

Circular addressed to Category 2 and Category 3 Investment Firms in relation to updates to the COREP return

Background

Reference is made to the COREP returns which have to be submitted at regular intervals by Category 2 and Category 3 investment firms. To date, COREP returns have primarily focused on prudential data. Following the recent establishment of the Conduct Supervisory Unit, it was decided that conduct-related data will also be collected from investment firms as applicable, as from the next COREP return dated **31st December 2016** (due to be submitted on **12th February 2017**). In order to simplify the data collection aspect, it was decided that going forward, these additional information requirements should be integrated within the COREP return, under a section titled “**Conduct**”.

The referred additional information requirements will be focused on the following areas:

I. Financial Innovation

The revised COREP will seek to gather more information on innovative financial instruments, products, services, processes and practices that are coming to the market and whether the investment firm is aware of any innovations that are in the pipeline.

II. Cross-Border Passporting

Investment firms will be requested to report on the extent of business generated on a cross-border basis in terms of number of retail clients, professional clients and eligible counterparties on a per country basis.

III. Retail Investor Trends

Please note that the information being requested on Retail Investor Trends is already included in the COREP return, tab ‘Market Trends’. However the MFSA has noticed that a number of investment firms are not filling in this tab. In this respect, going forward investment firms offering financial instruments to retail clients are expected to complete the information being requested in this tab.

Moreover, may we draw your attention that the content of this form has been slightly amended.

IV. Information on Complex Financial Instruments

Investment firms will be requested to identify and list the top ten (10) complex financial instruments¹ in respect of which they are providing an investment service to their clients and provide the following details in relation to the referred complex financial instruments:

- Number of clients who have invested in the identified complex financial instruments through the investment firm;
- Value of the above investments/holdings in Euro; and
- The percentage of business as generated by the identified top ten (10) complex financial instruments vis a vis the total business.

V. Complaints-related data

Investment firms will be requested to categorise complaints by cause and by financial instrument.

Investment firms will also be required to report new complaints lodged during the respective quarter, together with complaints brought forward from the previous quarter which are still unresolved.

This form replaces the current one submitted to the MFSA on a quarterly basis.

The above information will be collected on a **quarterly basis** and will be integrated as part of the COREP return for Category 2 and Category 3 investment firms.

VI. List of financial instruments sold

On a separate note, Category 2 and Category 3 investment firms will be required to submit on a **bi-annual basis** a list of all financial instruments in respect of which they provided an investment service to their clients during a specified reporting period. Said list should be categorised according to whether the financial instrument is complex or non-complex. This additional information will be required to be submitted as from **June 2017** onwards, as a separate attachment to the COREP return.

Next Steps

¹ In this respect Investment firms should classify the top ten (10) complex instruments by reference to the sales value in euro during the reporting period covered by the COREP return being submitted.

A copy of the revised COREP for Category 2 and 3 investment firms can be accessed from the [MFSA website](#). Any queries on the above should be addressed to the persons mentioned hereunder.

Contacts

Should you have any queries regarding the above, please do not hesitate to contact Ms Erika Bajada, Analyst – Conduct Supervisory Unit (EBajada@mfsa.com.mt or 25485249) or Ms Sephora Scerri, Analyst – Conduct Supervisory Unit (SScerri@mfsa.com.mt or 25485385).

**Communications Unit
Malta Financial Services Authority
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