

Regulation at times of crisis

By **JOE V. BANNISTER**

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JOE V. BANNISTER is Chairman of the Malta Financial Services Authority, a position he has held since 1999. He also held the post of Chairman of its predecessor the Malta Financial Services Centre between 1995 and 1997. From 1990 to 1994 he was Chairman of the Malta's inward investment authority (Malta Development Corporation). After graduating in science from the Universities of Malta and Oxford (UK), he held positions at both Universities and also at the Cranfield Institute of Technology (UK) and was Pro-Rector at the University of Malta from 2002 to 2006. He is an independent director of a number of non-Maltese investment funds (hedge funds) on behalf of international institutions.

Malta has remained an onshore banking jurisdiction

The Malta Financial Services Authority (MFSA) is the single regulator for financial services in Malta and was established as a fully autonomous public institution in 2002. It regulates and supervises all financial services activity including banking, securities and markets and insurance business. The MFSA also manages the Registry of Companies and has responsibility for Consumer Complaints.

The organizational structure of the MFSA ensures that the regulatory and operational functions of the Authority are exercised within strict legal demarcations. The Board of Governors presided by the Chairman, sets out policy and general direction and is assisted by the Legal and International Affairs Unit. The Supervisory Council, headed by the Director General, is exclusively responsible for licensing and regulation and is composed of the Directors responsible for authorization of all financial services companies, authorization, banking supervision, securities and markets supervision, insurance and pensions supervision and regulatory development. Operations are the responsibility of the Board of Management and Resources composed of the Directors responsible for strategic development, human resources, information technology and administration led by the Chief Operations Officer. Coordination between these two organs is ensured through a Coordination Committee composed of the Chairman, the Director General and the Chief Operations Officer.



Malta's finance industry has benefited significantly from the country's national policy of moving from offshore status to the mainstream onshore financial services jurisdictions in 1994 and finally joining the European Union in 2004. Financial services is the fastest growing sector of the Maltese economy and one of the most important employers of trained professional staff. Direct intermediation contributes 8 per cent of GDP with a further substantial contribution coming from law firms, accountancy and audit firms, treasury management companies and corporate providers. The sector employs over 10,000 persons.

Malta is a jurisdiction that follows and helps develop international best practice. Finance companies establishing in Malta benefit from a reduction in bureaucracy, streamlined procedures, lower fees and compliance costs and a more consistent implementation of EU and international regulatory standards. Malta continuously heads the EU table for the consistent and timely implementation of the EU financial services directives. The MFSA has a staff complement of over 200 people, consisting of specialist regulators, lawyers, accountants and support staff involved in information technology and administration.

The MFSA also has a number of cross-cutting functions. In line with its constitutive Act, its regulatory policies are designed to promote fair competition and consumer choice in financial services. These functions are reflected in its regulatory style. Operators are encouraged to meet regulators to openly discuss their plans and their compliance reports. Regulation is robust and follows stringent 'fit and proper' rules and a rigorous product quality assurance policy. On the other hand, financial services providers are given space and encouragement to innovate and come up with cutting-edge products.

Malta is also actively involved with the OECD, the EU and the Commonwealth in modeling global regulatory policy. The Authority is a member of the main European Supervisory Authority. Malta co-operates with the OECD on fiscal matters and following the G20 meeting of April, 2009, Malta was classified as country which is substantially in line with the OECD model on tax transparency and co-operation. **F**