MAMO TCV
ADVOCATES

Regulatory Compliance Update

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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[1], 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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[1] 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 Investment Services Act and Banking Act (MiFID and MiFIR Administrative Penalties, Measures and Investigatory Powers)(Amendment) Regulations 2025

On the 3rd of October 2025, Legal Notice 216 of 2025 was published in the Government Gazette with the aim of transposing Article 1(12)(b) of Directive (EU) 2024/790, which updates the European framework governing markets in financial instruments. The objective of these changes is to strengthen supervisory powers and expand the list of MiFIR provisions subject to administrative sanctions and enforcement action by the Malta Financial Services Authority (MFSA).

The amended regulations broaden the scope of MiFIR provisions under which breaches may give rise to administrative penalties or other supervisory measures. These include provisions on pre- and post–trade transparency requirements for a wide range of instruments such as shares, bonds, derivatives, structured finance products, emission allowances, and exchange-traded funds. They also cover obligations related to deferred publication, the provision of and quality of market data, synchronisation of business clocks, record-keeping, transaction reporting, and data transmission to consolidated tape providers (CTPs).

The amendments also address systematic internalisers' publication of firm quotes, execution of client orders, post-trade disclosure by investment firms, and non-discriminatory access to trading venues and CCPs. Importantly, Article 39a which prohibits the receipt of payment for order flow has been expressly included in the list of enforceable provisions, reflecting the EU's current emphasis on mitigating conflicts of interest.

Through this Legal Notice, the MFSA's ability to investigate, sanction, and impose administrative measures for MiFIR breaches has been significantly enhanced, the expanded list of enforceable provisions ensures that investment firms, trading venues, and data reporting service providers are subject to consistent regulatory oversight across the full spectrum of their MiFID and MiFIR obligations.

Although this Legal Notice does not directly amend the regulatory framework for fund marketing or distribution, it has indirect implications for MiFID investment firms engaged in fund distribution, order execution, or investment advice. Any firm that executes fund-related transactions or reports under MiFIR must ensure that its transparency and data reporting obligations are fully met, as breaches of these provisions may now lead to administrative penalties. Additionally, the prohibition on payment for order flow has implications for fund distributors and platforms that route client orders for execution, as such arrangements may now be more closely scrutinised by the MFSA. Firms should therefore review their distribution frameworks and execution arrangements to ensure continued compliance under the amended framework.

1.2 Position Limits and Position Management Controls in Commodity Derivatives and Reporting (Amendment) Regulations, 2025

On the 3rd of October 2025, Legal Notice 219 of 2025 was published in the Government Gazette with the aim of amending the Position Limits and Position Management Controls in Commodity Derivatives and Reporting Regulations. The new regulations implement Articles 1(10) and 1(11)(a) -(c) of Directive (EU) 2024/790, which amends MiFID II in relation to commodity derivatives and derivatives of emission allowances. The amendments refine the EU regime on position limits, position management controls, and reporting obligations, with a view to increasing market transparency and improving oversight of derivative exposures.

The amendments extend the regulatory framework to cover derivatives of emission allowances in addition to commodity derivatives. Investment firms and market operators are now required to apply position management controls across both categories of instruments. These controls include the power to obtain detailed information on the size, purpose and beneficial ownership of positions, as well as data on economically equivalent OTC contracts and related exposures.

Reporting obligations have been enhanced. Trading venues must publish weekly position reports, including for derivatives of emission allowances, showing aggregate positions by category of participant and the percentage of total open interest. Investment firms trading outside a trading venue are required to provide daily reports to the competent authority setting out their own and their clients' positions through to the end client. These reports must also be communicated to the European Securities and Markets Authority (ESMA).

The amendments further extend the application of the regulations to certain entities that were previously exempt from licensing under the Investment Services Act (Exemption) Regulations. As a result, some firms that were formerly outside the regulatory perimeter may now fall within scope for the purposes of position limits, management controls and reporting requirements.

1.3 Various Amendments to the Investment Services Rulebooks

On the 7th of October 2025, the MFSA issued a circular informing the industry of the publication of the amendments carried out to the Investment Services Rulebooks as outlined in Annex A attached to the Circular. These changes primarily affect the Investment Services Rules for Investment Services Providers, as well as the glossaries to the Investment Services Rules for Alternative Investment Funds (AIFs) and Retail Collective Investment Schemes (RCIS).

Rule R8-8.2.1 of the Investment Services Rules for Investment Service Providers – Part A: The Application Process, which governs the process for surrendering an Investment Services Licence, has been expanded and refined to introduce additional confirmations. For Licence Holders qualifying as MiFID Firms under part BI, Rule R1-1.11.1, a further confirmation is now required stating that there are no pending ex-ante contributions to national resolution financing arrangements. The amendments also require Licence Holders to notify the

MFSA of any withdrawal of passporting rights or branch establishments by copying in mifidnotifications@mfsa.mt. The rule reiterates that the original licence must be returned to the MFSA prior to surrender and clarifies that the list of required confirmations is not exhaustive, placing responsibility on the Licence Holder to ensure that all obligations have been fully complied with before surrendering the licence.

Moreover, within the glossaries to the Investment Services Rules for AIFs and RCIS, the definition of "Special Purpose Vehicle" (SPV) was included. The definition clarifies that an SPV is a vehicle established by an AIF as part of its investment strategy for the purpose of achieving its investment objectives. It must be owned or controlled through a majority shareholding of voting shares either directly or indirectly by the Scheme and having the majority of its directors in common with the Scheme which set it up. This ensures consistency and regulatory alignment between the AIF and RCIS frameworks in relation to SPV structures.

1.4 Consultation on Amendments to the Investor Compensation Scheme Regulations Issued Under the Investment Services Act

On the 3rd of December 2025, the Malta Financial Services Authority ("the MFSA") issued a Consultation Document on the proposed amendments to the Investor Compensation Scheme Regulations under the Investment Services Act. The consultation closed on the 16th of January 2026 and seeks to revise the regulatory framework governing scheme participation, funding, and compensation mechanisms.

The aim of the amendments is to strengthen the financial sustainability of the Scheme and align it more closely with the Investor Compensation Scheme (Directive 97/9/EC). The proposed amendments introduce a revised contribution framework for the Investor Compensation Scheme, built around a combination of fixed contributions, variable contributions calculated by reference to investment services related revenue, and the establishment of an Emergency Drawdown Reserve to ensure that funds are available in the event of a compensation payout. In addition, the Scheme would be empowered to impose extraordinary contributions where necessary, providing further financial backstop mechanisms to safeguard its ability to meet compensation obligations. Alongside this, a new Management Expenses Contribution is proposed to cover the operational and administrative costs of the Scheme, clearly separating these expenses from funds held for compensation purposes.

The consultation also seeks to align participation requirements more closely with the revised EU Investment Firms Regulation and Investment Firms Directive, reflecting the updated categorisation of Class 1, Class 2, and Class 3 investment firms. Fund managers authorised to provide ancillary MiFID services to retail clients would fall within the scope of mandatory participation, while firms servicing exclusively non-retail clients would generally remain outside the compulsory contribution regime, subject to the option to participate voluntarily. This alignment is intended to ensure consistency between prudential classification and compensation scheme obligations.

In addition, further clarity is provided on investor eligibility by formally incorporating MiFID II-aligned definitions of retail and professional investors into the Regulations. The amendments explicitly exclude professional investors, elective professional investors, and eligible counterparties from compensation coverage, reducing ambiguity as to the scope of investor protection under the Scheme. The proposals also confirm that all compensation payments will be made in euro and strengthen the statutory subrogation rights of the Scheme, enabling it to step into the investor's position against the liable licence holder or third parties following a payout. Finally, the amendments propose that newly licensed firms would only begin contributing from their second year of operation and grant the Management Committee discretion to suspend or resume the collection of contributions following periodic reviews of the Scheme's financial position.

1.5 Amendments to the MiFID Firms Quarterly Reporting and Updates to the IFR EBA Reporting Framework

On the 16th of December 2025, the MFSA published a circular to communicate updates to the MiFID Firms' Quarterly Reporting Return and technical changes to the IFR/EBA Reporting Framework. The MFSA has updated the reporting template to remove redundant data points, improve data validations, and expand the list of jurisdictions in the Additional Details' sheet. The data points that have been removed include information relating to the use of digital platforms and whether the firm acts as a distributor of an international investment firm.

Moreover, the MFSA has expanded the list of jurisdictions applicable to Question 1.2 in the Additional Details' sheet following feedback received from industry participants, thereby allowing firms to more accurately reflect the geographic scope of their activities. The Authority has also implemented changes to validation rules, updating validation descriptions in Sheet A (Validation tab) and introducing additional validation checks alongside data inputs in Sheet B ("Financial Details") with the objective of reducing errors and improving consistency in submissions.

An amended Guidance Document has also been issued to support firms in completing the revised return. The updated template (Version 12) applies to reporting periods ending December 2025 and onwards, or to returns submitted after 31 January 2026. Reporting deadlines and naming conventions remain unchanged. Class 2 and Class 3 Investment Firms must adopt updated EBA reporting modules in their file naming conventions. In addition, the EBA is introducing a change in the technical reporting format, moving from xBRL-XML to xBRL-CSV. These changes apply to reporting periods on or after March 2026.

1.6 ESMA Publishes its Common Supervisory Action (CSA) for 2026

On the 16th of December 2025, the MFSA issued a circular to announce that the European Securities and Markets Authority (ESMA) will be conducting a Common Supervisory Action (CSA) in 2026 in coordination with National Competent Authorities (NCAs), targeting conflicts of interest in the distribution of financial instruments to retail clients under MiFID II. The CSA is addressed to investment firms and credit institutions

subject to MiFID II, particularly firms engaged in the distribution of financial instruments to retail clients.

The CSA will assess whether investment firms' organisational arrangements and controls effectively identify, manage and mitigate conflicts of interest in retail distribution. In particular, the CSA will focus on:

1. Remuneration structures and incentive schemes, including the impact of commissions and inducements on product selection and recommendation.
2. Digital distribution platforms including online tools and interfaces that may steer retail investors toward certain products.
3. Management of commercial conflicts, notably the alignment between firms' profitability objectives and the obligation to act in clients' best interests.

As a result of the CSA, investment firms should proactively review and where necessary enhance their conflicts of interest policies and governance frameworks, remuneration and incentive structures, inducement arrangements with third parties, including fund managers and the use of digital tools and platforms in client engagement and product marketing. Early preparation will be key to mitigating supervisory risk ahead of the 2026 CSA and ensuring continued compliance with MiFID II conduct of business obligations.

1.7 Legal Notice 291 of 2025, Legal Notice 292 of 2025 and Legal Notice 293 of 2025

On the 23rd of December 2025, a series of amendments to subsidiary legislation under the Companies Act (Cap.386) were enacted, expanding the regulatory framework applicable to collective investment schemes, particularly SICAVs, incorporated cell companies and recognised incorporated cell companies

Legal Notice 291 of 2025 titled Companies Act (SICAV Incorporated Cell Companies) (Amendment) Regulations, 2025 amend Regulation 5 of the principal regulations to broaden the eligibility criteria applicable to incorporated cells within SICAV structures. In addition to cells that are, or are to be, licensed as collective investment schemes under article 4 of the Investment Services Act, incorporated cells may now alternatively be included in the List of Notified AIFs or the List of Notified PIFs in accordance with the Investment Services Act (Notified CISs) Regulations. This amendment formally extends the regime to cover notified fund structures alongside fully licensed schemes.

Legal Notice 292 of 2025 titled Companies Act (Recognised Incorporated Cell Companies) (Amendment) Regulations, 2025 substitute Regulation 3(4) of the principal regulations to mirror the expanded approach adopted for SICAV ICCs.

Legal Notice 293 of 2025 titled Companies Act (Investment Companies with Variable Share Capital) (Amendment) Regulations, 2025 introduce target amendments to regulations 9 and 15 of the Principal Regulations. Regulation 9 is amended to clarify the winding-up process of a sub-fund constituting a separate patrimony. Where a liquidator is appointed in respect of such sub-fund, the liquidator

is required to act in accordance with the Act, and all powers of the directors and company secretary relating solely to that sub-fund cease. An existing sub-paragraph has also been deleted to streamline the provision.

Regulation 15 was amended to refine the categories of SICAVs permitted to grant subscription discounts to existing members in consideration for a written commitment to subscribe for shares. The revised wording updates and aligns the investor classification terminology, expressly covering licensed PIFs and AIFs, Notified AIFs and Notified PIFs, and clarifying the relevant investor categories under Parts A and B of the Notified CISs Regulations.

2.0 INSURANCE

2.1 Circular in Relation to Directive (EU) 2023/2225 of the European Parliament and of the Council of 18 October 2023 on Credit Agreements for Consumers and Repealing Directive 2008/48/EC (Consumer Credit Directive II) (CCD II) and Minor Amendments to the Conduct of Business Rulebook Applicable to Insurance Undertakings and Insurance Intermediaries

On the 21st of November 2025, the MFSA issued a circular addressed to insurance undertakings and insurance intermediaries offering insurance policies in connection with consumer credit agreements to highlight the changes introduced within the Conduct of Business Rulebook (COBR) for Credit Institutions applicable to insurance undertakings and insurance intermediaries to reflect the CCD II requirements.

Article 14(4) of CCD II has introduced the Right to be Forgotten, in cases of past oncological diseases and when an Insurance Policy is needed for the purposes of a consumer credit agreement. The duration of this right was left to the discretion of the Member State but could not extend beyond 15 years. In determining the duration of this right, the MFSA has considered other European Union Member States' practices. It has also considered the Insurance Association views and concerns even in the context of re-insurance. As a result, R.4.1.48A was introduced within the COBR.

R.4.1.48B was also introduced to give consumer credit clients the right to compare insurance offers related to credit agreements before purchasing an insurance policy, without such insurance offers related to credit agreements being changed.

Moreover, R.4.1.48C is a newly added rule which aligns the meaning of credit agreement for the purposes of the new rules with the CCD II definition.

The CCD II will come into force on the 20th of November 2026. Thus, a one-year period is being given to the industry and CCD II stakeholders, to align and conform with CCD II requirements. Insurance undertakings and insurance intermediaries are hence being encouraged to update their insurance policy processes in line with the abovementioned changes and in time with the entry into force of CCD II.

2.2 MFSA Issues Claims Handling Practices Guidelines

On the 21st of November 2025, the MFSA issued its Claims Handling Practices Guidelines following an informal

consultation process with the insurance industry. The Guidelines are accompanied by a Feedback Statement summarising the observations submitted during the consultation and the Authority's corresponding considerations.

The Guidance document sets out the standards and expectations applicable to insurance undertakings and intermediaries involved in claims handling with the objective of fostering enhanced consumer outcomes in this area.

The Authority intends to formalise the requirements outlined in the Guidance document into binding Rules following a two-year transitional period. This transition is intended to provide industry participants with adequate time to implement the necessary updates to their internal policies, processes and procedures.

2.3 Update to the Conduct-Related Data Return for Insurance Undertakings

On the 11th of December 2025, the MFSA published a circular to advise the industry of amendments to the Conduct-Related Data Return applicable to Insurance Undertakings.

The Authority has introduced enhancements to the Return to facilitate the collection of information relating to Tied Insurance Intermediaries (TIIs), Ancillary Insurance Intermediaries (AIIs), and Exempt AIIs, herein referred to Intermediaries. As part of these enhancements, a new Intermediaries tab has been incorporated into the Return. Through this tab, Insurance Undertakings will be required to submit intermediary-specific data, including:

- The intermediary's business model;
- Gross written premium (GWP) and number of policies, split by general business, long term businesses and linked long term business;
- Passporting activities;
- Website and social media presence and
- Information on sales conducted online

Due to these updates, the requirement for Insurance Undertakings to report TIIs' gross written premium through the Continuance Exercise has been removed.

Insurance undertakings are strongly encouraged to consult the Guidelines document available on the MFSA website when completing the Return, particularly with respect to the information required for the applicable survey. Insurance Undertakings are also reminded to refer to the latest version of the Return, which is likewise accessible on the MFSA website under Insurance Undertakings – Conduct Related Data Reporting Requirements.

The Return must be submitted via the LH Portal within 42 days of the calendar year end under the Conduct Related Data Insurance project. A step-by-step submission guide is provided in the Guidelines.

3.0 CREDIT INSTITUTIONS

3.1 Outcome-Based Supervision: Adequacy of Supervisory Reporting for Less Significant Institutions (LSIs)

On the 1st of October 2025, the MFSA issued a Dear CEO Letter addressed to all Chief Executive Officers of Less Significant Institutions (LSIs) to

communicate findings from its 2025 targeted review of supervisory reporting adequacy. The review forms part of the MFSA's outcomes-based supervisory framework, introduced in 2024 and aligned with EU regulatory standards and EBA guidelines. Supervisory reporting is described as a cornerstone of prudential supervision, underpinning both national and European oversight, risk monitoring and policy formulation.

The review assessed punctuality, completeness, accuracy and collaboration in supervisory reporting across a sample of LSIs. It examined compliance with EU Implementing Regulations, EBA Filing Rules and local Banking Rules. Quantitative metrics were combined with qualitative assessments to provide a holistic evaluation.

Most LSIs met reporting deadlines and maintained technical compliance, reflecting sound internal processes. Improvements were also noted in resubmission discipline and template perimeter management.

Significant issues were identified in data accuracy and completeness. Around half of LSIs showed recurring breaches of EBA validation rules, errors in Own Funds and Liquidity modules, and poor pre-submission controls. Over-reliance on MFSA-initiated resubmissions and inconsistent documentation of corrective actions were also noted.

The MFSA expects LSIs to strengthen data governance and pre-submission validation frameworks, ensuring full traceability, accurate resubmission classifications, and proactive engagement with supervisors. Institutions should embed accountability and oversight within governance structures to ensure data reliability and reduce regulatory intervention.

Findings will inform the upcoming Supervisory review and Evaluation (SREP) cycle. The MFSA emphasizes that supervisory reporting is a regulatory obligation fundamental to financial stability and expects institutions to implement corrective measures promptly.

3.2 Circular to Credit Institutions including Foreign Branches on the Supervisory Reporting Requirements – ITS v4.1

On the 7th of October 2025, the MFSA issued a circular to inform all credit institutions and foreign branches regarding the updates to the supervisory Reporting framework following the implementation of ITS version 4.1, applicable from the June 2025 reference date. The circular is to be read together with the Capital Requirements Regulation (CRR), the ITS on Supervisory Reporting (Commission Implementing Regulation (EU) 2024/3117) and related templates and instructions.

The layout of several ESG templates has been reorganised so that all sub-tables sit within a single Excel sheet; there is no change to the underlying content or structure. The status of templates D_06.00, D_07.00, D_08.00 and D_10.00 changes from "Always expected" to "Voluntary". Institutions that do not submit these must indicate this via a negative filing indicator.

Moreover, the reporting framework update entails a revised XBRL file naming convention, reflected in the updated "LH Portal for Credit Institutions" document. The EBA technical package for reporting framework 4.1 is available on the EBA

website and now also covers technical documentation for Pillar 3 disclosures under the EBA Pillar 3 Data Hub project.

Institutions are reminded to follow the EBA's latest validation rule releases and to update internal data processes accordingly. New validation rules have been introduced for the ESG ad-hoc data collection to enhance quality and consistency.

The MFSA Supervisory Reporting webpage has been updated with:

(i) ESG ad-hoc collection templates applicable from the June 2025 reference date;
(ii) LH Portal guidelines for credit institutions and for branches; and
(iii) MFSA Guidelines to CRD Supervisory Reporting Requirements for credit institutions and branches under ITS v4.1

3.3 Banking Act (Consumer Credit) Regulations, 2025

On the 18th of November 2025, Legal Notice 265 of 2025 titled the Banking Act (Consumer Credit) Regulations, 2025 was published in the Government Gazette.

The Regulations implement the relevant provisions of Directive 2008/48/EC on credit agreements for consumers in respect of credit institutions licensed by the MFSA, establishing a common framework for credit agreements with consumers and to be read together with any Conduct of Business Rules issued under the Act. The Regulations will enter into force on such date or dates as may be set by the Minister responsible for finance by notice in the Gazette.

The Regulations apply to "credit agreements" whereby a licensed credit institution grants or promises to grant credit to a customer in the form of deferred payment, loans or similar financial accommodation

The MFSA is designated as the competent authority for implementation and supervision, empowered to monitor compliance by creditors and credit intermediaries in relation to credit agreements marketed distributed or sold in or from Malta, and to issue binding Conduct of Business Rules for better implementation of the Directive.

Creditors must take all necessary steps to ensure full compliance with the Regulations and any Rules. Unless otherwise provided, obligations apply equally to European creditors and to credit intermediaries when they present, offer, prepare or conclude credit agreements on behalf of a creditor. European creditors must be granted non-discriminatory access to Maltese creditworthiness databases on the same conditions as local creditors, subject to other applicable laws and public policy. Where a credit application is rejected on the basis of a database consultation, the consumer must be informed without charge of the result and of the database consulted. These provisions apply without prejudice to the GDPR and the Data Protection Act.

The MFSA may impose administrative penalties and other administrative measures under articles 35A and 35B of the Banking Act for breaches of the Regulations or Rules, with a right of appeal to the Financial Services Tribunal. The Regulations prevail over any conflicting contractual clause; any consumer waiver of rights under the Regulations is null and void and their

application may not be circumvented by the structuring of agreements. The consumer protections continue to apply even where a non-EU law is chosen as governing law, where the credit agreement has a close link with Malta or another Member State.

3.4 Circular in Relation to Directive (EU) 2023/2025 of the European Parliament and of the Council of 18 October 2023 on Credit Agreements for Consumers and Repealing Directive 2008/48/EC (Consumer Credit Directive II) (CCD II) and Its Transposition and Relative Amendments to the Conduct of Business Rulebook for Credit Institutions Offering Retail Products (COBR)

On the 20th of November 2025, the MFSA issued a circular outlining the transposition of Directive (EU) 2023/2225 on credit agreements for consumers (Consumer Credit Directive II – CCD II), which repeals Directive 2008/48/EC. This circular is addressed to credit institutions and financial institutions offering consumer credit in Malta and highlights forthcoming amendments to the Conduct of Business Rulebook for Credit Institutions Offering Retail Products (COBR).

CCD II modernises the EU consumer credit framework in response to digitalisation and new credit products, expands the scope of regulated credit agreements (up to €100,000), and strengthens consumer protection and responsible lending standards.

In Malta, CCD II is being transposed through a package of legislative and regulatory measures, including amendments to the COBR, new or revised regulations under the Banking Act and Financial Institutions Act, and the introduction of an admission framework for credit intermediaries. These measures will enable enhanced MFSA supervision of consumer credit activities.

Key changes to the COBR include enhanced advertising and pre-contractual disclosure requirements, stricter and outcome-based creditworthiness assessments, an extended and reinforced right of withdrawal, limits on annual percentage rates of charge, forbearance obligations for consumers in difficulty, prohibitions on certain practices and new knowledge and competence requirements for staff involved in consumer credit. Product oversight and governance arrangements are also strengthened.

The MFSA has exercised several national discretions under CCD II, including the introduction of an APR cap of 16% for consumer credit offered in Malta, prohibitions on certain types of advertising and specific rules on early repayment and default charges, while opting not to take others to enhance consumer protection.

Regulated persons are encouraged to review and update their consumer credit processes to ensure full compliance by the 20 November 2026 implementation date.

3.5 Supervision of Credit Institutions' Cross Border Activities

On the 1st of December 2025, the MFSA issued a Dear CEO Letter addressed to all credit institutions highlighting supervisory expectations and key findings relating to the provision of cross-border banking activities within the European Economic Area ('EEA'). The letter reiterates that passporting rights, whether exercised through the freedom

to provide services or freedom of establishment, are accompanied by ongoing prudential, conduct and governance obligations throughout the lifecycle of cross-border operations.

The MFSA emphasizes that cross border activities require continuous compliance with EU and Maltese legislation, including CRD/CRR, MiCA, the Banking Act and consumer protection frameworks, as well as adherence to host-country requirements. Institutions must maintain robust governance, risk management and consumer protection arrangements, and ensure transparency and cooperation with both home and host supervisory authorities.

The letter outlines the MFSA's risk-based supervisory approach, which includes ongoing off-site monitoring, data returns, supervisory meetings, thematic reviews and on-site inspections. Conduct-related shortcomings identified include weaknesses in website disclosures, representative examples, APR calculations, right of withdrawal information, creditworthiness assessments and product oversight and governance arrangements. The MFSA expects institutions to ensure that disclosures are clear, fair and not misleading, that APRs reflect all compulsory fees, and that creditworthiness assessments are robust and not overly reliant on self-declarations or automated data aggregation.

From a prudential and governance perspective, credit institutions are expected to adequately capture cross-border risks within their ICAAP, ILAAP and SREP processes, ensure senior management understanding of host-jurisdiction risks, and align capital, liquidity and risk management frameworks with their cross-border business models.

The MFSA also underlines the importance of close supervisory cooperation with other national competent authorities, including joint inspections and information sharing. Credit institutions are expected to conduct a gap analysis against the expectations set out in the latter and address any identified deficiencies.

3.6 Circular to Credit Institutions and Foreign Branches on the Repeal of Banking Rule BR/06 and the Streamlining of Data Submissions

On the 19th of December 2025, the MFSA in coordination with the Central Bank of Malta (CBM) issued this circular to inform credit institutions and foreign branches of changes to the submission process for the BR/06 Statutory Financial Information. These changes follow a joint review by both Authorities aimed at streamlining data collection, reducing duplicative reporting and ensuring full alignment with the "report once" and "single point of entry" principles. As part of this transition, the MFSA is hereby repealing Banking Rule BR/06 on Statutory Financial Information to be submitted by Credit Institutions authorised under the Banking Act.

The change introduced by this circular relates to the way CBM-CIR data is submitted and shared between the two Authorities. Under the new process, credit institutions and foreign branches will submit the CBM-CIR return in both XML and XLS formats exclusively to the CBM. In turn, the CBM will transmit the data to the MFSA through a secure direct data connection. This approach removes the need for institutions to submit the statutory return in duplicate to the MFSA

via email and ensures that both Authorities rely on a single, harmonised data source.

Due to the repeal of BR/06, the MFSA advises that the final BR/06 Excel submission to the MFSA will relate to the reference date of December 2025, which must be submitted by the 15 January 2026. After this final submission, the MFSA will no longer accept BR/06 Excel templates for future reference dates. Institutions may, however, continue to submit revisions for the final reference date and for earlier periods to both Authorities, where required.

CROSS-SECTORAL REGULATORY UPDATES

4.0 REGULATOR'S FEES

On the 26th of December 2025, the following Regulations were published in the Government Gazette with the aim of amending fee structures applicable to regulated entities under the remit of the MFSA. These changes affect financial market participants, insurance and reinsurance undertakings, and administrators of benchmarks.

- Financial Markets (Fees) (Amendment No.2) Regulations 2025 – These were amended to introduce new fee categories and clarify existing provisions, particularly in relation to covered bond programmes and sponsors. A new definition of sponsor has been introduced, covering persons advising issuers seeking admission to listing on a local regulated market. Credit institutions applying for approval of a covered bond programme are now subject to a specific application fee and an ongoing annual supervisory fee, payable from the date of the programme approval. In parallel, sponsors applying for registration under the Financial Markets Act (Cap. 345 of the Laws of Malta), must pay an application fee and an annual supervisory fee composed of a fixed element and, where applicable, a variable component linked to listing applications handled in the preceding year, subject to a capped maximum. New Fourth and Fifth Schedules have been added to set out the applicable fee amounts in detail.

- Insurance Business Act (Fees) (Amendment) Regulations, 2025 – The amendments to the Insurance Business Act (Fees) Regulations introduce greater proportionality and clarification across application, modification and supervisory fees for insurance and reinsurance undertakings, including captive insurances and cell companies. A key change is that where an undertaking or cell intends to carry on both long-term and general business, only the highest applicable minimum application fee will apply, avoiding duplication.

  The Regulations also revise the timing and prorating of first annual supervisory fees, particularly for captives and cells carrying on affiliated insurance, and rationalise fee treatment when authorisations are modified. In such cases, reduced application or fixed modification fees apply. The First and Second Schedules have been amended to reflect revised fee levels, including new

fees applicable to approved auditors and updated supervisory fees for captives and insurance cells.

- Malta Financial Services Authority Act (Indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds) (Fees) Regulations, 2025 – A new standalone fee regime has been introduced for administrators of benchmarks under Regulation (EU) 2016/1011 (the Benchmarks Regulation). Applicants seeking authorisation or registration must pay a one-time application fee, with a 25% reduction where a transition between registration and authorisation occurs. Ongoing annual supervisory fees are calculated on the basis of net revenue, with minimum thresholds and incremental fees for each additional €100,000 of revenue. Specific rules govern the prorating and payment timing of the first annual fee, which becomes due upon authorisation or registration. Fees are expressly non-refundable and save for limited exceptions, non-prorated.

5.0 COMPANY SERVICE PROVIDERS

5.1 Thematic Review on the Risk Management Function of Company Service Providers

On the 25th of November 2025, the MFSA issued a Dear CEO letter communicating the findings of a thematic review of the risk management function of Class C Company Service Providers (CSPs). Although based on a selected sample, the MFSA confirmed that the expectations outlined apply to all CSPs authorised in Malta and form part of its wider supervisory focus on governance, culture and operational resilience.

Under the Company Service Provider Rulebook, CSPs are required to maintain a comprehensive risk management framework capable of identifying, analysing and evaluating risks, with a clear distinction between preventive and recovery controls. Each CSP must appoint a suitably resourced Risk Officer, with the MFSA expecting documented assessments of time commitment, clearly defined responsibilities, methodologies, assessment frequency and reporting lines.

CSPs must also establish and maintain comprehensive risk management policies defining their risk appetite and approach to risk identification, monitoring and mitigation. These policies should address governance arrangements, risk culture, controls and testing, the risk register, assignment of risk owners, escalation procedures, reporting lines and staff training, and must be reviewed at least annually or following trigger events.

The MFSA further highlights the obligation to conduct a Business Risk Assessment covering all authorised services considering risks arising from the business model, target markets and service delivery context, and extending beyond ML/FT risks. Controls must be proportionate and tailored to specific risks.

The risk register is expected to capture both client-related and non-ML/FT risks, including outsourcing, compliance, operational, IT and cybersecurity, reputational and strategic risks, with qualitative and quantitative

assessments, residual risk evaluation and clear ownership. Control effectiveness must be tested, documented and deficiencies addressed.

The MFSA notes weaknesses in cybersecurity risk management and expects CSPs to strengthen internal expertise, policies, controls and testing arrangements.

Finally, CSPs are expected to perform a documented gap analysis against the letter's expectations and make it available to the MFSA upon request, with a view to strengthening overall resilience and compliance.

6.0 DIGITAL FINANCE

6.1 Circular on the Position of the Comision Nacional Del Mercado del Valores ("CNMV") regarding the Advertisement of Crypto Assets by Crypto Asset Service Providers ("CASPs") in Spain

On the 6th of October 2025, the MFSA issued a circular addressed to CASPs particularly those engaging in cross-border marketing activities and targeting clients residing in Spain to inform them of the position of the CNMV regarding the marketing of crypto-assets, use of client acquisition activities and other related promotional practices.

Crypto assets in Spain are now regulated under the MiCA Regulation, the Spanish Securities Market Law and in relation to advertisements by Circular 2/2020 of October 28, of the CNMV, on the advertising of investment products and services.

According to the CNMV circulars, the marketing of crypto-asset services and client acquisition in Spain may be deemed participation in the provision of such services and, therefore, may only be carried out on a professional basis by authorised CASPs. Agreements with non-authorised collaborators or affiliates are permitted solely for advertising purposes and not for the marketing of investment or crypto-asset services.

In line with CNMV's criteria (i) firms remain responsible for the selection of appropriate collaborators and for the content of advertising messages; (ii) remuneration linked to the number or volume of clients introduced is an indicator that the collaborator may be providing regulated investment or crypto-asset services which must be performed only by authorised persons or entities. Even where remuneration is fixed, collaborators may still be regarded as providing such services if they give favourable opinions or recommendations and interact with potential clients to build a client relationship. By contrast, where a collaborator does not interact with clients and merely disseminates public information or favourable opinions in return for a fixed fee, this is more likely to qualify as pure advertising and fall outside authorisation requirements.

Due to the above, the Authority expects CASPs to review and, where necessary, update their policies and procedures on the marketing of crypto-assets and client acquisition in Spain to ensure alignment with these criteria.

6.2 EU Supervisory Authorities warn consumers of risks and limited protection for certain crypto-assets and providers

On the 6th of October 2025, the European Supervisory Authorities (EBA, EIOPA and ESMA) have issued a joint warning to consumers highlighting that investments

in crypto-assets remain high risk and that any applicable legal protection may be limited and depends on the specific type of crypto-asset and crypto-asset service used. The warning is accompanied by a Joint ESAs factsheet (available in all EU languages) explaining the scope of the Markets in Crypto-Assets Regulation (MiCA), including which crypto-assets fall under MiCA, which remain outside its scope and the types of providers consumers may encounter.

The ESAs note that, although MiCA has applied to certain crypto-assets since December 2024 and introduces a harmonised supervisory regime for issuers and crypto-asset service providers across the EU, significant risks for consumers persist, including possible lack of comprehensive information and absence of a transparent and uniform claims-handling framework. Against this background, consumers are urged to:

(i) understand the product or service and carefully assess the risks before investing;
(ii) verify whether the crypto-asset service provider is authorised in the EU; and
(iii) ensure that any wallets used to hold crypto-assets are adequately secured.

These measures are stressed as particularly important in light of increasing retail interest in crypto assets driven in part by aggressive promotion on social media and by so-called finfluencers.

6.3 Circular to the Industry on the Publication of the MiCA XBRL Taxonomy

On the 15th of December 2025, the MFSA published a circular informing market participants of the forthcoming application of Commission Implementing Regulation (EU) 2024/2984, which sets out implementing technical standards on the forms, formats and templates for crypto-asset white papers under Regulation (EU) 2023/1114 (MiCA).

The Implementing Regulation will apply from 23 December 2025. In preparation, ESMA has published the MiCA XBRL taxonomy which defines the structured data elements required for the preparation of crypto-asset white papers in Inline XBRL (iXBRL) format.

All persons preparing crypto-asset white papers whether for asset-referenced tokens (ARTs), e-money tokens (EMTs), or other crypto-assets must ensure compliance with the Implementing Regulation including:

- Use of XHTML with embedded Inline XBRL tags;
- Application of the ESMA MiCA taxonomy and
- Use of the standardised templates prescribed by the Regulation

The MFSA also reminds entities that, pursuant to Rule R2-3.1 of the Markets in Crypto-Assets Rulebook, all white papers notified to the Authority must comply with MiCA and related implementing technical standards, including requirements on machine-readability, prescribed templates and sustainability-related disclosures.

Market participants are strongly encouraged to familiarise themselves with the taxonomy, supporting documentation and associated reporting obligations well ahead of the effective date to ensure timely and compliant submissions.

6.4 Circular to the Industry on the Submission of Independent Practitioner's Assurance Report

On the 15th of December 2025, the MFSA issued a circular clarifying reporting obligations for Crypto-Asset Service (CASPs) licensed under the Markets in Crypto-Assets Act.

Following the publication of the Markets in Crypto-Assets Rulebook in March 2025 and the issuance of the Crypto-Asset Service Provider Return (CASP Return) in April 2025, the MFSA reminds Authorised persons of their obligations under Rule R3-2.6 of the MiCA Rulebook.

Authorised persons must submit their Audited Financial Statements (AFS) to the MFSA together with the documentation specified in the Rulebook. Pursuant to Rule R3-2.6.1(iv), the submission must include an Independent Practitioner's Assurance Report.

This report must be signed by an external independent auditor, prepared in accordance with International Standards on Assurance Engagements, and provide limited assurance on the consistency between the information reported in the CASP Return and the corresponding AFS for the relevant financial year.
The MFSA further notes that, to support a smooth transition, entities licensed as Virtual Financial Assets (VFA) Service Providers are also required to submit an Independent Practitioner's Assurance Report in line with Rule R3-3.5.4.2 of the VFA Rulebook.

7.0 SUSTAINABLE FINANCE

7.1 ESMA announces 2025 European Common Enforcement Priorities and results of fact-finding on materiality considerations in sustainability reporting.

On the 14th of October 2025, ESMA published its European Common Enforcement Priorities (ECEP) for the 2025 annual financial reports of listed issuers, setting out areas of focus for issuers, auditors and supervisory authorities.

For 2025 annual financial reports, ESMA expects particular attention to:

i) IFRS financial statements, including transparent disclosures on geopolitical risks and uncertainties and robust segment reporting
ii) Sustainability statements under ESRS with clear materiality assessments and an appropriate scope and structure of the sustainability information; and
iii) ESEF digital reporting, in particular addressing common filing errors identified in the statement of cash flows

ESMA also emphasizes the need for strong connectivity between financial and sustainability information, reflection of recent IFRS developments, and consistent use of alternative performance measures.

Alongside the priorities, ESMA has published a fact-finding exercise on the 2024 corporate sustainability reporting practices by European issuers under ESRS Set 1, focusing on how issuers conduct and disclose their double

materiality and relevance to each issuer's specific operations and disclosures.

7.2 EU Commission Proposal for a Reviewed Sustainable Finance Disclosures Regulation (SFDR)

On the 21st of November 2025, the MFSA issued a circular to announce that the European Commission has proposed a set of amendments to the Sustainable Finance Disclosure (SFDR). The proposed changes are designed to address current shortcomings, making the rules simpler, more efficient and better aligned with market realities. The revised rules will be more retail-friendly and usable for companies.

The Commission proposes to delete entity-level disclosure requirements for Financial Market Participants (FMPs) regarding principal adverse impacts indicators. In the future, only the largest FMPs subject to the updated thresholds under the CSRD will need to disclose their impacts on the environment and society. Removing entity-level disclosures from the SFDR significantly cuts reporting requirements and costs associated with collecting data across a wide range of environmental, social and governance (ESG) topics and removes duplications.

The Commission is also proposing a significant reduction in product-level disclosures limiting them to data that is available, comparable, and meaningful. Focused on the key criteria underpinning the proposed product categories, this will give providers more clarity and certainty on how to design and present the sustainability characteristics or objectives of their products, making them more relevant and comparable for investors. The revised disclosures will also be more retail friendly helping retail investors to quickly and easily understand the sustainability features of financial products.

Moreover, the Commission is proposing a simple categorisation system for financial products making ESG claims. It will comprise three categories with clear criteria, building on existing market practices that have been informed by the latest regulatory guidance. The categories will simplify the investment journey of retail investors and help them make informed investment decisions. The categories will be:

- Sustainable category products contributing to sustainability goals such as investments in companies or projects that are already meeting high sustainability standards
- Transition category products channelling investments towards companies and/or projects that are not yet sustainable but that are on a credible transition path or investments that contribute toward improvements in environment or social areas
- ESG basics category refers to other products that integrate a variety of ESG Investment approaches but do not meet the criteria of the above-mentioned sustainable or transition investment categories

The Commission proposal is now being deliberated by the Parliament and Council.

7.3 ESMA reviews impact of Guidelines on ESG or sustainability related terms in fund names

On the 17th of December 2025, ESMA published research assessing the impact of its fund naming guidelines on ESG and sustainability-related terms. The study found that ESMA's Guidelines have improved consistency in the use of ESG terms by increasing alignment of fund names and their actual investment strategies and enhanced investor protection by reducing greenwashing risks.

Drawing on nearly 1,000 shareholder notifications in reaction to the guidelines from the 25 largest EU asset managers with EUR 7.5 trillion in assets under management, the study also found that 64% of the funds mentioned in shareholder notifications changed their name, in most cases to avoid the use of ESG related terminology, whilst 56% updated their investment policies to strengthen their sustainability focus.

The study then focuses on the impact of fossil fuel related exclusions on 4,000 EU funds using ESG terminology in their names, with EUR 2 trillion in assets under management. The analysis shows that funds with higher fossil fuel exposures were more likely to remove ESG terms from their names, underscoring how portfolio composition influences compliance choices. Furthermore, since the publication of the guidelines, funds retaining ESG terms in their names have reduced their portfolio share of fossil fuel holdings more than all other funds, suggesting efforts to green their portfolios.

7.4 New Q&As available

On the 19th of December 2025, ESMA published or updated the following Questions and Answers in relation to the Environmental, Social and Governance (ESG) rating activities Regulation:

- Group-affiliated small ESG rating providers
- ESMA assessment of temporary regime notification
- Content of temporary regime notification
- Small ESG rating provider no longer meeting temporary regime size requirements

8.0 ANTI-MONEY LAUNDERING LEGISLATION

8.1 Upcoming CASPAR Security Enhancements: Two-Factor Authentication and Recovery Keys

On the 14th of November 2025, the FIAU issued an update related to the introduction of new security features to the Compliance and Supervision Platform for Assessing Risk (CASPAR) platform. To further protect data and enhance account security, Two-Factor Authentication (2FA) and Recovery Keys are available.

The 2FA adds another layer of protection by requiring a verification code in addition to your password when signing in. Moreover, the recovery keys provide a secure method for regaining access to your account if your primary authentication method becomes unavailable.

Detailed, step-by-step setup instructions are available in the

accompanying Guidance 2 Factor Authenticator Document by accessing the Supervision page. Users who already have 2FA enabled will be prompted to reconfigure their 2FA settings once this update is implemented.

8.2 New Q&A Document: AML/CFT Clarifications under Regulation (EU) 2024/886 (IPR)

On the 3rd of December 2025, the FIAU in collaboration with the Central Bank of Malta, published a Q&A document providing practical guidance on AML/CFT obligations in the context of instant payments under Regulation (EU) 2024/886 (IPR).

This resource addresses operational challenges in implementing real-time payments, legal and compliance considerations for Payment Service Providers (PSPs) and how AML/CFT requirements interact with instant payment obligations.

The document is designed to help PSPs navigate the complexities of the IPR while ensuring compliance with AML/CFT standards.

8.3 FIAU Publishes Revised Guidance on goAML Rejection Rules, Indicator Updates and XML Reporting Specifications

On the 18th of December 2025, the FIAU issued an update regarding the three updated guidance documents to enhance the quality, consistency and effectiveness of suspicious transaction reporting through the goAML platform. The updates focus on improving data accuracy, streamlining validation, and strengthening the FIAU's analytical processes.

The updated goAML Rejection Rules provide a comprehensive overview of the Rejection Rules applied during web report validation. These rules act as a pre-acceptance filter to ensure reports contain sufficient and relevant information, enabling more efficient assessment and prioritisation by the FIAU.

Moreover, the revised goAML indicators provide an updated and more detailed overview of the criteria used within goAML to identify and assess suspicious activity. Alignment with these indicators is intended to support accurate, comprehensive, and consistent reporting in line with regulatory expectations.

Furthermore, minor but material technical updates have been made to the XML reporting schema. The most notable change is the modification of the 'reason' element which will now be mandatory rather than optional. These changes have already been implemented on the test (TST) goAML Web Portal which is available for all subject persons for testing. The changes went live on the 12th January 2026.

8.4 Publication of thematic review: Application of Simplified Due Diligence by Collective Investment Schemes

On the 22nd of December 2025, the FIAU published a document titled Application of Simplified Due Diligence by Collective Investment Schemes – Thematic Review 2023, developed in collaboration with the Malta Financial Services Authority (MFSA).

This publication provides practical, sector-specific insights into how Collective Investment Schemes (CISs) are applying Simplified Due Diligence (SDD) when dealing with customers

carrying out relevant financial business, whether investing on their own behalf or acting as nominees for underlying investors.

The review highlights strong practices adopted by many CISs in gathering information and building customer profiles, key gaps particularly around understanding expected activity levels and the nature of customers' business, challenges in documenting Customer Risk Assessments and ensuring ongoing monitoring is meaningful, examples of good and bad practices, helping subject persons benchmark their own frameworks and clear takeaways and recommendations to support more effective, risk sensitive SDD implementation.

8.5 AMLA publishes Final Report on Draft Regulatory Technical Standards under Article 40(2) AMLD and Article 12(7) AMLAR

On the 23rd of December 2025, the FIAU issued an update to inform the industry of the publication by the Authority for Anti-Money Laundering and Countering the Financing of Terrorism (AMLA) of a final report containing two draft Regulatory Technical Standards (RTSs) under the EU's new AML/CFT framework.

The draft RTSs on the assessment of the inherent and residual risk profile establish a fully harmonised, risk-based methodology for supervisors to assess and classify the inherent and residual ML/TF risk of financial sector obliged entities. It also introduces a core set of common datapoints supplemented by sector-specific datapoints and calibrates the frequency of supervisory reviews to the nature size and complexity of entities. These RTSs aim to support supervisory strategies and inspection planning, promote a common understanding of ML/TF risk drivers, and enhance consistency and comparability of supervisory outcomes across the EU and applies to supervisors responsible for AML/CFT supervision of financial-sector obliged entities.
The draft RTSs on the risk assessment for the purpose of selection of credit institutions, financial institutions and groups of credit and financial institutions for direct supervision under Article 12(7) of Regulation (EU) 2024/1620, specify the methodology AMLA will use to select credit institutions, financial institutions and groups for direct AMLA supervision.

The RTSs begin with geographic eligibility criteria, including alternative quantitative thresholds to determine the materiality of cross-border activities under the freedom to provide services. They also set out a risk assessment methodology aligned with entity-level ML/FT risk assessments used by supervisors, reducing administrative burden and promoting consistency. The RTSs also introduce a group-wide risk scoring approach based on a weighted average of entity level residual risk scores and enables AMLA to identify the most complex and highest-risk entities with a significant EU presence for coordinated cross-border supervision.

Both draft RTSs reflect consultation feedback received between March and June 2025 and are available on AMLA's website.

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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