

**NOMINA TAS-SUR JESMOND GATT GHALL-HATRA  
TA' CHAIRPERSON TAL-BORD TAL-GVERNATURI  
TAL-AWTORITÀ MALTJA GHAS-SERVIZZI FINANZJARJI**

*Mistoqsijiet sottomessi mill-Membri tal-Gvern*

1. Kif tiddekrivi r-rwol ta' Chairman tal-MFSA? X'inhi d-distinzjoni bejn dan ir-rwol u r-rwol ta' CEO tal-istess Awtorità?

The two roles are well defined within legislation in CHAPTER 330 - Malta Financial Services Act. The Act itself sets the boundaries of the role of the Chairman of the Board by identifying the role of the Board of Governors, which establishes the policies to be pursued by the Authority, taking in consideration guidelines that may be outlined by Government. The Board of Governors ensures, through policy and governance inspired actions, that the authority can effectively carry out the tasks set out in the Act itself. These objectives mandate the Board of the Authority both a supervisory and a regulatory role which are complementary for the Authority to achieve the objectives identified within the Act. The role of the Chairman is expected coordinate and facilitate the work of the board in providing the required policy and strategic direction to the Executive Committee which is headed by the Chief Executive Officer. The CEO has an executive role, and is through the Act itself assigned legal and judicial representation of the Authority, and through the tasks assigned Executive Committee is responsible for the implementation of the strategy and policies, for the approval of regulation, for the approval of and for the issuing of licences and other authorisations, and for the monitoring and supervision of persons and other entities licensed or authorised by the Authority in the financial services sector, for the enforcement of the regulatory framework in the financial services sector, for the day-to-day management and the finances of the Authority, for human resources, and coordinates Authority's administrative affairs.

Thus, the two roles are distinct with the role of the non-executive chairman focused on ensuring that governance in the Authority is effective, overseeing the development and outcome of the program of activities as executed by the executive team headed by the Chief Executive Officer.

2. Kif qieghed tara li tkompli tizviluppa t-tmexxija u l-governanza fi hdan l-MFSA? X'se jkunu l-prioritajiet tieghek bhala Chairman f'dan ir-rigward?

Over the years the Authority has matured its governance arrangements so that it can effectively carry out its tasks, based on the premise that governance in a public authority depends significantly on the credibility of the authority through the actions undertaken, complemented by the integrity of the officials that represent the authority in carrying out its activities. In my view the Authority can be guided by the following elements of relevance for an effective governance arrangement, which together should be the aspiration of the authority to achieve good governance:

- i. Established the strategy, risk appetite, policies, and way to measure attainment of the objectives of the authority.
- ii. Establish an effective ethical code of conduct for its officials .
- iii. Ensure that the necessary resources are in place.
- iv. Continuously assess the entity's present and future activities, opportunities, threats and risks.
- v. Establish an effective decision-making process.
- vi. Evaluate the executive management's implementation of corporate strategy and financial objectives.
- vii. Establish an adequate internal control framework.
- viii. Establish appropriate policies and procedures and ensure an effective review methodology.
- ix. Establish effective reporting so that the Board is adequately briefed in its decisions.
- x. Support innovation , and strike a balance between risks and controls in the entity.
- xi. Ensure the integrity of accounting and financial reporting systems.
- xii. Maintain good communication with stakeholders.

The Malta Financial Services Authority has undergone a number of peer reviews by other supranational authorities which have assisted the implementation within the Authority of a strong governance culture, however as can be seen from the principles themselves, good governance needs to be maintained through the continuous work of senior management and the Board so as to ensure that their effectiveness is not eroded over time.

3. Kif qiegħed tara li qiegħed jiżviluppa s-settur tas-servizzi finanzjarji f'pajjiżna? Parti integrali huma wkoll is-sistemi bankarji - xi żviluppi qiegħed tara, mil-lenti ta' Chairman prospettiv tal-MFSA, għaż-żmien li ġej?

As part of my work at the Central Bank of Malta I was responsible for building the infrastructures interconnecting the financial industry in Malta, tasked with reaching market consensus on its development and implementation, and responsible for regulation and oversight of such systems, whether the systems are public or private. This work is undertaken in conjunction with Euro-system partners, who establish the applicable standards and oversee their effective implementation. The first automated RTGS (Real Time Gross settlement) system for interbank payments was implemented around 2003 exclusively for participants in Malta and settled Maltese Lira interbank or customer payments . Over the years we implemented other systems, primarily with our Euro-systems partners, for the settlement of Euro payments, and also provided solutions to the local regulated market, operated by the Malta Stock Exchange. During the last 3 years the Central Bank of Malta embarked in more challenging market development project and implemented a retail payments infrastructure exclusively catering for financial payment products used by consumers for day to day needs. This system enabled the Bank to widen the participation to new categories of payment service providers licenced in Malta, beyond credit institutions, with the Central Bank of Malta being one of the few Euro area NCBs to do so. This system allowed payment to flow across the domestic market, and extended the services such that instructions submitted by the consumers could reach any IBAN account within

SEPA. These are some of the national achievements I have led that we can build on, however it is evident that the size of Malta presents inherent challenges in the development of banking system infrastructures across the domestic financial system. For many years domestic financial services providers have competed at the level of the development of proprietary infrastructures, rather than on the value added services that can be provided. By way of analogy, transportation service providers would be building the roads, and although in the short term this may present some competitive advantage, in the longer term the impact is detrimental to development, competition and to the community of users. In the financial services strategy developed by stakeholders for the forthcoming years, there is realisation that integration within the single European market makes the solutions of yesterday unviable and a more collective approach to the development of infrastructures is required, allowing the stakeholders to together develop the solutions of tomorrow today and use this as a competitive advantage of the industry as it competes in the single European Union market. The Malta Financial Services Authority should be there to facilitate this happening.

Another aspect of work we need to undertake, continuing on the work already conducting when days were greyer, is the development of activities specifically focused on reaching out with correspondent banks that are willing to assist our economy in its activities beyond the Euro area. Business in our economy is not exclusively undertaken with the Euro at the base of the consequent financial interactions, thus our ability to effectively reach out to our partners in their currency of choice is a priority. Admittedly our size does not assist in this process, so public authorities must take the initiative and reach out to correspondent banks assisting them in making us a viable choice where they want to provide services.

In the meantime stakeholders in the domestic financial industry have identified, through wide consultation across the various industry sectors, the way forward for the financial industry. The consultation included also public authorities, not least the MFSA, and it is opportune that public authorities come together and take this work which has converged the aspirations of stakeholders forward towards becoming a reality.

4. X'inhuma l-ikbar sfidi li qiegħed jiffaċċja s-settur finanzjarju bħalissa? X'qiegħed isir biex jingħelbu dawn l-isfidi?

Over the last few years I continued to observe the financial system through my work as a central banker and as chairman to the board of the FIAU, and through the analysis conducted a persistent finding emerges in that financial inclusion is a significant issue which needs to be addressed. The wellbeing of consumers of financial services is, together with the stability of the markets, the main objective of the authority, and effective financial inclusion of legitimate individuals or economic operators is a fundamental enabler which needs to be addressed. Digitalisation of financial services continues to accelerate and may soon become the service delivery model of choice of financial services providers, given its convenience and reach, with the Fintech industry relying exclusively on technology to conduct business. This extends the challenges to attain effective financial inclusion, as not all consumers can use technology to the extent that allows them

to participate fully in the financial services market and reap the benefits of competition. The problem of lack of effective financial inclusion may also be a significant contributor to the dependence of the retail services sector for cash based transactions, which continues to be one of the highest in the euro area, contributing to significant AML risks. On the other hand studies conducted on the financial inclusion of economic operators and organised bodies shows that the problem is wider than that observed with natural persons, and needs to be addressed proactively for the financial system to continue to sustain effectively growth within the economy.

Another significant challenge faced by financial services is cyber security, a threat in continuous evolution which has the potential to disrupt the stability of the financial systems at the operational level. Regulators now acknowledge that ICT incidents and a lack of operational resilience have the possibility to jeopardise the soundness of the entire financial system, even if there is "adequate" capital for the traditional risk categories. Despite investing in significant levels of cyber security every year, sector respondents view the financial services industry as still being highly exposed to cyber threats, given that information and communications technology (ICT) plays an indispensable role in the operation of the daily functions of financial institutions. The European Commission initiative to develop the Digital Operational Resilience Act, which sets the rules financial institutions must follow for the protection from ICT-related incidents. DORA will come into force in 2025 and will therefore present a challenge for the Authority to address compliance within the local financial industry.

Another key challenge being faced by traditional banks in Malta is in meeting the expectation of a very diverse community of users. As banks evolve their business delivery channels to more modern digital solutions which require extensive investment, they are also operating costly resource intensive channels based on face to face delivery of service which remain popular with some sections of the community. The migration of services is essential for the institutions to remain competitive, however it may also lead to a gradual decline of confidence in the domestic institutions within the community, a fundamental requirement for financial markets to be able to function.

Tara taġħlimiet li ħarġu mill-proċess biex Malta ħarġet mill-greylisting li għandna nużaw biex negħlbu dawn l-isfidi?

My role as chairman of the FIAU over the period of the grey listing, and as board member in the years prior, has allowed me to understand the with good insight the challenges we faced in the years leading to and during the grey listing. When I joined the board of the FIAU in 2016 we were aware that the capacity of the FIAU to fulfil its obligations was limited due to the level of budgeted financial resources which had slowed development for a number of years. This limited investment in the resources required to remain effective and relevant within an ever-expanding financial sector. Lack of priority was also mirrored in the activities with stakeholders and subject persons in meeting the objectives of legislation in an effective manner. This changed from 2017 and the FIAU Board together with the executive team at the FIAU started an ambitious restructuring program with the objective of building the capacity of the Unit based on the expected growth of the

industry. The Board continued to observe sustained growth in the financial sector, which coupled with the additional growth in the aspirations of international regulations which necessitated restructuring by a number of public authorities to meet the new obligations, overshadowed the increased capabilities of the FIAU. Necessary convergence of AML oversight through the European Union regulations challenged our work and presented the community with additional risks due to the grey listing. Most of this can be attributed to lack of foresight in the development of skills and the use of technology to attain objectives which in turn did not encourage the right urgency and determination from subject persons and authorities to attain the required results.

The objectives of the Authority can only be met with adequate investment and foresight to ensure the authority is effective today and remains so tomorrow. The Authority must challenge itself to a level of excellence which embraces change and lends itself to staying relevant within a financial industry which is also evolving and transforming itself through innovation, both in the nature of the products offered, and in the way these are delivered. Regulatory and supervisory convergence within European Union Authorities was the defining development following the financial crises, and this has set high standards which the Authority must meet. Convergence is important in the context of a single European Union market of financial services which continues to take shape. The activities of the Authority are now also guided by European Union arrangements which are in place to safeguard the integrity of the financial system. The prudence being shown in fostering institutional resilience through higher levels of capital, reserves and additional readily available liquid assets, topped up with operational contingency measures across the financial system improved readiness to safeguard stability.

Achieving the objectives set for the Authority in a reactive manner is costly since this presents risks to the wellbeing of citizens and to the continued development of the economy, a lesson learned following the 2008 crises. The work undertaken by supervisory bodies in the European Union continues to challenge national authorities with new initiatives, and we have to make sure that the challenges these present are met with resolved commitment by the authority and the industry alike.

5. Fejn qiegħed tara li għandha tkompli tinvesti l-MFSA? Kif tara li l-MFSA se tkun qiegħda tanalizza l-volumi ta' informazzjoni li qiegħda tingabar mis-settur finanzjarju bħala parti mill-evoluzzjoni tar-regolamentazzjoni f'dan is-settur?

The Authority is already committed to investing in technology, a key enabler which is necessary if the Authority is to keep the pace of development aligned with that of the market and continue to be able to meet challenges presented by the entities requesting authorisation. Of significant importance is the ability of the Authority to collect and manage data from supervised entities using modern technologies enabling high levels of automation. Even if this has many benefits, both for the Authority and the reporting institutions, automation needs effort and cost to be implemented. Additional investment can also be considered in the way the available data can be then used to deliver business relevant knowledge to the Authority. To achieve this the Authority may also need automation and data

mining tools when analysing the information available, introducing Artificial Intelligence techniques for its interpretation, thus assisting the Authority as it seeks to implement risk based methodologies in its processes, necessary for it to effectively achieve its objectives.

Stakeholders have over the last few years highlighted the need for public authorities requesting data from them to come together and seek to converge their requirements to similar technologies, datasets and methodologies. The cost of compliance has risen exponentially over the last decade due to the ever-increasing array of regulations which require subject persons to meet reporting requirements, requesting additional sets of data which may also be reported under other regulations using different formats or standards. This cost may be rationalised through reporting convergence by authorities and this would allow for competitive services being offered to consumers.

A significant development in supervision has been the introduction of a risk based supervisory approach, which is allowing the authority to use the resources available effectively. It is the prevalent methodology strongly recommended in numerous assessments of the local oversight processes conducted over the last few years. This has already been implemented in large part, however we now need to calibrate it on the basis of the lessons learned over the first supervisory cycle concluded. Applying a risk based supervisory approach is key to continue to enhance the effectiveness of our supervisory role and was a key success factor in the work conducted with FATF which allowed the country to reach its targets in mitigating anti-money laundering and countering of financial terrorism (AML/CFT) risks, enabling the country to safeguard the integrity of the financial system.

The Authority has to keep investing in staff and human resources to ensure that it has the necessary expertise and technical competencies to carry out its functions effectively in today's dynamic financial environment. The Authority continues to face substantial turnover in its workforce, a problem faced with a number of skills which are in demand within the financial industry. Recruitment of new staff has to be complemented with continuous training which is carried out both locally and overseas.

6. Xi rwol taħseb li għandu jkollha l-MFSA fid-dinja diġitali bħal Fintech u Regtech? Kemm taħseb li dan l-aspett diġitali fi hdan is-settur tas-servizzi finanzjarji jista' jgħin biex il-pajjiż jегħleb sfidi li għad irid jiffaċċja? Tara opportunitajiet li pajjiżna jkompli jiżviluppa dan l-aspett?

As I have already indicated above financial services are becoming more digitalised and technology service delivery channels continue to provide excellent opportunities for a wider set of players to participate in the provision of financial services. Technology opened up the services market by increasing the penetration of portable convenient devices in the hands of consumers, while also providing the networks required for the devices to remain connected practically from everywhere. This is fundamental for social and financial interactions to occur. Thus the future holds both opportunities and challenges for the Authority. One of

the main opportunities is the changing pace of innovation driven by the renewed vigour in competition, which due to the insularity and size of Malta was more subdued over the years. Over the last years the Fintech industry has developed innovative services in a number niche activities which were neglected by the traditional financial industry operators, but the increased pace of competition brings with it the proliferation of players to the market, with some destined to fail, a natural by-product of competition itself. This presents challenges to consumer protection, and may in time also present risks to the stability of the market as these institutions continue to grow, and thus the Authority has to react to the changing reality of the industry in order to address its objectives. The changing modality of delivery of services over what is generally termed as the internet, or the global network which is effectively borderless, has opened opportunities for service providers from many jurisdictions to reach out to consumers who are safeguarded by the Authority, but also for providers of authorised by the Authority to reach out to customers in other jurisdictions. Provisions in the European Union for the functioning of the single market (DIRECTIVE 2013/36/EU freedom of movement of financial services) provide the context for this to happen across the European economic area, and this has challenged European Union competent authorities which need to achieve greater cooperation. This has culminated in the need and the setting-up of single regulatory authorities within the European Union which bring together the best that national authorities can offer, even if this arrangement presents challenges of policy and regulatory convergence. The use of technology is also permeating the competent authorities themselves in their drive to automate some of the regulatory processes they undertake, and this is of immediate benefit also to the regulated entity. One of the more common challenges being faced by regulated entities is the cost of compliance, which includes reporting. As already mentioned automation, even artificial intelligence, applied in the regulatory process in this context allows resources to focus on more productive activities. Regtech has the potential to increase the quality of the outcome of the regulatory interactions, while allowing the consumers more cost effective products. Fintech and Regtech are the future.

7. Tara li l-MFSA għandu jkollha rwol fl-aspett edukattiv u ta' taħriġ fejn jidhru l-ħaddiema fis-settur finanzjarju?

The confidence of the consumer in financial services may be eroded if the behaviours of products is not aligned with expectations. Service providers provide clients with conditions of service documentation which may be difficult to comprehend, due to the nature of the product, or its inherent complexity. The situation is even more challenging with digital products where information provided to consumers during enrolment is not reviewed in most cases. One way of managing this risk is to ensure that service providers are professionally required to ensure the proper understanding of complex products by the respective clients or investors. Indeed the industry obligations to provide the information but this may also be supplemented by additional information intended to address financial literacy of customers as they interact with common day to day financial products, and this aspect of basic education needs to be addressed. The authority may need to undertake information campaigns which allow consumers to understand better their rights and obligations when making use of financial products.

Another element that I believe is weak in Malta is the ability of the published media to report on financial the system. This requires observers prepared for this specialised task, and this is rarely the case in Malta. The work of specialised financial journalists is an important to bridge the interests of consumers and financial services providers, serving also the objectives of regulators. Published media today has the potential to educate and inform users of financial products when communicating through highly effective information delivery channels. Thus education for the published media may play an important role in the dynamics of the market and the Authority has an interest in its development. The Authority may need to engage with the Institute of Maltese Journalists to address this opportunity.

The authority has taken steps to identify gaps in existing skills required by the financial services sector and provide support in relation to structured training programmes offered by its members and other entities within the finance industry. The financial industry in Malta offers the prospects of interesting and well remunerated careers however in Malta we continue to experience limited supply in a number of skills which are required by the industry. Thus the authority may need closer cooperation with education authorities in order to address the demand /supply gap, including but not limited to the available qualifications in financial services, the tuition available, and how students are encouraged to take the opportunities for training. Additional efforts may be required to address financial technology and analytics, which are fundamental for FinTech and RegTech, amongst others.

The authority has in its 2021 strategy announced the formation of an Academy of Excellence for Financial Supervisors to provide a yearly curriculum to train young and upcoming financial services supervisors, and to also ensure that experienced supervisors are given the opportunity to grow further and update their knowledge in this field, particularly with regard to techniques in financial supervision. This initiative needs to be pursued.

#### *Mistoqsijiet sottomessi mill-Membri tal-Oppożizzjoni*

1. Kif tiddeskrivi r-rwol ta' Chairperson tal-Bord tal-Gvernaturi tal-Awtorità Maltija għas-Servizzi Finanzjarji?

This question was partially answered in the first part of this paper where I have outlined the role of the chairman as mandated in the enabling act, however the Chairman to the board of a complex authority like the MFSA, designated competent authority in a substantial number of pieces of legislation enacted by the Maltese parliament, and an additional set of just as challenging EU regulations and directives, needs to be more than what is directly prescribed in the Act. The diversity of the decisions that are within the remit of the Board necessitates good coordination with the Executive Committee of the Authority and an exceptional effort within the governance arrangements to ensure that decision takers in the Board have the full set of relevant information available to them when they are faced with the decisions required. There is also need for an orderly organisation and conduct of the meetings necessary to achieve a satisfactory outcome. The decisions and institutional targets set by the Board

have to permeate within the organisation structure and this is where the executive is expected to take over so that the rest of the organisation can deliver the expected results.

2. X'esperjenza għandek fis-settur tas-servizzi finanzjarji?

As a Central Banker for the good part of 4 decades, I was for years a leading executive committee member in a reputable institution that is part of, and interacts with, the financial system in many ways. This experience has allowed me to participate in many financial system related activities, reaching out to most of the stakeholders involved in the sector while operating technical solutions. I have headed regulatory activities in the Central Bank of Malta, issuing directives, undertaking public consultation with stakeholders, and monitoring of their implementation, and through a professional team of highly specialised individuals regulated and oversaw payments and settlement systems. I have through this work been exposed to financial assets of various types, some of which complex, which allowed me to understand the risks to consumers when they are exposed to the complexity of such products by the financial industry. Experience has seen me acting as the banker to the Maltese Government, while also managing our teams providing the industry with retail payment products for use by consumers across SEPA countries. I have worked with the euro system in developing standards in an international context, in conducting assessments of systems in Malta and abroad, in managing financial risk and implementing various collateralisation techniques, issuing subsidiary legislation and in transposing European Legislation, regulating financial products, and recently participated in laying the groundwork for issuing the digital euro, a challenging project being undertaken by a high level taskforce within the Euro system.. Through my work in recent years at the Central Bank of Malta I have widened the reach of products operated by the Bank to include more licenced institutions in the process innovating on the services provided. Part of my work included managing relationships with international correspondent banks and through a coordinating effort across national authorities managed to mitigate the risk of isolation during the challenging period of the grey listing, hiving off the risk of a number international banks leaving the island through information sharing with domestic authorities. Institution resolution is an activity that is necessarily complex and takes centre stage at the MFSA through the resolution board, and here again I was significantly involved in the resolution activities undertaken in the last few years. The work conducted with the FIAU in recent years perhaps in one of the more challenging periods for the Intelligence Unit, and I had the privilege to assist as member of the board for a number of years and acted as chairman for the last two years. One can mention that both the MFSA and the Malta Stock exchange know their origin from the activities undertaken over the years in the Central Bank of Malta, and to which I have participated in different ways.

3. Tista' tispjega xi kwalifiki akkademiċi għandek b'rabta mas-settur tas-servizzi finanzjarji?

My qualifications are in technology, and mathematics, specialising in statistics. These qualifications are not specific to the financial industry, but are heavily qualified through the experiences which have over the years complemented these

academic qualifications. Technology is a fundamental enabler of any industry, more so the financial industry and this has enabled me to develop the information technology strategy for the Central Bank of Malta and managing its implementation on more than one occasion. However as explained in the previous question the academic qualifications are complemented by four decades of experience in a leading reputable sister organisation, many of them in senior roles.

4. Xi sfidi tara li għandha quddiemha l-Awtorità Maltija għas-Servizzi Finanzjarji?

In large part this was answered in 4 above. The number, specialisation and complexity of the service providers participating in the financial services industry continues to grow, now well beyond 2000 institutions are authorised. It is indeed a challenge to ensure such a wide number of entities are effectively overseen, as this requires an organisation structure with sound operational capabilities. Given the challenges being faced with employing qualified and skilled resources which are seldom available for employment on the market, the Authority is being challenged in attaining the resources that can allow it carry out all the activities it needs to undertake with the quality generally associated with experienced regulators.

5. Tista' tindika jekk fil-prezent għandekx attivitajiet kummerċjali? Tista' tindika jekk dawn humiex ser joħolqu kunflitt ta' interess f'każ li tiġi maħtur Chairperson tal-Bord tal-Gvernaturi tal-Awtorità Maltija għas-Servizzi Finanzjarji?

I do not have a role in any commercial undertaking, nor have I ever had one, and I believe that there is conflict of interest in taking up a role on the Board of the MFSA. This requirement was also a prerequisite for the work conducted as part of the Central Bank of Malta, and the roles undertaken with the FIAU.

6. Tista' tispjega kif il-karigi tiegħek ta' Chairman tal-Bord tal-Gvernaturi tal-Korp għall-Analiżi ta' Informazzjoni Finanzjarja u ta' Chief Executive Officer tal-Malta Government Investments Limited huma kompattibbli mal-kariga ta' Chairperson tal-Bord tal-Gvernaturi tal-Awtorità Maltija għas-Servizzi Finanzjarji?

I am currently employed as the Chief Executive Officer at the Malta Government Investments Limited, a company fully owned by the Government of Malta though the shareholding of the Government Securities Board of the Government of Malta. Assets owned by MGI are primarily shares in companies set up with public administration ownership and the objective of the setup is to assist good governance within the subsidiaries. I am, as prescribed by the Prevention of Money Laundering resigning from my role as Chairman and Board member of the Financial Intelligence Analysis Unit following my termination of employment with the Central Bank of Malta.

7. Taħseb li minn dak li għaddiet minnu l-Awtorità Maltija għas-Servizzi Finanzjarji fis-snin riċenti li hemm mekkaniżmi interni sodi sabiex jassiguraw iktar trasparenza u li ma jkunx hemm abbuż fil-proċeduri u fid-deċiżjonijiet li jittieħdu? X'bidliet taħseb li għandhom isiru?

The context of this question may require a better understanding of the internal work being undertaken by the different directorates in order to ensure that the outcome of the quality of the work is aligned with expectations. I will therefore answer the question only as qualified observer. There were incidents in recent years which to me as Central Banker draw the attention. Obviously that is based on the public information available which described incidents with licenced entities where licences had to be revoked by the Authority rather than being surrendered by the operator. This is not the desired outcome of any supervisory oversight process since such outcomes serve ill purpose to the primary objective of the Authority of fostering confidence in the financial system. Depending on the reason of the revocation there may also be undesirable temporary consequences to depositors, clients or consumers, which under some circumstance may be of an extended duration or permanent. Thus any Authority induced licence revocation presents to the Authority an opportunity to review and assess internal processes to ensure that the objectives of stability of the market and the protection of consumers can continue to be delivered. This may relate to the authorisation process or the ongoing oversight depending on the specific circumstances of the revocation itself. The incidents of recent years indicate that the review may deliver recommendations which the Board may consider to both the authorisation process, and to the ongoing oversight, and though the implementation of recommendations the Authority can continue to strengthen of the outcome of its work. Failure of institutions is also part of the financial industry and together with the initiatives undertaken within the provisions of the European Union regulations to safeguard the financial market in similar situations, the Authority should be well prepared for the orderly conduct of resolution while fully safeguarding the interest of depositors and the integrity of the market.

8. X'inhuma l-pjanijiet tiegħek għall-Awtorità Maltija għas-Servizzi Finanzjarji biex tiżgura li Malta ma terġax tispicča greylisted mill-Financial Action Task Force (FATF)?

The grey listing of Malta by FATF was a consequence of assessments undertaken through the published methodology by MONEYVAL and FATF. The first stage of the assessment, a technical compliance review, relates to the relevant legal and institutional framework of the country, and the powers and procedures of the competent authorities. The second all important review seeks to evaluate how the FATF recommendations are implemented by a country and how effective these are in preventing money laundering and the funding of terrorism. During both stages of the assessment, there are many public authorities were involved, and in the latest review conducted which lead to the grey listing of the country, the assessments identified a number of shortcomings, none of which formed part of the responsibilities of the MFSA which was compliant with recommendations. However as early as 2018 it was felt that the Authorities involved in this work should come together to ensure that their efforts are effectively coordinated, and the National Coordinating Committee (NCC) on Combating Money Laundering and Funding of Terrorism was formed. The NCC is now tasked, with the assistance of relevant public authorities, to conduct a country AML risk assessment, and drawing on the risks identified take effective measures to effectively mitigate these risks. The actions that therefore need to be taken by the

MFSA in the context of this priority is through the strong participation NCC, coupled with ongoing efforts by MFSA to ensure timely transposition of changes to legislative provisions as these continue to develop, while ensuring that the internal supervisory processes remain effective in their implementation. One aspect continues to preoccupy public authorities, including the MFSA, in their enforcement activities. This relates to the ability of public authorities enforce regulations through the application of administrative sanctions or penalties.

Recent developments have shown that enforceability of sanctions/penalties remains in doubt, and this undermines the work of the authorities in the effort towards universal regulatory compliance. Although authorities welcome access to a review of their decisions when applying sanctions to an institution, the interest of the institution needs to be balanced with the public need for an effective application the regulatory obligations to all market participants safeguarding public interest, and in line with European Union regulations.

Ġaladarba kellu jkun l-Bank Ċentrali Ewropew (l-BĊE) u mhux l-Awtorità Maltija għas-Servizzi Finanzjarji li rrevoka l-liċenzja tal-bank Pilatus, kif se tiżgura li każ bħal dan ma jergax isehh?

Banking supervision is a shared responsibility with European authorities, one of which is the MFSA, and includes the European Banking Authority an authority set up under an EU regulation with a direct supervisory interest on systematically important institutions. REGULATION (EU) No 468/2014 establishes the Single Supervisory Mechanism, where the ECB and the MFSA share supervisory responsibilities of financial institutions, depending on the significance of the financial institution concerned. The ECB has direct supervisory competence in respect of credit institutions, financial holding companies or mixed financial holding companies that are significant. The MFSA is responsible for directly supervising the entities that are less significant, even if the ECB-SSM can also take the lead in specific cases. The aspiration of the question has to be qualified in the context of the current supervisory reality, where the MFSA must necessarily and effectively cooperate with other European Union authorities in its activities. One has to appreciate that the specific tasks, such as the prevention of money laundering and funding of terrorism, are assigned to authorities through specific acts or regulations under which neither the MFSA nor the ECB's SSM are the competent authorities. This necessarily poses limits in some situations where the SSM or the MFSA need to take regulatory actions such as the revocation of a licence due to this specific risk, when this is not within their remit to assess and address.

The objective of the MFSA is to ensure that authorised institutions can meet continuously the conditions set to them by the authority in the provision of financial services to consumers. Inevitably, some firms will fail to do so, or fall short of these requirements such that the SSM, together with the MFSA need to revoke their authorisation. The MFSA has the tools, through both European regulations and the enabling powers under the Act, to ensure that if they do so, they leave the market in an orderly way which mitigates the risk of consequences to consumers and the market.