

MFSA

MALTA FINANCIAL SERVICES AUTHORITY

**Guidance Notes on the computation of
Regulatory Fees applicable to Investment
Services Licence Holders**

Introduction

On the 1st January, 2014 the fees payable to the MFSA for licences, recognitions and registrations were revised pursuant to the Investment Services Act (Fees) Regulations 2014 (LN 9 of 2014), hereafter called the Regulations. These Guidance Notes specifically address the fees payable by investment services licence holders with particular reference to the method of computation of the Annual Supervisory Fee.

1. Fees payable by Investment Services Licence Holders

In terms of the Regulations, a provider of investment services is subject to two types of fee, namely [a] an *Application Fee*, this is payable when a person applies for an investment services licence; and [b] an Annual *Supervisory Fee*, which (except for the first such fee) is payable upon the submission of the annual audited financial statements by the investment services licence holder.

2. Application Fees

Table I below sets out the amount of the fee which must be paid at application stage by each category of Licence Holder. The Application Fee is payable *upon submission* of an application for the granting of an investment services licence and is non-refundable irrespective of whether the application is eventually accepted or not.

Table I: Application Fees

Licence Category applied for:	Application Fee Payable
	EUR
Category 1 a	€2,500
Category 1 b	€3,000
Category 2	€5,000
Category 3	€7,000
Category 4 a	€17,000
Category 4 b	€7,500

3. Annual Supervisory Fee

The Annual Supervisory Fee is payable annually, upon submission of the annual financial statements by the investment services licence holder. The following is an explanation of the manner in which the Annual Supervisory Fee is to be calculated. The Annual Supervisory Fee is comprised of: **[a]** the fixed element; and **[b]** the variable element [however the variable element does not apply to Category 4a and Category 4b investment services licence holders].

The fixed element of the Annual Supervisory Fee depends on the category of the investment services licence held by the licence holder. **The variable element** of the Annual Supervisory Fee is based on the licence holders' *revenue* which is defined in the Regulations as *'the gross revenue indicated in the annual audited financial statements and that is derived from activities for which an investment services licence was issued in terms of article 3 of the Act, less any commissions that are directly related to the acquisition of the said gross revenue, paid or payable to third parties'*. The following table illustrates the fixed and variable elements of the Annual Supervisory Fee classified per category of investment services licence.

Table II: Annual Supervisory Fees

Category of IS Licence	Annual Supervisory Fee			
	Fixed Element		Variable Element	
		EUR		
Category 1 a	For revenue up to EUR 50,000	2,000	Further tranches of EUR 50,000 up to a maximum of EUR 1,000,000	EUR 350 per tranche or part thereof
Category 1 b	For revenue up to EUR 50,000	2,750	Further tranches of EUR 50,000 up to a maximum of EUR 1,000,000	EUR 350 per tranche or part thereof
Category 2	For revenue up to EUR 250,000	4,500	Further tranches of EUR 250,000 up to a maximum of EUR 5,000,000	EUR 400 per tranche or part thereof
Category 3	For revenue up to EUR 250,000	6,000	Further tranches of EUR 250,000 up to a maximum of EUR 50,000,000	EUR 400 per tranche or part thereof
Category 4 a		15,000	Nil	
Category 4 b		5,000	Nil	

In order to facilitate the investment services licence holder's calculation of the annual supervisory fee, the Annual Supervisory Fee Calculator has been devised and is included as Annex I to these Guidance Notes. Detailed instructions on how to use this calculator are outlined in section 4 below.

3.1 Accounting Reference Period

The investment services licence holder's accounting reference period would generally cover a period of twelve months. However, there could be circumstances where this period is shortened up to six months (this is only allowable upon registration of the Company) or extended up to eighteen months. In any event, the Annual Supervisory Fee shall fall due upon the submission of the annual audited financial statements.

3.2 Annual Supervisory Fee – Upgraded Investment Services Licence

When an investment services licence has been upgraded [e.g. from Cat 1 to Cat 2], the investment services licence holder shall calculate its next Annual Supervisory Fee as follows:

[a] calculate the '*revenue*' based on the figures of the audited financial statements;

[b] calculate the supervisory fee according to Table II based on the **upgraded** investment services licence [e.g. Cat 2];

4. Annual Supervisory Fee Calculator – Applicable to Cat 1, 2 and 3

In calculating the Annual Supervisory Fee, a licence holder may use the Annual Supervisory Fee Calculator to compute the Annual Supervisory Fee due to the Authority. This section of the Guidance Notes provides an explanation of the manner in which the Licence Holder should use this calculator.

4.1 Instructions for using the Annual Supervisory Fee Calculator

- i. Insert the category of Investment Services Licence

1.0	Licence Category	
-----	------------------	--

- ii. Insert the audited figure of revenue derived from activities for which an investment services licence was issued for the accounting reference period to which the Annual Supervisory Fee is being calculated.

2.0	Revenue derived from activities for which an investment services licence was issued, in the currency of the financial statements *	
-----	--	--

- iii. Insert the audited figure of total gross commissions and fees payable by the Licence Holder directly related to the acquisition of revenue which has been derived from activities for which an investment services licence was issued for the accounting reference period to which the Annual Supervisory Fee is being calculated.

3.0	Total gross commissions and fees payable by the Licence Holder directly related to the acquisition of revenue which has been derived from activities for which an investment services licence was issued in the currency of the financial statements **	
-----	---	--

- iv. Insert the relevant currency in which the financial statements have been prepared and the exchange rate as at the end of the reporting period. By way of example if the reporting currency is USD, and the current rate is 1 USD = EUR 0.75, then 0.75 should be inputted in item 5.0 of the Annual Supervisory Fee Calculator

4.0	Currency in which accounts are reported	
-----	---	--

5.0	Exchange rate as at end of reporting period converting the reporting currency to EURO	
-----	---	--

- v. The Annual Supervisory Fee Calculator automatically computes the **Revenue** and the Annual Supervisory Fee. The fee calculator does not calculate the supervisory fee due when the licence holder upgrades its investment services licence.

4.2 Annual Supervisory Fee Computation - Example

ABC Investment Services Limited holds a Category 2 Investment Services Licence. Its accounting reference date is the 31st December.

ABC Investment Services Limited wants to compute the annual supervisory fee for the year ended 31st December, 20X1.

In calculating the fee, ABC Investment Services Limited shall use the following figures from its audited financial statements for the period ended 31st December, 20X1: **[a]** Total investment services related revenue amounting to EUR 1,200,000; and **[b]** total investment services related gross commissions and fees payable amounting to EUR 110,000.

The annual supervisory fee shall be calculated by applying the following two stage process:

Stage 1 - Computation of the Revenue

	EUR
Total investment services related revenue	1,200,000
Total investment services related gross commissions and fees payable	<u>110,000</u>
Revenue	1,090,000

Stage 2 – Calculation of the Annual Supervisory Fee

The annual supervisory fee is comprised of: **[a]** the fixed element; and **[b]** the variable element.

Fixed Element

The fixed element of the annual supervisory fee for a Category 2 Licence Holder amounts to EUR 4,500. This amount shall always be payable, irrespective of the amount of the licence holder's **Revenue**.

Variable Element

ABC Investment Services Limited shall be subject to the variable element of the Annual Supervisory Fee if its **Revenue** exceeds EUR 250,000. The **Revenue** amounts to EUR 1,090,000 therefore ABC Investment Services Limited shall be required to compute the variable element of the Annual Supervisory Fee (*i.e. a tranching fee for every EUR 250,000 or part thereof which exceeds the first EUR 250,000*) as follows:

MFSA

MALTA FINANCIAL SERVICES AUTHORITY

Revenue exceeding Eur 250,000		<i>Eur</i>
	Eur 250,000 to Eur 500,000	400
	Eur 500,000 to Eur 750,000	400
	Eur 750,000 to Eur 1,000,000	400
	Eur 1,000,000 to Eur 1,250,000	400
Annual Supervisory fee – <i>Variable Element</i>		1,600

Total Annual Supervisory Fee

Total annual supervisory fee payable by ABC Investment Services Limited amounts to **EUR 6,100**.