No. 769

MINISTRY FOR FINANCE

Various Financial Services Laws (Amendment) Act, 2025

Explanatory Notes[1]

1. Introduction

The Various Financial Services Laws (Amendment) Act, 2025 (also referred to as the 'Bill') seeks to amend various financial services laws, including the Financial Markets Act (Cap. 345), hereinafter referred to as the "FMA". The amendments to the FMA inter alia incorporate several provisions with the aim of establishing a registration framework for sponsors in the context of applications for admissibility to listing of securities on a local regulated market.

The Bill also seeks to: (i) transpose and, or implement a number of EU Directives/EU Regulations, and (ii) improve current, regulatory frameworks in several financial services laws.

The Malta Financial Services Authority ('MFSA') is the competent authority for the purposes of enforcing the provisions of the FMA, and the other provisions of the Bill.

2. Summary and background

Supplementing the amendments to the FMA, there will eventually be regulations and rules issued under the said Act, providing further detail and granularity around the sponsors regime. However, in order to do so, a need has been identified to introduce the necessary empowering and related provisions allowing for inter alia: the introduction of a registration requirement; and MFSA regulatory powers in that regard.

The proposal to strengthen the sponsors' regime is part of the MFSA's comprehensive five-pillar strategy to foster growth and innovation within the local capital markets, whilst protecting investors and financial market integrity and stability.

The cornerstone of this proposal is essentially the introduction of a registration framework for sponsors, to raise the standards of these market players based on increased accountability and clearer responsibilities.

A sponsor is a person who provides advice, guidance and expertise to issuers who are applying or intending to apply for the admissibility to listing of securities on a local regulated market. The role of the sponsor is of great importance since a sponsor is the first port of call for prospective issuers. Sponsors are considered to be the first line of defence in preventing persons who are not fit and proper from accessing the Maltese capital markets.

The EU Directives and EU Regulations which the Bill seeks to partially transpose and, or implement are the following:

(i) Directive (EU) 2022/2556 ('DORA Directive');
(ii) Directive (EU) 2022/2381 ('Gender Balance Directive');
(iii) Directive (EU) 2021/2167 ('Non-Performing Loans Directive' or 'NPL Directive');
(iv) Regulation (EU) 2023/2631 ('European Green Bonds Regulations');
(v) Regulation (EU) 2020/1503 ('EU Crowdfunding Regulation'); and
(vi) Regulation (EU) 2023/1114 ('MICA Regulation').

3. Overview of the structure of the instrument

The Bill consists of fifty-five (55) articles and nine (9) parts which consist of the following:

Part I – Amendments to the Trusts and Trustees Act (Cap. 331);

[1]These Explanatory Notes are in accordance with and for the purpose of article 3(2)(c) of the Small Business Act (Chapter 512 of the Laws of Malta).

Part II – Amendments to the Financial Markets Act (Cap. 345);
Part III – Amendments to the Investment Services Act (Cap. 370);
Part IV – Amendments to the Banking Act (Cap. 371);
Part V – Amendments to the Financial Institutions Act (Cap. 376);
Part VI – Amendments to the Virtual Financial Assets Act (Cap. 590);
Part VII – Amendments to the Crowdfunding Service Providers Act (Cap. 637);
Part VIII – Amendments to the Credit Services and Credit Purchasers Act (Cap. 645); and
Part IX – Amendments to the Markets in Crypto-Assets Act (Cap. 647.)

4. Commentary

For the purposes of the Small Business Act (Cap. 512), these Explanatory Notes are being drawn up primarily for the scope of the sponsors regime aforementioned.

Amending article	FMA article	
5	2	Provided a definition for "sponsor".
9	11	Empowers the MFSA to approve, or otherwise, the registration of sponsors and also empower the MFSA to cancel or suspend the registration of a sponsor.
11	12B	Introduces a registration requirement for sponsors.
11	12C	Empowers the MFSA once again to register or refuse an application for registration, and to subject a registration to such conditions it deems appropriate and requires that the MFSA maintains a register of sponsors.
13	32	Empowers the MFSA to require information from a sponsor or from any person who is or was an officer, employee or agent of such sponsor, or to require them to attend before the MFSA, or before a person appointed by it, at a time and place as the MFSA may specify.
18	42	Allows for sponsors who have had their registration refused, cancelled or suspended to bring their grievances before the Financial Services Tribunal.
19	49	Empowers the Minister to make regulations to regulate the activities of sponsors.

5. Concluding sections

The amendments to the FMA regulating sponsors will not come into force immediately, but by virtue of an eventual notice in the Government Gazette. Moreover, after the entry into force of such amendments to the FMA (regarding sponsors), a person who is already providing the services of a sponsor on the date of such entry into force, is required to apply for registration with the MFSA within two (2) months from the date of coming into force of the legislative amendments, if such person is to continue to offer such services. Furthermore, such person can only continue to offer such services if such person is registered by the MFSA within ten (10) months from the date of coming into force of the said amendments to the FMA.

The rest of the amendments shall come into force upon publication in the Government Gazette.

Should more information be required, the MFSA may be contacted on +356 21441155.

N.B: These Explanatory Notes are not intended to be an exhaustive description of the legal instrument nor a substitute thereof or a legislative supplement to it. These Explanatory Notes do not purport to be an authoritative ruling on the interpretation of the legislation. In case of any conflict between the contents of these Explanatory Notes and the amendments in the Bill, it is the latter that shall prevail.

16th May, 2025