

# Regulatory Compliance Update

Q3 2025

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## Introduction

Our Mamo TCV Regulatory Compliance Quarterly Update is intended to keep Maltese regulated entities informed of regulatory changes and developments taking place mainly in the local financial services space.

In this issue, we focus on the sector specific and cross-sectoral regulatory updates relating to Investment Services, Asset Management<sup>1</sup>, Insurance, Credit Institutions and Company Service Providers.

Mamo TCV's team of regulatory and compliance advisors supports authorised persons and their compliance functions to remain compliant with their obligations in the ever-evolving regulatory landscape.

**Get in touch** with us to learn more about how we can help you.

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<sup>1</sup>Asset Management shall refer to Funds, Fund Managers and their service providers.

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### SECTOR SPECIFIC REGULATORY UPDATES

#### 1.0 INVESTMENT SERVICES

##### 1.1 Consultation Document on Revisiting the Capital Markets Rules applicable to the Institutional Financial Securities Market

On the 8<sup>th</sup> of July 2025, the MFSA issued a [circular](#) to inform the industry that it has launched a [Consultation Document](#) seeking feedback from stakeholders on the proposed amendments to the Capital Markets Rules applicable to the Institutional Financial Securities Market (IFSM).

The aim of the proposed revisions is to clearly define the scope and application of the rulebook, modernise and streamline the rules from a practical aspect, re-evaluate listing agents and their role, and introduce tailored provisions to cater for sukuk to facilitate the issuance thereof on the IFSM.

The MFSA considered all comments sent via email by the 8<sup>th</sup> of August 2025.

##### 1.2 Investment Services Supervision Regulatory Briefing

On the 29<sup>th</sup> of July 2025, the MFSA issued a [briefing](#) to bring to the attention of the asset management industry a number of important publications issued by the MFSA, the European Commission and the European Supervisory Authorities (ESA's) from 1<sup>st</sup> January 2025 to 24<sup>th</sup> July 2025.

The briefing focuses on key developments such as (i) MFSA updates, (ii) legislative proposals and Regulatory Technical Standards, (iii) consultations to which the industry is invited to contribute, (iv) updates to question and answer (Q&A) documents and other convergence measures and (v) publication of guidelines and reports issued by the ESAs.

##### 1.3 Amendments to the Investment Services Rulebooks in relation to the Money Market Funds Regulations

On the 7<sup>th</sup> of August 2025, the MFSA published a [circular](#) that highlights the amendments carried out to the Investment Services Rulebooks which reflect the new ESMA Guidelines on stress test scenarios under the MMF Regulation (Regulation (EU) 2017/1131) published on the 24<sup>th</sup> of February 2025.

The amendments affected the following Rulebooks:

- The Investment Services Rules for Alternative Investment Funds Part B: Standard Licence Conditions Applicable To Alternative Investment Funds,
- The Investment Services Rules For Investment Services Providers Part BII: Standard Licence Conditions Applicable To Investment Services Licence Holders Which Qualify As UCITS Management Companies,
- The Investment Services Rules For Investment Services Providers Part BIII: Standard Licence Conditions Applicable To Investment Services Licence Holders Which Qualify As Alternative Investment Fund Managers and
- the Investment Services Rules For Retail Collective Investment

Schemes Part B – Standard Licence Conditions Part BII: Malta Based UCITS Collective Investment Schemes.

The Annex to the circular details the specific amendments, which require all relevant entities to measure the impact of common reference stress test scenarios on all MMFs under management as stipulated in Article 28 of the MMF Regulation, to submit stress test results and proposed action plans to the MFSA and to comply with the updated ESMA Guidelines.

#### **1.4 Thematic Review on Liquidity Risk Management and Investment Processes of Management Companies of AIFs and UCITS Funds**

On the 8<sup>th</sup> of August 2025, the MFSA issued a [Dear CEO letter](#) to communicate the findings and expectations from a comprehensive thematic review conducted throughout 2024 on a sample of approximately 23% of authorised management companies.

The review assessed compliance with AIFMD and UCITS Directive requirements on liquidity risk management (LRM) and investment processes through self-assessment questionnaires, desk-based assessments, and on-site inspections and interviews.

The review examined liquidity stress testing procedures and LRM policies, the documentation of LRM arrangements, processes and techniques, the quality of LRM written procedures and methodology, the application of liquidity presumption to financial instruments, compliance with investment restrictions and pre-trade checking procedures, the investment decision-making processes and governance structures, the

segregation of duties and conflicts of interest management and the composition and effectiveness of investment committees.

From this review it was concluded that 87% of management companies conduct pre-trade liquidity checks but 53% rely on general statements rather than specific methodologies. Moreover, 16% of management companies had no formal pre-trade liquidity checks primarily due to the illiquid nature of the assets and data limitations.

Apart from this, based on a review of Board Packs and Board Minutes, the MFSA Officials identified that the Board of Directors was often presented with Liquidity Risk Reports focusing on quantitative liquidity metrics without a supplementary explanation. In addition, in some cases, the Authority noted that the Board of Directors did not take proactive action on the liquidity concerns raised in the Liquidity Stress testing reports.

The frequency of Liquidity Stress Testing (LST) was generally documented; however, it was occasionally unclear whether Management Companies conducted LST more frequently in exceptional market conditions. Additionally, while all Management Companies have conducted LST, in some cases, fund level liquidity stress testing was not sufficiently robust, mainly in view of assessments not being tailored to the fund and its investment strategy.

As a result, the LST frequency should be adjusted in response to exceptional market conditions to ensure that the liquidity profile of all the funds remains robust and aligned with their respective redemption obligations. Liquidity Stress Testing and back-testing methodologies

should also be defined based on prudent/conservative criteria. While Management Companies can adopt estimates in their LST, where market/historical data is limited, such estimates should not be used as a substitute for a more detailed and tailored fund-specific LST. Management Companies should review LST assumptions, scenarios and models and update them accordingly.

Management companies must also ensure the formal approval and regular review of liquidity management policies by Boards, the adoption of clear frequent risk reports with conclusions and recommendations from Risk Management functions, the documentation of escalation processes for material liquidity issues and the implementation and monitoring of liquidity contingency plans.

Management companies should also ensure that there is a clear separation of duties in investment committees, that robust conflict of interest policies are in place and that enhanced due diligence on committee members is carried out.

The MFSA also expects liquidity profiles appropriate to redemption policies, sufficient information for portfolio structuring and cash flow anticipation as well as documented liquidity assessments with adequate policies and procedures.

### **1.5 Circular on the Benchmarks Regulation ('BMR') – Update to the Information Gathered relating to the Use of Benchmarks**

On the 13<sup>th</sup> of August 2025, the MFSA published a [circular](#) which applies to all MFSA licence holders on a cross-sectorial basis including investment

funds and investment service providers and requires market participants to provide updated information on their use of benchmarks under the Benchmarks Regulation (EU) 2016/1011. This information gathering exercise serves the Authority's supervisory mandate over users, administrators, and contributors within the scope of the Benchmarks Regulation.

Market participants must complete and submit the updated Benchmarks Return Template which details exposure to critical benchmarks and includes details of other benchmarks currently in use. Only entities using benchmarks as at 30<sup>th</sup> June 2025 are required to respond. The deadline for the submission is the 26<sup>th</sup> of September 2025.

The circular also reminds entities that benchmark use includes the issuance of financial instruments referencing an index, the determination of amounts payable under financial contracts by referencing an index, being a party to a financial contract which references an index, providing borrowing rates calculated as spread over an index which are solely used as a reference in a financial contract to which the credit is a party and measuring investment fund performance through an index for the purpose of tracking return of such index, defining the asset allocation of a portfolio, or computing the performance fees.

### **1.6 Circular to Investment Firms on Amendments to the Investment Services Act, Banking Act, various Subsidiary Legislation and Investment Firms' Rules**

On the 1<sup>st</sup> of September 2025, the MFSA issued a [circular](#) to inform the industry of the publication of the recent

amendments to the Investment Services Act (ISA) and the Investment Services Rules applicable to investment firms. These amendments are primarily aimed at fully transposing the EU Investment Firms Directive (IFD) into Maltese law whilst clarifying regulatory expectations.

Article 17A of the [Investment Services Act](#) was amended to improve clarity on how the MFSA handles verification requests. Apart from changes to the primary legislation, several subsidiary laws were updated. The amendments carried out to Regulation 7A of [S.L. 370.43](#) oblige branches licensed in Malta to share margin-model and risk data with the European Securities and Markets Authority (ESMA) and the European Banking Authority (EBA) and to cooperate with other host supervisors.

The amended [S.L. 370.46](#) ensures that only those investment firms which, by virtue of their size or their membership of a banking group, fall within CRD retain the status of credit institution for prudential purposes. Cross-references are also aligned with IFD references thereby avoiding the double counting of capital and confirming that smaller Class 2 and Class 3 investment firms are excluded from the CRD perimeter once the €15 billion asset threshold ceases to be met.

Moreover, the amended [S.L. 370.47](#) integrates the latest EBA methodology, adjusts the numbering of the underlying IFD articles and revises Schedule I so that the MFSA may impose additional own-funds or liquidity requirements whenever an investment firm's internal capital assessment fails to capture material risks. Furthermore, by substituting internal cross-references and extending the fining power to all breaches listed in regulation 5, the amendment to [S.L.370.48](#) guarantees that

administrative fines can reach the higher of five million euros or ten per cent of annual turnover for serious infringements, backed by a public statement, unless publication would jeopardise market stability. The MFSA is also given explicit authority to combine pecuniary penalties with supervisory measures.

Lastly, the updated [S.L. 370.49](#) aligns Malta's rules on supervisory consolidation under the IFD, refining the criteria by which the MFSA is designated as consolidating supervisor, and clarifying the use of the group capital test where full balance-sheet consolidation would be disproportionate.

[Part BI of the Rules applicable to Investment Services Licence Holders which qualify as MiFID Firms](#) (hereinafter referred to as 'the Rulebook') was also amended to align the Rulebook with the IFD capital requirements and operational procedures. In fact, Investment Firms other than those referred to in Article 9(1), Article 9(2) and Article 9(4) must meet a €150,000 minimum capital requirement. Certain operational requirements were added, such as holding collateral available for central bank funding. The capital conservation buffer requirements were updated in line with the EU's CRD and the obligation to provide fully reasoned decisions on the application of the exemption which permits investment firms, under specific conditions, to be exempt from maintaining the institution-specific countercyclical capital buffer, was removed.

### **1.7 Investor Compensation Scheme (Amendment) Regulations, 2025**

On the 2<sup>nd</sup> of September 2025, [Legal Notice 186 of 2025](#) titled the Investor

Compensation Scheme (Amendment) Regulations, 2025 was published in the Government Gazette. The most notable change made by the amendments affects the composition of the Management Committee.

Sub-regulation (1) of Regulation 5 of [S.L. 370.09](#) now highlights that the Management Committee shall consist of a chairperson and seven (7) other members as follows:

- (a) Two officers performing duties with the MFSA
- (b) One officer nominated by, and performing duties with, the Central Bank of Malta
- (c) One person nominated by the Minister
- (d) One person nominated by an association or associations or other bodies representing persons holding a licence under the Act who participates in, and contributes to, the Scheme in accordance with these regulations, and which association or associations or other bodies are recognised for such purpose by the MFSA. The person nominated shall not be an officer or employee of, or in any way hold any position with, a holder of a licence under the ISA.
- (e) One person nominated by an association or associations or other bodies representing credit institutions who participates in, and contributes to, the Depositor Compensation Scheme established under the Depositor Compensation Scheme Regulations, and which association or associations or other bodies are recognised for such purpose by the MFSA. The

person nominated shall not be an officer or employee of, or in any other way hold any position with, a credit institution falling within the scope of the Depositor Compensation Scheme.

- (f) One officer nominated by, and performing duties with, the Malta Competition and Consumer Affairs Authority and such person shall represent the point of view of consumers.

An officer nominated and appointed under paragraphs (a), (b) and (f) shall remain a member of the Committee throughout the term of appointment only to the extent that such officer continues to be an officer of the MFSA, the Central Bank of Malta or the Malta Competition and Consumers Affairs Authority as the case may be.

If the associations or other bodies representing licence holders or credit institutions referred to in paragraphs (d) and (e) fail to nominate the person they are required to nominate within the time period established by the MFSA, the Authority has the discretion to appoint such person. Moreover, a person shall not be eligible for appointment as a member of the Management Committee in accordance with sub-regulation (1) if such person has a financial or other interest as is likely to adversely affect the discharge by such person of his functions under these regulations.

In addition, the members of the Management Committee appointed under paragraphs (d) and (e) of sub-regulation (1) shall serve in their personal capacity and shall not represent or receive directives or instructions from an association, entity or other body nominating them. However, the

Management Committee may expressly and in writing authorise any such member to share specific information with the said association, entity, or other body.

Lastly, the newly added sub-regulation (12) highlights that if the chairperson is absent or unable to exercise the functions and powers of his office, and the MFSA has not appointed any other person to act as chairperson during the said period, the other members of the Management Committee shall designate one (1) of the said other members to carry out the functions of the chairperson during such period.

### **1.8 MFSA Expectations in the context of MiFID II Passporting**

On the 25<sup>th</sup> of September 2025, the MFSA issued a [Dear CEO letter](#) detailing its expectations for investment firms using the MiFID II passport to provide cross-border investment services. Firms must ensure that they have adequate operational setups, conduct ongoing monitoring of passported activities and perform at least annual onsite inspections of branches.

Marketing policies should be tailored to firm operations, with clear, compliant disclosures including mandatory warnings, and approval by the Compliance Officer before distribution. This officer must have sufficient capacity and expertise, particularly for multilingual materials, and conduct ongoing checks to ensure marketing remains factual and relevant. Firms must keep a deficiency log to track and resolve issues.

Marketing materials should accurately reference licensing and passporting status, and firms must publish a current list of Member States where they are

authorized. Quarterly reporting to the MFSA must be complete, including social media and website links. Cost and charges information should be prominent, clearly explained and should contain contact details for client queries.

The MFSA emphasises a robust Product Oversight and Governance (POG) framework, integrating sustainability preferences and tailored target market assessments according to jurisdictional rules. Firms must diligently classify clients, especially for elective professional status, maintaining evidence of criteria fulfilment and conducting compliance function reviews to avoid misclassification.

Firms using innovative tools or providing copy-trading must ensure regulatory compliance and suitability assessments, with particular focus on third-party activities. Partner arrangements require thorough compliance oversight to manage conflicts of interest and ensure proper authorisation.

Finally, firms must maintain accessible multilingual complaint handling, transparently market their services, implement cooling-off periods after failed appropriateness tests, and clearly distinguish fees for inactive versus dormant accounts. The MFSA's approach focuses on investor protection, regulatory compliance and market integrity in a cross-border context.

## **2.0 INSURANCE**

### **2.1 Consultation Document on the Proposed Amendments to the Retirement Pensions Act and the Insurance Business Act**

On the 19<sup>th</sup> of June 2025, the MFSA published a [Consultation Document](#) on

the Proposed Amendments to the Retirement Pensions Act and the Insurance Business Act. The main purpose of these amendments is to empower the Minister to be able to introduce legislation establishing and regulating an auto-enrolment regime.

The consultation closed on the 8<sup>th</sup> of August 2025 following a request from the market for an extension. Overall, stakeholders welcomed the Government's objective of strengthening long-term retirement.

A recurring theme across the submissions related to the concern about the proposed structure of having the regime allowing providers licensed solely under the Retirement Pensions Act (RPA) to offer auto-enrolment products. Respondents, particularly from the insurance and employer associations, stressed the importance of retaining Malta's dual-provider model, whereby both insurance undertakings licensed under the Insurance Business Act (IBA) and Retirement Scheme Administrators (RSAs) are able to offer auto-enrolment.

## **2.2 EIOPA's insurance risk dashboard shows a stable risk landscape but flags a negative outlook in certain areas due to the complex global environment**

On the 31<sup>st</sup> of July 2025, the European Insurance and Occupational Pensions Authority (EIOPA) published its [July 2025 Insurance Risk Dashboard](#) based on Q1 2025 Solvency II data and Q2 2025 market data. The overall risk level in the European insurance sector remains stable at a medium level, though the outlook is cautious amid persistent geopolitical tensions, market volatility, and trade uncertainty.

Macroeconomic risks remain at medium level, with easing inflation projections and modest global GDP downgrades. While trade negotiations have helped ease pressure, declining interest rates and fiscal weakening in major economies continue to weigh on sentiment. Credit risks remain stable, supported by high credit quality and a slight reduction in euro area household debt.

Market risks remain elevated due to continued volatility in fixed income markets and possible overvaluation in equities. Liquidity and funding risks are also stable, though vulnerabilities persist in liquid asset ratios and high policy lapse rates.

Solvency and profitability indicators held firm in early 2025, with strong capital positions and improving non-life underwriting results, though some profitability metrics saw marginal declines. Financial interlinkages and insurance-specific risks remain stable, with healthy premium growth and improved loss ratios.

Market sentiment is cautiously optimistic, viewing the insurance sector as relatively resilient despite underperformance in life insurance stocks. ESG risks are stable but trending upward, with growing green bond exposure. Meanwhile, cyber and digitalisation risks are rising, reflecting increased concern over IT vulnerabilities.

Overall, the sector demonstrates resilience, but continued vigilance is essential amid evolving global risks.

### 3.0 CREDIT INSTITUTIONS

#### 3.1 Notification Requirements for Credit Purchasers under the Credit Servicers and Credit Purchasers Act (Cap. 645)

On the 8<sup>th</sup> of July 2025, the MFSA published a [circular](#) to inform credit purchasers domiciled in Malta or their designated representatives about the procedural requirements for submitting notifications under Articles 16 and 18 of the Credit Servicers and Credit Purchasers Act (hereinafter referred to as the Act).

When a credit purchaser or, where applicable, its designated representative, appoints an entity referred to in Article 4(a)(i) or (iii) under the Act, or a credit servicer, to carry-out credit servicing activities related to the transferred creditor's rights under a non-performing credit agreement, or the credit agreement itself, the credit purchaser or its representative must notify the MFSA, as the competent authority of its home Member State, in writing and no later than the date on which credit servicing activities commence.

Moreover, if the credit purchaser or its representative appoints an entity other than the one previously notified in the above paragraph, the Authority must also be notified in writing by the credit purchaser, no later than the date of the change.

Thus, as a minimum, the following information must be submitted to the MFSA:

- i. Identity and address of the credit servicer or entity as referred to in Article 4(a)(i) or (iii) under the Act.

- ii. Appointment date of the new credit servicer or entity as referred to in Article 4(a)(i) or (iii) under the Act.
- iii. Details of the European competent authorities of the:
  - Member State in which the credit servicer has established a branch, or where it provides credit servicing activities, and, in any event, where the borrower is domiciled;
  - Member State in which the credit was granted; and
  - Home Member State of the new credit servicer, where applicable.

When the credit purchaser or, where applicable, its designated representative, transfers creditor's rights under a non-performing credit agreement itself, it shall notify the MFSA in writing on a semi-annual basis, from the date of transfer, with the following information:

- i. The Legal Entity Identifier (LEI) of the new credit purchaser and, if applicable, its designated representative. If no LEI exists, the following details must be provided:
  - The identity of the new credit purchaser or, where applicable, its designated representative, or the members of their management body and individuals holding qualifying holdings in the new credit purchaser or its representative, as defined in point (36) of Article 4(1) of the CRR; and
  - The address of the new credit purchaser or, where applicable, of its designated representative.

- ii. The date of transfer of the creditor's rights under a non-performing credit agreement, or the non-performing credit agreement itself.
- iii. Aggregate outstanding balance of the creditor's rights under the non-performing credit agreements, or of the non-performing credit agreements transferred to the new credit purchaser.
- iv. Number of creditor's rights under the non-performing credit agreements, or of the non-performing credit agreements transferred, and the outstanding balance of each of the creditor's rights/agreements transferred to the new credit purchaser.
- v. Confirmation on whether the transfer includes a creditor's rights under a non-performing credit agreement, or a non-performing credit agreement itself, concluded with consumers and the types of assets securing the non-performing credit agreement, when applicable.
- vi. Details of the following European regulatory authorities:
  - Home Member State of the new credit purchaser.
  - Host Member State where the credit servicer of the new credit purchaser has established a branch or where it provides credit servicing activities, and in any case where the borrower is domiciled or where its registered office or head office is located.

In accordance with Article 18(3) of the Act, the MFSA may require the provision of information under Article 18 on a quarterly basis whenever the Authority deems necessary.

### 3.2 Circular to Credit Institutions including Foreign Branches – Update on the Mandatory Adoption of XBRL-CSV Format for Supervisory Reporting

On the 21<sup>st</sup> of July 2025, the MFSA issued a [circular](#) in relation to the upcoming changes in supervisory reporting requirements driven by the EBA-led transition to the XBRL-CSV reporting format.

Since the EBA has announced a postponement of the mandatory application of the XBRL-CSV format, the MFSA requires this format only in relation to reports referencing the 31<sup>st</sup> of March 2026 and later. Thus, reports with reference dates earlier than the 31<sup>st</sup> of March 2026, including any resubmissions, must continue to be submitted in the current XBRL-XML format except for those report types not subject to the transition, such as DORA, which must always be submitted in CSV format regardless of reference date. This approach ensures format consistency across both original and resubmitted data and helps to avoid fragmentation or processing complications.

The MFSA still intends to make available a pre-production testing environment to support institutions in adapting to the new format.

Institutions are encouraged to consult the EBA's FAQ for Reporting Innovations (Release 4.0 and Upcoming Releases) available on the EBA website, since this document provides valuable insight into the ongoing transition to DPM 2.0 and the new XBRL taxonomy architecture, and is a key reference to support system adaptation, resource planning and technical readiness.

### **3.3 Circular to Credit Institutions on the Repeal of Banking Rule BR/05 on the Liquidity Requirements of Credit Institutions and Banking Rule BR/29 Annex I on Exposures Associated with High Risk**

On the 5<sup>th</sup> of August 2025, the MFSA published a [circular](#) to inform institutions that it is repealing Banking Rule BR/05 on the Liquidity Requirements of Credit Institutions and Banking Rule BR/29 Annex I on Exposures Associated with High Risk.

Banking Rule BR/05 is being repealed as the liquidity requirements for credit institutions are harmonised within the European Union through the CRR and other regulations issued thereunder, including the Commission Delegated Regulation (EU) 2015/61 on the Liquidity Coverage Requirements. Reporting requirements are in turn stipulated in the Commission Implementing Regulation (EU)2024/3117 on Supervisory Reporting of Credit Institutions.

Banking Rule BR/29 Annex I is being repealed following the EBA's repeal of its Guidelines specifying the types of exposures to be associated with high risk on the 16<sup>th</sup> of May 2025. The repeal by the EBA was driven by the application of the CRR III requirements and is aimed at providing legal certainty to the market.

### **3.4 Thematic Review on Payment Accounts offered by Financial Institutions**

On the 19<sup>th</sup> of August 2025, the MFSA issued a [Dear CEO Letter](#) as part of its Supervisory Conduct framework, aimed at ensuring that entities under its supervision, particularly financial institutions regulated by the Financial Institutions Act, uphold high standards of integrity and transparency.

The letter focuses on ensuring that licensed entities provide clear and concise information at the pre-contractual stage, thereby enabling consumers to make informed decisions before committing to payment account agreements. This falls under the obligations set by the Payment Accounts Regulations (S.L.371.18) which mandate strict guidelines on transparency and comparability of fees through instruments like the Fee Information Document (FID) and Statement of Fees (SOF).

The thematic review conducted by the MFSA assessed compliance with both the Payment Accounts Regulations and related EU technical standards particularly Implementing Regulations (EU) 2018/33 and 2018/34. It focused on whether financial institutions issued FIDs and SOFs correctly in standardised format and in a timely manner.

The review also evaluated how accurately fee data is reflected in the publicly available Payment Accounts Fees Comparison Tool. Only three institutions meeting all criteria of offering full payment accounts were reviewed, and each was instructed to rectify identified non-compliance issues.

The MFSA observed that most institutions generally adhered to the required FID format. It stressed the importance of distributing the FID well ahead of contract signing and recommended that brand names be introduced after the service name for clarity. Additionally, the Glossary of Terms should be provided as a separate, bilingual document to support accessibility. Regarding SOFs, the Authority identified at least one instance where the document failed to deliver a complete breakdown of fees in line with regulatory requirements.

The review also uncovered concerns with the Payment Accounts Fees Comparison Tool. Some institutions failed to update their fee information regularly. In one case, a discontinued product was still listed in the tool. The MFSA emphasised the need for prompt updates to ensure the tool remains accurate and useful for consumers.

Moreover, the MFSA flagged misleading language used on some financial institutions' websites such as references to "bank", "banking" or "bank account" which could mistakenly imply the institution is a credit institution regulated under the Banking Act. The letter reminds institutions that payment accounts are not meant for wealth accumulation and that they are not covered under the depositor compensation scheme applicable only to credit institutions. It calls for clarity in communication to eliminate consumer confusion.

Looking ahead, the MFSA expects all relevant institutions to conduct a gap analysis to align their practices with the Payment Accounts Regulations and EU technical standards and to make necessary adjustments. Going forward, the Authority plans to continue

supervisory engagement to ensure compliance, including potential inspections and communications with institutions that fall under these requirements.

## **CROSS-SECTORAL REGULATORY UPDATES**

### **4.0 REGULATOR'S FEES**

#### **4.1 Crowdfunding Service Providers (Fees) Regulations, 2025**

On the 12<sup>th</sup> of September 2025, [Legal Notice 196 of 2025](#) titled the Crowdfunding Service Providers (Fees) Regulations, 2025 was published in the Government Gazette.

According to these Regulations, a legal person established in Malta intending to provide crowdfunding services shall, upon submission of an application to the MFSA for authorisation, pay to the Authority an application fee of four thousand and five hundred euro (€4,500) with respect to the application.

Moreover, if a person authorised under the Crowdfunding Service Providers Act (hereinafter referred to as the Act) and the ECSP Regulation (hereinafter referred to as the Regulation) intends to provide crowdfunding services in addition to those which it is authorised to provide, it shall upon submission of an application to the MFSA pay the application fee mentioned above but this will be reduced by 25%.

If a person authorised under the Act and the Regulation to provide crowdfunding services intends to stop providing one or more but not all of the said services, it shall, upon the submission of a request to the MFSA to modify its authorisation, pay

to the MFSA a modification fee of one thousand euro (€1000).

The following annual supervisory fees must be paid by authorised persons:

- (a) Three thousand and five hundred euro (€3,500) for the first two hundred and fifty thousand euro (€250,000) in net revenue or part thereof; and
- (b) Where applicable, four hundred euro (€400) for every additional two hundred and fifty thousand euro (€250,000) in net revenue or part thereof.

In any case, the annual supervisory fee shall not exceed seven thousand and six hundred euro (€7,600).

However, the first annual supervisory fee shall be the aggregate of the following:

- (a) Three thousand and five hundred euro (€3,500) prorated according to the period remaining between the date when such person is granted an authorisation under the Act and the Regulation and the end of the calendar year in which such authorisation was granted; and
- (b) Three thousand and five hundred euro (€3,500) prorated according to the period between the start of the following calendar year and the date when the next supervisory fee is due.

The first annual supervisory fee shall be paid to the authority on the date when a person is granted an authorisation under the Act and the Regulation.

Every annual supervisory fee following the first annual supervisory fee which is due by such person shall be paid to the MFSA one (1) month from the date of submission of the annual report in

accordance with Article 16(1) of the Regulation.

The fees established and due in accordance with the Regulations are non-refundable.

## **5.0 COMPANY SERVICE PROVIDERS**

### **5.1 Companies (Amendment) Act 2025**

On the 11<sup>th</sup> of July 2025, several amendments to the Companies Act were enacted through [Act XVIII of 2025](#).

The following amendments affect CSPs:

1. **Changes relating to a company's electronic mail address** – directors and company secretaries are required to ensure that the registered electronic mail address of the company as indicated in the memorandum of association and registered with the Registrar of Companies (the "Registrar") is regularly monitored such that any electronic mail sent to it by the Registrar is brought to the attention of an officer of the company.
2. **Abandonment of registered office** – Article 425 of the Companies Act has been amended so as to extend the Minister's powers to issue regulations. Such regulations may now be issued for the better carrying out of any of the provisions relating to the registered office of a company. This amendment paves the way to address a long-standing problem faced by company service providers who no longer wish to provide registered office services to a particular company. A Legal

Notice may now be issued to enable company service providers to file a statutory form notifying that they no longer provide registered office facilities to a company

- 3. Issuance of Shares for a Non-Cash Consideration** – In terms of Article 73 of the Companies Act, any company issuing shares for a non-cash consideration can only do so if an Experts Report is first filed at the MBR by a Maltese auditor. The recent amendments reduce burdens and costs for smaller companies by removing the need of a valuation and auditor's report where the monetary value of the non-cash consideration does not exceed €50,000. A director declaration to the same effect will suffice in lieu of a report in such instances. This shifts greater responsibility onto the company's directors, who must now ensure they possess the requisite expertise and judgement to accurately assess the value of non-cash contributions.

## **5.2 Companies (Amendment) Act, 2025 (Act No. XVIII of 2025) – Commencement Notice**

On the 7<sup>th</sup> of August 2025, [Legal Notice 174 of 2025](#) titled Companies (Amendment) Act 2025 (Act No. XVIII of 2025) was published in the Government Gazette and it brought into force several provisions of the Companies (Amendment) Act, 2025.

Out of the amendments mentioned in section 5.1, only the amendment related to the simplified share issuance procedure has entered into force. This

places greater legal and fiduciary responsibility on CSPs acting in a directorial capacity since they must:

- Assess and declare the fair value of non-cash contributions
- Be mindful of the increased liability associated with inaccurate or misleading valuations.

## **5.3 Guidance Note for Limited (Registered) Company Service Providers**

On the 26<sup>th</sup> of September 2025, the FIAU issued a [Guidance Note](#) addressed to CSPs subject to registration, corresponding to limited CSPs which sets out how it considers that AML/CFT obligations can be applied by any such CSP in a more proportionate manner in line with the nature and size of the activities carried out by the same.

Limited CSPs are reminded that they are not required to register on CASPAR. The MFSA and the FIAU have put in place a process whereby the MFSA will be transmitting to the FIAU the details of anyone who registers as a limited CSP or otherwise de-registers from the said category. This will allow the FIAU to still have visibility of all CSPs that fall to be considered as subject persons. Any CSP who de-registers from a limited CSP and obtains a full authorisation in terms of the Company Service Providers Act would then need to register on CASPAR.

## **6.0 DIGITAL FINANCE**

### **6.1 The European Securities and Markets Authority("ESMA") Warns on Risks of Unregulated Products offered by Crypto-Assets Service Providers ("CASP")**

On the 5<sup>th</sup> of August 2025, the MFSA published a [circular](#) to notify the relevant industry stakeholders that on the 11<sup>th</sup> of July 2025, ESMA issued a [statement](#) on risks associated with utilising unregulated crypto-asset products and services of a CASP authorised under MiCA.

In this statement, ESMA highlighted that CASPs authorized under MiCA may offer both regulated and unregulated products which can create confusion and mislead retail clients about the level of protection afforded.

In fact, the following are the main risks emphasized by the statement:

- Clients may wrongly assume that unregulated products enjoy the same protections as products regulated by MiCA simply because the CASP is authorised, especially when offerings are presented on the same platform.
- Unregulated services do not benefit from critical MiCA protections such as conflict of interest management, complaint-handling procedures, asset safeguarding and prudential oversight provided by national regulators.
- Some CASPs might use their MiCA authorisation as a marketing tool, blurring the line between regulated and unregulated offerings.

To mitigate these risks, ESMA urges CASPs to:

1. Avoid ambiguity when offering both regulated and unregulated products by separating their offerings.
2. Act fairly, professionally, and in the best interests of clients,

ensuring all communications are transparent and not misleading.

3. Clearly disclose the regulatory status of each product or service making it prominent in marketing materials rather than hiding it in fine print.
4. Disclose and manage conflicts of interest especially when regulated and unregulated products are offered together.
5. Obtain client acknowledgement or consent before giving access to unregulated products. This helps ensure clients are fully aware of what they are engaging with.

## **6.2 Circular to the Industry on the Reporting Obligations under Article 22 of Regulation (EU) 2023/1114**

On the 19<sup>th</sup> of September 2025, the MFSA issued a [circular](#) to remind CASPs that they must provide complete and accurate data in line with the prescribed templates set out in Commission Implementing Regulation (EU) 2024/2902 and EBA Guidelines.

This is due to the fact that according to Article 22(1) of the MiCA Regulation, issuers of asset-referenced tokens and e-money tokens denominated in a currency that is not an official currency of a Member State are required to report specific data to their competent authorities. In line with Article 22(3), MiCA places a direct requirement on crypto-asset service providers servicing such tokens to provide the issuers with the information necessary to prepare these reports.

In addition, timely transmission of this information is necessary to allow issuers to meet their regulatory reporting duties. Failure by CASPs to provide the required data may impede issuers in meeting their obligations under MiCA and may expose CASPs to regulatory consequences.

## **7.0 SUSTAINABLE FINANCE**

### **7.1 ESMA Thematic Note on Clear, Fair & Not Misleading Sustainability-Related Claims**

On the 8<sup>th</sup> of July 2025, the MFSA published a [circular](#) to inform the industry that the ESMA published a [thematic note](#) on sustainability-related claims used in non-regulatory communications.

The publication outlines four guiding principles on making sustainability claims, aligned with previous publications from the European Insurance and Occupational Pensions Authority (EIOPA) and the European Banking Authority (EBA), and offers practical do's and don'ts illustrated through concrete examples of good and poor practices, based on observed market practices.

The thematic note focuses on sustainability credentials such as labels or awards, as these references are among the most used claims in retail-investor focused communications. It does not introduce new regulatory or reporting requirements, but aims to support participants making clear, fair, and non-misleading sustainability claims.

### **7.2 Q&A Guide on the Sustainable Finance Disclosure Regulation (SFDR) and the SFDR Delegated Regulation**

On the 6<sup>th</sup> of August 2025, the MFSA issued a [circular](#), to inform the industry

that ESMA published its Q&A Guide on the SFDR and the SFDR Delegated Regulation. The guide provides interpretative and implementation guidance from the European Commission and the European Supervisory Authorities (ESAs). The main topics covered by the guide include:

- **Scope:** Clarification on which entities and financial products are subject to SFDR, including registered AIFMs, non-EU entities marketing in the EU, and exceptions for small intermediaries.
- **Definition of sustainable investment:** Explanation of how sustainable investments are defined, including considerations for investments in companies with mixed economic activities and the principles of “do no significant harm” and good governance.
- **Current value of investments:** Guidance on calculating the current value of investments for SFDR Principal Adverse Impact (PAI) disclosures and Taxonomy-aligned investments.
- **PAI disclosures:** Detailed guidance on how financial market participants should disclose principal adverse impacts, including thresholds, measurement, principles, actions taken, and data estimation practices.
- **Financial product disclosures:** Requirements for pre-

contractual, website, and periodic disclosures related to sustainability characteristics of financial products under SFDR.

- Multi-option products: How to disclose sustainability information for products offering multiple investment options.
- Taxonomy-aligned investment disclosures: Explanation of disclosures related to Taxonomy Regulation alignment.
- Financial advisers and execution-only financial market participants: Clarifications on their obligations under SFDR.

The guide aims to assist market participants, authorities, and other stakeholders in the consistent application and interpretation of SFDR provisions, emphasising the importance of transparency, due diligence, and clear communication of sustainability risks and impacts in financial products and investment decisions. It also notes that SFDR disclosures cannot override obligations under other EU legislation.

### **7.3 The European Supervisory Authorities (ESAs) note greater effort from financial market participants in their disclosure of principal adverse impacts**

On the 9<sup>th</sup> of September 2025, the Joint Committee of the three ESAs (EBA, EIOPA and ESMA) published their [fourth annual Report](#) on the extent of voluntary disclosure of principal adverse impacts (PAIs) under the SFDR. PAIs refer to the most significant negative effects of

investments on the environment and society. When a financial market participant assesses PAIs, they aim to mitigate the harmful impacts of the companies they invest in.

The ESAs have noted a consistent improvement in the quality of PAI disclosures both at the entity and product levels.

As in previous years, the ESAs conducted a survey of National Competent Authorities and carried out a staff-level analysis of publicly available PAI statements across the asset management, insurance, and occupational pension sectors, as well as a selection of PAI disclosures from financial products.

The 2025 report highlights the growing effort by financial market participants to provide more comprehensive information in line with SFDR disclosure requirements, with a noticeable improvement in the quality of the data shared.

In line with past trends, the findings reveal that larger multinational groups are generally more thorough in their disclosures, while smaller entities tend to mix general ESG or marketing content with their SFDR-specific disclosures.

National Competent Authorities confirmed that some financial market participants have incorporated the good practices outlined in previous reports, leading to better disclosures this year.

The 2025 report also includes recommendations for National Competent Authorities to enhance their

supervision of PAI disclosures, as well as suggestions for the European Commission to consider in the upcoming SFDR review.

## **8.0 ANTI-MONEY LAUNDERING LEGISLATION**

### **8.1 Combatting the Financing of Terrorism: Emerging Risks of Fundraising via Crypto Exchanges**

On the 8<sup>th</sup> of July 2025, the FIAU issued an [update](#) to remind all subject persons regarding the importance of ensuring that they have robust measures in place when it comes to:

- Risk assessment
- Customer risk assessment and screening measures
- Ongoing transaction monitoring
- Reporting obligations

Staff training and governance obligations. All subject persons are urged to ensure their compliance with the obligations under the PMLFTR and other applicable European and local legislation. Any instance of possible funding of terrorism that may be detected is to be reported to the FIAU without delay. The detection of any failure to comply with these obligations can, depending on the severity of the shortcoming, result in enforcement action. In addition, facilitating funding of terrorism may result in criminal liability if all conditions are met.

### **8.2 Industry Challenges and Best Practices for Adhering to Obligations**

On the 21<sup>st</sup> of July 2025, the FIAU published an [update](#) which discusses the complex challenges that businesses face

in combating money laundering and terrorist financing in today's technologically advanced and globalised financial world. It highlights technological complexities such as the use of AI and machine learning that, while promising for transaction monitoring and suspicious activity detection, still require careful management due to ethical and legal considerations.

The update emphasises the enormous volume of data businesses must manage for AML compliance, noting difficulties from siloed and inconsistent data. It discusses evolving regulations at both national and international levels, which create challenges in staying compliant. Cross-border regulatory differences add to the complexity with varying interpretations and adoption levels. Resource constraints, including the high cost of AML systems and skilled personnel shortages, further complicate compliance efforts.

To address these challenges, the update recommends best practices including conducting an accurate business risk assessment (BRA) using quality quantitative data, employing a risk-based approach (RBA) to allocate resources efficiently, fostering a strong compliance culture led by senior management, and implementing effective due diligence aligned with the RBA.

Additionally, the update stresses the importance of robust data analytics and management for improved detection and reporting, collaboration and information sharing, especially between public and private sectors, and staying continually informed about regulatory updates, new typologies, and internal framework testing.

These practices collectively support businesses in meeting their AML/CFT obligations amidst a rapidly changing landscape.

### **8.3 SMB Updates: Adoption of the 18<sup>th</sup> Package of Sanctions against Russia**

On the 25<sup>th</sup> of July 2025, the FIAU issued an [update](#) to inform subject persons regarding the EU's 18<sup>th</sup> package of sanctions against Russia, which includes several new restrictive measures.

These measures designate 14 individuals and 41 entities involved in undermining Ukraine's sovereignty and prohibit dealing with 26 new entities supporting Russia's military-industrial complex, especially those facilitating export restrictions on unmanned aerial vehicles.

Member States can now require prior authorisation for certain dual-use exports suspected of being diverted to Russia. The package bans imports of petroleum products derived from Russian crude via third countries and restricts Russian LNG imports through specific EU terminals.

The sanctions broaden the transaction ban to include actions by EU subsidiaries of listed Russian companies and to prevent circumvention through Russia's financial messaging system SPFS. Third-country financial institutions and crypto-asset providers interacting with specific sanctioned entities are also included. A dynamic price cap on Russian crude oil exports is introduced, alongside a ban on transactions with the Russian Direct Investment Fund (RDIF).

Additional restrictions target vessels linked to Russia's shadow oil tanker fleet from accessing EU ports or services, and software used in Russia's banking and

financial sector is restricted to impede its development. The package also expands objections for Member States concerning enforcement of arbitral awards contrary to public policy. The FIAU urges subject persons to stay updated on these sanctions and comply with them.

### **8.4 AML/CFT Supervisory Plan 2025-2026**

On the 21<sup>st</sup> of August 2025, the FIAU released its [AML/CFT Supervisory Plan](#) for 2025-2026, reinforcing its ongoing commitment to strengthening compliance oversight as part of its broader 2023-2026 supervisory strategy.

The plan continues the risk-based compliance monitoring framework launched in July 2024, and is designed to target high-risk sectors, key elements, and emerging trends identified through national, sectoral, and international risk assessments as well as data from the CASPAR system, which evaluates money laundering and terrorist financing risks of subject persons.

The Supervisory Plan outlines a comprehensive approach to monitoring the mitigation of identified risks through a variety of supervisory tools. These include AML/CFT returns, supervisory meetings, reviews of internal policies and procedures, full-scope and targeted inspections, thematic reviews, follow-up visits, and ad hoc inspections prompted by specific risks or incidents. The FIAU also underscores the importance of aligning guidance and outreach initiatives with its supervisory priorities, with the aim of cultivating a stronger compliance culture among subject persons.

The plan further emphasises ongoing collaboration with other Maltese supervisory authorities including the MFSA and the Malta Gaming Authority ('MGA') which may participate in joint or delegated supervisory engagements.

Depending on the findings, supervisory outcomes may include closure letters for minor or no issues, remediation letters that require corrective action plans, or breach notifications in cases involving serious compliance failures.

Ultimately, the FIAU's objectives for the 2025–2026 period are to ensure that its supervisory activities effectively address key ML/FT risks in the most exposed sectors, while promoting transparency, accountability and ongoing improvement in AML/CFT compliance standards across Malta's regulated entities.

### **8.5 Beyond the Fine: How AML/CFT Enforcement is Reshaping the Financial Sector**

On the 27<sup>th</sup> of August 2025, the FIAU published an [article](#) which discusses how the FIAU's approach to AML/CFT enforcement in Malta is evolving beyond the traditional use of financial penalties.

While fines remain important for addressing serious or repeated breaches, the FIAU increasingly relies on legally binding Directives that require subject persons to implement concrete corrective actions. These Directives are tailored to each entity's specific risk profile and are aimed at promoting long-term improvements in AML/CFT compliance.

The enforcement process involves assessing both the design and the effectiveness of internal controls.

Through this work, the FIAU has identified several key lessons: institutions that embrace continuous improvement, collaborate openly with the regulator, maintain well-integrated AML/CFT systems, and keep clear and coherent documentation tend to achieve more meaningful and lasting compliance outcomes.

The article highlights that enforcement should not be seen as merely punitive, but as a valuable opportunity to strengthen internal controls, governance structures, and compliance culture.

The FIAU warns that failing to act on identified weaknesses can lead to reputational damage and loss of trust from stakeholders. Ultimately the article, frames enforcement as a driver of systemic improvement, urging institutions to view corrective measures as a foundation for building resilience in a rapidly changing risk environment.

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## **Future updates and events**

Should you be interested in receiving our Quarterly Regulatory Compliance Update in relation to regulatory developments and/or joining future events organised by Mamo TCV on regulatory and compliance matters, we invite you to subscribe to our dedicated mailing list through the following link: [subscribe here](#).

## **Our Regulatory Compliance Services**

Having a strong compliance culture is crucial and our multidisciplinary regulatory cross-sectoral compliance team assists our clients in having the required policies and procedures to remain compliant with the local regulatory framework, as well as providing advice with respect to any changes required to their business model to better comply with the relevant requirements. Our team also delivers tailor-made training sessions to staff of regulated entities.

## **Key Contacts**

Do not hesitate to reach out to **Michael Psaila, Katya Tua, Edmond Zammit Laferla** or your usual contacts at Mamo TCV should you wish to discuss the contents of this Regulatory Compliance Quarterly Update or any other financial services regulatory compliance matters.

*This document does not purport to give legal, regulatory, financial or tax advice.*

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