MAMO TCV
ADVOCATES

Regulatory Compliance Update

Q2 2026

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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, insurance, credit institutions and company service providers.

Mamo TCV's regulatory and compliance team assists authorised persons and their compliance functions in meeting their obligations in an evolving regulatory landscape.

Get in touch with us to learn more about how we can assist.

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SECTOR SPECIFIC REGULATORY UPDATES

1.0 INVESTMENT SERVICES

1.1 Circular Providing Clarifications on Liquidity Management Requirements introduced under AIFMD II and UCITS VI

On 10 April 2026, the MFSA issued a circular clarifying the liquidity management requirements introduced under AIFMD II and UCITS VI. The circular is directed at UCITS management companies, AIFMs managing open-ended AIFs, and self-managed UCITS and AIFs with open-ended funds.

The MFSA confirmed that, besides suspensions and side pockets, in-scope firms must select at least two further liquidity management tools for each fund or sub-fund, reflecting its investment strategy, liquidity profile and redemption policy. These tools should be reflected in offering documents and where needed, constitutional documents. New funds launched on or after 16 April 2026 must have the tools operational from inception, while existing funds have until 16 April 2027 to align.

The circular requires affected fund managers to review fund documentation, assess the suitability of available liquidity management tools on a fund-by-fund or sub-fund basis, and ensure timely operational readiness.

1.2 Outcomes Based Supervision Investment Firms – Complaints Handling

On 22 April 2026, the MFSA issued a Dear CEO Letter setting out the findings of its 2025 thematic review on complaints handling by investment firms. The letter forms part of the Authority's outcomes-based supervision agenda and is intended to highlight recurring weaknesses, communicate supervisory expectations, and prompt firms to strengthen their complaints-handling frameworks. It applies to investment firms operating in or from Malta, including where services are provided on a cross-border basis.

The letter highlights the MFSA's expectations as to how existing Conduct of Business Rulebook requirements should be implemented in practice. The main issues identified included outdated or fragmented complaints policies, weak governance and unclear accountability, insufficiently independent complaints-management arrangements, incomplete complaints registers, limited root-cause analysis, poor website disclosure of complaints procedures, and complaint-response processes that did not fully reflect regulatory timelines or escalation rights. The MFSA also placed particular emphasis on cross-border business, noting that firms must ensure that overseas clients can access the complaints process easily and, where appropriate, in relevant host-state languages.

The review covered a sample of ten investment firms representing 14% of all investment firms servicing retail clients, with the sample selected by reference to factors including complaint volumes, business model and cross-border activity. Firms included in the review have been individually required to remediate identified shortcomings. More broadly, all investment firms are expected to assess the letter's findings against their own arrangements and enhance their frameworks where necessary. The MFSA has allowed a one-year remediation period under this supervisory cycle and intends to carry out a follow-up assessment in 2027.

1.3 Amendments to the NPIF Rulebook to Enhance Malta's offering for Single-Family Offices

On 28 April 2026, the MFSA issued a circular announcing amendments to the Notified Professional Investor Fund framework aimed at enhancing Malta's offering for single-family office structures. The amendments build on the MFSA's November 2024 changes, which permitted certain NPIFs structured as family office vehicles to be managed by Malta-based exempt managers, where the vehicle invests private wealth without raising external capital.

The latest amendments address a previous misalignment between third-party managed and self-managed NPIFs. Self-managed NPIFs may now, subject to the applicable conditions, be exempted from the asset under management thresholds set out in Rule 6.01(i) and (ii) of the NPIF Supplementary Rules. Rule 6.01A has also been introduced to regulate the conditions under which such exemption applies. Exempt self-managed NPIFs will not be required to establish an investment committee or comply with the related obligations but will be subject to the same requirements applicable to exempt third-party managed NPIFs.

The MFSA has also aligned the definition of "family member" in the NPIF Rulebook with the Trustees of Family Trusts Rulebook and introduced a limited exemption for Due Diligence Service Providers from assessing the competence of individuals responsible for portfolio management in certain exempt NPIF structures.

The amendments affect NPIFs, self-managed family office vehicles, exempt managers and Due Diligence Service Providers. Practically, the changes broaden structuring options for single-family offices in Malta and create more consistent regulatory treatment between self-managed and externally managed family office NPIFs.

1.4 Various Amendments to the Investment Services Rulebooks for the Purposes of Directive(EU) 2024/927

On 30 April 2026, the MFSA issued a circular setting out amendments to various Investment Services Rulebooks to partially transpose and implement Directive (EU) 2024/927, commonly referred to as AIFMD II and UCITS VI. The amendments follow the MFSA's October 2025 consultation and its 10 April 2026 circular on liquidity management requirements. The revised Rulebooks enter into force on the day following publication of the circular.

The changes affect AIFMs, UCITS management companies, self-managed AIFs and UCITS, AIFs, NAIFs, PIFs, depositaries and related investment services licence holders. Key amendments include expanded permitted and ancillary activities for AIFMs and UCITS management companies, including loan origination, benchmark administration, credit servicing and other fund-related functions, subject to conflict of interest safeguards.

The MFSA has also strengthened substance and governance expectations by introducing enhanced dual control requirements, requiring at least two full-time EU-domiciled natural persons to effectively direct the business. The circular further clarifies that entities may determine their own organisational structure, provided the applicable dual control requirements are met. Individuals performing functions requiring prior MFSA approval will remain subject to the existing approval process, while roles not requiring such approval will require a Board declaration confirming that the individuals meet the applicable reputation and experience criteria.

The amendments also incorporate the liquidity management framework addressed in the MFSA's 10 April 2026 circular, including the requirement for in-scope funds to disclose appropriate liquidity management tools in their fund documentation.

The circular also introduces a dedicated loan origination framework, including concentration limits, leverage caps, risk retention, investor protection and conflict safeguards. The MFSA will not permit AIFs, including EU AIFs marketed in Malta, to originate loans to consumers in Malta. Existing loan-originating structures benefit from transitional periods, generally until 16 April 2029, while certain existing liquidity management arrangements must align by 16 April 2027.

1.5 Circular regarding Publication of Conduct of Business Rulebook (COBR) applicable to Insurance Business and Investment Firms

On 4 June 2026, the MFSA published a circular regarding the publication of the updated Conduct of Business Rulebook applicable to insurance business and investment firms. The circular follows the MFSA's earlier consultation on proposed amendments to the Conduct of Business Rulebook, published on 21 April 2026, and the subsequent extension of the consultation period published on 5 May 2026.

The MFSA confirmed that the amendments in Section 4(A), concerning the transposition of Directive (EU) 2024/2811, came into force on 6 June 2026.

1.6 Investment Firms: Outcomes Based Supervision 2025

On 8 June 2026, the MFSA issued a Dear CEO Letter to investment firms setting out the findings of its 2025 outcomes-based supervisory review on marketing communications. The review formed part of the MFSA's wider outcomes-based supervisory approach and focused on whether investment firms' marketing communications were fair, clear and not misleading.

The MFSA's review assessed, among other areas, policies and procedures for the production and approval of marketing communications, outsourcing arrangements, disclosure channels, the content of marketing communications and record-keeping. The MFSA noted that certain firms' policies were insufficiently detailed or did not reflect the practices applied in the review, approval and distribution of marketing material. The Authority therefore expects investment firms to maintain comprehensive and up-to-date marketing policies, with clear approval processes, version control, review cycles and alignment with the applicable provisions of the Conduct of Business Rulebook.

The MFSA also emphasised the role of the compliance function and the Compliance Monitoring Programme. Investment firms are expected to include marketing-related checks within their CMP, including post-publication reviews to verify that published material corresponds to the approved version and remains accurate, current and consistent with the firm's services. Any findings from these checks should be documented and reported to the Board of Directors.

The letter further highlights the need for appropriate disclosures in marketing communications. In particular, investment firms should ensure that potential benefits are not emphasised without a fair and prominent indication of relevant risks; that hyperlinks to external websites include clear statements informing users that they are leaving the firm's website; that references to the MFSA or other competent authorities do not imply endorsement or approval; and that required regulatory disclosures are included in advertisements.

The MFSA also identified concerns around target market identification and distribution methods. Investment firms should ensure that marketing communications are directed to the appropriate target market and that distribution channels are suitable for the intended audience. Communications addressed personally to clients should be carefully assessed to determine whether they may amount to a personal recommendation, in which case the applicable suitability requirements would need to be observed.

The Dear CEO Letter also addresses the use of third-party service providers in the marketing process. The MFSA reminded firms that responsibility for the quality, compliance and integrity of marketing communications remains with the investment firm even where a third party is involved in distribution. Firms should ensure that third-party service providers are informed of the applicable arrangements and responsibilities and that any relevant training is documented.

Finally, the MFSA stressed the importance of maintaining complete marketing records. Investment firms are expected to maintain marketing registers recording, among other things, the approving individual, date of approval, compliance certification, publication medium and supporting evidence for statements made in advertisements. Records of advertisements must be retained for at least five years. Deficiencies relating to marketing material should also be recorded, including root causes, remediation actions and timelines, and should be reported to the Board where appropriate.

Investment firms should therefore review their marketing policies, approval workflows, CMP, website disclosures, third-party marketing arrangements, marketing logs and deficiency registers to ensure that their documented framework is aligned with actual practice and with Chapter 1, Section 2 of the Conduct of Business Rulebook.

2.0 INSURANCE

2.1 Circular with Reference to Chapter 8 'Monies held in a Fiduciary Capacity' of the Insurance Distribution Rules issued under the Insurance Distribution Act (CAP. 487) specifically paragraphs 8.2.7 and 8.3.7

On 2 April 2026, the MFSA issued a circular clarifying the application of Chapter 8 of the Insurance Distribution Rules, specifically paragraphs 8.2.7 and 8.3.7, in the context of modern payment methods used for the collection of insurance monies. The circular applies to insurance intermediaries, tied insurance intermediaries and ancillary insurance intermediaries. It acknowledges that, due to the increased use of bank transfers, card payments and other electronic payment solutions, insurance monies may in practice first be received into an account held in the intermediary's name which does not qualify as a Chapter 8 client account.

The MFSA clarified that this arrangement is acceptable where the account is used strictly as a temporary collection channel, is held with an approved bank, and all insurance monies are transferred in full and without deduction to the relevant Chapter 8 client account within the applicable statutory timeframes. Intermediaries are also expected to maintain procedures and controls to ensure the proper segregation, identification and reconciliation of insurance monies, including where combined or aggregated deposits are received. In particular, records should allow each individual transaction, policyholder and payment transaction to be identified, and reconciliations should be documented to provide a clear audit trail.

From a practical perspective, affected intermediaries should review their payment collection arrangements, reconciliation processes, accounting records and internal procedures to ensure that digital payment practices do not compromise the statutory safeguards applicable to fiduciary monies under Chapter 8. The MFSA has indicated that it will monitor adherence to the circular and Chapter 8 through its ongoing supervisory work.

2.2 MFSA Dear CEO Letter on Complaints Handling by Insurance Undertakings

On 22 April 2026, the MFSA issued a Dear CEO Letter outlining the results of its Outcomes-Based Supervision thematic review on complaints handling by insurance undertakings. The review assessed compliance with Chapter 4, Section 6 of the Conduct of Business Rulebook and considered whether undertakings have effective arrangements for the fair, timely and transparent handling of customer complaints.

The MFSA identified inconsistencies in the timeliness of complaint acknowledgements, insufficient publication of complaints procedures, incomplete or unclear information on escalation to the Office of the Arbiter for Financial Services, and weaknesses in the treatment and recording of verbal complaints. The Authority also highlighted the need for undertakings to distinguish clearly between complaints concerning product distribution and complaints concerning the product or manufacturer, particularly in cross-border business models and distribution through intermediaries.

Insurance undertakings are expected to update policies and procedures to reflect the COBR requirements, ensure that complaints information is complete and easily accessible, provide clear and accurate OAFS escalation details, and maintain documented procedures for oral complaints, including written confirmation of verbal complaint summaries. The MFSA also expects regular Board reporting, meaningful use of complaints data, staff training and root cause analysis linked, where appropriate, to product oversight and governance.

The undertakings reviewed have been given one year to address the findings, with a follow-up assessment expected in 2027. The circular reinforces that complaints handling is a key conduct and governance matter, requiring active oversight rather than procedural compliance alone.

2.3 Circular Providing Clarifications on the Consultation on the Salient Amendments Proposed by the Solvency II 2020 Review

On 14 May 2026, the MFSA issued a clarification circular in connection with its consultation on the salient amendments proposed by the Solvency II 2020 Review. The circular clarifies the proportionality measures available to authorised insurance and reinsurance undertakings, particularly the distinction between measures available to small and non-complex undertakings and those available to undertakings which do not qualify as small and non-complex.

The MFSA clarified that small and non-complex undertakings may benefit from a broader set of proportionality measures, including reduced reporting frequencies for the Regular Supervisory Report, Own Risk and Solvency Assessment and Solvency and Financial Condition Report, certain exemptions relating to macro-prudential analysis, balance sheet audit requirements, climate change scenario assessment, and liquidity risk management planning, as well as certain governance-related proportionality measures. By contrast, authorised insurance and reinsurance undertakings which do not qualify as small and non-complex undertakings may only apply for the more limited set of proportionality measures identified under Article 29d of the Solvency II Directive and are not eligible for certain measures reserved for small and non-complex undertakings.

The circular replaces the wording of paragraphs 2.2.13 and 2.2.14 of the consultation document and notes that the clarification will also be reflected in the Proportionality Engagement Questionnaire. The MFSA also reminded stakeholders that the consultation closes on 22 May 2026 and that workshops with industry stakeholders will be held in June. Affected undertakings should assess whether they may qualify as small and non-complex undertakings, consider the proportionality measures that may be available to them, and submit any feedback to the MFSA within the consultation period.

2.4 Insurance entities: Outcomes Based Supervision 2025

On 8 June 2026, the MFSA issued a Dear CEO Letter to insurance entities setting out the findings of its 2025 outcomes-based supervisory review on marketing communications. The review focused on ensuring that advertisements and other marketing communications issued by insurance undertakings, brokers and agents are fair, clear and not misleading, and that clients are not encouraged to purchase products that do not align with their needs, objectives and risk profile.

The MFSA assessed a sample of licensed insurance entities, focusing on policies and procedures for the production and approval of marketing communications, disclosure media and format, compliance with the requirement for communications to be fair, clear and not misleading, record-keeping, marketing communications issued by intermediaries, and marketing communications relating to insurance-based investment products.

The MFSA found that, in a number of cases, marketing policies and procedures did not fully reflect the controls and practices that entities stated were being applied in practice. The Authority expects licensed insurance entities to document clearly the process for reviewing, approving and distributing marketing communications. This should include target market identification, appropriate distribution methods, disclosure of risks where benefits are mentioned, the use of warnings and disclaimers, references to the MFSA, and the treatment of acronyms and initials. The MFSA also expects marketing policies to be reviewed periodically, subject to version control, and aligned with the latest applicable regulatory framework.

The Dear CEO Letter places particular emphasis on insurance-based investment products. The MFSA noted that certain entities had not adequately incorporated product-specific requirements into their internal procedures, including requirements relating to warning statements, product maturity, access to funds, charges, risks and the use of terms such as "guaranteed". Insurance entities offering or marketing such products should ensure that these requirements are expressly reflected in their marketing governance framework.

The MFSA also highlighted the need for post-publication monitoring. Regulated persons are expected to implement monitoring mechanisms to ensure that published marketing material remains accurate, up to date and consistent with information provided to clients. These controls should be documented or clearly referenced in the relevant policies and incorporated into the compliance monitoring plan.

The letter also addresses website hyperlinks. Insurance entities should ensure that users are clearly informed when they are leaving the licensed entity's website and accessing an external website, including through links to social media platforms. These controls should form part of the entity's website governance arrangements.

Record-keeping was also identified as a key supervisory expectation. Licensed insurance entities are expected to maintain complete and accurate marketing logs, including evidence of approval, the name of the approving individual, the date of approval, the medium of publication and supporting evidence for statements made in the advertisement. Records should be retained for at least five years and be readily available for review by the MFSA.

The MFSA also expects insurance entities to document deficiencies, breaches or instances of non-compliance identified following publication or dissemination of marketing material, together with corrective actions and remediation timelines. Where tied insurance intermediaries are appointed, the regulated person must approve advertisements issued by such intermediaries, assume responsibility for them, and maintain a separate and comprehensive record of such advertisements and related monitoring activities.

Insurance entities should therefore review their marketing policies, approval processes, post-publication monitoring, compliance monitoring plans, website disclosures, marketing logs, breach records and intermediary oversight arrangements to ensure alignment with Chapter 1, Section 2 of the Conduct of Business Rulebook.

2.5 The Ongoing Financial Analysis of (Re) Insurance Undertakings

On 22 June 2026, the MFSA issued a Dear CEO Letter setting out its supervisory approach and expectations in relation to the ongoing financial analysis of authorised insurance and reinsurance undertakings. The letter explains how the MFSA's Insurance and Pensions Supervision Function reviews quarterly and annual financial regulatory returns, including management accounts, QNSTs, QQRTs, audited financial statements, ORSA, SFCR, RSR and management letters.

The MFSA highlights that its desk-based reviews are carried out on a risk-based basis and focus on changes in an undertaking's risk profile, key performance indicators, financial performance, investment portfolios, intra-group and related-party transactions, and SCR/MCR coverage. Particular emphasis is placed on the quality, consistency and completeness of regulatory data submitted to the MFSA.

Affected undertakings are expected to ensure that quarterly management accounts are comprehensive, include comparative figures, detailed breakdowns of significant financial statement line items, rolling budgets, and narrative explanations for material movements, including changes in solvency ratios. Quarterly management accounts should also be reviewed and signed off by a Certified Public Accountant, and all required declarations should be completed before submission.

The MFSA also reminds undertakings that prior supervisory approval is required for matters such as dividend distributions, intra-group loans, capital contributions and repayments, share capital changes, subordinated loans, ancillary own funds, changes in external auditors, changes to financial year-end, and updates to constitutional documents. Undertakings should carry out internal assessments of such matters, obtain board approval of the assessment outcome, and approach the MFSA proactively with complete submissions.

3.0 CREDIT INSTITUTIONS

3.1 MFSA Dear CEO Letter on Complaints Handling by Credit Institutions

On 22 April 2026, the MFSA issued a Dear CEO Letter setting out the findings of its Outcomes-Based Supervision thematic review on complaints handling by credit institutions. The review assessed compliance with Banking Rule BR/22 and focused on whether credit institutions maintain clear, accessible, fair and effective complaints-handling processes.

The MFSA identified several weaknesses, including draft or inadequately approved complaints policies, incomplete complaints registers, failure to record certain complaints, limited root cause analysis, insufficiently accessible complaints procedures, and policies that did not fully reflect the prescribed timelines for acknowledgement and resolution of complaints. The Authority also noted that credit institutions should ensure that final decisions are properly reasoned, particularly where the complaint's demands are not fully satisfied.

Credit institutions are expected to maintain finalised and approved complaints management policies with proper version control, comprehensive complaints registers, meaningful root cause analysis, clear website disclosures, and procedures that accurately reflect the regulatory timeframes under BR/22. The MFSA also expects the Compliance Officer to have unfettered access to complaints records and to provide regular Board reporting on complaint trends, resolution timelines and systemic issues.

The review forms part of a three-year outcomes-based supervisory pilot. Participating institutions have been given one year to remediate identified issues, with reassessment expected in the third year of the cycle.

3.2 Circular to Credit Institutions on Amendments to the Reporting Template on Correspondent Banking Payment Transactions

On 28 April 2026, the MFSA issued a circular to credit institutions announcing amendments to the reporting template for correspondent banking payment transactions. The revised template is intended to improve the consistency, completeness and overall quality of data submitted to the Authority.

Credit institutions must use the revised reporting template from the June 2026 reference date onwards. The main amendments include the addition of a "Checks" tab containing data quality checks, which institutions are expected to perform before submission. The template has also been revised so that all operational currencies in both the Inward and Outward reporting tabs are included as columns, rather than being selected from drop-down menus. In addition, certain placeholder text previously appearing in Columns B and C has been removed, although the relevant drop-down functionality remains available.

The MFSA emphasised that credit institutions must not make structural changes to the template provided. No other amendments have been introduced to the underlying reporting requirement.

3.3 Compliance Outcomes-Based Supervision: The Internal Liquidity Adequacy Assessment Process

On 16 June 2026, the MFSA issued a Dear CEO Letter to credit institutions on the outcomes of its Compliance Outcomes-Based Supervision review of the Internal Liquidity Adequacy Assessment Process, or ILAAP, across a sample of less significant institutions.

The review assessed how institutions are implementing liquidity and funding risk requirements in practice, with particular focus on internal governance, risk appetite frameworks, internal audit, risk management and internal controls, online deposit platforms, liquidity contingency planning, and stress testing. Although the

MFSA identified some good practices, including progress in governance structures, communication procedures, automation initiatives and stress testing frameworks, it also found material weaknesses across the sector.
Key deficiencies included limited Board challenge and oversight of ILAAP assumptions and methodologies, insufficiently developed liquidity risk appetite frameworks, inadequate internal audit coverage, over-reliance on regulatory metrics, manual data aggregation processes, weak monitoring of intraday liquidity and counterbalancing capacity, and insufficient integration of online deposit platform risks into risk appetite and stress testing frameworks. The MFSA also noted weaknesses in liquidity contingency plans, including lack of formal plans, insufficient assessment of contingency funding options and limited testing or independent review.

The MFSA expects credit institutions to assess their own ILAAP and liquidity risk management frameworks against the findings set out in the letter and to take timely remedial action where gaps are identified. Institutions are expected to strengthen Board oversight, improve documentation of assumptions and methodologies, enhance liquidity risk appetite metrics, ensure regular and forward-looking monitoring, improve data quality and automation, and embed stress testing and contingency planning into risk management and decision-making.

The MFSA confirmed that it will continue to monitor institutions' progress under its Compliance Outcomes-Based Supervision approach. The thematic exercise is conducted on a three-year cycle, with the next review scheduled for 2027.

3.4 Mitigating Terrorist Financing, Proliferation Financing and Targeted Financial Sanctions Evasion Risks in Credit Institutions

On 17 June 2026, the MFSA issued a Dear CEO Letter addressed to the management bodies and MLROs of Maltese licensed credit institutions on mitigating terrorist financing, proliferation financing and targeted financial sanctions evasion risks.

The letter follows a thematic review covering all MFSA-licensed credit institutions including locally incorporated banks and branches of foreign banks operating in Malta. The review assessed institutions' frameworks across six key areas: risk understanding and governance, identification and verification, transaction monitoring, sanctions screening, artificial intelligence, and training and awareness.

The MFSA noted positive practices, including the use of Malta's National Risk Assessment in business and jurisdictional risk assessments, regular reporting to management bodies on targeted financial sanctions, the appointment of senior staff responsible for restrictive measures compliance, and the implementation of automated sanctions screening systems. However, the Authority also identified areas requiring further strengthening, particularly in relation to proliferation financing risk assessments, board reporting on PF risks, dedicated counter-proliferation financing policies and procedures, testing of identification and verification tools, and assurance over sanctions screening systems.

The MFSA also highlighted the need for credit institutions to adapt their transaction monitoring and sanctions screening controls in light of the EU Instant Payments Regulation. Institutions are expected to ensure effective payee verification, daily customer screening for targeted financial restrictive measures, immediate re-screening following updates to EU measures and appropriate monitoring of instant payment flows.

The letter further addresses the use of artificial intelligence in financial crime compliance. Although AI adoption remains limited, the MFSA expects institutions that use or plan to use AI to understand the system's design, functionality and limitations, maintain audit trails, ensure meaningful human oversight, and implement independent assurance over model effectiveness and data quality.

Credit institutions are expected to review their CFT, CPF and TFS compliance frameworks against the findings and supervisory expectations set out in the letter. The MFSA indicated that these findings may inform future outcomes-based supervision in the area of financial crime compliance.

CROSS-SECTORAL REGULATORY UPDATES

4.0 REGULATORY DEVELOPMENTS

4.1 Malta Financial Services Authority (Amendment) Act 2026

On the 28th of April 2026, the Malta Financial Services Authority (Amendment) Act, 2026 was published in the Government Gazette.

The Act introduces wide-ranging amendments to the MFSA Act, primarily aimed at strengthening the Authority's governance, independence, supervisory powers and enforcement framework.

The Act reorganises the MFSA's decision-making structure through the formalisation of key committees, including the Regulatory Decisions Committee, the Capital Markets Decisions Committee and the Enforcement Decisions Committee. It also clarifies the allocation of supervisory, capital markets and enforcement functions within the Authority.

The amendments are relevant to all MFSA-regulated entities and applicants for authorisation. Importantly, the Act confirms that a licence is a concession and revocable privilege, rather than a vested right, and reinforces the continuing nature of fit and proper and suitability obligations. Professional advisers assisting applicants or licence holders in regulatory matters are also required to carry out due diligence and notify the MFSA of adverse or suspicious information relevant to suitability assessments.

The Act further enhances the MFSA's supervisory powers, including its ability to access records, data and information held by licence holders, authorisation holders and certain third parties, including outsourcing service providers. It also introduces a statutory framework for settlement agreements in enforcement matters, while excluding settlement in serious cases such as unauthorised financial services activity and serious repeated and systematic AML/CFT breaches.

The Act will come into force on such date or dates as may be appointed by notice in the Gazette. Regulated entities should monitor commencement and consider whether their governance, record-keeping, outsourcing, fitness and properness, and regulatory engagement procedures remain adequate in light of the amended framework.

4.2 Artificial Intelligence (AI) – Governance, Risk and Prudential Expectations

On 4 June 2026, the MFSA issued a Dear CEO Letter setting out its supervisory expectations on the use of Artificial Intelligence by MFSA licence holders. The letter follows the introduction of the EU AI Act and reflects the MFSA's view that AI should be treated as a prudentially relevant risk area, rather than merely as an operational or technological enhancement.

The Dear CEO Letter applies broadly to MFSA supervised licence holders. The MFSA notes that although AI adoption in Malta remains relatively limited, use of AI tools is expected to increase, particularly in areas such as risk management, customer interaction, financial crime monitoring and internal analytics.

The MFSA expects licence holders to assess their current and anticipated use of AI and ensure that their governance, risk management oversight and internal control frameworks are adequate. Particular focus is placed on board and senior management oversight, clear allocation of responsibility, internal expertise, third-party dependencies, concentration risk, model reliability, explainability, data governance, bias, drift monitoring, audit trails and the use of AI in critical or customer-impacting processes.

The letter also includes a structured self-assessment framework to help firms identify AI use cases, map vendors and sub-vendors, assess data flows, evaluate governance arrangements, review third-party risk, and consider conduct, prudential and financial crime implications. Firms are not currently required to submit the self-assessment to the MFSA but should be able to demonstrate that it has been completed, considered by the board and senior management, and that any identified gaps are being addressed.

5.0 COMPANY SERVICE PROVIDERS

During Q2 2026, no sector-specific regulatory updates were identified for company service providers. CSPs should, however, take note of the cross-sectoral regulatory developments covered in this Update, to the extent applicable to their activities.

6.0 DIGITAL FINANCE

6.1 The MFSA's Minimum Expectations on the Authorised Person's preparedness for Payment Services Directive 3

On 8 June 2026, the MFSA issued a Dear CEO Letter setting out its minimum expectations on authorised persons' preparedness for the forthcoming Payment Services Directive 3 ("PSD3").

The MFSA notes that the European Commission's payment services package, originally proposed on 28 June 2023, consists of PSD3 and the Payment Services Regulation ("PSR"). The PSR is expected to regulate conduct of business requirements for payment services, including transparency and information requirements, as well as rights and obligations relating to the provision and use of payment services. PSD3, by contrast, focuses on the authorisation and supervision of payment institutions.

A key change under PSD3 is the consolidation of PSD2 and the Electronic Money Directive 2 framework. PSD3 is expected to repeal EMD2 and introduce a single authorisation regime for institutions providing payment services and/or issuing electronic money. The issuance of electronic money will become a payment service and will be included in the list of payment services under Annex I to PSD3.

The MFSA emphasises that payment institutions authorised under PSD2 and electronic money institutions authorised under EMD2 will be required to undergo a reauthorisation process. National competent authorities will need to verify compliance with the relevant PSD3 authorisation and supervisory requirements before reauthorisation is granted.

The MFSA highlights a number of areas where authorised persons should begin preparing, including:

1. Safeguarding requirements, including transparency to users on how funds are safeguarded, applicable insolvency law and the Member State in which claims should be raised;

2. Concentration risk in safeguarding arrangements, particularly where safeguarded funds are held with credit institutions;

3. Governance arrangements and internal controls, including clear organisational structures, defined responsibilities, risk management, administrative and accounting procedures;

4. ICT service arrangements and ICT risk management, aligned with DORA requirements;

5. Security incident handling and reporting mechanisms, including DORA-related ICT incident notification obligations;

6. Business continuity arrangements, including ICT business continuity, response and recovery plans, and regular testing and review of such arrangements; and

7. Winding-up plans, including arrangements for the return of safeguarded funds in the event of failure.

The MFSA expects boards of directors, senior management and key function holders to be fully aware of the implications of PSD3 and to take appropriate preparatory action. Authorised persons are expected to conduct and document a comprehensive gap analysis against PSD3, adopt a board-approved implementation plan, and engage with external auditors and/or consultants where applicable.

The MFSA also notes that the European Banking Authority is expected to develop regulatory technical standards on authorisation and registration within 12 months from the publication of PSD3 in the Official Journal of the European Union. Authorised persons will be required to obtain reauthorisation from the MFSA within 27 months of such publication to continue providing their services.

This update is particularly relevant to payment institutions and electronic money institutions. Such firms should commence PSD3 preparedness work without undue delay, including gap analysis, board reporting, implementation planning, review of safeguarding arrangements, DORA alignment and monitoring of forthcoming EBA technical standards and guidelines.

6.2 The EU Commission's Consultation on the Review of Regulation on the Markets in Crypto-Assets (MiCA)

On 11 June 2026, the MFSA issued a [Dear CEO Letter] addressed to CEOs, industry experts and representatives of the crypto-assets sector in Malta, drawing attention to the European Commission's targeted consultation on the review of Regulation (EU) 2023/1114 on Markets in Crypto-Assets ("MiCA"), launched on 20 May 2026.

The MFSA strongly encourages relevant stakeholders to participate in the targeted consultation and provide feedback to the European Commission by no later than 31 August 2026.

The targeted consultation is divided into four main parts, covering:

1. Crypto-assets other than asset-referenced tokens and e-money tokens, including MiCA's scope, classification of crypto-assets, transparency rules and ex-post supervisory controls;

2. Asset-referenced tokens and e-money tokens including stablecoins, prudential requirements, liquidity and reserve requirements, significant token classifications, redemption rights, safeguards, global stablecoin arrangements and interactions with other regulatory frameworks;

3. Crypto-asset service providers, including crypto-asset services, prudential requirements, multi-function groups, activity reporting and environmental and sustainability reporting; and

4. Areas beyond MiCA's current scope, including decentralised finance, staking, lending and borrowing, NFTs, prediction markets, perpetual futures, tokenised deposits, legal treatment of tokens and conflicts of law.

This update is particularly relevant to crypto-asset service providers, issuers of crypto-assets and other stakeholders operating in, or advising on, the crypto-assets sector. Affected firms should consider whether to participate in the consultation and should monitor potential amendments to MiCA which may affect their authorisation, governance, prudential, disclosure, reporting or operational obligations.

6.3 VFA Licence and Transition to CASP under the Markets in Crypto-Assets Act

On 25 June 2026, the MFSA and FIAU issued a [Dear CEO Letter] to VFA licence holders regarding the expiry of the MiCA transitional period and the transition from the VFA framework to the Crypto-Asset Service Provider ("CASP") regime under the Markets in Crypto-Assets Act.

The letter follows ESMA's public statement of 23 June 2026 on unauthorised crypto-asset service providers and the orderly wind-down of activities as the MiCA transitional period comes to an end.

The MFSA confirmed that the transitional measures under Article 143(3) of MiCA, as implemented in Article 66 of the Virtual Financial Assets Act, expire on 30 June 2026. Accordingly, operational Virtual Asset Service Providers ("VASPs") with clients are required to obtain a CASP licence from the MFSA before that date. As from 1 July 2026, clients of VASPs which have not obtained CASP authorisation will not benefit from MiCA safeguards, including the rules designed to protect client assets.

Operational VASPs that are unable to meet the deadline are expected to commence an orderly wind-down of their activities. This includes immediately ceasing the onboarding of new clients, refraining from opening new client relationships or accounts, stopping marketing and solicitation activities, and limiting services to those necessary to sell or transfer crypto-assets, reallocate assets or close positions. Custody of client crypto-assets may only continue for the period strictly necessary to complete an orderly exit. VASPs must also communicate clearly, promptly and repeatedly with clients regarding the measures being taken to safeguard assets, the wind-down timeline, deadlines for the disposal or transfer of assets, and any automatic closure of residual positions.

The letter also emphasises the continuing application of AML/CFT obligations during the wind-down period, with particular attention to sanctions screening, Travel Rule requirements and obligations relating to self-hosted wallets. Suspicious transactions must be reported to the FIAU. CASPs onboarding clients from winding down VASPs are reminded to comply with MiCA and national AML/CFT obligations, including customer due diligence requirements. Where a CASP intends to onboard a significant number of customers from a VASP and rely on data, information or documentation collected by that VASP, it must comply with Section 4.6.6 of the FIAU Implementing Procedures.

The MFSA also reminded CASPs that certain services, notably custody, may not be outsourced or delegated to entities that are not authorised as CASPs. Operational VASPs unable to comply with the obligations set out in the letter are expected to contact the MFSA within 24 hours of receipt. Non-operational VASPs with pending CASP applications, which will not obtain authorisation by 1 July 2026, are not expected to wind down, but must confirm in writing within 24 hours that they have no clients, intend to continue the MiCA application process, and will not onboard clients until CASP authorisation is obtained.

7.0 SUSTAINABLE FINANCE

7.1 ESMA outlines enforcement activities for corporate reporting across the EEA in 2025

On 7 May 2026, ESMA published its Report on 2025 Corporate reporting enforcement and regulatory activities. The report provides an overview of how national enforcers and ESMA supervised corporate reporting across the European Economic Area (EEA) during 2025.

In 2025, financial reporting enforcement continued to promote disclosures that are material, transparent, entity specific, and useful for decision-making. In sustainability reporting, this was the first year of enforcement of the European Sustainability Reporting Standards (ESRS) for in-scope jurisdictions, alongside the application of the ESMA Guidelines on Enforcement of Sustainability Information (GLESI). Digital reporting remained a supervisory priority, as enforcers worked on improving the quality, consistency, and usability of marked up financial information in ESEF.

Addressed primarily to issuers, auditors and investors, the report offers practical messages from enforcement experience to help strengthen the quality and transparency of corporate reporting going forward. It presents enforcement activities in financial reporting, sustainability reporting, and digital reporting under the European Single Electronic Format (ESEF) and assesses issuers' compliance with ESMA's 2024 European Common Enforcement Priorities (ECEP).

7.2 New Q&As available

On 28 May 2026, ESMA published the following questions and answers:

EU ESG Ratings Regulation (ESGRR)

- Defined ranking system
- Transitional provisions
- ESG rating providers established after date of entry into force
- Material changes to registration information

8.0 ANTI-MONEY LAUNDERING LEGISLATION

8.1 Latest Updates from AMLA

On 22 April 2026, the FIAU informed subject persons that AMLA had launched two public consultations concerning business-wide risk assessments and group-wide requirements. AMLA also published updates on the next steps in preparing for the selection of obliged entities for direct supervision from 2028.

AMLA has launched a public consultation on draft guidelines under AMLR Article 10(4). It sets out the minimum expectations for all obliged entities in identifying risks of money laundering and terrorist financing across their operations. These guidelines aim to support entities in making informed, risk-based decisions on how to manage their specific risk exposure across both the financial and non-financial sectors.

AMLA has launched a public consultation on draft regulatory technical standards (RTS) concerning group-wide requirements. The draft RTS, issued under Articles 16(4) and 17(3) of the AMLR, set out minimum standards for group-wide AML/CFT frameworks, including in cross-border contexts and where obliged entities operate in third countries.

These requirements aim to ensure that groups maintain a consolidating view of money laundering and terrorist financing risks across their entire organisation and adapt their policies, procedures, and control functions accordingly.

8.2 Amendments to the Implementing Procedures Part I

On 27 April 2026, the FIAU issued a revised version of the Implementing Procedures Part I (IPs Part I).

The amendments principally concern beneficial ownership, employee screening and related record-keeping obligations.

In relation to beneficial ownership, the FIAU has amended Section 4.2.2, specifically footnote 42 to the statement that "the beneficial owner, where there is one, must always be a natural person". The previous exception applicable to trusts and similar legal arrangements, which allowed subject persons in certain cases to treat a legal person acting as settlor, protector or trustee as the beneficial owner, has been removed. Subject persons must now look through any legal person or legal arrangement to identify the natural person or persons who ultimately qualify as beneficial owner, in line with Section 4.3.2.5(iii).

The revised IPs Part I also amend the employee-screening and record-keeping provisions. The previous requirement to obtain and retain police conduct certificates for relevant officers and employees has been replaced by a risk-based approach. Subject persons must determine, based on the role and risk exposure of the employee, what screening measures are necessary and proportionate, including whether a police conduct certificate is required. A written record must be retained setting out the screening process, who carried it out, and the conclusion reached on the employee's conduct and integrity.

Consequential amendments to Sections 9.2 and 9.3.6 align the record-keeping obligations with the revised screening approach and clarify the applicable retention period. These changes also support a more proportionate application of the IPs Part I in line with data protection principles.

8.3 AMLA Direct Supervision: Key Preparatory Steps Ahead of 2027 Selection Exercise

On 26 May 2026, the FIAU informed subject persons that on 12 May 2026, AMLA published a reporting package designed to support national supervisory authorities in identifying provisionally eligible obliged entities that may fall under AMLA's direct supervisory remit as from 2028. This initiative marks a significant milestone ahead of AMLA's first selection cycle, scheduled for 2027.

Key elements highlighted by AMLA include:

- Cross-border footprint: financial institutions or groups operating in six or more EU Member States may be considered eligible for selection.
- Risk-based selection: The identification process will rely on a harmonised EU-wide risk assessment methodology, developed under the new AML/CFT legislative package.
- Role of national supervisors: competent authorities will be responsible for collecting and validating the required information from entities under their supervision.
- Standardised reporting tools: AMLA has issued a reporting template and an interpretative

note to ensure consistent data collection across Member States.

8.4 AMLA Public Consultation: Draft Guidelines on Ongoing Monitoring of Business Relationships

On 10 June 2026, the FIAU launched a public consultation on draft Guidelines outlining the principles for the ongoing monitoring of business relationships, including the monitoring of transactions and activities carried out in the context of those relationships.

Ongoing monitoring is a key obligation under the AML/CFT framework, aimed at ensuring that obliged entities maintain a clear and current understanding of their business relationships after they have been established. This includes keeping customer information up to date and monitoring transactions and activities over time to identify any unusual or suspicious activity where it arises.

The draft Guidelines, developed under Article 26(5) AMLR, explain in practical terms how obliged entities are expected to meet these requirements. The draft Guidelines set out core principles intended to apply across both financial and non-financial sectors in a risk-based and proportionate manner.

Public input is essential to ensure that these draft Guidelines are effective and can be consistently applied in practice. AMLA therefore welcomes feedback from all sectors subject to AML requirements.

8.5 Planned Alignment of the Risk Evaluation Questionnaire (REQ) with AMLA Supervisory Data Points

On 11 June 2026, the FIAU informed subject persons operating within the financial sector that, as from the 2027 REQ cycle, data points within the Risk Evaluation Questionnaire (REQ) will be revised to align with the harmonised supervisory data framework being introduced at EU level by the AMLA.

The planned revisions stem from the draft Regulatory Technical Standards issued pursuant to Article 40(2) of Directive (EU) 2024/1640. The relevant supervisory data points introduced at EU level are set out in Annex I of the draft RTS.

8.6 FAQ – Settlements and the Enforcement Process

On 17 June 2026, the FIAU published an FAQ document which is intended to complement the information delivered during the half-day training session.

This session aimed at explaining the recent legislative amendments introduced through Legal Notice 82 and Legal Notice 83 of 2026, which amended the Prevention of Money Laundering and Funding of Terrorism Regulations (PMLFTR) and the Centralised Bank Account Register (CBAR) Regulations respectively.

These amendments introduced a number of significant changes, including provisions relating to settlement agreements in respect of administrative penalties and transitional measures applicable to pending appeal proceedings.

The FAQ document is intended to complement the information delivered during the sessions and to further assist subject persons and interested parties in understanding the relevant legislative and enforcement changes.

8.7 The FIAU Publishes Strategic Analysis on Organised Crime in Malta

On 22 June 2026, the FIAU published a new strategic analysis titled The Landscape of Organised Crime in Malta: An FIAU Perspective, providing insights into the evolving landscape of organised crime linked to Malta.

The report examines a total of 540 suspicious reports received between 2021 and 2024 and outlines key trends, typologies, and risk indicators associated with organised criminal groups.

The analysis identifies fraud, drug trafficking, and tax-related offences as prominent predicate crimes, while highlighting the continued reliance of organised criminal groups on financial systems to launder illicit proceeds.

The use of robust screening and monitoring systems, complemented by open-source intelligence, also emerged as a primary trigger for suspicion. The report also identifies concerns relating to source of funds/wealth and unusual transactional behaviour as key indicators of potential money laundering activity.

Sectoral analysis shows that remote gaming operators and credit institutions are among the main contributors in identifying organised crime-related activity, reflecting varying exposure levels across sectors.

The report further highlights the importance of international cooperation, noting that a significant proportion of reports resulted in information being shared with foreign Financial Intelligence Units, particularly in Italy, Germany and the United Kingdom.

This publication forms part of the FIAU's ongoing efforts to enhance awareness of money laundering risks and to support subject persons in identifying emerging threats.

The FIAU encourages all reporting entities to make use of this analysis in their risk assessments and to refer to the guidance code SA26-1 when submitting suspicious activity reports informed by this document.

8.8 FIAU 2025 Annual Report: Behind Every Euro Laundered Lies a Victim

On 23 June 2026, the FIAU published its 2025 Annual Report, highlighting a year of strategic preparedness, institutional strengthening and enhanced international engagement, with a clear focus on effective outcomes in Malta's fight against money laundering and terrorist financing.

Anchored in the principle that behind every euro laundered lies a victim, the Report reflects the FIAU's continued commitment to safeguarding Malta's financial system, protecting society from the proceeds of serious crime, and ensuring that financial intelligence and preventive action translate into meaningful impact.

In 2025, the FIAU advanced its readiness for the evolving European AML/CFT framework, including preparations linked to the Anti-Money Laundering Authority (AMLA) and the 6th Anti-Money Laundering Directive. A structured alignment exercise is informing the Unit's forward strategy, ensuring coherence with Malta's National Risk Assessment, national AML/CFT priorities and evolving international standards.

The FIAU also remained actively engaged in European discussions shaping AMLA's establishment. Its international role was further reinforced by the appointment of FIAU Director Alfred Zammit as Vice-Chair of MONEYVAL for the 2026–2028 term.

Operational delivery also continued across the Unit's core functions. In 2025, the FIAU received 10,721 suspicious transaction reports, conducted 150 supervisory interventions and issued 71 enforcement measures, supporting the detection of risk, the dissemination of actionable intelligence and the strengthening of compliance across subject persons.

Preparatory work also supported enhancements to the enforcement framework, including the Settlement Process launched in April 2026, strengthening the FIAU's ability to pursue timely, proportionate and effective outcomes.

8.9 AMLA publishes advisory note on ML/TF risks as the MiCAR transitional period ends

On the 30 June 2026, the FIAU informed subject persons and other interested parties that AMLA has published an advisory note on the money laundering and terrorist financing (ML/TF) risks associated with the end of the transitional period under the Markets in Crypto-Assets Regulation (MiCAR).

The transitional period will end on the 1st of July 2026. Following this date, firms will be required to obtain authorisation as MiCAR-compliant crypto-asset service providers (CASPs) to continue providing crypto-asset services within the European Union.

In its advisory note, AMLA highlights the ML/TF risks that may arise following the conclusion of this transitional period and outlines mitigating measures that may be adopted by unauthorised virtual asset service providers (VASPs) and authorised CASPs, AML/CFT supervisors, and financial intelligence units (FIUs). These measures are intended to support the application of a risk-based approach and contribute to safeguarding the integrity of the EU financial system.

The end of the transitional period is expected to result in significant structural changes within the EU crypto-asset sector as unauthorised VASPs exit the market and customer relationships previously maintained with such providers are either terminated or transferred to a smaller number of authorised CASPs. AMLA emphasises that where customers migrate from unauthorised VASPs to authorised EU CASPs, the latter should conduct appropriate individual risk assessments and apply proportionate customer due diligence measures in line with the risk-based approach, rather than adopt blanket de-risking.

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 & 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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