



2008
ANNUAL REPORT

MFSA

MALTA FINANCIAL SERVICES AUTHORITY

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Chairman's Statement



The Malta Financial Services Authority (MFSA) is pleased to present the 2008 annual report on its activities and operations.

Throughout 2008, the Maltese financial services industry continued to grow and we have issued new licenses in all sectors. Indeed, the activity rate in the issue of new licenses and of applications to the MFSA has been extremely buoyant.

PROFOUNDLY DIFFICULT GLOBAL CONDITIONS

It is no exaggeration to say that the financial and economic shocks that have hit the global economy in 2008 were of unprecedented proportions. Every nation has been affected and the world is experiencing the most profoundly difficult economic conditions of the post-globalised world.

The globalisation of capital that has emerged over the past twenty years has brought many benefits to countries and societies across the world and we live today in a world that is, for most people, more affluent and healthier than at any time in history. However, when the globalised economy suffers a blow of such present magnitude, companies and individuals in every corner of the world experience reductions in wealth and, consequently, confidence in financial institutions.

At times of such a crisis, the MFSA has a number of duties and responsibilities that it must exercise. As the enormity of the crisis emerged across the world the Authority took immediate steps to quantify the condition of Malta's finance institutions and gathered major intelligence from across the whole sector in Malta.

A well informed view was reached as to Malta's position and the picture emerged that the finance sector in Malta was in a sound commercial condition. In Malta, as is the case in jurisdictions across the world, regulatory authorities do not comment publicly on national economic circumstances, particularly in times of crisis. The proper organ of comment at such times is Government and the Authority will continue to supply the government with timely statistics, analysis and policy proposals.

HIGH STATE OF VIGILANCE

While the value of many of the assets and investments owned or managed by our finance industry, particularly overseas assets and investments, have fallen in line with the global contraction, Malta's financial sector has, to date, remained stable. This is principally because of the prudent lending policies of credit institutions in Malta, their limited exposure to external debt and the high quality of management across the finance industry. Nonetheless, the MFSA continues to remain in a high state of vigilance and it will continue to take all necessary steps to maintain the stability of the country's financial services economy.

...Malta's
finance
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That Malta's finance industry has continued to grow through extremely turbulent times is worthy of some considered analysis. In short, why are we expanding when others are at best contracting and at worst in dire straits?

HARD WON SUCCESS

I want therefore to look back to the early 1990s and at the policies and strategies we as a nation adopted when we set off on the path to build our finance industry and move from the offshore fringes to the European mainstream. I am doing this not as an exercise in history or self-congratulation, but because what Malta has achieved in the financial services arena has been hard won. It is timely that we should remind ourselves of the solid foundations upon which we have built success, so that we continue to stick to the principles that underpin that success.

From the very start the project had the benefit of political consensus between the two main parties in Parliament and it was this consensus that established the principles that have guided us ever since. Malta was not only to be efficient, competitive and innovative, but was also to adopt the highest standards in regulation and supervision, create a robust and well-resourced regulatory machine and seek to attract only businesses of high quality.

The finance sector in the 1990s was small, offered a limited range of products, services and expertise and, for the most part, served principally the domestic market. We faced many hurdles, not the least of which was that Malta was an unknown quantity to the majority of people in the international finance industry and the international media.

We encountered much ignorance of Malta, considerable scepticism that we could achieve our ambition and a great many negative perceptions about the financial services regime.

It is a fundamental communications rule that building credibility is essential to success. This we did through a steady programme of legislative and regulatory reform, product development, singular focus on our chosen markets, active programmes of industry training and education and a comprehensive programme of brand building and communications.

Our aim was to ensure that our brand of regulation and our reputation were indivisible. Our efforts had two inseparable objectives; to build the industry and build the country's reputation as a premier league, mainstream, finance jurisdiction.

Our branding and communications activity took time to take hold. We were obliged to correct many media and international industry misperceptions, counter false statements and correct inaccuracies. Great store was placed on the tone and style of our communications and our words were selected with great care. How we communicated, as much as what we communicated, built awareness of our style of regulation, created confidence in our legal and regulatory regime and eventually won the positive recognition of the media in Europe and beyond.

A great deal of time was spent in establishing high level relationships in key leading financial centres. All of this work brought rewards in creating accurate perceptions of Malta and alerting the international industry to the benefits and attractions of the country.

Critically, Malta began to be seen in a new and highly favourable light by key international bodies such as the International Monetary Fund (IMF) and the Organisation for Economic Cooperation and Development (OECD).

In tandem with our external activities, the MFSA has developed a culture of service within the organisation. We have developed a culture that has positioned the organisation not as a simple processor of information, but as a service-driven body with the skills and expertise to meet the needs of the industry and the nation. At the MFSA, we sought to create an organisation operating to world class standards – in administration, research, financial management, process effectiveness, human resources, IT, industry knowledge and a decision making structure of intellectual strength as well as operational efficacy. This has become one of the principal reasons why blue chip firms have made Malta a location of choice.

While the MFSA is a key component in the matrix that makes up the country's reputation in financial services, the single most important element is the industry itself. Its positive attitudes and behaviours, its commitment to high standards of corporate behaviour and customer service, investment in people, training and technology and continuous development in skills and expertise are the very essence of Malta's reputation as a jurisdiction of stature.

A GREATLY CHANGED WORLD

All of what I have described has brought us to the position we are in today. The sceptics are long gone, we achieve an almost universally positive press, we are welcome in major capitals as a place of opportunity and true competence and our voice has real weight with the most important international policy-making and regulatory organisations.

We face now a greatly changed world. Twenty five years of almost continuous global economic expansion have come to a juddering halt. The signs for Malta's finance sector are all positive and we will continue to strive that they remain so, however, we cannot know how long the economic downturn will last or when confidence will return.

There are calls in many quarters for reform in the global regulatory structures and Malta will need to be alert to threats to its competitiveness from any changes made and ensure its voice is heard in the international corridors of power. We need also to be alive to the new opportunities change will bring.

Malta's forward progress in financial services since 2004 followed in the wake of EU membership. At the MFSA we have been assiduous in playing our part in the EU regulatory and supervisory policy-making committees. The importance of these bodies to the competitiveness of Malta's finance sector cannot be overstressed and there will be no let up in the attention we give to EU matters.

As the world looks to recover from its current economic ills, most nations will seek to protect what they have and innovate and invest to market their attractions harder and with greater urgency than in the past. Corporate and retail customers will become more demanding on service, cost and performance.

We in Malta have been nimble and inventive in building our finance industry to the strong position we have today. We will need those qualities more than ever. We will need to keep communicating our successes, innovations and benefits. In

**Corporate and
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During 2008,
we carried an
extensive study
into the future
skills needs
of the finance
sector

doing all this we need to maintain the values and principles that have been proved to work and that have allowed us to hold our head high in the world. In a currently terribly nervous world, those with an established track record of stability and high standards have a valuable advantage.

STRATEGIC PLAN PROGRESS

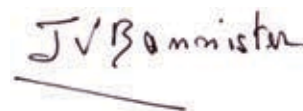
In line with the three year Strategic Plan published in 2007, the MFSA continued with the implementation of a risk-based supervisory approach. Our reasons for doing this - to focus the Authority's resources on the mitigation of those risks which are more likely to pose a threat to the market or to consumers, or that might give rise to financial crime – have proven particularly timely, given the world wide financial situation. There is no perfect panacea in financial regulation and supervision, but taking a risk-based approach adds to the robustness of our monitoring and policy-making systems.

During 2008, we carried an extensive study into the future skills needs of the finance sector. There were two reasons for this work. The first was in order to ensure that the country and the industry could plan for the future, so that we have the right training and education components in place to remain a successful jurisdiction. In the second place, the study has acted as a primary source of guidance and information for the MFSA's Education Consultation Council, which is now engaged in developing structures to meet anticipated need.

As a consequence of the rise in economic importance of many of the oil-rich Islamic countries and of the growth of Muslim communities in non-Islamic countries across the world, a global market has developed for Shariah-compliant financial products. It is one of the fastest growing financial services product groups in the world and may have considerable potential for Malta. To look at how Malta may contribute to the developments of this market, the MFSA set up a working group and is carrying out three consultation exercises covering banking and securities, bonds and insurance. The process to date has identified a number of significant issues that are complex, though hopefully they should not be insurmountable. We will continue to report progress.

Malta's success as an insurance jurisdiction has brought the country to the notice of the wider insurance industry and we have authorised new insurance and reinsurance companies, in both the life and non-life business, that have been set up both by EU and non-EU insurance groups. This is a wholly positive development that shows strong indications of further growth in the future.

2008 was also a good year for banking inward investment and we anticipate further growth in the sector, alongside investment services and wealth management services, and we see scope for pensions and trust management companies. When the new pension legislation is passed we will be working with the industry to maximise the market potential for pension products and services.



Prof. Joe V. Bannister

The Authority

Left to right:

First row:

Mr. Michael Bonello,
Prof. Joe V. Bannister,
Dr. David Fabri

Second row:

Dr. Anton Felice,
Mr. Albert Attard,
Prof. Charles J. Farrugia

Back row:

Mr. Joseph V. Laspina,
Mr. Frank Xerri de Caro



BOARD OF GOVERNORS

CHAIRMAN

Prof. Joe V. Bannister, B.Sc, M.Sc, D. Phil (Oxon)

MEMBERS

Mr. Albert Attard
Mr. Michael C. Bonello M.A (Oxon), FCIB
Prof. Charles J. Farrugia Ph.D (Lond.)
Dr. Anton Felice LL.D
Mr. Joseph V. Laspina
Mr. Frank Xerri de Caro, ACIB

SECRETARY

Dr. David Fabri LL.D

The Board of Governors is also the Listing Authority for the purpose of the Financial Markets Act.

SUPERVISORY COUNCIL

CHAIRMAN

Dr. André Camilleri LL.D, Dip. Econ. & Ind. Law
Director General

MEMBERS

Dr. Marisa Attard LL.D, ACII
Director – Insurance Business Unit

Dr. Anton Bartolo LL.D
Director – Corporate Services Unit & Registrar of Companies

Mr. Karol Gabarretta B.A (Hons.) Econ., M.A (Fin. Serv.)
Director – Banking Unit

Ms. Cristina Parlato Trigona B.A (Hons.) Accty., M.Sc, CPA, ASI
Director – Securities Unit

SECRETARY

Mr. David Barbara Cert. CIB (Malta)

IN ATTENDANCE

Dr. Michelle Mizzi Buontempo LL.D, M.A (Fin. Serv.)
Deputy Director – Company Compliance Unit

Ms. Marianne Scicluna B.A (Hons.) Bnkg. & Finance, M.Sc (Fin. Reg. & Compliance Mngt.)
Deputy Director – Pensions Unit

BOARD OF MANAGEMENT AND RESOURCES

CHAIRMAN

Mr. Joseph Demanuele FCCA, FIA, CPA
Chief Operations Officer

MEMBERS

Mr. Paul Vella B.A (Hons.) Bs. Mgt.
Director – Human Resources Development Unit

Dr. Michael Xuereb LL.D, M.A (Fin. Serv.)
Director – Strategic Development Unit

Mr. Charles Zammit D.B.A., M.C.M.I., A.A.I.A.
Director – Administration Unit

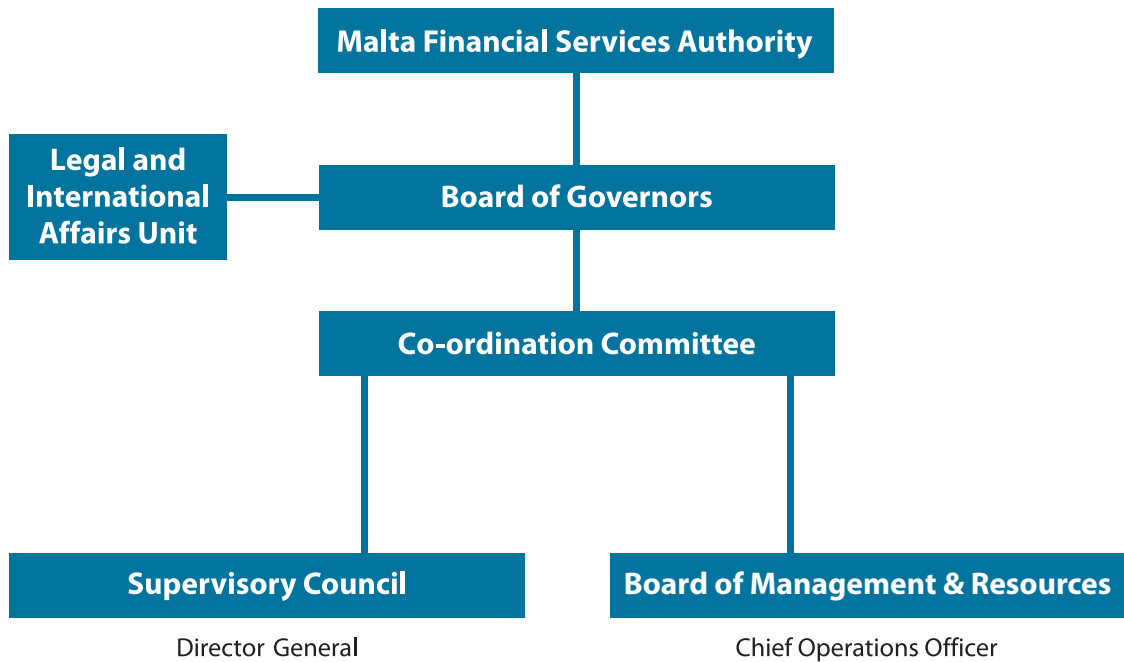
SECRETARY

Mr. George Spiteri Dip. Social Studies (Industrial Relations),
MSc. in Training and HR Mgt. (University of Leicester)

THE ORGANISATION IN 2008

The Malta Financial Services Authority (MFSA) was established by law on the 23 July 2002. The Authority is the single regulator for the financial services sector which includes credit and financial institutions, securities and investment services, recognized investment exchanges, insurance, occupational pensions and trustees. The MFSA incorporates the Registry of Companies and the Board of Governors also acts as the Listing Authority.

Figure 1:
Organisation Chart



The organisational structure of the MFSA (Figure 1) is geared towards the development of a diversified, competitive and well-regulated financial services sector, a vital component of the country's economic growth and development.

The Malta Financial Services Authority is an autonomous body constituted by the Malta Financial Services Authority Act (Cap. 330), and reports annually to Parliament. The main organs are the Board of Governors, appointed by the Prime Minister, the Supervisory Council and the Board of Management and Resources. The three organs are co-ordinated through a Co-ordination Committee.

The Legal and International Affairs Office is one of the statutory organs of the Authority and some of its primary functions are set out in the Act. These include the provision of legal advice and assistance to all the organs of the Authority. In addition to serving as secretary to the Board of Governors and the Co-ordination Committee and providing assistance to the various units within the Authority, the Unit is responsible for co-ordinating all legal and international matters.

REGULATORY UNITS

Securities Unit: is responsible for licensing and regulating investment services, collective investment schemes and recognized investment exchanges in terms of the Investment Services Act (Cap. 370). The Unit also carries out the Authority's functions in terms of the Prevention of Markets Abuse Act (Cap. 476).

Insurance Unit: is responsible for the regulation and supervision of insurance companies, reinsurers and insurance intermediaries. Insurance business is regulated by two separate but complementary laws, the Insurance Business Act (Cap.403) and the Insurance Intermediaries Act (Cap. 480).

Banking Unit: is responsible for the licensing, regulation and supervision of credit and financial institutions under the Banking Act (Cap. 371) and the Financial Institutions Act (Cap. 376).

Occupational Pensions Unit: regulates occupational pension schemes and occupational pension funds under the Special Funds Act (Cap. 450) and in line with international regulatory standards. Its main objectives are to ensure the protection of pension plan members and the security of pension plan arrangements. This Unit is still in a development phase.

Company Compliance Unit: is responsible for the regulation of trustees in terms of the Trusts and Trustees Act (Cap.331). The Unit also supervises nominee companies having a warrant to act as nominee shareholder in terms of the former MFSC Act, until these are eventually phased out. The Unit also works closely with the Listing Committee on the admissibility of companies to listing and assists the Committee in monitoring issuer compliance with continuing obligations under the Listing Rules.

Listing Committee: The Listing Committee is appointed by the Board of Governors in terms of Article 14 of the Financial Markets Act (Cap. 345). In accordance with the Listing Rules, the Listing Committee is responsible for scrutinizing applications prior to admission to listing of securities, considering requests for discontinuation or suspension of listing and ensuring compliance with Listing Rules.

MANAGEMENT UNITS

Strategic Development Unit: is responsible for research and development and implementation of policy, legislative and other initiatives. It is also responsible for communications, trade and investment relations and the MFSA's Information Office.

Human Resources Development Unit: is responsible for employee welfare and personnel development through training and other initiatives. The Unit is also responsible for identifying training needs in the financial services sector and for developing, creating and implementing training programmes in conjunction with the relevant professional training bodies and academic institutions.

Information Technology Unit and Administration and Finance Unit: provide operational support to the other Units and are responsible for managing the Authority's resources efficiently.

CONSUMER AFFAIRS

The Consumer Complaints Unit investigates complaints from private consumers arising out of any financial services transaction. The Consumer Complaints Manager is directly responsible to the Board but, where appropriate, cases may be referred (for consideration) to the Supervisory Council. The Unit is also responsible for consumer awareness and education.

COMPANY REGISTRY

The MFSA also houses the Registry of Companies. All registered information and documentation including company accounts is available for public inspection. The Registrar of Companies is appointed in terms of the Companies Act (Cap. 386) and is entrusted with ensuring compliance with the provisions of the Act.

THE EDUCATION CONSULTATIVE COUNCIL (ECC)

The terms of reference of the Council include co-ordination and information sharing on matters related to training and development for current and prospective employees within the financial services sector, the giving of input to the Authority on matters related to training and development within the Sector and the co-ordination of initiatives towards filling of skills gaps that may be identified within the Sector from time to time.

The ECC is chaired by Professor Charles J Farrugia, a member of the Board of Governors. It includes representation from the Human Resources Development Unit of the Authority, which also provides secretarial support, the Malta College of Arts Science and Technology (MCAST), the Guidance and Counselling Unit within the Department of Education, the Malta International Training Centre (MITC), the Institute of Financial Services Practitioners (IFSP), the Institute of Directors (Malta Branch) (IOD) the Society of Trusts and Estate Practitioners - Malta (STEP), the Institute of Legal Studies (ILS) and the Institute of Financial Services – Malta (IFS).

CORPORATE SOCIAL RESPONSIBILITY

During the year, the Authority continued to play an active role in supporting worthy causes in the cultural and social spheres of society.

Financial support continued to be directed towards a number of initiatives, the main ones being cultural programmes falling under the umbrella of *Fondazzjoni Patrimonju Malti*, the paintings' restoration programme at the *Presidential Verdala Palace* and the restoration of the facade of the *Parroċċa Santa Marija church* in Birkirkara.



Signing of Verdala restoration project



*The Children's Foundation -
Signing of deed*

The setting up and registration of The Children's Foundation was another landmark in the Authority's CSR track record. The Foundation has been set up by the MFSA as a non-profit making, charitable organisation established for the purpose of improving the quality of life, welfare and well being of under-privileged children through the funding of specific projects. The Board of Administrators is made up of five members. The first Administrators were appointed in 2008. They are Ms Sonia Camilleri, Chairperson, Prof Joseph V Bannister, Mr George Spiteri, Ms Josephine Baldacchino and Mr Marcel Pisani. The Secretary of the Foundation is Mr Robert Aquilina.

During the last quarter of the year, the Foundation succeeded in identifying a number of projects that were aimed at helping underprivileged children in our society. The first to benefit from this initiative was the Archdiocese of Malta Children's Home, *Dar Ejjew Għandi*, a recently set-up child day-care centre for children who originate from domestic violence shelters and from social problem families.

Market Overview



Market Overview

Despite further worsening in the international economic environment towards the end of 2008, the financial services sector generally continued to experience the same rates of growth as in recent years.

The Labour Force Survey for the period October 2007 to September 2008 published by the National Statistics Office showed an increase in employment in financial intermediation services of nearly 1,000 bringing the total number of employees in the sector to 6,190. This represents 3.8% of the national workforce.

The figures released are for financial intermediation services only and do not include increased employment in related professional services and business activities which have also been expanding significantly over the same period.

The number of licensed companies continued to grow. As reported further on, substantial increases have been registered in the number of Professional Investor Funds and insurance companies. Growth in intermediation services particularly in the number of fund administrators and trustees has also been significant, while insurance management services continued to consolidate with the arrival of another global player. Another credit institution and two financial institutions have been added on the banking side.

The World Economic Forum's Competitiveness Index 2008-2009 (published in September) ranked Malta 34th (out of 134 countries) for financial market sophistication, while the banking system was reported to be the 10th soundest in the world.

BANKING

The international capital markets have been affected by a significant re-pricing of credit risk and a liquidity squeeze

The international capital markets have been affected by a significant re-pricing of credit risk and a liquidity squeeze since the second half of 2007. Huge losses suffered by the banking industry worldwide have led to extraordinary state intervention measures aimed at shoring up institutional and consumer confidence and re-establishing liquidity in the market. The effects that this state of affairs had on the local banking sector by the end of the year have been relatively limited. Despite this, government has followed eurozone guidelines and increased the level of protection under the relevant deposit protection scheme to €100,000.

Maltese banks have a strong capital base. The fact that their local deposit base is also strong has moreover shielded them from liquidity pressures as they do not have to rely on loans sourced on the international market to finance their operations. On the other hand the fall in the value of assets on the financial markets has had a negative impact on the investment portfolios of some banks. This may in turn lead to lower profits which, however, their capital base should be able to withstand.

As at the end of 2008, the aggregate banking sector's Capital Requirements Ratio,

which is a percentage of the bank's total own funds to its total risk-weighted assets was 18.05 per cent. During 2008 risk-weighted assets increased at a faster pace than total own funds. The aggregate ratio of original own funds to total risk-weighted assets was 16.33 per cent as at the end of 2008. Original own funds of the majority of banks in Malta is composed of ordinary share capital, retained earnings and other eligible reserves.

CREDIT INSTITUTIONS, BRANCH NETWORK AND ELECTRONIC DELIVERY CHANNELS

The Maltese banking sector consists of 22¹ credit institutions authorised to conduct business in Malta, three of these are Maltese-owned while 19 are foreign credit institutions having a physical presence in Malta. 12 of the foreign credit institutions are from EU countries, five from non-EU countries and two are branches from non-EU countries (Table 1).

Table 1:
Number of Credit Institutions by Country of Origin of majority shareholding

Malta	3
UK	1
Portugal	1
Austria	6
Kuwait	1
Australia	1
Belgium	2
Greece	1
Bahrain	1
Switzerland	1
Saudi Arabia	1
Finland	1
Turkey	2
TOTAL:	22

Source: Malta Financial Services Authority

There has been a significant growth in the volume and value of financial transactions during the past decade as a result of technological advances, financial innovation, deregulation and competition. The majority of client transactions with banks are still carried out in cash although the proportion is falling steadily. Technology has become increasingly important for transactions which include cheques, automated payments and plastic cards.

At the end of 2008 there were a total of 129 bank offices and branches throughout Malta. The number of ATMs totalled 163 and the number of cards with a cash function reached a total of 562,220.

¹ A Branch of an EU bank is also present in Malta through passporting regulations, Credit Europe Bank N.V. Malta Branch – operates in Malta through the freedom of establishment.

Table 2:
Distribution of payment cards, ATMs, and POS Terminals in Malta

	2005	2006	2007	2008
Total number of payment cards in Malta	467,166	511,428	555,449	562,220
ATMs	154	156	162	163
POS Terminals	7,516	8,173	8,849	8,955

Source: Malta Financial Services Authority

BANK ASSETS

The assets of the aggregate banking sector² in Malta totalled €41.9 billion at the end of 2008, up by 10.5 per cent from the previous year and nearly double the total in 2004. Assets of the domestic banking sector³ totalled €14.6 billion (35 per cent of the total assets) at the end of the year, an increase of 3.3 per cent over 2007.

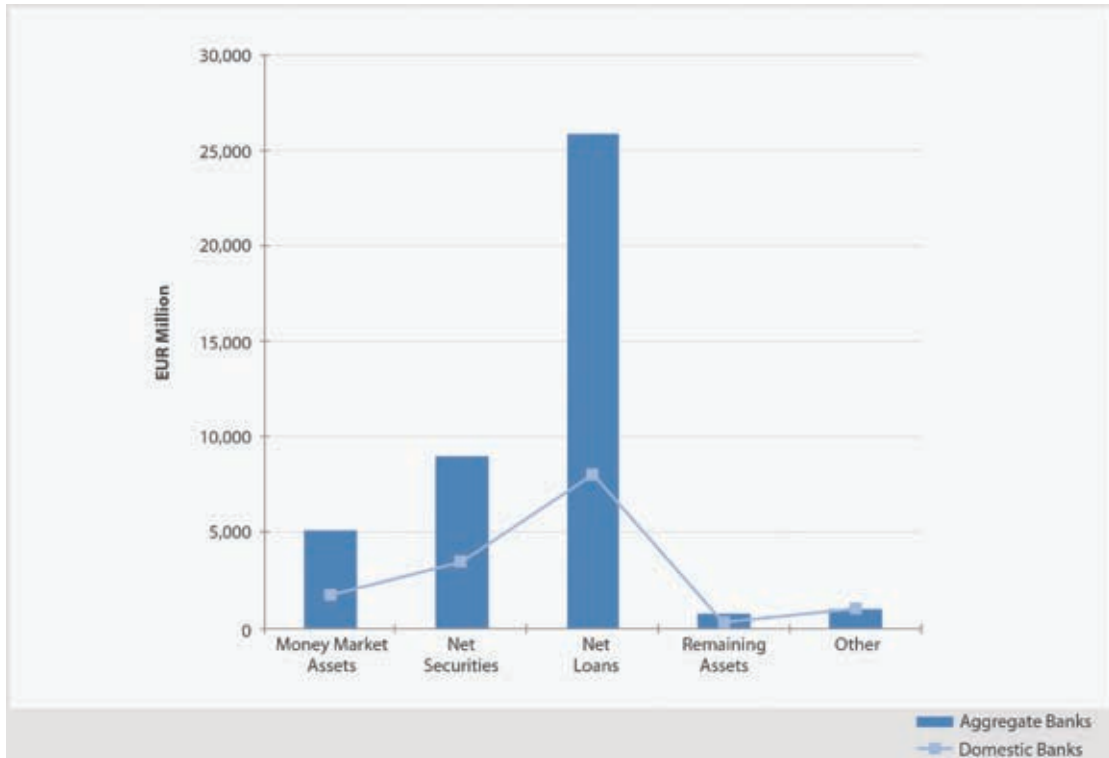
Net loans of the aggregate banking sector increased by €4.8 billion or 18.7 per cent over 2007 - after having already increased by €6.1 billion (29.2 per cent) in the preceding year. The amount of purchase, resale agreements and term deposits decreased by €555.5 million (21.6 per cent) in 2008. The corresponding figures for 2007 had shown an increase of €385.2 million (54 per cent) over 2006.

In the domestic banking sector, net loans contributed to 55.4 per cent of the asset distribution of the sector, followed by net securities at 23.4 per cent and money market assets at 12 per cent.

²The aggregate banking sector comprises all 22 credit institutions licensed by the MFSA and the Malta branch of Credit Europe Bank N.V. which operates through the freedom of establishment.

³Domestic credit institutions denotes institutions whose business is wholly or largely made up of domestic business.

Chart 1:
Banking Sector – Distribution of Assets



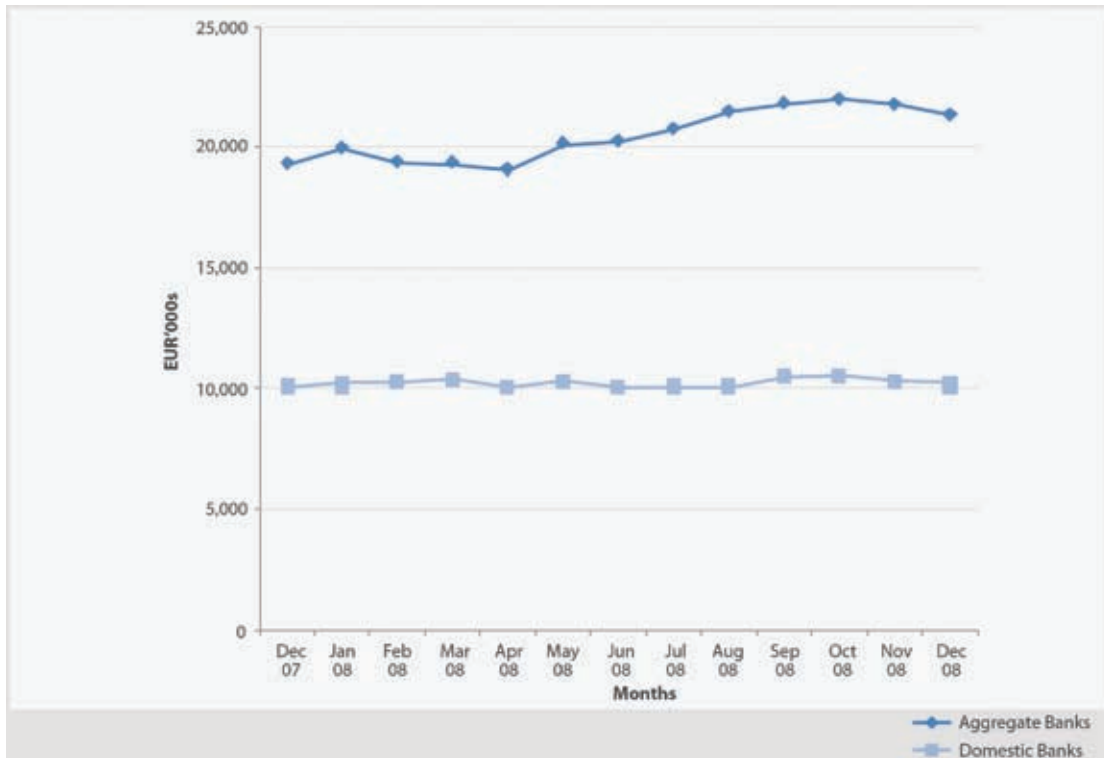
DEPOSITS

Deposits in the banking sector continued to grow during 2008, reaching €21.3 billion at the end of December, an increase of €2 billion or 10.5 per cent over 2007. This figure also represents an increase of €10 billion over 2004.

The domestic banking sector's share of total deposits was €10.3 billion or 48 per cent of total deposit liabilities. Aggregate deposits for the domestic banking sector increased by 1.3 per cent over 2007 and by 26.4 per cent over 2004.

78.7 per cent of the aggregate banking sector's deposits were time deposits, 14.9 per cent were savings accounts while current accounts amounted to 6.4 per cent of total aggregate deposits. On the other hand the composition of deposits in the domestic banking sector was as follows: 58.8 per cent time deposits; 29.8 per cent savings and 11.5 per cent being current deposits (Chart 2 - Trends in deposit liabilities).

Chart 2:
Trends in Deposit Liabilities



The prevalence of the traditional banking model in Malta, where banks fund their lending activities mainly from deposit taking, became more pronounced in 2008 as it became increasingly difficult to tap liquidity from the international markets and inter-bank lending dropped by 13.2 per cent.

LOANS AND ADVANCES BY SECTOR

A sectoral analysis of bank lending in Malta shows that 21.3 per cent of loans in the aggregate banking sector in 2008 were advanced to the financial intermediation sector. This was followed by the manufacturing sector (16.8%) and households and individuals (11.3%) (Chart 3). Total aggregate bank lending as at the end of 2008 was €26 billion, more than twice the level in 2004.

In contrast to the aggregate banking sector, households and individuals accounted for 35.6 per cent of lending in the domestic banking sector; followed by real estate, renting and business activities (14 per cent); wholesale and retail trade (9.6 per cent) and the construction industry (9.2 per cent) (Chart 4). Overall lending in the domestic sector increased by 26.4 per cent over 2004.

Chart 3:
Aggregate Banks - Loans and Advances by Sector

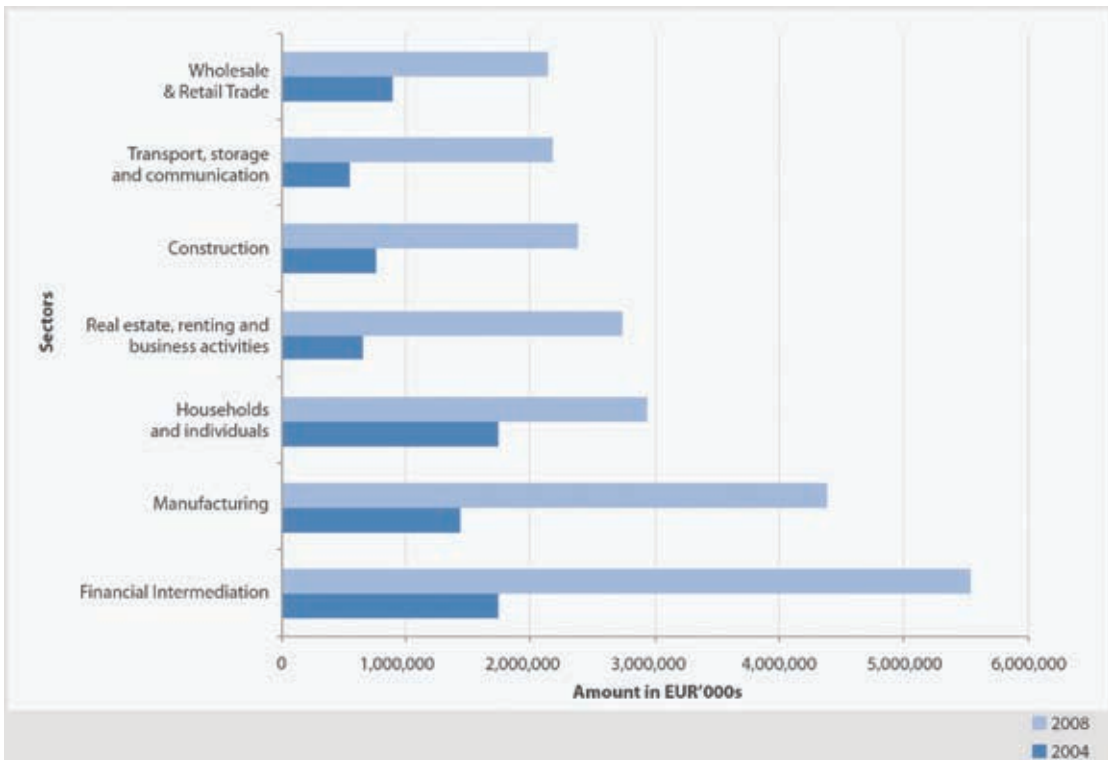


Chart 4:
Domestic Banks - Aggregate Loans and Advances by Sector

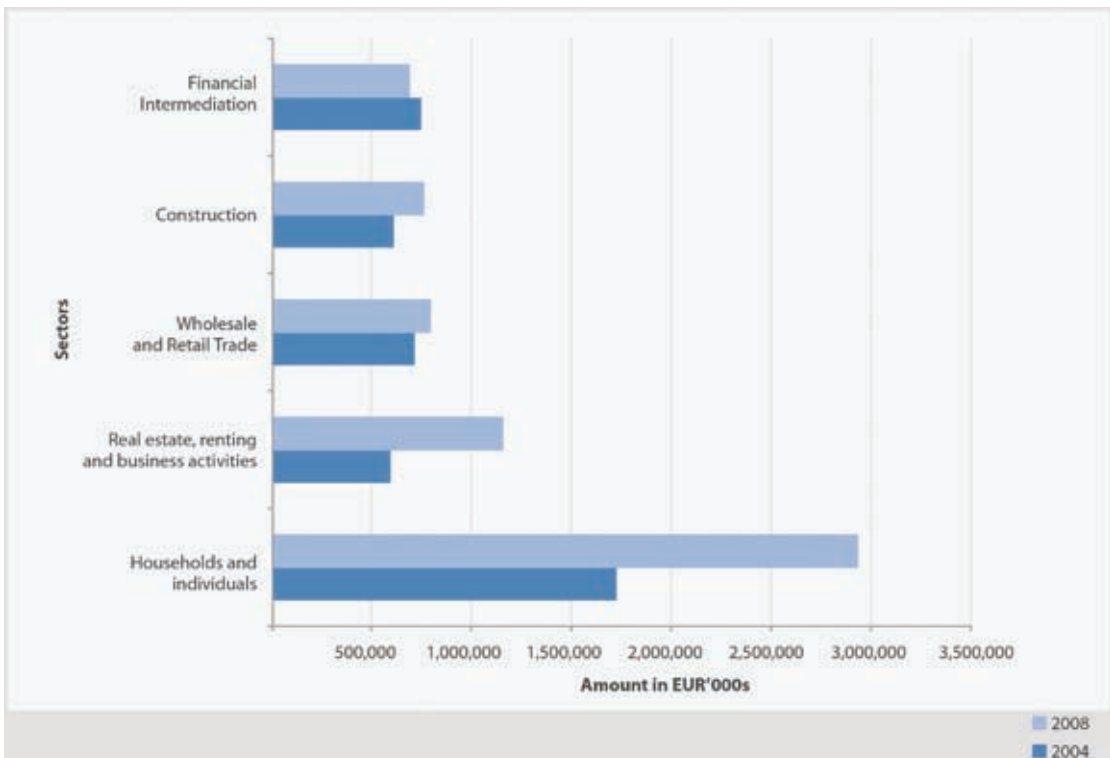
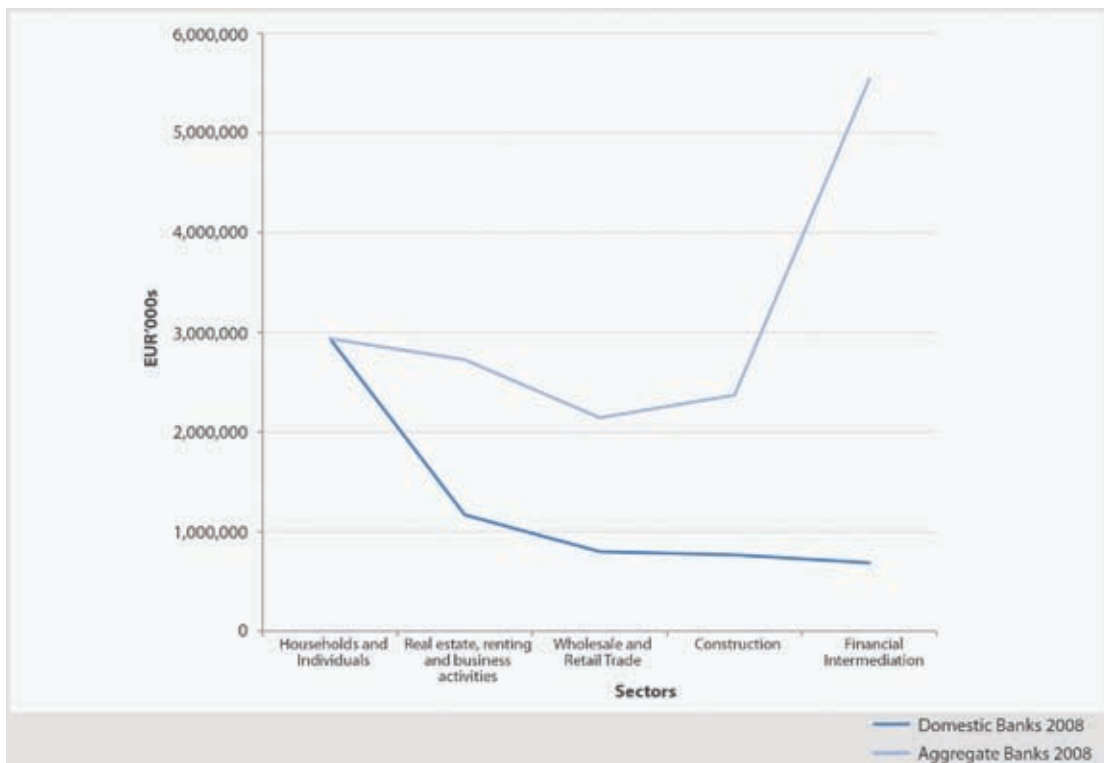


Chart 5 shows that the majority of the loans advanced to individuals and households within the aggregate banking sector, is attributed to the domestic banks. The high percentage of loans advanced to the financial intermediation sector, as resulted from the aggregate banking figures, refers to intra-bank loans within foreign banking groups.

Chart 5:
Loans and Advances



INTERNATIONAL LENDING AND BORROWING

An analysis was conducted of the level of international lending and borrowing. The top ten countries for bank borrowing and lending for the aggregate banking sector are shown in the tables 3 and 4.

Table 3:
Top 10 countries by Assets

	December 2008	EUR'000s
1	Turkey	10,244,080
2	Malta	9,382,556
3	Austria	6,337,341
4	United Kingdom	2,344,898
5	Switzerland	2,090,140
6	Other	670,202
7	Luxembourg	655,846
8	United States	614,164
9	Greece	549,756
10	Germany	470,769

Source: Malta Financial Services Authority

Table 4:
Top 10 countries by liabilities

	December 2008	EUR'000s
1	Turkey	12,187,006
2	Malta	7,774,171
3	UK	3,544,841
4	Belgium	3,435,951
5	France	1,751,894
6	Bulgaria	970,188
7	Bahrain	711,957
8	Slovenia	492,681
9	Romania	397,627
10	Czech Republic	320,988

Source: Malta Financial Services Authority

Chart 6:
Domestic Banks - Interest Margins (loans against deposits)

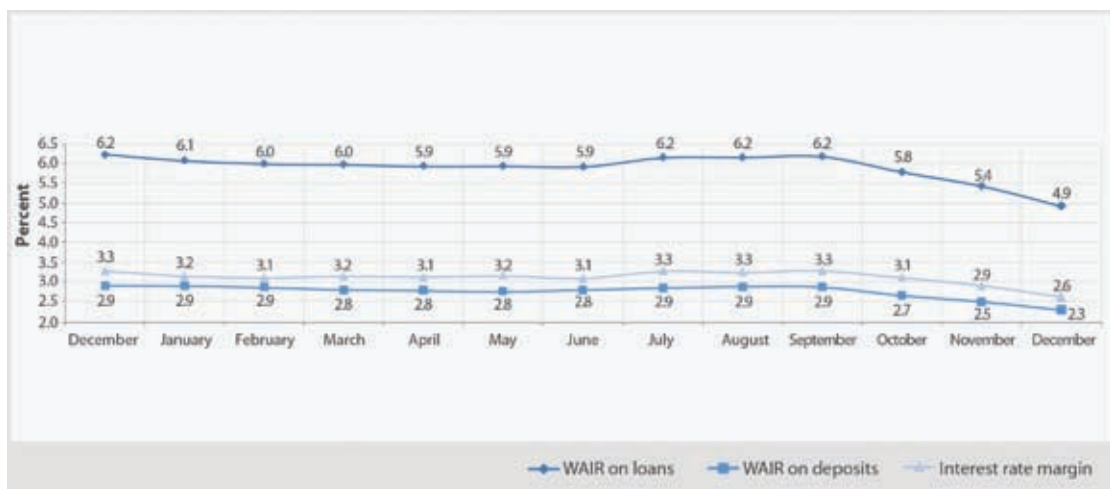


Chart 6 shows the weighted average interest rate on loans and deposits and the interest rate margin. The movement in interest rates during the second part of the year clearly reflect the cuts made by the European Central Bank to interest rates. However, it will be noted that the effect of the movements during the year in the weighted average interest rate with regards to loans are more pronounced than those related to the weighted average interest rate on deposit liabilities mainly due to the element of fixed term deposits within total deposit liabilities.

SECURITIES AND INVESTMENT SERVICES

The aggregate Net Asset Value (NAV) of investment funds (retail and professional investor funds) in 2008 remained stable at around €9 billion for most of the year. The NAV figure reported in December, however, showed a fall in value in line with the fall in the value of assets on the financial markets. A net increase of 102 Collective Investment Schemes (including sub-funds) were registered at the end of the year bringing the total number of funds to 398. A significant amount of non-domiciled funds also started being serviced by Malta based fund management and administration companies in 2008.

The fund servicing infrastructure continued to consolidate and expand with the establishment of more international services providers during the year. In the Professional Investor Funds (PIFs) sector - where Malta-based funds may use the services of managers and administrators based in other recognised jurisdictions – Ireland followed by Malta are the domiciles where Maltese funds normally source their fund administration (Chart 9).

During May, Custom House Global Fund Services Ltd. (“Custom House”) and Equity Trust announced the formal merger of Equity Trusts Fund Services Business and that of Custom House. The merger received regulatory approval in the various jurisdictions in which Custom House and its subsidiaries operate and became effective on 2 September 2008. The merged businesses now operate through “Custom House Global Fund Services Limited”, a Malta based Category 4 licensed company. In addition to the Maltese office, Custom House Global Fund Services Limited will operate through Custom House offices in Dublin, Luxembourg, Chicago and Singapore, as well as offices in Guernsey and the Netherlands.

Chart 7:
CIS Licences as at end 2008

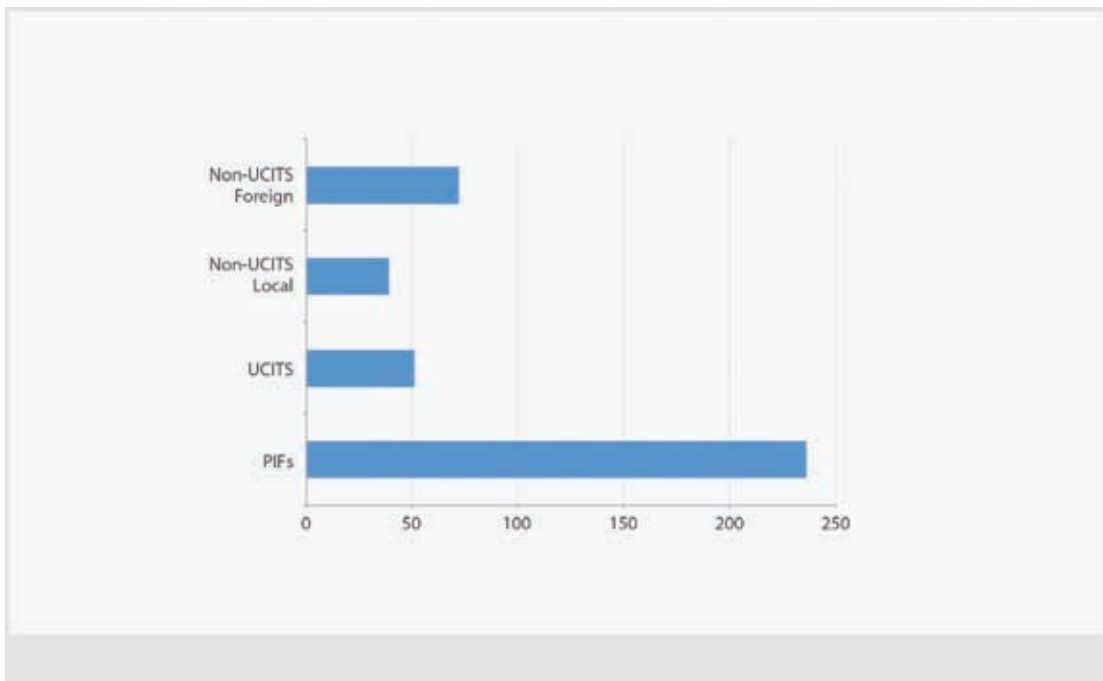
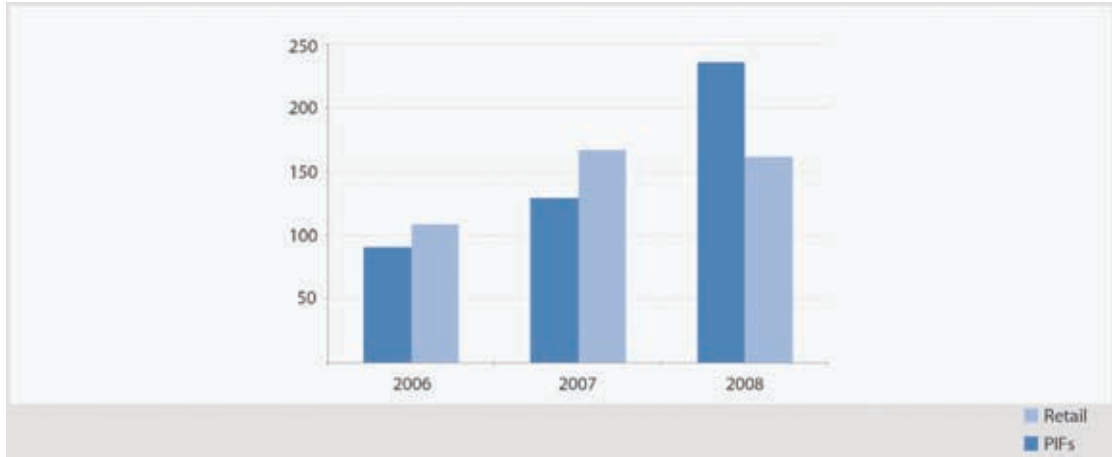


Chart 8:
Total Number of CISs for the period 2006 - 2008

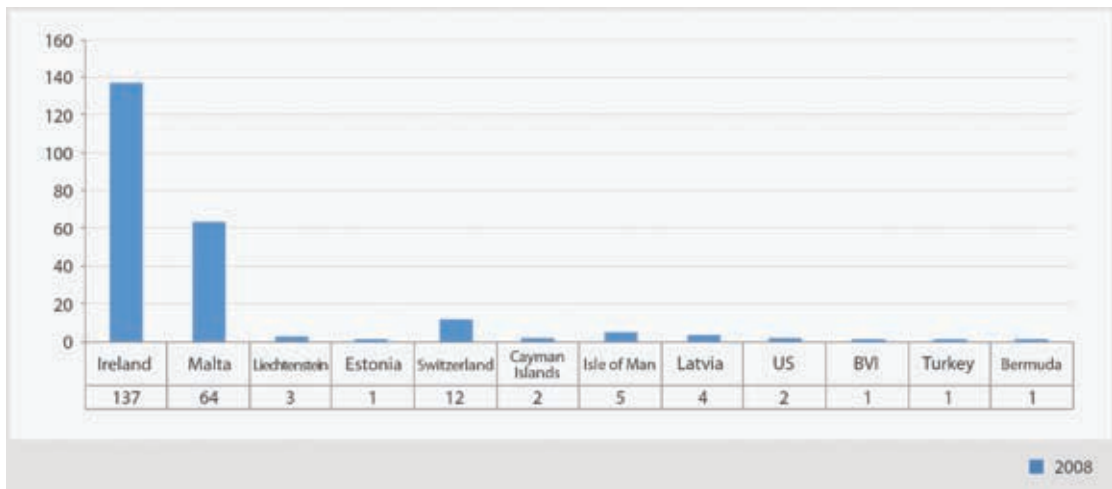


Before the merger Custom House had been servicing a growing number of Malta based funds from Dublin and the Group looks set to start providing fund administration and custodial services in Malta.

Other well known groups which have obtained Recognition Certificates to carry out fund administration in Malta this year include SGGG Fexco Fund Services (Malta) Limited and Praxis Fund Services (Malta) Limited with the latter quoting the quality and availability of employees and the strength of professional services as key elements in the framework provided by Malta.

The asset management industry also registered important gains with the arrival of established names such as Liongate, Oceanwood, Blue Planet and Fortelus.

Chart 9:
Locally Based PIFs - Location of Administrator



INSURANCE

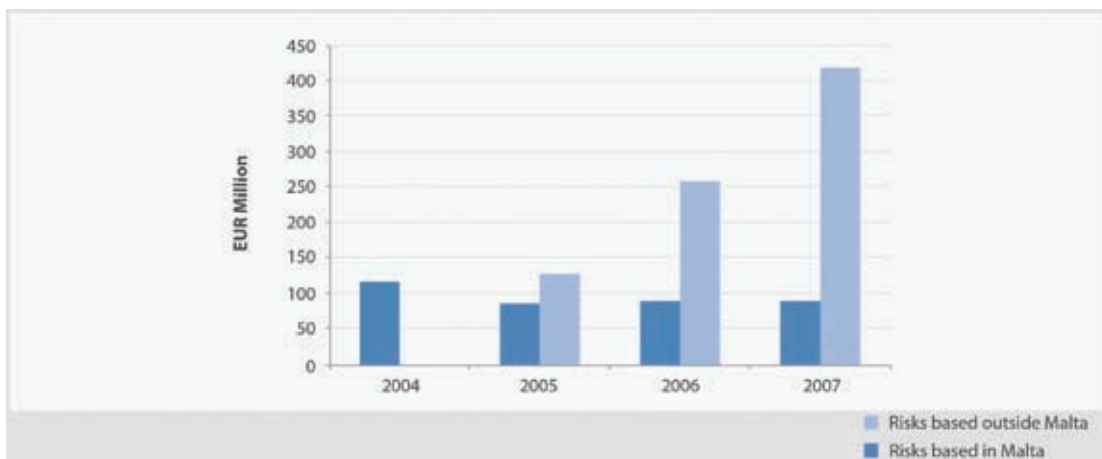
Between 2004 and 2008 the insurance sector grew from 12 domestic insurance companies servicing the local market to 41 insurance companies providing insurance services across 27 EU countries and beyond. In 2008 the number of newly licensed (re)insurance companies was 11. Protected Cell Company (PCCs) services also took off in 2008, with three PCCs operating ten cells by the end of the year.

Audited figures with respect to the volume and segmentation of business for 2008 have to be submitted to the Authority by 30 June 2009. Accordingly at the time of presentation of this report the figures available were those received for the year 2007. The trends, however, continue to confirm the extent of business growth that is taking place.

Between 2004 and 2007, premiums for general insurance business have grown from €116.8m to €508.8m (or 335% in 4 years), while the life insurance sector has practically doubled to €265.1 million. At the end of 2007, the overseas insurance market accounted for 60% of total gross premiums written in the general and life business sectors.

Figures for 2007 published by the MFSA in the course of the year showed an overall expansion in insurance business of 41% over 2006. Total Gross Premiums Written (GPW) in 2007 amounted to €764 million, a €223m increase over the previous year. The gross technical provisions at the end of 2007 for non-life insurance stood at €471.6 million while those for the life insurance sector stood at €1,136 million.

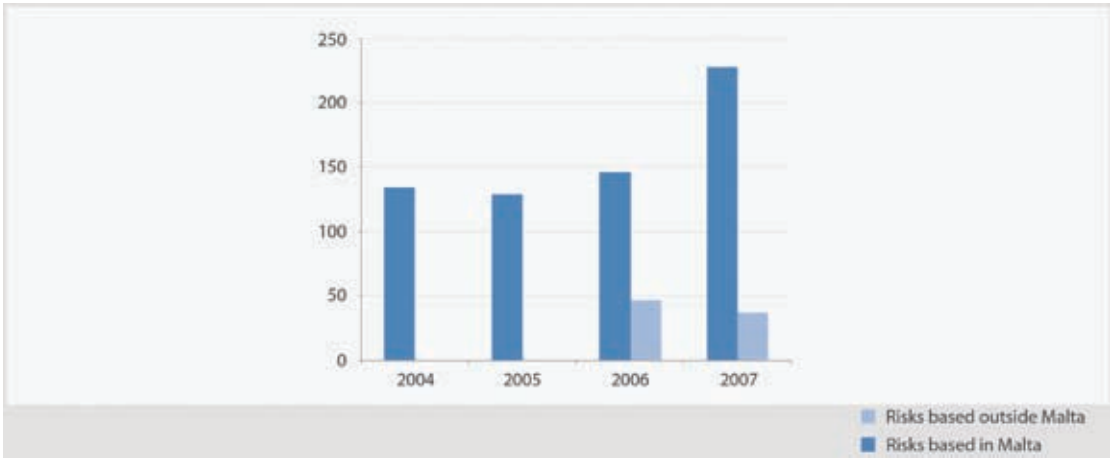
Chart 10:
Non-Life Premiums written for the period 2004-2007



GENERAL BUSINESS

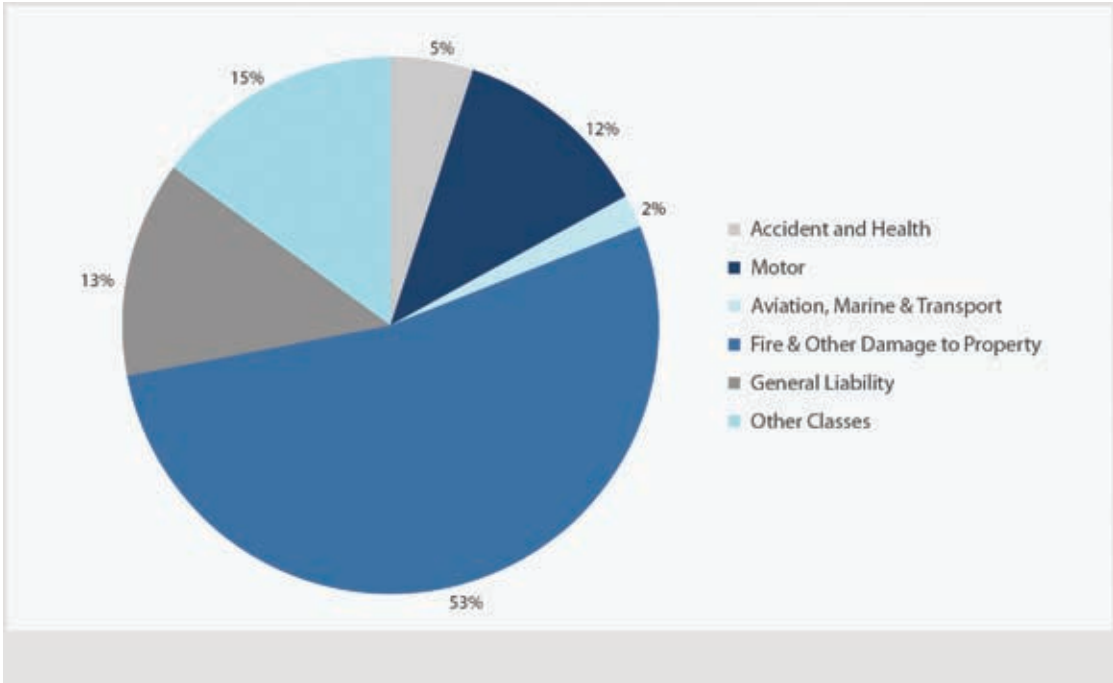
In the General Business sector the insurance of risks based outside Malta accounted for Gross Premiums Written of €418.7 million, an increase of €159.4 million over 2006. In contrast the local non-life business sector remained static expanding by only €1 million to €90.1 million.

Chart 11:
Life Premiums written for the period 2004-2007



At the end of 2007 the reinsurance share of the business stood at €172 million or 44.6%, with the remainder being retained by licence holders. The highest incidence of reinsurance is in the General Liability Class, standing at 57.9%. The largest class of business in the non-life sector was the Fire & Other Property Damage Class, followed by General Liability and Motor Insurance (Chart 12).

Chart 12:
General Business - Gross Premiums Written by Class of Business - 2007



LONG TERM BUSINESS

2007 also showed a significant increase in Life Insurance business written in Malta which went up by €82 million to €228 million. This translates in an increase of 56% over one year, compared to modest increases registered in previous years. The figures for life insurance risks based outside Malta decreased by €10 million to €37.1 million.

Over €172 million were derived from single premium policies, while €97 million came from regular premiums. Reinsurance ceded was €6.3 million.

The classes of long term business that were active during 2007 were Life and Annuity, Linked Long Term and Permanent Health. Table 5 provides a breakdown of GPW in the long term sector by Class.

The largest source of business segment was that generated by tied insurance intermediaries. This amounted to €197,845,000. The distribution of business by source is presented in Table 6.

Table 5:
Long Term Business - Total Gross Premiums Written by Class

Classes of Long Term Business	Commitments where Malta is the country of commitment		Commitments where Malta is NOT the country of commitment		Totals
	Insurance	Reinsurance	Insurance	Reinsurance	
	€ 000's	€ 000's	€ 000's	€ 000's	€ 000's
Life and annuity	178,019	345	9,908	26,776	215,047
Marriage and birth	-	-	-	-	-
Linked long term	28,443	-	-	-	28,443
Permanent health	6	-	430	-	436
Tontines	-	-	-	-	-
Capital redemption	-	-	-	-	-
Pension fund management	-	-	-	-	-
Collective insurance	-	-	-	-	-
Social insurance	-	-	-	-	-
Total GPW (Insurance contracts & investment contracts with DPF)	206,468	345	10,338	26,776	243,926
Investment contracts without DPF	21,268	-	-	-	21,268
Total GPW	227,736	345	10,338	26,776	265,194

Source: Malta Financial Services Authority

Table 6:
Gross Premiums Written (excluding investment contracts without DPF) by Source of Business

Source of Business	Commitments where Malta is the country of commitment		Commitments where Malta is NOT the country of commitment		Totals
	Insurance	Reinsurance	Insurance	Reinsurance	
	€ 000's	€ 000's	€ 000's	€ 000's	€ 000's
Direct business	1,763	345	5,794	26,776	34,678
Business generated by agents	-	-	4,442	-	4,442
Business generated by brokers	6,859	-	102	-	6,961
Business generated by tied insurance intermediaries	197,845	-	-	-	197,845
Total GPW (Insurance contracts & investment contracts with DPF)	206,468	345	10,338	26,776	243,926

Source: Malta Financial Services Authority

GENERAL BUSINESS CLAIMS

Gross Claims Paid in the General Business sector amounted to €283.9 million. Over 86% of these claims related to risks situated outside Malta. The reinsurers' share was of €82.4 million or 29% of the total.

The highest amount of claims paid was in the Fire and Other Damage to Property Class which accounted for €219.4 million. Of these only €7.8 million were due in respect of risks situated in Malta. The second largest amount of claims paid was in the Motor Insurance Class, where a total of €31 million was paid, €26.2 million of which was in respect of risks situated in Malta.

Total cost of claims incurred during 2007, excluding claims management costs, were €218.8 million. Claims Management costs amounted to €8.7 million. The distribution of claims costs according to Class of Business is presented in Table 7.

Table 7:
General Business - Claims incurred in respect of incidents occurring in reporting calendar Year 2007

CLASS	TOTAL CLAIMS COST € 000's
Accident & Health	4,437
Motor	38,566
Aviation, Marine & Transport	5,858
Fire & Other Damage to Property	133,108
General Liability	35,428
Credit & Suretyship	3
Other Classes	10,095

Source: Malta Financial Services Authority

LONG TERM BUSINESS CLAIMS

Total long term business claims in 2007 amounted to €63.9m. Of these, reinsurance ceded amounted to €2.4million. In relation to the greater part of these claims, €54.4 million, Malta was the country of commitment (Table 8).

Table 8:
Analysis of Claims – Long Term Business Sector

		Commitments where Malta is the country of commitment	Commitments where Malta is NOT the country of commitment	Totals
		€ 000's	€ 000's	€ 000's
Gross	Death or disability lump sums	7,068	1,682	8,750
	Disability periodic payments	309	303	612
	Surrender or partial surrender	23,607	-	23,607
	Annuity payments	-	-	-
	Lump sums on maturity	25,852	5,087	30,939
	Total	56,836	7,072	63,908
Reinsurance ceded	Death or disability lump sums	2,329	-	2,329
	Disability periodic payments	114	-	114
	Surrender or partial surrender	-	-	-
	Annuity payments	-	-	-
	Lump sums on maturity	-	-	-
	Total	2,443	-	2,443
Net of reinsurance	Death or disability lump sums	4,739	1,682	6,421
	Disability periodic payments	195	303	498
	Surrender or partial surrender	23,607	-	23,607
	Annuity payments	-	-	-
	Lump sums on maturity	25,852	5,087	30,939
	Total	54,393	7,072	61,465

Source: Malta Financial Services Authority

Supervision and Compliance



Supervision And Compliance

The Supervisory Council is responsible for the processing, approval and issuing of licences and other authorisations, and for the monitoring and supervision of persons and other entities licensed or authorised by the Authority in the financial services sector. (Section 10, Malta Financial Services Authority Act). During 2008, the Council met 30 times, and approved new licences, authorisations, enrolments and registrations to conduct financial services business as follows:

Credit institutions:	1
Financial Institutions:	2
Insurance principals:	11
Insurance Intermediaries:	10
Insurance Brokerage:	0
Insurance Management:	1
Insurance Agency:	2
Investment Services:	14
Collective Investment Schemes:	124 (including sub-funds)
Trustees & Fiduciary Services:	12

The requirements which an applicant applying for a licence must satisfy are contained in laws and regulations specific to the various sectors of financial services. However, when considering whether to grant or refuse a licence, the Authority will consider factors such as:

- (a) the protection of insured persons, depositors and the general public;
- (b) the protection of the reputation of Malta, taking into account Malta's international commitments; and
- (c) the promotion of competition and choice.

The Supervisory Council seeks to maintain a balance between the requirements specific to each sector, reflecting internationally accepted core principles and European Union Directives, and the need to ensure more consistent and harmonised supervision.

ENFORCEMENT

There are 58 employees at the Authority directly engaged in regulation and supervision of licensed entities. Supervision is carried out through both off-site and on-site compliance activities. Off-site compliance staff monitor adherence by licence holders to prudential requirements through the review of monthly and quarterly returns as well as through the review of licence holders' audited annual financial statements. As part of its off-site supervisory function, the MFSA also monitors and reviews media adverts issued by authorised persons and newspaper articles and media coverage dealing with companies which have their financial instruments traded on the Malta Stock Exchange.

...87 on-site compliance visits were carried out by the MFSA inspectors

On-site inspections to the premises of licence holders are also carried out to monitor the extent to which the operational activity of licence holders adheres to the regulations. The MFSA continues to move towards the adoption of a risk-based approach in the supervision of licensed institutions, in line with EU Directives implemented in recent years.

A total of 87 on-site compliance visits were carried out by the MFSA inspectors during the year with eight visits to credit institutions (including two extensive credit risk reviews at two of the main credit institutions), three to financial institutions, 18 to persons authorised to act as trustee and provide other fiduciary services, 31 to insurance entities (five of which were made to insurance companies and 26 to intermediaries), 20 to investment intermediaries and regulated markets and eight to Collective Investment Schemes including sub-funds.

A number of penalties were imposed during the year. These concerned a number of breaches of licence conditions as well as infringements under the Banking Act, The Investment Services Act, the Insurance Business Act, the Market Abuse Act and the Trusts and Trustees Act.

LITIGATION BEFORE THE FINANCIAL SERVICES TRIBUNAL AND THE CIVIL COURTS

The Legal Office is responsible for representing the Authority – often in conjunction with other Units – in a number of cases before the Financial Services Tribunal and the Courts. The Financial Services Tribunal is an appeal mechanism established by the MFSA Act which allows individuals or companies who feel aggrieved by a decision taken by the Authority to appeal against the decision.

In the course of 2008 one new appeal was lodged before the Financial Services Tribunal by an authorised trustee. The appeal was made against a penalty imposed by the Authority. This appeal was subsequently withdrawn before the end of the year.

At the end of the 2008, there were three cases pending before the Tribunal and one case before the Civil Courts.

LISTING ISSUES

The Listing Committee held seven official meetings during the year under review. Other *ad hoc* meetings were held mainly to deal with enquiries from company secretaries and/or compliance officers regarding the interpretation of the Listing Rules and compliance issues.

A number of compliance issues arose out of the monitoring of the market carried out throughout the year. Action was taken against companies failing to publish financial information within the legally stipulated period. A number of requests for dispensation from the Listing Rules were also considered according to the particular merits of each case.

In December 2008 the Listing Committee presented a preliminary memorandum to the Listing Authority proposing a structure for penalties to be imposed for non-compliance with the provisions of the Listing Rules (Section 19(i) of the Financial Markets Act).

No investigations were initiated by the Listing Committee during 2008.

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PREVENTION OF FINANCIAL MARKETS ABUSE

The Prevention of Financial Markets Abuse Act (Cap. 476) (PFMA) aims to safeguard the integrity of Maltese and European financial markets and to enhance investor confidence in these markets. The MFSA is vested with the function of enforcing the PFMA regime and safeguarding the integrity and reputation of the Maltese financial market from malpractices.

On a daily basis, the Securities Unit monitors on and off-exchange trading in financial instruments admitted to trading on the Malta Stock Exchange with the aim of identifying suspicious trading. In addition to this, the market is also subject to other scrutiny through the compliance team of the Malta Stock Exchange [which monitors market activity on a real time basis] and persons authorised to arrange transactions in financial instruments. These are in turn required to submit a report to the Authority whenever a suspicious transaction comes to their attention.

During 2008, the Securities Unit carried out 29 reviews of suspicious market transactions and initiated six investigations of possible market abuse.

MARKET SURVEILLANCE

The MFSA is also responsible for the promotion of the general interests and legitimate expectations of consumers of financial services and for the promotion of fair competition practices and consumer choice in financial services.

Financial institutions in Malta operate in a free market scenario in compliance with the relevant laws and regulations. Nevertheless, there may be instances where certain charges and tariffs may not be justified. Certain instances may moreover merit investigation by the Office of Fair Competition (OFC), particularly where institutions that enjoy a dominant position in the local market are concerned.

During the year under review the Authority has been carrying out an examination of a number of tariffs that were being charged by the two largest banking institutions in Malta. Several meetings were held with these banks in which the MFSA's position was clearly spelt out. The banks have agreed to adopt some of the Authority's recommendations, although there are other recommendations which can also be implemented for the benefit of the local retail and business community.

The Authority also held several discussions with officials from the Office of Fair Competition regarding tariffs charged by local banks for the transfer of funds to or from Malta, as well as tariffs relating to the card acquiring business. These discussions were held within the framework of the Memorandum of Understanding (MoU) signed by the Authority and the OFC.

FINANCIAL STABILITY

In line with the obligations emanating from the 2008 Multilateral MoU on Cross Border Financial Stability, the Central Bank and the MFSA undertook a systemic impact analysis exercise in November 2008. Based on the data and information already used in the crisis simulation exercise of September 2007, the authorities analysed amongst other factors, the impact of the potential systemic implications for the domestic financial system, as well as the specific channels of contagion of the crisis to institutions, markets, market infrastructures and the real economy. In December 2008, the results of this exercise were presented and discussed by

the Domestic Standing Group.

The Working Group on Crisis Management set up between the MFSA, the Central Bank and the Ministry of Finance held four meetings during 2008. The Working Group mainly discussed crisis management issues and the Systemic Impact Assessment Framework. The Banking Unit also liaised on a regular basis with the Central Bank's Financial Stability Office on areas of mutual interest.

In addition to the above the Standing Committee set up under the Memorandum of Understanding signed between the Authority and the Central Bank of Malta in February 2003, continued to meet regularly on a quarterly basis.

PREVENTION OF MONEY LAUNDERING

A number of remaining obligations under Directive 2005/60/EC of the European Parliament and of the Council of 26 October 2005 on the Prevention of the Use of the Financial System for the purposes of Money Laundering and Terrorist Financing were transposed into legislation by Legal Notice 180 of 2008. The new Prevention of Money Laundering and Funding Of Terrorism Regulations also incorporated the provisions of Directive 2006/70/EC laying down implementing measures as regards the definition of politically exposed persons; the technical criteria for simplified customer due diligence procedures and the exemptions on grounds of a financial activity conducted on an occasional or very limited basis.

Compliance with the rules for the prevention of money laundering and terrorist financing is an important responsibility of all financial services licence holders. In the course of its regulatory and supervisory function, the Authority seeks to ensure that licence holders are fully aware of these obligations and are implementing them correctly.

The MFSA acts as the agent of the Financial Intelligence and Analysis Unit (FIAU) in assessing and ensuring compliance by licence holders on matters relating to money laundering. A review of compliance with "know your customer" and record keeping requirements, in relation to the Prevention of Money Laundering Act (Cap. 373) and the underlying Regulations is also carried out during compliance visits. Where breaches of applicable legislation are identified, the licence holder is requested to provide the MFSA with an explanation of what action has been taken or plans to take in order to rectify the breach. In the event of a breach of the applicable anti-money laundering legislation, the MFSA reports to the FIAU the nature of the breach identified during the visit.

... the Authority seeks to ensure that licence holders are fully aware of obligations and are implementing them correctly

The MFSA's Money Laundering Reporting Officer also attended the meetings of the Joint Committee for the Prevention of Money Laundering and Funding of Terrorism held during the year. The main function of the Committee is to create a forum between the authorities and the industry to exchange views and concerns regarding developments in anti-money laundering and combating of terrorism regulations and standards. The Joint Committee includes representatives of the Financial Intelligence and Analysis Unit, the Malta Financial Services Authority, the Central Bank of Malta, the Attorney General, the Malta Police, the Lotteries and Gaming Authority, the Malta Stock Exchange, the Chamber of Advocates, Chamber of Legal Procurators, the Malta Insurance Association, the College of Notaries, the Malta Bankers' Association, the Association of Licensed Financial Institutions, the Malta Institute of Accountants, the Malta Funds Industry Association, the Institute of Financial Services Practitioners, the College of Stockbrokers, the Federation of Real Estate Agents, the Malta Institute of Taxation.

In September 2007, the 24th plenary meeting of the Council of Europe Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures (MONEYVAL) adopted the Third Round Detailed Assessment Report on Malta. The report contained the findings of the team of experts from MONEYVAL and the FATF which had carried out the on-site evaluation in November 2005. The Report had made a number of recommendations relating to the ongoing improvement of the anti-money laundering framework in Malta. These issues were also addressed in the Prevention of Money Laundering and Funding Of Terrorism Regulations (Legal Notice 180 of 2008) and a progress report was presented to MONEYVAL by the Maltese delegation in December 2008.

INTERNATIONAL SANCTIONS

The MFSA is a member of the Sanctions Monitoring Board established by the Sanctions (Monitoring Board) Regulations of 2006 issued in terms of the National Interest (Enabling Powers) Act (Cap. 365). The primary function of the Board is to monitor the adherence to regulations imposing sanctions and other similar measures. A list of all persons and entities against whom sanctions are imposed in adherence to UN Security Council Resolutions and EU Regulations is published under the “Sanctions Implementation” section on the Authority’s website (www.mfsa.com.mt).

INTERNAL AUDIT

At the end of 2007, the Board of Governors had commissioned independent international experts to carry out an internal audit of the regulatory units mainly to check adherence to core principles in banking, insurance, securities and corporate governance. This was the second audit commissioned following the introduction of this mechanism as a result of the 2003 IMF-World Bank FSSA recommendations.

The Internal Audit Report was submitted to the Board of Governors in October 2008 and confirmed that considerable progress had been achieved with respect to the implementation of recommendations that had been made made at the end of the previous exercise.

Legal And Regulatory Developments



Legal And Regulatory Developments

During 2008, the Authority conducted 27 consultations (Appendix VI) on a wide range of legislative issues. These consultations were carried out with the Financial Services Consultation Council and/or with the industry in general as appropriate. Consultation documents included reports and draft legislation aimed at updating and enhancing the legal and regulatory framework. A number of legislative initiatives also related to the transposition of EU legislation. Certain suggestions received during the consultation process were also incorporated in the proposed legislation following further study.

CAPITAL REQUIREMENTS DIRECTIVE

The Investment Services Act (Capital Adequacy) Regulations, published during the year, have transposed Articles 36 and 38 of the Capital Adequacy Directive (recast) – Directive 2006/49/EC. These Regulations have introduced provisions relating primarily to the requirement for co-operation with other European regulatory authorities in particular where investment services are provided on the basis of the freedom to provide services or through the establishment of a branch.

In May 2008, the MFSA published amendments to the Investment Services Rules transposing the consolidated supervision requirements under Capital Requirements Directive (CRD) Pillar I and in September 2008, published the relevant provisions transposing the CRD Pillar II requirements.

Following recommendations by the International Monetary Fund to impose a more risk based prudential framework for Exchanges and Central Securities Depositories (CSD) functions, and following consultation with the Malta Stock Exchange, the MFSA introduced financial resources requirements for Recognised Investment Exchanges based on CRD Pillar I and set Risk Management and Internal Capital Adequacy Assessment requirements for Regulated Markets and Central Securities Depositories. The Authority is planning to proceed with the transposition of the CRD Pillar III requirements during 2009.

Meanwhile, work has been carried out on the alignment of the Banking Act and the Banking Rules to the CRD, particularly in relation to BR/03, BR/07 and BR/12. The latter draft Banking Rule was finalised and issued for consultation. Similar work was carried out on the revision of the Financial Institutions Act and related Rules.

A questionnaire related to Internal Capital Adequacy Assessment Process (ICAAP) and Internal Governance under Pillar 2 of the CRD was forwarded to all licensed credit institutions for completion by the end of November 2008, following which the relevant returns started being analysed.

THE ACQUISITIONS DIRECTIVE

Among the changes that have affected financial services activities regulated under a number of different laws are those relating to the transposition of Directive

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2007/44/EC of the European Parliament and of the Council of 5 September 2007 amending Council Directive 92/49/EEC and Directives 2002/83/EC, 2004/39/EC, 2005/68/EC and 2006/48/EC as regards procedural rules and evaluation criteria for the prudential assessment of acquisitions and increase of holdings in the financial sector ("The Acquisitions Directive").

The Acquisitions Directive entails amendments to the Banking Act, the Investment Services Act, the Insurance Business Act and the Insurance Intermediaries Act. Drafting work is also underway on a number of Rules to implement the 3L3 Guidelines for prudential assessment of acquisitions and increase of holdings in the financial sector issued pursuant to the same Directive. All amendments relating to the Acquisitions Directive should be finalized by March 2009, this being the date by which EU Member States are expected to have completed the transposition and implementation process.

TRANSPOSITION OF DIRECTIVE 2006/46/EC

Directive 2006/46/EC of the European Parliament and of the Council of 14 June 2006 brought about a number of changes to various EU Council Directives – namely, Council Directive 78/660/EEC on the annual accounts of certain types of companies, 83/349/EEC on consolidated accounts, 86/635/EEC on the annual accounts and consolidated accounts of banks and other financial institutions and 91/674/EEC on the annual accounts and consolidated accounts of insurance undertakings.

During 2008, the implementation of this Directive led to the amendment of the Insurance Business (Companies Accounts) Amendment Regulations which were published on 7 October 2008.

STATISTICAL REPORTING REQUIREMENTS

A series of meetings between the MFSA, the Central Bank of Malta and the National Statistics Office were held during the year to discuss statistical reporting requirements. New statistical returns for Investment Funds and Insurance and Reinsurance Licence holders following new European Central Bank (ECB) requirements were finalised for implementation on 1st January 2009.

The new statistical returns for insurance and reinsurance companies will incorporate the requirements of ECB Guideline 2007/3 and EC Regulation 184/2005 relating to Balance of Payments statistics; the requirements of ECB Guideline 2008/6 for financial accounts purposes and of ESA 1995 for national accounts purposes.

The new returns for investment funds incorporate the requirements of Regulation ECB/2007/958 and ECB/2007/8 issued by the European Central Bank concerning statistics on the assets and liabilities of investment funds.

In order to keep the reporting burden on respondents to a minimum, a number of derogations permitted by the relevant ECB Regulations and Guidelines were also incorporated. The new returns not only included the new ECB requirements but also streamlined all statistical returns previously filed with the three authorities involved into one reporting framework in order to eliminate all duplication. The MFSA and the Central Bank also agreed to eliminate from the new reporting framework a number of forms which were deemed as no longer required.

CREDIT AND FINANCIAL INSTITUTIONS

The conversion of Banking Directives and Financial Institutions Directives into an updated set of Rules, which had begun during the previous year, continued throughout the year under review. Rules published by the Authority constitute the third tier of legislation below Primary Legislation (Acts of Parliament) and Subsidiary Legislation (Legal Notices).

Banking Rule 12 (Supervisory Review Process – Pillar II) was finalised and came into force in July 2008. The revision of Banking Rules BR/01 (Application Procedures), BR/03 (Own Funds Requirement) and BR/07 (Publication of Audited Financial Statements) in compliance with the process of implementation of the Capital Requirements Directive is ongoing.

In the meantime work has also started on BR/09 (Credit and Country Risk Provisioning) to incorporate the changes mainly arising from new International Financial Reporting Standards (IFRS) and on BR/14 (Outsourcing). The MFSA is aiming to issue documents for consultation on these two Banking Rules during the coming year.

The drafting of amendments to the Financial Institutions Act, 1994 (Cap. 376) and of a new Financial Institutions Rule, aimed at the implementation and transposition of the EU Payment Services Directive (PSD), is also underway. A number of consultation meetings were also held in this regard between the Banking Unit and the Central Bank of Malta. The transposition of the PSD should be finalized by November 2009.

INSURANCE AND REINSURANCE

A number of Acts, Legal Notices and Rules related to insurance and insurance mediation were amended, or in the process of being amended, in the course of the year.

Act IX of 2008 entitled the Accountancy Profession Act and Other Laws (Amendment) Act, 2008 brought in a number of amendments to the Companies Act. These included a new provision in Article 84A authorizing the Minister to issue regulations regarding protected cell companies and Article 168 which ensures that insurance companies comply with regulations made under the Insurance Business Act in respect of the form and content of their annual accounts.

Meanwhile, amendments to the Companies Act (Cell Companies Carrying on Business of Insurance) (Amendment) Regulations, 2008 were also issued.

The following revised Insurance Rules came into effect on 1 February 2008: Rule 4 (Specified effective period with respect to certain contracts of long term business), Rule 5 (Mutual Associations), Rule 13 (Publicity given to notices to cease to carry on business of insurance), Rule 15 (Appointment and changes of Director, Controller or Senior manager), Rule 18 (Close Links), Rule 19 (Legal Expenses Insurance), Rule 26 (Export Credit Insurance) and Rule 28 (Insurance Companies carrying on business of insurance through the Internet). Furthermore, amendments were carried out to Insurance Rule 12 of 2007 dealing with Business Statements to reflect the amendments which were made to the Insurance Business (Assets and Liabilities) Regulations, 2007.

Insurance Rule 8 of 2008 (Qualifications) and Insurance Intermediaries Rule 23 (Carrying out Insurance Intermediaries Activities through the Internet) were amended and came into force on 1 August 2008, whilst the amended versions of Insurance Rule 14 of 2008 and Insurance Intermediaries Rule 5 of 2008, both dealing with advertising and promotional activities came into force on 1 October 2008.

Insurance Intermediaries Rule 1 (Own Funds) and Insurance Intermediaries Rule 12 were amended and came into force on 1 September 2008.

The Protection and Compensation Fund Regulations (L.N. 435 of 2003 as amended) were amended to incorporate the provisions of Directive 2005/14/EC (EU Fifth Motor Directive). These Regulations were published on 16 September 2008 and came into force on 7 October 2008.

The Insurance Unit also worked on the transposition of Council Directive of 25 January 1991 on the implementation of the Agreement between the European Economic Community and the Swiss Confederation concerning direct insurance, other than life assurance (Directive 91/371/EEC). The drafting of Regulations related to the use of Special Purpose Vehicles and Incorporated Cell Companies in relation to insurance activities is also underway.

SOLVENCY II

In July 2007, the European Commission (the Commission) issued a proposal for a modern risk-based supervisory framework for the supervision of European (re)insurance companies. According to current plans, the proposed Solvency II Framework Directive, which is intended to harmonize and strengthen the European supervisory framework, will be implemented by 2012.

As part of the project, the Commission has requested the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS) to run a number of large scale field-testing exercises, called Quantitative Impact Studies (QIS). These aim to assess the practicability, implications and possible impact of the different alternatives considered. On 31 March 2008, following a three-month public consultation run by the Commission with technical support from CEIOPS, the Commission published a Call for Advice asking CEIOPS to launch the fourth Quantitative Impact Study (QIS4) on Solvency II. CEIOPS ran the QIS4 exercise from April to July 2008, with the assistance of the respective national insurance supervisors. The CEIOPS QIS4 report was eventually released on the CEIOPS' website: www.ceiops.eu.

A key objective of QIS4 was to study the effect of the testing proposals on the own-funds of insurance undertakings and groups. The information and data collected will be used in the refinement and further development of Solvency II.

A further objective of QIS4 was to encourage insurers to prepare for the introduction of Solvency II and to identify areas where their internal processes, systems and infrastructure (including data collection) may need to be enhanced.

The Malta response was considerably higher than for the previous QIS3 study. The Malta Financial Services Authority received 16 completed spreadsheets from individual firm participants, comprising five firms with life business and 14 firms with non-life business. These participants were all classified as small firms (as defined by CEIOPS), the criteria being that gross written premiums do not exceed

the proposed
Solvency II
Framework
Directive...
will be
implemented by
2012

€100million in the case of non-life business and the gross technical provisions do not exceed €1,000million in the case of life business.

The Authority will be publishing a summary of the findings of the Malta QIS4 study. This will report (on an undisclosed names basis) the feedback received from Maltese insurance companies in the course of the study and indicate the potential impact on firms of applying the QIS4 specification.

PENSIONS

In the pensions sector legislative work included the drafting of a new Retirement Pensions Act intended to replace the Special Funds (Regulation) Act, together with supporting Regulations and Rules for Occupational Retirement Schemes and Retirement Funds. Draft Rules for Personal Retirement Schemes have also been completed.

In the light of the pending pension reform, the proposed regulatory framework is due to be discussed within Pensions Working Group set up by the Ministry for Social Policy prior to being presented to Government during the first half of 2009. The consultation process on the relevant legislation will commence as soon as the draft legislation and regulations are approved by Cabinet.

Legislative work related to the EU included:

- the formulation of positions taken by the Maltese authorities on the proposed EU Portability Directive within various EU fora.
- participation in ongoing discussions at EU level in relation to EU Directive 2003/41/EC (“the Pensions Directive”) and the Solvency II Directive. These discussions were mainly focused on:
 - a. the underwriting of liability cover against biometric risk and guarantees on investment performance and levels of benefits and related technical provisioning which the Pensions Directive allocates to occupational pension funds rather than the sponsoring employer;
 - b. the applicability of the Solvency II Directive to pension funds; and
 - c. the consultation document on Occupational Pension Funds issued by the EU Commission which closed in on 30 November 2008 with an EU Public Hearing scheduled for mid February 2009.

SECURITIES

Following the transposition of the Capital Requirements Directive (CRD) Pillar I and MIFID in 2007, work on securities legislation in 2008 was mainly focused on the transposition of the Acquisitions Directive and on the remaining CRD Pillar 2 and Pillar 3 requirements referred to above.

In addition to these transpositions the Securities Unit was also involved in the drafting of legislative amendments to the Prevention of Financial Markets Abuse Act, the Investment Services Act and the Companies Act. The amendments to the former law were aimed at introducing additional disclosure requirements to be made by persons providing generic investment advice and requiring the issuer of a listed security to disclose inside information through the Regulated

**Investment
Services Rules
were also
substantially
amended during
the year**

Market as well as through a notice on the internet site of the company whose financial instruments are being issued. Two of the amendments to the Investment Services Act, 1994 were aimed at clarifying the application of Article 11 of the Act dealing with investment advertisements to European Investment Firms providing investment services in Malta in terms of the passport available under the MiFID Directive.

Amendments were also effected to the Companies Act (SICAV) Regulations, 2006. The aim behind these amendments was three-fold namely (i) to provide specific conditions on which the holders of units in a SICAV may pledge their units; (ii) to allow certain types of non-retail collective investment schemes set up as SICAVs to effect “drawdowns” on investors’ committed funds in return for the issue of units at a price which may be below the net asset value per unit prevailing at the time and (iii) to exempt collective investment schemes from registering share transfers with the Registry of Companies.

The Investment Services Rules were also substantially amended during the year. The Investment Services Rules for Retail Collective Investment Schemes were enhanced through the introduction of rules for the use of repos by UCITS schemes. The Investment Services Rules for Recognised Persons were amended to include clearer and more comprehensive regulatory requirements for fund administrators and private schemes. The new Rules also include additional clarifications regarding the services which are subject to a recognition certificate. Furthermore, Rules on outsourcing have also been concluded.

TRUSTS AND COMPANY COMPLIANCE

The amendment to the Trusts and Trustees Act introduced by Act XIII of 2007 and widening the definition of “charitable purpose” came into force on 15 April 2008 by means of Legal Notice 95 of 2008.

LISTING

The Listing Committee together with the Company Compliance Unit concluded a set of amendments to the Listing Rules as a result of the transposition of Directive 2007/14/EC laying down detailed rules for the implementation of certain provisions of the Transparency Directive. In this regard, Chapters 1, 8, 9 and 15 of the Listing Rules were amended to transpose the provisions of this Directive and the amended Chapters came into force on 30 June 2008.

The Company Compliance Unit also worked on the transposition of the requirements of Article 41 of the Directive 2006/43/EC (Statutory Audit Directive). These amendments came into force on 6 October 2008.

Throughout 2008, the Working Committee set up by the Listing Authority to review the Listing Rules met 28 times. The composition of the Working Committee was aimed at facilitating the consultation process for the proposed amendments and included representatives from the Malta Stock Exchange, the Financial Services Consultation Council, the College of Stock Brokers and the Forum of Company Secretaries of Listed Entities. The main objective of the review was to streamline the requirements under the Listing Rules in order to achieve the right balance between regulation and practicality.

SECURITISATION

Amendments to the Civil Code brought in by ACT XIII of 2007, which came into effect in 2008, made it possible to set up new alternative structures in the form of Foundations and Associations. Among other things these structures may also be used for investment purposes.

According to the new provisions, a foundation is *'an organization consisting of a universality of things constituted in writing whereby assets are either, (a) destined for the fulfilment of a specified purpose or (b) for the benefit of a named person or class of persons, and are entrusted to the administration of a designated person or persons.'*

A foundation would qualify as a securitisation vehicle in terms of S.3(1) of the Securitisation Act. Thus it may engage in transactions whereby it directly or indirectly: (a) acquires securitisation assets from an originator by any means; or (b) assumes any risks from an originator by any means; or (c) grants secured loans or other secured facility or facilities to an originator; and finances any or all of the above, directly or indirectly, in whole or in part, through the issue of financial instruments, and includes any preparatory acts carried out in connection with the above.

A complete list of Acts and Legal Notices published in 2008 is contained in Appendix I. A list of MFSA Rules published during the year is carried in Appendix II.

Licensing



Licensing

The financial services sector continued to expand during 2008

The financial services sector continued to expand during 2008. Licences issued by the MFSA in the banking sector, investment services, insurance and trust services indicate sustained levels of investment and further consolidation of business in these sectors

CREDIT AND FINANCIAL INSTITUTIONS

The number of credit institutions increased by one with the issue of a licence to Nemea Bank Limited. Two new financial institutions, Crystal Loan Brokers Limited and Island Financial Services Limited were also licensed to carry out money broking activities. Three financial institutions (mainly exchange bureaux) voluntarily surrendered their licences during the year. The main reason for these surrenders was the shrinking of the currency exchange market following the adoption of the euro in January 2007 (Table 9).

Table 9:
Number of Credit and Financial Institutions

	End 2006	End 2007	End 2008
Credit Institutions	18	21	22
Financial Institutions	13	16	15
Representative Offices	1	1	1

Source: Malta Financial Services Authority

INSURANCE BUSINESS

The Authority issued five new licenses to insurance companies writing general business in various classes of business. These included Bray Insurance Company Limited, Nissan International Insurance Limited, PSA Insurance Limited, RCI Insurance Limited and Taurus Insurance Limited, with the latter also authorised to carry on reinsurance business alongside its general business. In all cases the business carried out is in relation to risks situated outside Malta.

In the long term business sector, PSA Life Insurance Limited was authorised to carry out the business of insurance and reinsurance in the long term business class of Life and Annuity. RCI Life Limited was authorised to carry on the business of insurance in one class of long term business.

In the meantime Palatina Insurance Limited was authorised to carry on the business of an affiliated reinsurance company in relation to five classes of general business while Munich Re of Malta p.l.c. was authorised to carry out business as a composite reinsurance company in three classes of long term business and 18 classes of general business.

Two new Protected Cell Companies were authorised during the year. Axeria Life International PCC Limited, a subsidiary of the April Group, was authorised with one cell. White Rock Insurance (Europe) PCC Limited was authorised to carry on the business in five classes of general business. This PCC was authorised with six cells. Three other cells were approved during the year under Atlas PCC Limited.

Two affiliated insurance/reinsurance companies, one insurance/reinsurance composite carrying on general business and one insurance agency had their licenses extended to cover additional activities or classes of business during the year.

Tables 10, 11 and 12 present a breakdown of the insurance licences by category as at December 2008.

Table 10:
International Sector - Insurance and Reinsurance Companies

	End 2006	End 2007	End 2008
Affiliated Insurance/Reinsurance Companies	5	5	6
General Insurance Companies	7	12	17
Life Insurance Companies	2	3	5
Reinsurance & Reinsurance Composites	1	2	3
Protected Cell Companies	1	1 (1 Cell)	3 (10 Cells)

Source: Malta Financial Services Authority

Table 11:
Local Sector – Insurance Companies

	End 2006	End 2007	End 2008
Insurers of Domestic Origin	7	7	7
Insurers of Foreign Origin	3 [^]	3 [^]	2 [^]

Source: Malta Financial Services Authority

[^]Refers to insurance undertakings with head office outside the EU/EEA Member States and which hold an authorization under the Insurance Business Act (Cap. 403) and one European Insurance Undertaking which has not yet passported into Malta.

Table 12:
Insurance Intermediaries

	End 2006	End 2007	End 2008
Companies:			
Enrolled Insurance Managers	9	11	12
Enrolled Insurance Agents of:			
Local Insurers	9	8	10
Foreign Insurers	12	11	11
Enrolled Insurance Brokers	23	28	28
Individuals:			
Registered Insurance Managers*	-	17	20
Registered Insurance Agents*	-	27	30
Registered Insurance Brokers	54	63	67
Tied Insurance Intermediaries	567	539	529

Source: Malta Financial Services Authority

* This category was established in 2007

**Fund
servicing
capabilities
continued to
build up**

INSURANCE MANAGERS

During 2008, the MFSA also enrolled one new insurance manager namely Willis Management (Malta) Limited. The total number of insurance managers is currently 12.

INSURANCE AGENTS

During the year, Mediterranean Insurance Agency Limited and Thomas Smith Insurance Agency Limited were granted authorisation to act as insurance agents for local insurers.

REGISTERED INDIVIDUALS

As from 1 April, 2007, the Authority started registering individual applicants who have been accepted for registration under the Agents Register and the Managers Register. This is in accordance with Article 11 of the Insurance Intermediaries Act, 2006 which provides that no person shall act as insurance agent or insurance manager unless one or more of the company's directors are registered in the Agents Register and the Managers Register and the insurance intermediaries activities are carried out under the management of a registered person. At the end of December 2008, there were 30 individuals registered in the Agents Register and 20 individuals registered in the Managers Register. Four individual brokers were added to the Brokers Register.

SECURITIES BUSINESS

INVESTMENT SERVICES

Fund servicing capabilities continued to build up faster than the previous year. Eight new Category 2 investment services licences were issued to AS Financial Services Limited, BlueGold Investments Limited, Blue Planet Investment Management Limited, FMG (Malta) Limited, Fortelus Capital Management Limited, GDP Asset Management (Malta) Limited, Liongate Capital Management Limited and Oceanwood Capital Management (Malta) Limited.

The MFSA also issued Category 1b licences to Cevian Capital (Malta) Limited and Liability Solutions International Limited. Custom House Global Fund Services and Sparkasse Bank Malta p.l.c. were granted Category 4 licences. Three other companies had their licences upgraded or extended to cover additional services in the same Category.

Tables 13:
Investment Services

	End 2006	End 2007*	End 2008
Total Investment Services Licences	90	63	75
Recognised Fund Administrators	11	14	16

Source: Malta Financial Services Authority

*As from January 1, 2007 the Category 5 investment services licences ceased to exist.

Recognition certificates were given to three new fund administrators under the Investment Services Act – Custom House Global Fund Services Limited, Praxis Fund Services (Malta) Limited and SGGG Fexco Fund Services (Malta) Limited. The total number of fund administrators as at the end of the year was 16 (Table 13).

During the year the Authority accepted the surrender of Category 2 licence issued to Finacom Investment House Limited and Fund Administration Recognition Certificate issued to Erste Bank (Malta) Limited.

COLLECTIVE INVESTMENT SCHEMES

2008 saw excellent rates of growth in the Professional Investor Fund sector. During the year, the Authority issued a total of 124 Collective Investment Scheme Licences (including Sub-Funds) of which 114 were Professional Investor Funds, six UCITS sub-funds and four Non-UCITS sub-funds (Table 14).

The total number of Collective Investment Schemes Licences including Sub-Funds as at the end of 2008 (net of surrenders filed during the year) was of 398 compared to 296 in 2007 and 200 at the end of 2006.

Table 14:
Collective Investment Schemes

	End 2006	End 2007	End 2008
Retail Schemes Non-UCITS	87	120	111
Retail Schemes – UCITS	22	47	51
PIFs	91	129	236
Total	200	296	398
Recognised Private CISs	3	4	4

Source: Malta Financial Services Authority

TRUST SERVICES

During the year under review the MFSA issued 12 authorisations to act as trustee or provide other fiduciary services in terms of the Trusts and Trustees Act (Cap. 331) bringing the total number of authorisations to 98 (Table 15). Six of the authorisations issued during the year were restricted to the provision of Fiduciary Services. During 2008, nominees continued to be phased out with only 29 still registered.

Table 15:
Nominees, Licensed Nominees, Trusts and Authorised Trustees

	End 2006	End 2007	End 2008
Nominees	35	34	29
Trusts registered in terms of the Trusts Act, 1988	175	138	132
Authorised Trustees in terms of the Trusts and Trustees Act	70	87	98

Source: Malta Financial Services Authority

Note : The coming into force of the Trusts & Trustees Act on January 1 2005, brought the issuing of new licences for trusts and nominee services to a stop. Companies and individuals who held a licence to provide nominee services had until 2006 to apply for a licence to act as Trustees under the new law.

LISTING AUTHORITY

During 2008, the Listing Committee evaluated and recommended to the Listing Authority for admissibility to listing one equity issue, four corporate bond issues, and six Malta Government Securities issues.

One fund was authorised to go for primary listing, namely APS Fund SICAV p.l.c. while the number of delistings (including sub-funds) was 12.

PENSIONS

2008 also saw the processing of the first applications for the setting up of pension funds and pension schemes in Malta. The first of these are expected to be licensed in 2009. Pensions administration companies are expected to follow suit.

THE REGISTRY OF COMPANIES

A total of 2,806 new companies and commercial partnerships were registered during 2008. The total number of companies on the register as at end December 2008 stood at 45,975 of which 33,046 are considered to be active companies (Tables 16 and 17).

The number of companies that merged during the year was 108, while the number of companies that were placed into liquidation during the year was 646.

Table 16:
New Company Registration

	Companies	Partnerships	Total
2006	2,942	37	2,979
2007	2,685	54	2,739
2008	2,764	42	2,806

Source: Malta Financial Services Authority

Table 17:
Total Companies on the Register

	Companies on the Register as at 31st December
1999	25,662
2000	27,517
2001	29,090
2002	20,740
2003	32,959
2004	35,950
2005	37,720
2006	40,564
2007	43,230
2008	45,975

Source: Malta Financial Services Authority

The total number of inward redomiciliations was 46

REDOMICILIATIONS

A number of companies transferred their domicile to Malta in terms of the Continuation of Companies Regulations under the Companies Act. The total number of inward redomiciliations was 46 (Tables 18 and 19), an increase of six over the previous year. One of these companies subsequently redomiciled out of Malta.

Table 18:
Redomiciled Companies - Breakdown by Company Type

Type of Company	
General Trading	6
Holding	4
Insurance	2
Private Investment	4
Property	13
Securities	4
Shipping	3
Treasury	2
Trust Management	2
Other	6
Total:	46

Source: Malta Financial Services Authority

Table 19:
Redomiciled Companies - Breakdown by Country

Countries	
Belize	1
BVI	7
Cayman Islands	5
Gibraltar	13
Guernsey	5
Italy	4
Jersey	2
Luxembourg	3
Netherlands Antilles	1
Panama	2
Peru	1
USA	2
Total:	46

Source: Malta Financial Services Authority

NOTIFICATIONS FOR INWARD CROSS-BORDER SERVICES

The number of notifications for the provision of cross-border services from other EU/EEA states continued to increase during 2008, a further indication of the high level of integration that exists with the single market in financial services.

The following is a breakdown of entities that have notified the MFSA through their home country regulator that they will be passporting into Malta via the freedom of services:

European Credit Institutions	39
European Insurance Undertakings	52
European Insurance Intermediaries	320
UCITS Schemes	84
Multilateral Trading Facilities	14
Investment Services	301

More information on new notifications is contained in Appendix IV.

No notifications for the provision of cross-border services via the freedom of establishment were received during the year.

NOTIFICATIONS FOR OUTWARD CROSS-BORDER SERVICES

The number of notifications by Maltese companies to provide cross-border services outside Malta totalled 55 as at the end of the year.

The following is a breakdown of entities that have notified the MFSA that they will be passporting outside of Malta via the freedom of services:

Credit Institutions	6
Insurance Undertakings	40
Insurance Intermediaries	7
Investment Services	2

More information on outward notifications is contained in Appendix V.

Development Overview



Development Overview

STRATEGIC DEVELOPMENT

In the course of the year the MFSA took various initiatives directed at stimulating further growth in business and at eliminating a number of difficulties standing in the way of business with other countries.

INTERNATIONAL COMMUNICATIONS

Through the Strategic Development Unit the Authority was involved in the organisation of 21 networking events ranging from international conferences related to market development to programmes for overseas journalists, and from events promoting careers in the financial sector to training and technical workshops and international regulatory meetings. The Unit's involvement in these events ranges from researching, programming and presenting content, to marketing the events to target audiences and from negotiating sponsorship deals and media partner agreements to providing back-up and logistical support.

At the MFSA's invitation the annual Away Day Meeting for CESR Chairmen was held in Malta on 11 April. The aim of these meetings is to review CESR's policies and working practices. CESR's main role is to improve coordination among European securities regulators by developing an effective operational network mechanism to enhance day-to-day supervision and enforcement of the single market for financial services.

The market development effort undertaken during the year also included the organisation of, or participation in a number of international conferences and workshops. These provide the MFSA with an opportunity to inform businesses about the ongoing developments in the Maltese financial services sector, obtain feedback on technical issues of concern to the industry and generally maintain contact with the market.

A press briefing was organised at the Foreign Press Association in London on 31 January. The event was organised to coincide with the adoption of the euro and served to update the international media on the factors underlying Malta's success in financial services and on Malta's current economic performance and policies. The event was attended by over 40 journalists from a number of countries including the United Kingdom, France, the United States, Italy, Mexico, Bahrain, China, Japan, Russia and Israel. A number of these journalists visited Malta later on in the year.



CESR Chairmen during the meeting held in Malta in April

"The Malta Alternative: Insurance Roundtable" was held in London on 21 May. The event delved into the technical details of some of the most important features in Maltese insurance legislation including protected cell company legislation, EU direct writing, redomiciliation and Financial Reporting Standards. The seminar was organised by Strategic Risk Magazine.

*BIE Executive Forum: Solvency II and the Expanding Frontiers of Risk
(Paris 2 December 2008)*

*Right to Left:
Thierry van Santen (FERMA)
Gerard Lancner (AMRAE)
Adrian Ladbury (Editor, BIE)
Marisa Attard (MFSA)
Guenter Drose (ECIROA)
Yann Le Pallec (Standard & Poor's)*



On 2 December the MFSA took part in the “Executive Forum on Solvency II and the Expanding Frontiers of Risk” organised in Paris by Business Insurance Europe. The workshop for risk managers focused on technical and practical issues related to changes in the legal, regulatory and competitive environment in Europe. Participating alongside MFSA were representatives of the Federation of European Risk Management Associations (FERMA), the *Association Pour Le Management Des Risques Et Des Assurances De L-Entreprise* (AMRAE) and the European Captive Insurance and Reinsurance Owners’ Association (ECIROA). A presentation on the growth opportunities in Malta’s insurance sector was delivered at the beginning of the conference.

In the course of the year the MFSA also participated in a number of other events including the Swiss Fund Fair in Zurich in January, the Luxembourg Insurance Rendezvous in February, the FT Fund Management Conference in Frankfurt held in April, the FinanceMalta Annual conference in May, the GAIM Hedge Funds Conference held in Monaco in June and the Transcontinental Trusts Conference held in Geneva in July.

Other presentations were given at a special event held for Czech companies by the Consulate of the Czech Republic in Malta and FinanceMalta, the Malta Institute of Accountants Biannual Conference, the Wells Fargo International Meeting held in Malta; the EMCS Conference on the “Development & Prospects of Malta as an International Business Destination” and the national conference on education organised by the National Council for Higher Education.

RESEARCH AND INFORMATION

During the first quarter of the year the Authority carried out a survey of Future Skills Requirements in the Financial Services Sector. The Survey was aimed at determining the manpower and skills needs in the financial services sector over the medium to longer term. The survey was undertaken by the Authority to ensure that the sector continues to grow in a structured and sustainable manner. 234 companies were contacted and interviews were held with 178 of them. 251 vacancies were identified in the industry at the time, 134 of which were considered hard to fill. On the other hand employers did not report any major skills gaps among their employees. The Report was published in August and was passed on to the Education Consultative Council for consideration with a number of recommendations for future action.

Various other publications were launched during the year. These included new MFSA Guides in English, French and German and a Consumer Guide incorporating MiFID related information for consumers.

In May, the MFSA also co-produced a Hedge Funds Supplement on Malta – a



publication on the alternative investment industry in Malta published in association with Hedge Funds Review. This publication was also distributed at leading industry events such as the GAIM alternative investment conference held in June. Earlier in the year MFSA also supported the publication of a Malta Captive Insurance Supplement by Captive & Art Review.

The Strategic Development Unit was closely involved in the activity of the Working Group on Islamic Finance and the Board of the Malta International Training Centre. Together with the Consumer Complaints Unit, the Unit was also involved in the Dolceta Consumer Education project - a web-based project led by DG Health and Consumer Protection.

The MFSA also participated in the work of the expert group on the European Financial Integration Report. This report tracks the recent progress in financial integration and highlights the main achievements of the European Commission in the field of financial services policy in 2008.

In the course of this year the Information Office handled 348 website enquiries, confirming that the website has developed into a vital channel of communication between the Authority and the outside world. The Office also handled a significant amount of other enquires received through other channels as well as a number of media enquiries and press releases issued by the MFSA.

The Information Office also participated in the Committee of European Banking Supervisors (CEBS) Press Officers meeting. The Group meets from time to time to discuss communications issues related to the work of CEBS.

Meanwhile Malta's visibility in the international press continued to grow. During the year the MFSA worked with various journalists on more than 50 features which have appeared in international (mostly industry specific) publications. This involvement ranges from providing articles or other content to general guidance on independently written articles.

Extensive features on Maltese financial services were carried in the following publications: FT Mandate, Business Insurance Europe, HFM Week, Captive & Art Review Lipper-Hedgeworld, The Fund Business, Investor Services Journal, FT.com, The Banker, Strategic Risk Magazine, Finance Director Europe, Newsweek, FutureBanking, Hedge Funds Review, Fondswerte Magazin, CorporateUK, Time Magazine and Alternative Investment Review. The authority also arranged, managed and hosted a number of incoming visits from members of the international media involved in the financial sector.

Meanwhile regular material was also released for local publication over and above the monthly and quarterly MFSA newsletters published in The Times and the Economic Update respectively.

HUMAN RESOURCES DEVELOPMENT

The total staff complement of the MFSA has now reached 135 (Chart 13). The majority of employees, 74, hold a first degree. 29 members of staff also hold a second degree while 36 hold a diploma in various studies (Chart 14).

In line with strategic objectives the Authority continued to encourage and support the training and development of its employees and to assist and co-ordinate a number of training programmes targeted at practitioners and employees in the financial services industry.

Chart 13:
MFSA Employees

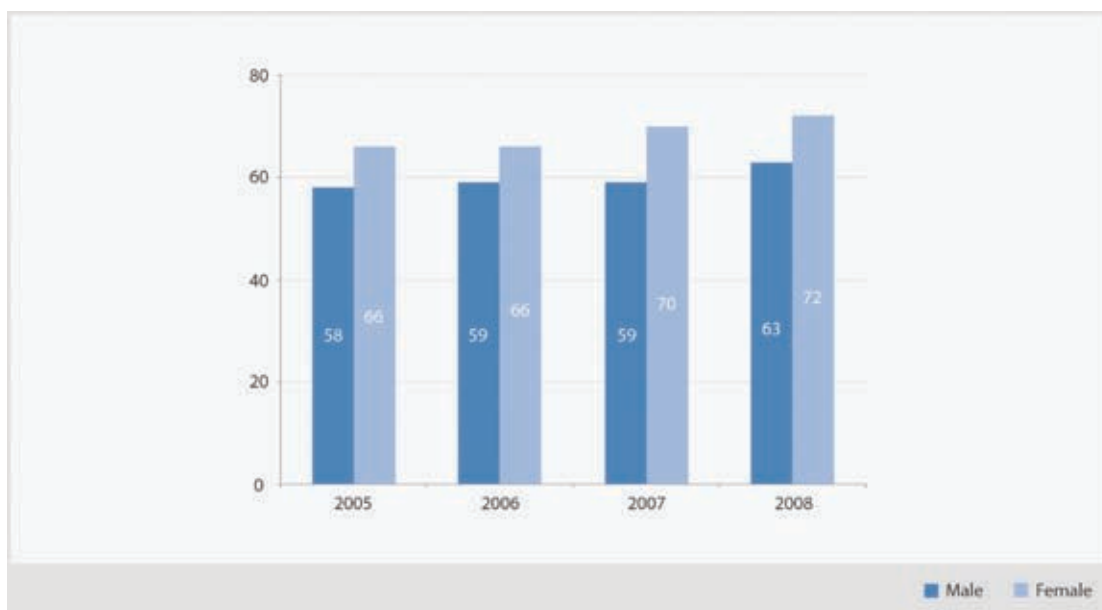
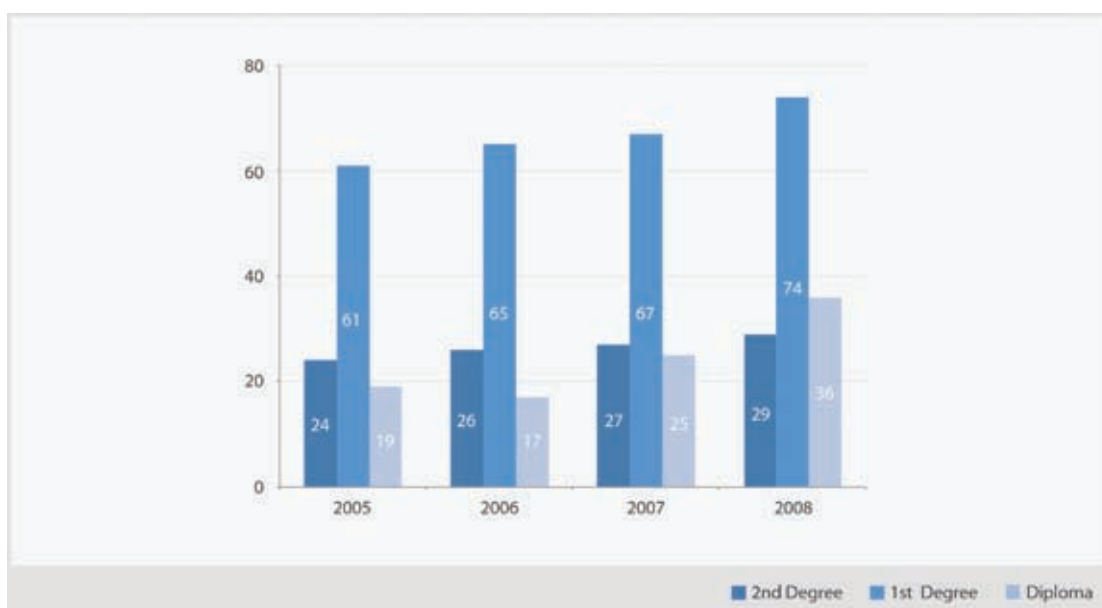


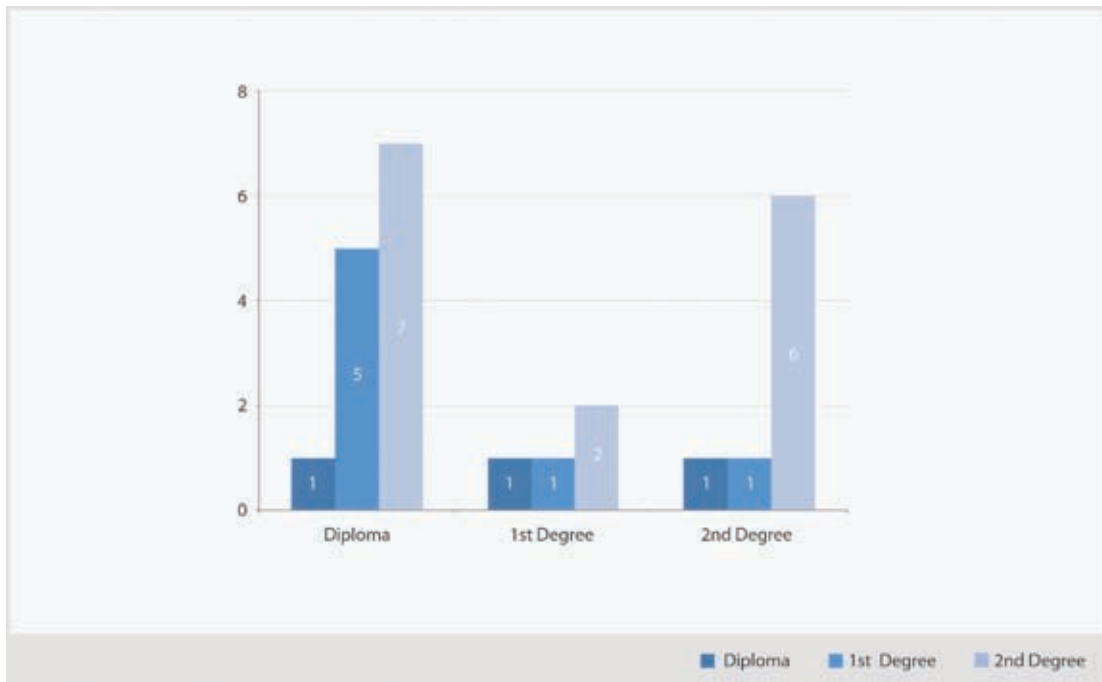
Chart 14:
Qualified Staff



EMPLOYEE TRAINING AND DEVELOPMENT

During 2008 members of staff at all levels continued to attend technical and regulatory training periodically provided by the MFSA to the industry. Members of staff who participate in these programmes benefit through learning and interacting with participants from the market. The programmes themselves form part of a co-operation package struck with partner training institutions which also includes places for MFSA employees. Senior members of staff also contribute as lecturers on a number of these programmes.

Chart 15:
Qualifications Attained by Employees



The HR Unit also provided ongoing guidance to MFSa employees in the selection and pursuit of training under the Authority's Self Development Scheme. Periodic one to one meetings were also held with other Heads of Units to ensure the best results are obtained from the Scheme. By the end of the year 14 members of staff had benefited from the Scheme.

Studies completed in 2008 under the Self Development Scheme (Chart 15) included the following:

- **7 Diplomas:** 3 in Financial Services Regulation and Compliance, 1 Actuarial Techniques, 1 International Trust Management, 1 Banking & Financial Services, 1 Modern Management & Administration.
- **2 First degrees:** 1 BSc Information Systems & Management, 1 BSc Computing & Information Systems.
- **6 Post-Graduate degrees:** 2 MA Financial Services, 2 MBA, 1 MSc Finance, 1 MSc Training & HRM.

At end 2008, 26 staff members were undergoing studies under the Self Development Scheme. A substantial number staff also underwent various training programmes related to their ongoing work within the Units.

A member of the Banking Unit attended a residential course entitled 'ARROW Risk-Based Regulation – Foundation Level' organised by the UK Financial Services

Authority in Oxford, UK. Officers from the same Unit also attended a number of international conferences among them seminars on Liquidity Risk (at the Bank for International Settlements in Basel), Crisis Management (Basel), Credit Risk Transfer (organised by 3L3 Committee in Paris), e-Money (at the FSA in London), the Model Validation Process (organised jointly by the Banque de France and CEBS in Paris), Financial Infrastructure and Financial Stability Issues (held by the FSI in Basel), On-site Supervision Techniques (held by the Banque de France) and Risk Management and Supervision (organised by the FSI in Basel).

Members of the Insurance Unit attended various training programmes during the year, including a seminar organised by the Financial Stability Institute on evolving risk-based solvency frameworks and valuation methods for the insurance industry held in Basel, seminars on Group Supervision and on Internal Models organised by CEIOPS and MIB School of Management Trieste (both held in Trieste) as well as other seminars organised by CEIOPS in relation to Solvency II and consumer protection.

The Securities Unit sent a number of staff members to the seminar on Market and Liquidity Risk jointly organised by the Financial Stability Institute and the International Organisation of Securities Commissions (IOSCO) in Madrid; the ALFI & NICSA Global Investment Funds Forum held in September; and the IOSCO Capital Market Development, Enforcement and Oversight Training Program organised in Turkey. The latter event was designed to share and provide insight on capital market development, enforcement, and examination of market participants. The program also explored responses to crises and market abuses, provided observations comparing and contrasting approaches by regulatory systems around the world, and highlighted international best practices. Real case studies of market abuse and inefficiencies were also used to explore the regulatory, statutory, and other tools that capital market regulators need to address.

INDUSTRY TRAINING

The Unit also co-ordinated, facilitated and assisted at different levels (depending on the degree of involvement by the MFSA) in the preparation, setting up and organisation of the following training programmes:

Regulatory training consisted of the following programmes:

- Programme on Risk Management (Basle II)
- Programme on the Implementation of the Capital Requirements Directive (Insurance)
- Training for Directors of Investment Services Companies
- Training for Prospective Directors of Insurance Companies
- Training on the Payment Services Directive
- Training on UCITS

During the year under review the MFSA was involved in a number of initiatives promoting careers in financial services

Technical training programmes and workshops organised during the year covered the following areas:

- Accounting and Auditing for Insurance
- Advanced aspects of Fund Administration
- Alternative Investments
- Asset Securitisation
- Company Law
- Current Issues in Risk Management
- Fundamentals of Fund Administration
- Insurance Underwriting
- International Aspects of Maltese Company Law
- Issues Related to Asset Management
- Managed and Captive Insurance Companies
- Risk Management for Banking

The Unit, was also actively involved in the planning, co-ordination and organisation of studies leading to the Diploma in Financial Services Operations and Compliance in collaboration with Enterprise LSE of the London School of Economics and Malta International Training Centre (MITC). The programme is being re-run for a second time after a successful first run the previous year. A programme of studies leading to a Diploma in Corporate Finance Treasury and Portfolio Management - run by MITC in collaboration with the University of Reading -also commenced in October 2008.

CAREERS IN THE FINANCIAL SERVICES SECTOR

During the year under review the MFSA was involved in a number of initiatives promoting careers in financial services. These included the presentations at various careers events and exhibitions and others held for students at various schools. The latter were organised in collaboration with various church, independent and government schools. These visits form part of a structured programme developed in close co-ordinations with the Guidance Unit at the Education Division and the Church Schools Guidance Co-ordination Unit.

The Human Resources Development Unit has in the course of the year also worked closely with the Education Consultative Unit (ECC). The Unit Director represents the Authority on the ECC. The Unit also provides secretarial support to the Council.

A meeting for guidance teachers from Government, Church and Independent Secondary Schools was held on 14th May 2008. Around 150 guidance teachers attended the meeting which was addressed by the MFSA Chairman Prof. Joseph V Bannister and by Prof. Charles J Farrugia, Chairman of the Education Consultative

In 2008 the MFSA also concluded a number of new bilateral and multilateral Memoranda of Understanding with overseas regulators

Committee. This was followed by an open discussion on the promotion of careers in financial services among students. As a direct result of this meeting and other informal meetings that followed, a structured programme of visits to the MFSA for students at Form 4, 5 and upper secondary level was prepared. 385 students coming from thirteen different secondary and sixth form schools participated in these visits which provided an opportunity for the students to familiarise themselves with the basic concepts of a career in financial services.

The Strategic Development and HR Units were also involved in the drawing up and publication of a careers promotion booklet under the auspices of the Education Consultative Council as well as in the production of a careers programme on national television.

INTERNATIONAL AFFAIRS

CROSS-BORDER COLLABORATION

The MFSA has signed a number of bilateral Memoranda of Understanding (MoU) with international regulators of financial services and is also a signatory to specialised multilateral MoUs through organisations such as the International Organization of Securities Commissions (“IOSCO”) and the Committee of European Securities Regulators (“CESR”).

The aim of concluding these bilateral and multilateral Memoranda of Understanding is to facilitate the exchange of information and to create a formal framework for regulatory collaboration and co-operation between various regulatory authorities. The Memoranda of Understanding provide for clearer channels for co-operation including increased mutual co-operation, the exchange of regulatory and technical information as well as investigative assistance between the signatory financial services regulators.

In 2008 the MFSA also concluded a number of new bilateral and multilateral Memoranda of Understanding with overseas regulators (Table 20). Another MoU was also concluded with the Office of Fair Competition in Malta.

Table 20:
Memoranda of Understanding signed in 2008

The Emirate of Dubai	Dubai Financial Services Authority	Securities, Credit Institutions, Insurance and Trusts	07/07/2008	Securities, Credit Institutions, Insurance and Trusts
Bermuda	Bermuda Monetary Authority	Credit Institutions, Insurance, Securities and Trusts	03/06/2008	Insurance, Credit Institutions and Trusts
Cyprus	Credit Institutions	Credit Institutions	29/05/2008	Credit institutions
International	Financial Supervisory Authorities, Central Banks and Finance Ministries of the EU	Multilateral MoU signed	01/06/2008	Cross-Border financial stability
	CEIOPS	Protocol in force	31/03/2008	Insurance

Source: Malta Financial Services Authority

Dubai Financial Services Authority Chief Executive Officer Mr. David Knott and MFSA Chairman Joe V. Bannister exchange signed copies of the MoU watched by, from left, Dr. Patrick Buhagiar, Dr. Andre Camilleri, Mr. Mark McGinness and Dr. David Fabri



THE EU AND OTHER INTERNATIONAL FORA

Another aspect of the Legal Unit's work relates to ongoing developments at EU level through CESR-POL and in other international fora, such as the World Trade Organisation (WTO). In its role as the co-ordinator of matters related to the EU, the Legal Unit provided regular information, advice and updates to the Ministry of Finance and the EU Secretariat on the implementation of the EU's Financial Services Acquis and assisted the other Units in the drawing up of legislative transposition tables.

The Legal Unit was also involved in monitoring new legislative developments, particularly proposed directives on financial services and company law and, where necessary, co-ordinated the MFSA's input and feedback on a number of papers issued by the European Commission and other international entities.

INTERNATIONAL REGULATORY MEETINGS

The **Banking Unit** took part in the following regulatory meetings throughout the year: the Payment Services Directive Transposition Group meetings held in Brussels (February, September); the CEBS and *Groupe de Contact* (GdC) quarterly meetings held in London (February, May, September and November), a meeting at the college of supervisors held at the *Commission Bancaire, Financière et des Assurances* (CBFA) in Brussels in May which discussed the ICAAP process to be adopted by a Credit Institution in Malta; and a College of Supervisors' meeting in Vienna held in November in relation to the SREP/RAS of three banks which operate locally through subsidiary companies.

A representative of the **Company Compliance Unit** attended the CESR Transparency Group Meeting which was held in Amsterdam. The meeting mainly discussed the responses given by Member States to the questionnaire with respect to the transposition and application of the Transparency Directive circulated in May-June 2008 by CESR Transparency Group.

Members of the **Insurance Unit** attended a number of CEIOPS meetings during the year. These included CEIOPS plenary meetings as well as meetings of the Financial Requirements Expert Group on Solvency II and QIS 4 technical specifications; the 9th Meeting of the European Insurance and Occupational Pensions Committee on Solvency II – QIS 4; meetings of the Internal Models Expert Group (IMEG); meetings of the Insurance Groups Supervision Committee (IGSC) to discuss issues arising from the mandates given to CEIOPS by the EU/ECOFIN and meetings of the Internal Governance, Supervisory Review and Reporting Expert Group. The Unit also participated in the IAIS Tri-annual Committee meetings held in Basel and in Budapest.

International meetings which the **Securities Unit** took part in during the year included a number of CESR technical meetings. A joint meeting of the Expert Group and Consultative Working Group on Investment Management was held at CONSOB's offices in Rome in January to discuss the draft advice to the European Commission on the content and presentation of key investor information disclosures and the impact of the "sub-prime crisis" on the industry as well as possible actions and remedies.

The Unit also took part in meetings with the Expert Group on Investment Management to discuss issues related to amendments to the UCITS Directive, CESR's advice on the UCITS asset management company passport and the impact of proposed changes to Capital Requirements Directive (CRD) on UCITS.

Other meetings in which the Unit participated included the MiFID Level III Expert Group Meeting in Brussels held in April, the Review Panel meeting held in September and the sixth meeting of the Capital Requirements Directive Transposition Group held in December to discuss:

- [i] possible technical amendments to the CRD to be proposed in 2009;
- [ii] CEBS' technical advice on options and national discretions contained in the CRD;
- [iii] the way forward on developments with respect to incremental risk in the trading and securitisation.

The Securities and the IT Units attended an informal meeting with the CESR-TECH team held in Paris in November to discuss major technical issues on the completion of the TREM V2.1 software update and the Instrument Reference Data System. These new systems will upgrade the current Malta Transaction Reporting Exchange Mechanism, in order to provide further functionalities needed for the exchange of transaction reporting data with other competent authorities.

A representative of the Unit attended the European Alternative Investment Funds Conference organised by the Association of the Luxembourg Fund Industry (ALFI) in Luxembourg in November 2008. The conference included a number of presentations and panel discussions on the latest news and trends in the fund industry and also involved a number of break-out sessions on areas ranging from hedge funds, private equity funds and real estate funds.

The **Registry of Companies** was mainly involved with work in a number of EU committees including meetings of the Company Law Experts Group (CLEG) – a technical committee of national experts which advises the Commission on the preparation of Company Law and Corporate governance measures – and the EU Council Working Party on Company Law, whose work during the year included detailed discussions on the European Private Company. Among the other meetings attended were the United Nations Conference on Trade and Development annual meeting on the development and implementation of International Financial Reporting Standards and the meeting of the European Commerce Registers Forum (ECRF) held in Belgrade.

The Registrar of Companies also regularly attends meetings of the Council of Europe Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures (MONEYVAL).

As a Member of FIN-NET, the EU's network for out-of-court financial redress, the MFSA **Consumer Complaints Office** is also involved in networking with its EU counterparts to share best practices in resolving common issues arising from

Additional features were introduced in the Online Registry System

complaints. Apart from this the MFSA is also an active member of the CEIOPS Consumer Committee and a representative on the Government Expert Group on Retail Financial Services and Payments Committee of the European Commission.

INFORMATION TECHNOLOGY AND COMMUNICATIONS

The Information Technology Unit completed a number of projects during the year under review.

Additional features were introduced in the Online Registry System. These included the implementation of a new fees structure to become operative in 2009 and a new online form – Form Q (Change of registered address of a Company). The System is also able to capture information related to auditor/s of companies. Meanwhile the backend infrastructure was upgraded to provide high-end availability and more robustness.

The Unit also assisted the Securities Unit to implement the Transaction Reporting Exchange Mechanism (TREM). TREM is an instrument reference data storage collection and a distribution system. The local application was developed by the ICT Unit according to the requirements defined by CESR and is able to handle Alternative Instrument Identifiers (AII).

Together with the regulatory units, the Unit evaluated a new system facilitating the importation of all data received in Excel format from their reporting agents into a backend database. The Financial Reporting Engine and Database (FRED) to be introduced in 2009 will provide more efficient storage and backup of data and allows for a more in-depth analysis of the received data.

A new MFSA Intranet Solution was also developed during 2008 offering more information and services to MFSA employees.

A number of projects were implemented on the hardware side. These included the upgrading of the server room infrastructure and the replacement of the PABX system; the offsite server room upgrade and relocation; new network cabling in parts of the office building, the upgrade of internet bandwidth to 4Mbit Dedicated Symmetrical Bandwidth, and the implementation of an improved email filtering solution and firewall upgrade.

Consumer Affairs



Consumer Affairs

The Consumer Complaints Unit is empowered by law to investigate complaints made by private individuals relating to any financial services transaction in a fair and impartial manner. It also assists the Authority to identify any new issues that require its prompt attention and which may affect consumer confidence in financial services.

The Unit is also responsible for providing consumer education and information about financial services and to answer queries from the public on financial services in general.

During the year, the Unit received 303 formal complaints and 108 verbal complaints from the general public. Cases reviewed and concluded totalled 256 which include a number of cases received in 2007. A detailed analysis is contained in Table 21.

Table 21:
Analysis of complaints against licence holders and queries handled in 2007 and 2008

Complaints related to:	FORMAL COMPLAINTS						VERBAL COMPLAINTS		QUERIES	
	Cases Received		Cases Closed*		Pending Cases		2007	2008	2007	2008
	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008
Banking	39	77	42	64	2	15	15	29	45	166
Insurance	148	171	137	143	28	57	36	40	145	111
Investments	39	49	38	40	10	17	8	23	48	177
Others	21	6	15	9	6	4	4	16	21	114
Total:	247	303	232	256	46	93	63	108	259	568

Source: Malta Financial Services Authority

* Cases closed during the year also include cases received during 2007.

During the year, the Unit continued to add to and update the comparative tables on covering fees, charges and other information to help consumers compare and select a number of products and services on the market. The Unit also published a new guide entitled "A Consumer's Guide to Investments in Financial Products" which explains the new safeguards put in place for the benefit of retail investors arising from the Markets in Financial Instruments Directive.

The Authority's Consumer Complaints Manager became a full member of FIN-NET, the European out-of-court network for the resolution of disputes between consumers and financial services providers. FIN-NET members are linked through a Memorandum of Understanding which outlines the mechanisms and other conditions according to which members shall cooperate in order to facilitate out-of-court settlement of cross-border disputes.

During the last quarter, the Unit received a substantial amount of queries on

investments, mainly triggered by unrealised losses in portfolio values. It also carried out a detailed review of the impact of the financial turmoil on investors' holdings by way of a detailed questionnaire which securities firms were asked to compile as at three specific dates in 2008. This exercise was triggered in the wake of the fresh bout of financial turmoil brought by the collapse of the Lehman Brothers during September 2008. Analysis of the data is on-going.

A number of recommendations made by the MFSA following a review of non-interest bank charges and certain bank practices which was carried out in the preceding year were implemented by the two credit institutions enjoying a dominant position in the market. However, the MFSA believes that there are other recommendations that should also be implemented. This project is on-going.

Officials from the Unit held several discussions with the Office of Fair Competition (OFC) regarding practices employed and tariffs charged by local banks for the transfer of funds to/or from Malta, as well as tariffs relating to the card acquiring business. These discussions were held within the framework of the Memorandum of Understanding signed by the Authority and the OFC.

Appendices



Appendix I: Acts and Legal Notices

ACTS

Act IX of 2008 Accountancy Profession Act and other Laws (Amendment) Act, 2008

LEGAL NOTICES

BANKING ACT

- Legal Notice 57 European Passport Rights for Credit Institutions (Amendment) Regulations, 2008
- Legal Notice 76 Banking Act (Capital Adequacy) Regulations, 2008
- Legal Notice 91 Declaration of Bank Holidays
- Legal Notice 103 Declaration of Bank Holidays
- Legal Notice 163 Interest Rate on Offshore Loans (Repeal) Order 2008
- Legal Notice 351 Credit Institutions (Fees) (Amendment) Regulations, 2008
- Legal Notice 352 European Passport Rights for Credit Institutions (Amendment) Regulations, 2008

COMPANIES ACT

- Legal Notice 354 Companies Act (Fees) Regulations, 2008
- Legal Notice 361 Companies Act (Investment Companies with variable share capital) Regulations, 2008

FINANCIAL INSTITUTIONS ACT

- Legal Notice 353 Financial Institutions (Fees) (Amendment) Regulations, 2008

INSURANCE BUSINESS ACT

- Legal Notice 229 Protection and Compensation Fund (Amendment) Regulations, 2008
- Legal Notice 253 Insurance Business (Companies Accounts) (Amendment) Regulations, 2008
- Legal Notice 358 Insurance Business (Fees) (Amendment) Regulations, 2008

INSURANCE INTERMEDIARIES ACT

- Legal Notice 145 Notice of coming into force
- Legal Notice 357 Insurance Intermediaries (Fees) (Amendment) Regulations, 2008

INVESTMENT SERVICES ACT

- Legal Notice 87 Investment Services Act (Capital Adequacy) Regulations, 2008
- Legal Notice 250 Investment Services Act (Investment Advertisements and Prospectus Exemption) Regulations, 2008
- Legal Notice 251 European Passport Rights for Investment Firms (Amendment) Regulations, 2008
- Legal Notice 359 Investment Services Act (Licence and other Fees) Regulations, 2008

FINANCIAL MARKETS ACT

- Legal Notice 53 Recognition of Approved Listing Particulars (Repeal) Regulations, 2008
- Legal Notice 360 Regulated Markets and Central Securities Depositories (Fees) Regulations, 2008

PREVENTION OF FINANCIAL MARKETS ABUSE ACT

- Legal Notice 238 Prevention of Financial Markets Abuse (Disclosure and Notification) (Amendment) Regulations, 2008
- Legal Notice 252 Prevention of Financial Markets Abuse (Fair Presentation of Investment Recommendations and Disclosure of Conflicts of Interest) (Amendment) Regulations, 2008

TRUSTS AND TRUSTEES ACT

- Legal Notice 355 Trusts Act (Amendment of Article 43(7)) Regulations, 2008
- Legal Notice 356 Trusts and Trustees Act (Fees) Regulations, 2008

Companies Act

- Legal Notice 354 Companies Act (Fees) Regulations, 2008

Appendix II: Rules

BANKING RULES

- Banking Rule 1 of 2008 Application procedures and requirements for authorisation of licenses for banking activities under the Banking Act 1994
- Banking Rule 3 of 2008 Own funds of credit institutions authorised under the Banking Act 1994
- Banking Rule 7 of 2008 Publication of audited financial statements of credit institutions authorised under the Banking Act 1994
- Banking Rule 8 of 2008 Capital adequacy of credit institutions authorised under the Banking Act 1994
- Banking Rule 9 of 2008 Credit and country risk provisioning of credit institutions licensed under the Banking Act 1994
- Banking Rule 12 of 2008 The supervisory review process of credit institutions authorised under the Banking Act 1994

INSURANCE RULES

- Insurance Rule 4 of 2008 Specified effective period with respect to certain contracts of long term business
- Insurance Rule 5 of 2008 Mutual associations
- Insurance Rule 8 of 2008 Qualifications of individuals who are responsible for the effective management of insurance and companies or branches thereof
- Insurance Rule 13 of 2008 Publicity given to notices to cease to carry on business of insurance
- Insurance Rule 14 of 2008 Insurance advertisement and other promotional activities
- Insurance Rule 15 of 2008 Appointments and changes of director, controller or senior manager
- Insurance Rule 18 of 2008 Close links
- Insurance Rule 19 of 2008 Legal expenses insurance
- Insurance Rule 26 of 2008 Export credit insurance
- Insurance Rule 28 of 2008 Insurance companies carrying on business of insurance through the internet

INSURANCE INTERMEDIARIES RULES

- Insurance Intermediaries Rule 5 of 2008 Insurance intermediaries advertisement and other promotional activities
- Insurance Intermediaries Rule 23 of 2008 Carrying out insurance intermediaries activities through the internet

RULES ISSUED/ REVISED UNDER THE INVESTMENT SERVICES ACT

- Investment Services Rules for Recognised Persons
- Investment Services Rules for Investment Services Licence Holders
- Revision of Investment Services Rules for Retail Collective Investment Schemes
- Financial Markets Rules Stipulating Finance Resources and Financial Reporting Requirements applicable to Regulated Markets and Central Securities Depositories
- Guidance Notes on Risk Management and Internal Capacity Adequacy Assessment for Investment Services Licence Holders, Regulated Markets and Central Securities Depository.

Appendix III: Circulars

CIRCULARS ISSUED BY THE SECURITIES UNIT

- Public Statements by the Advisory Authority for Combating Money Laundering and Terrorist Financing
- Updated version of Part B II of the Investment Services Rules for Retail Collective Investment Schemes and the Glossary
- Investment Services Rules for Retail Collective Investment Schemes Part B II – Malta based UCITS Collective Investment Schemes - New Section relating to Use of Repurchase/Reverse Repurchase and Stock Borrowing/Stock Lending Agreements.
- Circular regarding the publication of the Investment Services Rules as amended to transpose the
- Capital Requirements Directive
- Explanatory note on the Investment Services Rules for Recognised persons
- CESR Questionnaire on the implementation of the MIFID Requirements relating to inducements by Investment Firms
- Circular on the transposition of the Capital Requirements Directive – Pillar II – Requirements
- Circular regarding the publication of the Rules which transpose the EU Capital Requirements Directive – Pillar II Requirements
- Circular on Inducements Questionnaire
- Circular regarding the proposed CIS Guidance Notes

CIRCULARS ISSUED BY THE PENSIONS UNIT

- Advertising and promotion of packaged products such as Pension/Retirement Plans.

Appendix IV: Inward Cross-border Notifications in 2008

Passporting by banks via the Freedom of Services		
Austria		
Anglo Irish Bank (Austria) AG	Kathrein and Co Privatgeschafsbank AG	
Erste Bank der osterreichischen Sparkassen AG	Raiffeisenbank Leoben-Bruck eGen	
Brussels		
Fortis Bank SA/NV		
Estonia		
Balti Investeeringute Grupi Pank AS		
Finland		
Evli Bank plc	Glitnir Bank Ltd	
France		
BNP Paribas Factor		
Germany		
Wirecard Bank AG	Hypo Real Estate Bank AG	

Gibraltar		
Lloyds TSB Bank (Gibraltar) Limited	Transact Network Limited	
Greece		
Piraeus Bank S.A.		
Hungary		
Budapest Credit and Development Bank Public Company Limited by Shares	Commerzbank Zrt.	KDB Bank Zrt.
CIB Factor Financial Services Ltd		
Iceland		
Kaupthing Bank HF		
Ireland		
Barclays Bank Ireland plc	Fortis Prime Fund Solutions Bank (Ireland) Limited	Wachovia Bank International
Luxembourg		
Banque et Caisse d'Epargne de l'Etat	Commerzbank International S.A	Sal.Oppenheimer jr.and Cie.S.C.A
Credit Agricole Luxembourg	Dexia Banque Internationale a Luxembourg	
United Kingdom		
VTB Bank Europe plc	G-T-P Financial Services Ltd (EMI)	MBNA Europe Bank Limited (EMI)
Alliance and Leicester plc (EMI)	Ivobank Limited	Prepaid Services Company Limited (EMI)
ANZ Bank (Europe) Limited	Kaupthing Singer and Friedlander Limited	Vincento Payment Solutions Limited (EMI)
European Finance House Ltd	Macquarie Bank International Limited	Westpac Europe Limited
TOTAL: 39		

Passporting by European Insurance Undertakings via Freedom of Services		
Austria		
Coface Austria Kreditversicherung AG		
Belgium		
Allianz Belgium NV	Intern Partner Assistance	
Czech Republic		
Ceska pojist'ovna a.s.	Ceska pojist'ovna Zdravi	
France		
Generali IARD	Groupama Rhone Alpes Auvergne	Cardif Assurances Risques Divers
Germany		
Alliance Global Corporate & Speciality AG	Gothaer Allgemeine Versicherung AG	SV Sparkassen Versicherung Gebaudeversicherung AG

AXA Art Verisicherung AG	R and V Allgemeine Versicherung Aktiengesellschaft	
Gibraltar		
Trinity Square Insurance Ltd	Lemma Europe Insurance Company Ltd	
Ireland		
Aetna Health Insurance Company of Europe	Generali Pan Europe Ltd	Standard Life International Ltd
Latvia		
Insurance Joint Stock Company If Latvia		
Leichtenstein		
Glacier Insurance AG	Swiss Life (Leichtenstein) AG	Wealth Assurance AG
Lithuania		
Lietuvos Draudimas AB		
Luxembourg		
Dexia Life & Pensions SA	Foyer Assurances SA	
Foyer International SA	Swis Re International SE	
Netherlands		
HDI-Gerling verzekeringen N.V.		
Norway		
Anker Verzekeringen NV	Norwegian Hull Club Gjensidig Assurance	
Poland		
AEGON Towarzystwo Ubezpieczen na Zycie SA	Marsh Sp.Z.o.o.	
Romania		
Societate De Asigurati AIG Romania SA	Omniasig Vienna Insurance Group SA	
Sweden		
Electrolux Forsakringsaktiebolag (publ)	Sappisure Forsakrings AB	Stora Enso Forsakringsaktiebolag
Ericsson Insurance (Forsakring) AB	Sirius International AB (publ)	
United Kingdom		
AXA Insurance plc	Friends Provident Life and Pensions Ltd	Minster Insurance Company Ltd
Berkshire Hathaway International Insurance Ltd	Hartford Financial Products International Ltd	Nipponkoa Insurance Company (Europe) Ltd
Chubb Insurance Company of Europe plc	IntegraLife UK Ltd	Riverstone Insurance Ltd
Ecclesiastical Insurance Office plc	Merchants Investors Assurance Company Ltd	Torus Insurance (UK) Ltd
Friends Provident Pensions Ltd		
TOTAL: 52		

Passporting by European Insurance Intermediaries via Freedom of Services	
During 2008, the Authority received 320 European Insurance Intermediaries passporting notifications. The following list indicates the country of origins:	
Austria	17
Belgium	9
Bulgaria	1
Czech Republic	6
Denmark	5
Estonia	2
Finland	3
France	18
Germany	15
Gibraltar	5
Hungary	6
Ireland	28
Italy	20
Latvia	2
Luxembourg	24
Liechtenstein	8
Lithuania	3
Norway	6
Netherlands	9
Poland	8
Romania	2
Slovak Republic	1
Slovenia	3
Spain	5
Sweden	13
United Kingdom	101
Total: 320	

UCITS Schemes authorised for marketing in Malta in terms of the UCITS passporting in 2008	
HSBC International Capital Secured Growth Fund	(new issue) Sterling Commodity Growth II Fund
HSBC International Capital Secured Growth Fund	(new issue) Sterling BRIC Growth III Fund
HSBC International Capital Secured Growth Fund	(new issue) US Dollar Asian Opportunity Fund
HSBC International Capital Secured Growth Fund	(new issue) US Dollar Commodity Growth II Fund
HSBC International Capital Secured Growth Fund	(new issue) Euro Commodity Growth Fund
HSBC International Capital Secured Growth Fund	(new issue) US Dollar Resources Bonus II Fund
Parworld SICAV	Parworld Emerging Steop 80 (Euro)
Kotak Funds SICAV	Kotak Funds-Indian Multi-Cap Fund

Traditional Funds plc	European Opportunities Fund
Traditional Funds plc	European Absolute Return Fund
Traditional Funds plc	Emerging Asia Fund
Fidelity Funds SICAV	Fidelity Funds - Institutional Asia Pacific (ex-Japan) Opportunities Fund
Fidelity Funds SICAV	Fidelity Funds - Institutional US High Yield Fund
Fidelity Funds SICAV	Fidelity Funds - Institutional Emerging Market Debt Fund
Fidelity Funds SICAV	Fidelity Funds - Emerging Asia Fund
Fidelity Funds SICAV	Fidelity Funds - Global Sustainable Future Fund
Fidelity Funds SICAV	Fidelity Funds - European Special Situations Fund
Fidelity Funds SICAV	Fidelity Funds - Asian Aggressive Fund
Fidelity Funds SICAV	Fidelity Funds - European Genesis Fund
Fidelity Funds SICAV	Fidelity Funds - European Dynamic Value Fund
Fidelity Funds SICAV	Fidelity Funds - European High Equity Income Fund
Fidelity Funds SICAV	Fidelity Funds - European Equity Income Fund
Fidelity Funds SICAV	Fidelity Funds - Global Credit Opportunities Fund
Fidelity Funds SICAV	Fidelity Funds - Global Inflation-Linked Bond Fund
Fidelity Funds SICAV	Fidelity Funds - Emerging Europe, Middle East and Africa Bond Fund
Fidelity Funds SICAV	Fidelity Funds - Global High Yield Bond Fund
Fidelity Funds SICAV	Fidelity Funds - Euro Short Term Bond Fund
Fidelity Funds SICAV	Fidelity Funds - Asia Pacific Property Fund
Fidelity Funds SICAV	Fidelity Funds - Global Sector Fund
Fidelity Funds SICAV	Fidelity Funds - Institutional Asia Pacific (ex-Japan) Fund
Fidelity Funds SICAV	Fidelity Funds - Institutional Emerging Markets Equity Fund
Fidelity Funds SICAV	Fidelity Funds - Institutional Euro Core Plus Bond Fund
Fidelity Funds SICAV	Fidelity Funds - Institutional Japan Aggressive Fund and
Fidelity Funds SICAV	Fidelity Funds - Institutional Optimised European Equity Fund
Jupiter Financial Opportunities Fund	N/A
Jupiter Emerging European Opportunities Fund	N/A
UBS (Lux) Equity SICAV	European Value
Raiffeisen Eastern European Equities	N/A
Raiffeisen Euro Bonds	N/A
Raiffeisen Euro Plus Bonds	N/A
Raiffeisen European High Yield	N/A
Raiffeisen Eurasia Equities	N/A
Raiffeisen European Small Cap	N/A
Raiffeisen Emerging Europe Small Cap	N/A

Raiffeisen Euro Liquid	N/A
Raiffeisen Euro Corporates	N/A
Raiffeisen Eastern European Bonds	N/A
Raiffeisen Eastern European Plus Bonds	N/A
Parvest SICAV	PARVEST Absolute Return Currency 10
Parvest SICAV	PARVEST Absolute Return Currency 10 (USD)
Parvest SICAV	PARVEST Absolute Return Global Bond Opportunities
Parvest SICAV	PARVEST Absolute Return Global Bond Opportunities (USD)
Parvest SICAV	PARVEST Absolute Return Global LS
Parvest SICAV	PARVEST Absolute Return MS6 Arbitrage
Parvest SICAV	PARVEST Absolute Return MS6 Arbitrage (USD)
Parvest SICAV	PARVEST Absolute Return Multi Assets 4
Parvest SICAV	PARVEST Absolute Return Multi Assets 4 (USD)
Parvest SICAV	PARVEST Absolute Return Volatility
Parvest SICAV	PARVEST Agriculture
Parvest SICAV	PARVEST Agriculture (USD)
Parvest SICAV	PARVEST Commodities Arbitrage
Parvest SICAV	PARVEST Commodities Arbitrage (Euro Hedged)
Parvest SICAV	PARVEST Europe Family Companies
Parvest SICAV	PARVEST Global Bond Opportunities
Parvest SICAV	PARVEST Greater Europe
Parvest SICAV	PARVEST Greater Europe Real Estate Securities
Parvest SICAV	PARVEST India Mid and Small Cap
Parvest SICAV	PARVEST Middle East
Parvest SICAV	PARVEST Middle East and Africa
Parvest SICAV	PARVEST New Markets Local Currency Bond
Parvest SICAV	PARVEST New Markets Mid and Small Cap
Parvest SICAV	PARVEST Taiwan
Parvest SICAV	PARVEST Euro Real Estate Securities
Parvest SICAV	PARVEST Global Environment (USD)
HSBC International Capital Secured Growth Fund	US Dollar Food and Water Bonus Fund;
HSBC International Capital Secured Growth Fund	US Dollar Global Emerging Markets Growth Fund
HSBC International Capital Secured Growth Fund	Sterling Global Infrastructure Growth Fund
New Star Investment Fund OEIC	New Star High Yield Bond
New Star OEIC	New Star Global Financial
Invesco Fund	Invesco Pan European High Income Fund
Parworld Sicav	Parworld Track Commodities
Parworld Sicav	Parworld Credit Event
UBS (Lux) Money Market Fund	UBS (Lux) Money Market Fund EUR
UBS (Lux) Money Market Fund	UBS (Lux) Money Market Fund USD
Total: 84	

Passporting of Multilateral Trading Facilities into Malta		
Ireland		
Investment Technology Group Limited (ITGL)		
Italy		
e-MID SIM.		
United Kingdom		
BATS Trading Limited	ICAP Hyde Tanker Derivatives Ltd	NYMEX London Limited
Cantor CO2e Limited	Liquidnet Europe Ltd	Q-Wixx International Limited
Dawnay, Day Capital Markets Ltd	My Treasury Ltd	Tullett Prebon (Securities) Limited
Financial & General Securities Ltd	Nasdaq Omx Pan-European Market Ltd	Turquoise Services Limited
Total: 14		

Passporting of Investment Services in terms of MiFID		
Austria		
Anglo Irish Bank (Austria) Bank AG		
Belgium		
Exane Options	Fortis Bank SA/NV	
Cyprus		
AtlasCapital Financial Services Ltd	Euroorient Securities and Financial Services Limited	Deloitte Investment Services Limited
Otkritie Finance (Cyprus) Ltd		
Denmark		
Jyske Global Asset Management Fondsmaeglerselskab A/S		
France		
Aurel-BGC		
Germany		
HSBC Global Asset Management (Deutschland) GmbH	SG Asset Management (Deutschland) GmbH	
Gibraltar		
Quay Financials (Gibraltar) Limited		
Ireland		
Investment Technology Group Ltd ('ITGL')	J&E Davy t/a Davy Stockbrokers	Investment Technology Group Europe Ltd ('ITGEL')
Worldspreads(Ireland Limited)		
Luxembourg		
Credit Agricole Luxembourg Conseil	Luxembourg Financial Group A.G	
Netherlands		
Boer & Olij Effectenhuis	GSFS Asset Management B.V.	

Norway		
ABG Sundal Collier Norge ASA	All Energy Trading B.V.	All Options International B.V.
United Kingdom		
	Aaron Towny Mortgages Limited	Joseph R Lamb IFA Ltd
	ABN Amro Corporate Finance Ltd	JPM Asset management Limited
	Absolute Return Partner LLP	JTL Benefit Solutions Limited
	Acadian Asset Management (UK) Limited	Karoo Capital Limited
	Active Wealth Management Limited	KDC (UK) Limited
	Advanced Equities Ltd	Kellands Cotswolds LLP
	AES Financial Services Ltd	KKR Capital Markets Limited
	Affluent Financial Planning Ltd	Kroll Talbot Hughes Ltd
	AFH Independent Financial Services Ltd	Liongate Capital Management LLP
	Alcantara Asset Management LLP	Lloyd and Whyte (Financial Services) Limited
	Alecto Financial Limited	London Asset Management Limited
	Alex Dungar Financial Solutions Limited	London Capital Group Ltd
	Alexander David Securities Limited	Lovewell Blake Financial Planning Ltd
	Allen & Company Advisors Limited	Lowes Financial Management Ltd
	Allianz Risk Transfer (UK) Limited	Luddington Broze Ltd
	Alpcot Capital Management Ltd	Lyn Cooke Associates Limited
	Alternative Advisors LLP	Macquarie Capital (Europe) Limited
	Altius Associates Ltd	Macquarie Capital Funds (Europe) Limited
	Andrew Hill Ltd	Magill & Company Ltd
	Angell Mallinder	MangustaRisk Limited
	Armajaro Asset Management LLP	Martin Aitken Financial Services Ltd
	Armajaro Securities Limited	Matheson Financial Consulting Limited
	Armstrong Davis Ltd	Matterly Limited
	Ashley Law Limited	Mazuma Capital UK Limited
	Aspen Oil (Broking) Ltd	McCrea Financial Services Limited
	Bank of Ireland Corporate Finance Limited	McIntosh Partners Limited
	Barker Financial Associates	McIntosh Partners Limited
	Barmac Asset Management Ltd	McParland & Partners Limited
	Barratt & Cooke Ltd	Menostar Asset Management Limited
	Beaufort International Associates Limited	Meridian Financial Management Limited

	Berkeley Morgan Ltd	MGW Limited
	Biosystematics Ltd	Michael Heatherley
	BNY ConvergEx Limited	Michael Robinson Associates
	Bonham Wealth Management Ltd	MIO Partners (EU) Limited
	Bordier International Limited	Mirae Asset Global Investment Management (UK) Limited
	Bradescot Securities UK Ltd	Molineaux Investment Services LLP
	Brian J Hyman (Life & Pensions) Limited	Montanaro Fund Manager Limited
	Byrne Williams Limited	Moore Stephens Financial Services (East Midlands) Limited
	C.P. Eaton Partners (UK) LLP	Morely Fund Management Ltd
	Cambridge Associates Europe Ltd	Morgans Independent Advisers
	Campbell Thomson (Insurance Services) Ltd	Morton-Wilson Limited
	Capital Generation Partners LLP	Mountgrange Fund Management Limited
	Castle Court Consulting Ltd	MPGA (UK) Limited
	Castlegreen Partners LLP	MRIB Ltd
	Catalyst Corporate Finance LLP	Natixis Capital Partners Limited
	Cazenove Capital Management Limited	Nomura Corporate Research and Asset Management (Europe) Limited
	CB Richard Ellis Collective Investors Ltd	NW Brown & Co Ltd
	Central Markets (London) Limited	Oakley Capital Limited
	Centurion Portfolio Managers Ltd	Oceanus Financial Services Ltd
	CFH Markets Limited	Oppenheimer EU Ltd
	Challenger Structured Credit Management Limited	Opus Corporate Finance LLP
	Charles Reynolds & Associated (Independent Financial Advisers) Limited	Otkrite Securities Limited
	Charles Stanley & Co Ltd	Palatium Investment Management Limited
	Chenavari Credit Partners LLP	Palmer Capital LLP
	Chiltern House Partnership LLP	Parish Capital Advisors Europe LLP
	Circle Financial Services Ltd	Pathway Capital Management (UK) Ltd
	Citadel Investment Group (Europe) Limited	Pearson Jones Plc
	City Assurance Consultants Ltd	Pensato Capital LLP
	Clarkson Investment Services Limited	Pestige Asset Management Limited
	Clarkson Securities Limited	PIMCO Europe Ltd

	Clay Rogers and Partners Limited	Plainfield Asset Management LLP
	Clearwater Financial Ltd	Portico Advisors LLP
	Climate Change Capital Limited	Premier Financial Solutions (UK) Limited
	Close Brothers Seydler Ltd	Principal and Prosper Holdings Ltd
	Coller Capital Ltd	PRM Financial Management Ltd
	Cooper Parry Financial Services Limited	PropertyBourse Limited
	Cowen Asset Management Limited	Prosperity (GB) Limited
	Cranbourne Financial LLP	Providence Equity LLP
	Create Financial Consulting Ltd	Putnam Investments Limited
	Credit Agricole Cheuvreux International Ltd	Pyramis Global Advisors (UK) Ltd
	Crystal Financial	Quotient Funds LLP
	Davenport Curo Ltd	Ralston Bennett Financial Planning Limited
	Davenport Financial Management Ltd	Redi & Partners Ltd
	Dawnay, Day Capital Markets Ltd	Renaissance Institutional Management (UK) Ltd
	Devere and Partners (UK) Ltd	Renaissance Investment Management (UK) Ltd
	DG Pryde Limited	Retirement Planning Associates Ltd
	Dickson Financial Services Ltd	Rocherberie Consulting Limited
	DMA Financial Planning Ltd.	Rodia Investments Limited
	Douglas Baillie Limited	Royal Bank of Canada Investment Management (UK) Limited
	DQN Global Capital Partners LLP	Rutherford Capital Markets Limited
	Driehaus International Ltd	Sator Capital Limited
	DTZ Corporate Finance Ltd	Save & Invest (Financial Planning) Ltd
	Duff and Phelps Securities Limited	Savills Capital Advisors Limited
	E J Glanville & Co (Investment Brokers) Limited	SD Asset Management Ltd
	Ebor Asset Management LLP	Short Partners LLP
	Ebor Asset Management LLP	Sigma Broking Limited
	Eddington Capital Management Limited	Silk Invest Limited
	EFG Platts Fiello Ltd	Silkroutefinancial (UK) Limited
	Emerging Economies Research LLP	Silvia Quandt & CIE Limited
	EMG Corporate Finance Limited	Sinopia Asset Management (UK) Limited
	Engelhard International Limited	Sirius Equity LLP
	Europa Partners Limited	Sourcecap International Limited

	Executive Benefit Consultancy Limited	Southeastern Asset Management International (UK) Limited
	Farley & Thompson LLP	Square Capital LLP
	Fiducia Wealth Management Limited	Stamford Partners Limited
	Financial Strategies (North) Ltd	Standard Life Wealth Limited
	Fitzallan Ltd	Sterling Financial Advice
	Fix City Ltd	Sterling Financial Advice
	FIXI Consulting Ltd	Sterling Pension Management Limited
	Fleming Financial Ltd	Stewart Asset Management Group Plc
	Fortis Prime Brokerage Ltd	STJ Advisors LLP
	Fulcrum Asset Management LLP	Strategic Asset Managers Limited
	Gallery Capital LLP	Strutt & Parker Real Estate Financial Services Limited
	GE Asset Management Limited	SunGard Global Execution Services Ltd
	Gibro Wealth Limited	Sustainable Development Capital LLP
	Global Financial Engineering Solutions Limited	SVG Advisers Limited
	Global Prime Partners LLP	T.R.S. Independent financial Advisors
	GMP Securities Europe Limited	Talbot Hughes McKillop LLP
	Goldwins Asset Management Limited	Tancreds Limited
	Goodman Operator (UK) Ltd	The Alexander Beard Group Plc
	Gore Browne Investment Management LLP	The Gaela Partnership Limited
	Gottex Asset Management (UK) Limited	The Risk Management Group Limited
	GPT Halverton Financial Services Limited	The Rob Matthews LLP
	Gracechurch Investments Limited	The St David's Partnership
	Grayside Limited	The Whitehall Partnership Ltd
	Grove Investment Management Ltd	Thomas Weisel Partners International Limited
	H2W Partners LLP	Tokio Marine Asset management (London) Limited
	Halbis Capital Management (UK) Limited	Towers Perrin Capital Markets Ltd
	Hannah Consultancy Limited	Towers Perrin Capital Markets Ltd
	Hargreaves & Jones Ltd	Trillium Partners Limited
	Hawker & Palmer IFA LLP	Trio Equity Derivatives Limited

	Helm Godfrey Partners Ltd	Tristone Capital Limited
	Henderson Rowe Ltd	Tullett Prebon (Equities) Limited
	Highbridge Principal Strategies (UK) LLP	Turner International Limited
	ICAP-JLT Limited	TVG LLP
	IGS Alternative Investment Solutions LLP	UniCredit CAIB UK Ltd
	Independent Investment Solutions Limited	Unifortune Investment Management Limited
	Industry Funds Management (UK) Ltd	VSA Capital Limited
	Ingenious Corporate Finance Limited	VTB Bank Europe Plc
	Integrated Financial Arrangements Plc	Warwick Financial Solutions Limited
	Intelligent Pensions Ltd	Watterson Wealth Management Ltd.
	Internos Real Investors LLP	Wessex Investment Management Ltd
	Janus Capital International Limited	Western Asset Management Company Limited
	Japan Alternative Investment Europe Limited	Whitebridge Capital Partners LLP
	Japaninvest Limited	William Albert Securities Limited
	JER Real Estate Advisors (UK) Limited	Winton Capital Management Limited
	John Eames Ltd	WKH Financial Services Limited
	Jones Sheridan Financial Consulting Ltd	2H Wealthcare LLP
	Joseph R Lamb IFA Ltd	HPZ. 3 Limited
		TOTAL: 301

Appendix V: Outward Cross-border Notifications

Passporting by Insurance Undertakings via Freedom of Services
Insurance PCC
Atlas Insurance PCC Ltd
Axeria Life International PCC Ltd
White Rock Insurance (Europe) PCC Ltd
Insurance Companies
Arnold Clark Insurance (Malta) Ltd
Arnold Clark Life Insurance (Malta) Ltd
Bastion Insurance Company Ltd
Bray Insurance Company Ltd
Caversham Insurance (Malta) Ltd
Central General Ltd
Central Life Ltd
European Insurance Group Ltd
Gasam Mamo Insurance Ltd
International Diving Assurance Ltd
Middlesea Insurance p.l.c.
Middlesea Valletta Life Assurance Co.Ltd
Multi Risk Indemnity Company Ltd
Multi Risk Benefits Ltd
Nissan International Insurance Ltd
Practice Plan Insurance Ltd
Propgen Insurance Ltd
PSA Insurance Ltd
PSA Life Insurance Company Ltd
RCI Insurance Ltd
RCI Life Ltd
Saint John's Insurance Ltd
Setanta Insurance Company Ltd
Taurus Insurance Ltd
Trinity Lane Insurance Company Ltd
Rhenas Insurance Ltd
Falcon Insurance Ltd
Orlen Insurance Ltd
Palatina Insurance Ltd
Pembroke International Insurance Company Ltd

Affiliated Insurance Companies
Nautilus Indemnity (Europe) Ltd
Ergon Insurance Ltd
Rhenas Insurance Ltd
Falcon Insurance Ltd
Orlen Insurance Ltd
Palatina Insurance Ltd
Pembroke International Insurance Company Ltd

Passporting by Insurance Intermediaries via Freedom of Services
Dan Europe Insurance Brokers Ltd
FirstUnited Insurance Brokers Ltd
Hollingsworth International Financial Services Ltd
HSBC International Financial Advisers (Malta) Ltd
Jatco Insurance Brokers Ltd
Saint Paul's Insurance Brokerage Ltd
Osprey Insurance Brokers Ltd

Passporting by Investment Services Companies via Freedom of Services
HSBC International Financial Advisors
Fundior Investment Services

Passporting by Credit Institutions via Freedom of Services
Banif Bank (Malta) plc
CommBank Europe Limited
HSBC Bank (Malta) Limited
Investkredit International Bank plc
Izola Bank Limited
Mediterranean Bank plc

Appendix VI: Consultation Papers

CONSULTATION PAPERS ISSUED BY THE BANKING UNIT

- Banking Rule 8 - Capital adequacy of credit institutions authorised under the Banking Act
- Banking Rule 12 – The supervisory review process of credit institutions authorised under the Banking Act 1994
- Banking Rule 7 - Publication of audited financial statements of credit institutions authorised under the Banking Act 1994

CONSULTATION PAPERS ISSUED BY THE COMPANY COMPLIANCE UNIT

- Amendments to Listing Rules transposing Directive 2007/109/EC
- Subsidiary legislation in terms of the Trusts and Trustees Act
- Requirements for Listed Public Interest Entities to have an Audit Committee under the Statutory Audit Directive [Directive 2006/43/EC]

CONSULTATION PAPERS ISSUED BY THE INSURANCE BUSINESS UNIT

- Insurance Rule 12 – Business of Insurance Statements
- Protection and Compensation Fund Regulations, 2003 [L.N. 435 of 2003]
- Insurance Rule 8 – Qualifications of Individuals Who Are Responsible for the Effective Management of Insurance and Reinsurance Companies or Branches Thereof
- Insurance Rule 14 - Insurance Advertisement and Other Promotional Activities
- Insurance Intermediaries Rule 5 - Insurance Intermediaries Advertisement and Other Promotional Activities
- Draft Insurance Business (Companies Accounts) Regulations
- Insurance Intermediaries (Introducers) Regulations, 2008

CONSULTATION PAPERS ISSUED BY THE REGISTRY OF COMPANIES

- Proposed amendments to the Companies Act (Investment Companies with Variable Share Capital) Regulations

CONSULTATION PAPERS ISSUED BY THE SECURITIES UNIT

- Consultation document on the transposition of the Capital Requirements Directive Pillar I requiring consolidated supervision
- Consultation on proposed Investment Services Rules for Recognised Persons
- Consultation regarding the transposition of the EU CRD Pillar II requirements
- Consultation relating to amendments to the Investment Services Rules for Retail Collective Investment Schemes – Part BII – Malta Based UCITS Schemes – New Section relating to the use of Repurchase/ Reverse Repurchase transactions and stock borrowing and stock lending agreements
- Consultation on Proposed Guidance Notes applicable to Collective Investment Schemes licensed in Malta relating to the use of ‘Side Pockets’ and Guaranteed Schemes
- Proposed amendment to the Prevention of Financial Markets Abuse (Disclosure and Notification) Regulations, 2000
- Proposed amendments to the Companies Act (Investment Companies with Variable Share Capital) Regulations, 2008
- Consultation on proposed amendments to various Legal Notices issued under the Prevention of Financial Markets Abuse Act, 2005 and Investment Services Act 1994 relating to investment advertisements and investment recommendations
- Consultation on proposed new Investment Services Rules applicable to Qualifying or Extraordinary Investors effecting draw-downs on investors’ committed funds
- Consultation Document relating to the amendment of the Investment Services Rules for Investment Services Providers transposing Pillar III of the Capital Requirements Directive
- Islamic Finance in Malta – Banking and Securities

EU CONSULTATION PAPERS CIRCULATED BY THE MFSA

- Consultation on UCITS Management Company Passport
- Consultation on Credit Rating Agencies

Appendix VII: Licences issued and surrendered in 2008

NEW LICENCES ISSUED JANUARY – DECEMBER 2008

CREDIT INSTITUTION

- Credit institution license issued to Nemea Bank Ltd.

FINANCIAL INSTITUTIONS

- Licence issued to **Crystal Loan Brokers Limited** to carry out the activity of Money Broking.
- Licence issued to **Island Financial Services Limited** to carry out the activity of Money Broking.

INVESTMENT SERVICES LICENCES

- Category 2 Investment Services Licence issued to **AS Financial Services Limited**.
- Category 2 Investment Services Licence issued to **BlueGold Investments Limited**.
- Category 2 Investment Services Licence issued to **Blue Planet Investment Management Limited**.
- Category 1 B Investment Services Licence issued to **Cevian Capital (Malta) Limited**.
- Category 4 Investment Services Licence issued to **Custom House Global Fund Services Limited**.
- Category 2 Investment Services Licence issued to **FMG (Malta) Limited**.
- Category 2 Investment Services Licence issued to **Fortelus Capital Management Limited**.
- Category 2 Investment Services Licence issued to **GDP Asset Management (Malta) Limited**.
- Category 1 B Investment Services Licence issued to **Liability Solutions International Limited**.
- Category 2 Investment Services Licence issued to **Liongate Capital Management Limited**.
- Category 2 Investment Services Licence issued to **Oceanwood Capital Management (Malta) Limited**.
- Category 1 A Investment Services Licence issued to **Raiffeisen Malta Bank plc**.
- Category 4 Investment Services Licence issued to **Sparkasse Bank Malta plc**.

UPGRADED / EXTENDED LICENCES

- Licence of **Calamatta Cuschieri & Co. Limited** upgraded from Category 2 to Category 3 Investment Services Licence.
- Extension of the Category 2 Investment Services Licence was granted to **All Invest Company Limited** to provide nominee services in relation to the investment instrument included in the companies licence.
- Licence of **Fundior's Investment Services Limited** upgraded from Category 1 A to Category 2 Investment Services Licence.

FUND RECOGNITION ADMINISTRATION CERTIFICATE

- Certificate issued to **Custom House Global Fund Services Limited**.
- Certificate issued to **Praxis Fund Services (Malta) Limited**.
- Certificate issued to **SGGG Fexco Fund Services (Malta) Limited**.

COLLECTIVE INVESTMENT SCHEME LICENCES

MALTESE UCITS

- Collective Investment Scheme Licence issued to **Celsius Global Funds SICAV plc** in respect of four sub-funds.
- Collective Investment Scheme Licence issued to **Vilhena Funds SICAV plc** in respect of two sub-funds.

PROFESSIONAL INVESTOR FUNDS

- Collective Investment Scheme licence issued to **Ad Fontes Asia Fund (SICAV) plc** in respect of 10 sub-funds. This fund is professional Investor Fund targeting Extraordinary Investors.
- Collective Investment Scheme Licence issued to **Alphabetos Funds SICAV plc** in respect of two sub-funds. These funds are Professional Investor funds targeting Extraordinary Investors.
- Collective Investment Scheme Licence issued to **Alphabetos International Funds SICAV plc** in respect of four sub-funds. These funds are Professional Investor funds targeting Extraordinary Investors.
- Collective Investment Scheme Licence issued to **Altma Fund Sicav plc** in respect of 27 sub-funds.

- This Fund is a Professional Investor Fund targeting Qualifying Investors.
- Collective Investment Scheme Licence issued to **Amstel Global Umbrella Fund SICAV plc** in respect of two sub-funds. These Funds is a Professional Investor Fund targeting Experienced Investors.
 - Collective Investment Scheme Licence issued to the **ARP Absolute Return Funds (SICAV) plc** in respect of three sub-funds. This fund is a Professional Investor Funds targeting Qualifying Investors.
 - Collective Investment Scheme Licence issued to **Artis FX Fund SICAV plc** in respect of one sub-fund. These funds are Professional Investor Funds targeting Qualifying Investors.
 - Collective Investment Scheme Licence issued to **Bosphorus Umbrella SICAV plc** in respect of one sub-fund. This Fund is a Professional Investor Fund targeting Qualifying Investors.
 - Collective Investment Scheme issued to **FMG Funds SICAV plc** in respect of twelve sub-funds. This is a Professional Investor Fund targeting Experienced and Qualifying Investors.
 - Collective Investment Scheme issued to **Golden Hedge Multi-Strategy Fund** in respect of one sub-fund. This fund is Professional Investor fund targeting Qualifying Investors.
 - Collective Investment Scheme issued to **LandOverseas Property Fund SICAV plc** in respect of one sub-fund. This is a Professional Investor Fund targeting Experienced Investors.
 - Collective Investment Scheme issued to **Meridon Funds SICAV plc** in respect of two sub-funds. This is a Professional Investor Fund targeting Qualifying Investors.
 - Collective Investment Scheme Licence issued to **NBCG Fund SICAV plc** in respect of 25 sub-funds. This Fund is a Professional Investor Fund targeting Qualifying Investors.
 - Collective Investment Scheme Licence issued to **NEF Global Resources SICAV Limited** in respect of one sub-fund. This Fund is a Professional Investor Fund targeting Qualifying Investors.
 - Collective Investment Scheme Licence issued to **Neutron Fund (SICAV) plc** in respect of one sub-fund. This fund is a Professional Investor Funds targeting Qualifying Investors.
 - Collective Investment Scheme Licence issued to **Norvik (Malta) Sicav plc** in respect of four sub- funds. These funds are Professional Investor Funds targeting Qualifying Investors.
 - Collective Investment Scheme Licence issued to **Novium Opportunity Umbrella SICAV plc** in respect of three sub-fund. This fund is a Professional Investor fund targeting Qualifying Investors.
 - Collective Investment Scheme Licence issued to **RBAM I Funds SICAV plc** in respect of one sub-fund. These funds are Professional Investor Funds targeting Qualifying Investors.
 - Collective Investment Scheme Licence issued to **RBAM II Funds SICAV plc** in respect of one sub-fund. These funds are Professional Investor Funds targeting Qualifying Investors.
 - Collective Investment Scheme Licence issued to **Sabius SICAV Limited** in respect of one sub-fund. This fund is Professional Investor fund targeting Qualifying Investors.
 - Collective Investment Scheme issued to **SF Global equity Fund SICAV plc** in respect of one sub-fund. This fund is Professional Investor fund targeting Qualifying Investors.
 - Collective Investment Scheme issued to **SF Global Equity Master Fund SICAV Limited** in respect of one sub-fund. This fund is Professional Investor fund targeting Extraordinary Investors.
 - Collective Investment Scheme Licence issued to **SJP Opportunities Fund SICAV Limited** in respect of one sub-fund. This Fund is a Professional Investor Fund targeting Qualifying Investors.
 - Collective Investment Scheme licence issued to **Spectrum Fund (SICAV) plc** in respect of two sub-funds. This fund is Professional Investor fund targeting Qualifying Investors.
 - Collective Investment Scheme Licence issued to **Swiss Investment Funds SICAV plc** in respect of two sub-funds. These funds are Professional Investor Funds targeting Qualifying Investors.
 - Collective Investment Scheme Licence issued to **S3 Global Multi-Strategy Fund (Malta) SICAV plc** in respect of one sub-fund. This fund is Professional Investor fund targeting Extraordinary Investors.
 - Collective Investment Scheme licence issued to **Virgo Global Equity Fund SICAV plc** in respect of one sub-fund. These funds are Professional Investor Funds targeting Qualifying Investors.
 - Collective Investment Scheme Licence issued to **Virgo Global Equity Master Fund SICAV Limited** in respect of one sub-fund. These funds are Professional Investor Funds targeting Extraordinary Investors.
 - Collective Investment Scheme Licence issued to **Wood & Company Fund SICAV plc** in respect of one sub-fund. These funds are Professional Investor Funds targeting Qualifying Investors.

RETAIL FUNDS

- Collective Investment Scheme Licence issued to **APS Funds SICAV plc** in respect of one sub-fund.
- Collective Investment Scheme Licence issued to **Wignacourt Fund SICAV plc** in respect of three sub-funds.

INSURANCE BUSINESS LICENCES

INSURANCE COMPANIES

- Authorisation issued to **Bray Insurance Co Limited** to carry on business of insurance restricted to risks situated outside Malta, in 9 classes of general business.
- Authorisation issued to **Munich Re of Malta plc** to carry on, in and from Malta, business of reinsurance in 3 classes of long-term business and 18 classes of general business.
- Authorisation issued to **Nissan International Insurance Limited** to carry on business of insurance restricted to risks situated outside Malta, in 2 classes of general business.
- Authorisation issued to **Palatina Insurance Limited** to carry on business of affiliated reinsurance restricted to risks situated outside Malta in 5 classes of general business.
- Authorisation issued to **PSA Life Insurance Limited** to carry on business of insurance and reinsurance restricted to commitments where Malta is not the country of commitment in the long term business class of Life and Annuity.
- Authorisation issued to **PSA Insurance Limited** to carry on business of insurance and reinsurance restricted to risks situated outside Malta, in 3 classes of general business.
- Authorisation issued to **RCI Insurance Limited** to carry on business of insurance restricted to risks situated outside Malta in three classes of general business.
- Authorisation issued to **RCI Life Limited** to carry on business of insurance restricted to commitments where Malta is not the country of the commitment in one class of long-term business.
- Authorisation issued to **Taurus Insurance Limited** licensed to carry on business of insurance and reinsurance restricted to risks situated outside Malta in four classes of general business.

PROTECTED CELL COMPANIES

- Authorisation issued to **Axeria Life International PCC Limited** to carry on from Malta business of insurance in two classes of general business and two classes of long-term business.
- Authorisation issued to **White Rock Insurance (Europe) PCC Limited** to carry on in and from Malta, business of insurance in 5 classes of General Business.

INSURANCE AGENTS

- Enrolment to the Agents List granted to **Mediterranean Insurance Agency Limited**.
- Enrolment to the Agents List granted to **Thomas Smith Insurance Agency Limited**.

EXTENSION OF LICENCE

- License has been extended to **Multi Risk Indemnity Company Limited ('MRIC')** to carry on business of insurance and reinsurance in another class of general business.
- Licence of **Palatina Insurance Limited** to carry on business of affiliated reinsurance has been extended to cover Motor Vehicle Liability.
- Licence of **Rhenas Insurance Limited** has been extended to carry on reinsurance business in three classes of general business.
- License of **SMS Insurance Agency Limited** as insurance agent of Catlin Insurance Company (UK) Limited has been extended to cover 7 classes of general insurance business.

CELL COMPANIES LICENCES

- **Income Protection Cell** has also been approved as a cell of Axeria Life International PCC Limited.
- **PerfectHome Cell** has been approved as a cell of Atlas Insurance PCC Limited to write general insurance in three classes of general business.
- **Travelodge Cell** has been approved as a cell of Atlas PCC Limited restricted to Class 16 (Miscellaneous Financial loss) of General Business.
- **Zopa Cell** has been approved as a cell of Atlas Insurance PCC Limited to write general insurance business.

MANAGERS LIST

- Enrolment in the Managers List was granted to **Willis Management (Malta) Limited**.

TRUSTS AND TRUSTEES

- **Credence Holdings Limited** has been authorised to receive property under trusts and to act as trustee or co-trustee.
- **Fiducia Trustees Limited** has been authorised to receive property under trusts and to act as trustee or co-trustee.
- **FINAC Limited** has been authorised to receive property under trusts and to act as trustee or co-trustee.
- **G M Corporate and Fiduciary Services Limited** has been authorised to provide fiduciary services.
- **Knights Fiduciaries Limited** has been authorised to provide fiduciary services.
- **QUBE Holdings Limited** has been authorised to receive property under trusts and to act as trustee or co-trustee.
- **Safehaven International Limited**, a company registered in Guernsey and licensed by the Guernsey Financial Services Commission, has been authorised by the MFSA to act as a trustee.
- **Salt Partners (Services) Limited** has been authorised to receive property under trusts and to act as trustee or co-trustee.

FIDUCIARY SERVICES

- **Baltimore Fiduciary Services Limited** has been authorised to provide fiduciary services.
- **DF Corporate Services Limited** has been authorised to provide fiduciary services.
- **FACT Services Limited** has been authorised to provide fiduciary services.
- **Notabile Fiduciaries Limited** has been authorised to provide fiduciary services.

LICENCES SURRENDERED JANUARY – DECEMBER 2008

FINANCIAL INSTITUTIONS

- Voluntary surrender of licence issued under the Financial Institutions Act (Cap. 376) to **Change Mart Financial Services Limited**.
- Voluntary surrender of licence issued under the Financial Institutions Act (Cap. 376) to **Cremona Exchange Bureau Limited**.
- Voluntary surrender of licence issued under the Financial Institutions Act (Cap. 376) to **UNEC Leasing Limited**.

INVESTMENT SERVICES

- Voluntary surrender of Category 2 licence issued to **Finacom Investment House Limited**.

FUND ADMINISTRATION CERTIFICATES

- Voluntary surrender of Fund Administration Recognition Certificate issued to **Erste Bank (Malta) Limited**.

COLLECTIVE INVESTMENT SCHEMES

- Voluntary surrender of licence issued to **Broadgate Capital Funds SICAV plc** in respect of the New Europe Opportunity Fund II.
- Voluntary surrender of licence issued to **Close Global Funds Limited** in respect of 9 sub-funds.
- Voluntary surrender of licence issued to **La Valette Funds SICAV plc** in respect of the La Valette International Equity Fund and La Valette Mediterranean Rim Fund.
- Voluntary surrender of licence issued to **Moment Invest SICAV plc**.
- Voluntary surrender of licence issued to **Sabius SICAV Limited** in respect of the Sabius Fund.
- Voluntary surrender of licence issued to **Swiss Investment Funds SICAV plc** in respect of the Swiss Real Estate Development Fund.
- Voluntary surrender of licence issued to **Velocity One Fund SICAV plc**.

Abbreviations

AIMA	Alternative Investment Management Association
ALFI	Association of the Luxembourg Fund Industry
BD	Banking Directive
BR	Banking Rule
CBM	Central Bank of Malta
CEBS	Committee of European Banking Supervisors
CEIOPS	Committee of European Insurance and Occupational Pensions Supervisors
CESR	Committee of European Securities Regulators
CESR-Pol	Permanent operational group within CESR responsible for the surveillance and exchange of information
CIS	Collective Investment Scheme
CLEG	Company Law Expert Group
Co	Company
CRD	Capital Requirements Directive
CSD	Central Securities Depository
EC	European Community
ECB	European Central Bank
ECC	Education Consultative Council
EEA	European Economic Area
EU	European Union
FATF	Financial Action Task Force
FERMA	Federation of European Risk Management Associations
FIAU	Financial Intelligence and Analysis Unit
FIR	Financial Institutions Rule
FSCC	Financial Services Consultation Council
FT	Financial Times
IAIS	International Association of Insurance Supervisors
ICAAP	Internal Capital Adequacy Assessment Process
IMF	International Monetary Fund
IOPS	International Organisation of Pension Supervisors
IOSCO	International Organisation of Securities Commission
IT	Information Technology
LLTCI	Linked Long Term Contract of Insurance
MFSA	Malta Financial Services Authority
MiFID	Markets in Financial Instruments Directive
MMoU	Multilateral Memorandum of Understanding
MONEYVAL	Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism
MoU	Memorandum of Understanding
OECD	Organisation for Economic and Commercial Development
OFC	Office of Fair Competition
PCC	Protected Cell Company
PFMA	Prevention of Financial Markets Abuse
PIF	Professional Investor Fund
PLC	Public Liability Company
PSD	EU Payment Services Directive
SEPA	Single Euro Payments Area
SICAV	Investment Company with Variable Share Capital
STEP	Society of Trust and Estate Practitioners
UCITS	Units of Collective Investments in Transferable Securities
WTO	World Trade Organisation

