously available to certain professionals, including lawyers and accountants, such that these become subject to authorisation under the new Act.

CSPs are considered to be the gatekeepers to the financial system, often being the first point of contact for persons seeking to set up their operations in Malta. They play a crucial role in preventing criminals from infiltrating the jurisdiction and from using legal entities to conceal the ownership of illicit assets. MFSA's CSP reform has positively instilled a compliance culture within the newly authorised population and continued to enhance governance and risk practices across the whole sector.

### **The Newly Proposed Enhancements**

Currently, individuals involved in up to two entities as directors or company secretaries do not require any form of authorisation from, or registration with, the MFSA. In order to have visibility of this population and evaluate the risks it poses for the jurisdiction, the MFSA is proposing that these individuals submit details relating to the positions that they occupy, under a new Notification regime. With this information in hand, the MFSA will be able to conduct a risk assessment and propose a way forward on any mitigating factors to adopt in relation to these individuals.

With proportionality in mind, the MFSA is also proposing a separate improvement to a specific class of CSPs currently providing directorships and company secretary services in

up to 10 involvements. In view of the limited activity that can be undertaken, a simpler and streamlined application process is being proposed, whereby certain requirements will not be considered mandatory. Additionally, the MFSA is proposing a more consolidated and efficient approach for collecting data from these 'Registered CSPs', with one annual return to be submitted, for both MFSA's and FIAU's purposes.

Commenting on the latest proposals, MFSA's Deputy Head for Trustees and CSPs Supervision Alison Cortis said, "As a regulator we are committed to constantly reassess our regulatory frameworks and authorisation processes, with the main objective of safeguarding Malta's financial system, while ensuring that the market can thrive. The latest enhancements that are being proposed to the CSPs framework are meant to restore a level playing field across the various classes of CSPs, allowing us to achieve a higher degree of proportionality, but not at the expense of lowering the compliance standards that which we managed to instil."

The consultation period ends on **15 November 2024**. Interested parties are encouraged to submit their feedback on the proposals made by the MFSA on [cspreform25@mfsa.mt](mailto:cspreform25@mfsa.mt)

## About MFSA

The Malta Financial Services Authority (MFSA) is the single regulator of financial services in Malta, covering banks, insurance companies, investment services, trusts and pensions. In 2018, the MFSA became the first European regulator to develop a framework to regulate virtual financial assets. The MFSA's mission, as enshrined in its Strategic Statement, is to enhance its position as an independent, proactive and trustworthy supervisory authority with the main purpose of safeguarding the integrity of markets and maintaining stability within the financial sector, for the benefit and protection of consumers. The MFSA licenses over 2,000 entities to operate in the financial services sector.

