No. 1249

MINISTRY FOR FINANCE

Explanatory Notes[1]

I. Introduction

Title of regulations	Investor Compensation Scheme (Amendment) Regulations, 2026 (hereinafter referred to as the "amending regulations")
Activity to be regulated	The functions and contribution methodology adopted by the Investor Compensation Scheme
Responsible entity	Investor Compensation Scheme

II. Summary and background

The Investor Compensation Scheme (hereinafter referred to as the "Scheme") is implementing amendments which aim to strengthen its financial capacity and ensure continued protection of investors deemed eligible for compensation in accordance with the Investor Compensation Scheme Regulations (S.L. 370.09), which are principally structured as follows:

1. Requirements for participation

The requirements for participation and contribution into the Scheme encompass all licence holders in possession of a Class 1, Class 1 Minus, Class 2 and Class 3 licence, credit institutions authorised to provide investment services and fund managers authorised to provide ancillary activities[2] to retail clients under the markets in financial instruments Directive (MiFID) (Directive 2014/65/EU).

2. Contribution Methodology

Under this system, the following annual contributions will become applicable as follows:

• Class 3 Investment Firms: five thousand euro (€5,000);

• Class 2 Investment Firms and Credit Institutions which are both not authorised to deal on own account and Fund Managers: seven thousand euro (€7,000);

• Class 2 Investment Firms and Credit Institutions which are both authorised to deal on own account: twenty-two thousand euro (€22,000); and

• Class 1 Investment Firms and Class 1 Minus Investment Firms: forty thousand euro (€40,000).

The amending regulations are also introducing an Emergency Drawdown Reserve and Extraordinary Contribution within the same regulation to cater for circumstances wherein the available funds of the Scheme are insufficient to meet compensation obligations.

III. Overview of the Structure of the Instrument

The amending regulations consists of eleven regulations.

[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).
[2]Kindly refer to Section B of Annex I of the MiFID Directive (Directive 2014/65/EU).

IV. Commentary

Current regulation	New sub-regulations	Commentary
11(1)		Regulation 11(1) is being amended to stipulate the requirements for participation and contribution to the Scheme. In this regard, the rules for mandatory participation and contribution to the Scheme encapsulate Class 1, Class 1 Minus, Class 2 and Class 3 investment firms, as well as credit institutions authorised to provide investment services, and fund managers authorised to provide ancillary MiFID activities to retail clients. It also provides that licence holders which solely service investors which do not fall under the definition of "retail investor", are not obliged to participate and contribute to the ICS but may do so voluntarily.
12(1) to 12(2)		This amendment exempts newly licensed participants from paying contributions to the Scheme in their first year of licensing. It also establishes that the Variable Contribution, Emergency Drawdown Reserve, Extraordinary Contributions and Management Expenses Contributions shall not be levied on those investment firms which are participating in the Scheme on a voluntary basis.
12	(3) to (36)	New sub-regulations are being introduced to regulation 12 to incorporate the revised contribution methodology. These sub-regulations primarily establish the revised amount of fixed contributions to be paid by the different classes of participants indicated in the regulation 11(1), which shall be due by the 31st July of each year or within 30 calendar days from the date on which the participant's contribution obligations start to be imposed. The revised Variable Contributions to be paid, shall be calculated at 0.1% on the investment services activities related revenue. The Emergency Drawdown Reserve shall amount to 1% of the investment services activities related revenue, in the form of cash and cash equivalents and shall be made available to the Scheme within 30 calendar days. The Extraordinary Contributions shall be levied at the rate of 0.15% on the same amount of revenue in those circumstances deemed exceptional, and the Scheme may, after consulting with the MFSA, request higher contributions. A Management Expenses Contribution is also being introduced, which may be requested by the Scheme if it has reasonable grounds to believe that funds available to it to meet management expenses in the financial year are, or will be, insufficient. The Scheme will be able to apply a *pro rata* calculation of the extraordinary contribution due by those participants who joined halfway through the financial year and which have been licensed for longer than 1 year.
16		Regulation 16 establishes that the Management Committee of the Scheme may, after determining that its funds are inadequate in a compensation event, request the Variable Contribution, Emergency Drawdown Reserve, and Extraordinary Contribution, which shall be paid within 30 calendar days.

IV. Concluding Sections

The amendments shall enter into force upon publication of the legal notice in the Government Gazette.

For any queries, you are kindly requested to contact the Investor Compensation Scheme via email to dcs_ics@mfsa.mt.

N.B. These Explanatory Notes are not intended to be an exhaustive description of the 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.

18th August, 2026