THE MALTA STOCK EXCHANGE

“To facilitate capital formation in the public and private sector by developing and operating a liquid, efficient and fair securities market for the ultimate benefit of issuers and investors whilst adding value to its shareholders”


Today it is a fully-fledged regulated market which successfully fulfills its role as an effective venue to raise capital finance. The Exchange carries out this role by providing a structure for admission of financial instruments to its recognised lists which may subsequently be traded on a regulated, transparent and orderly market place (secondary market). The main participants in the market are Issuers, Stock Exchange Members (stockbrokers), and the investors in general. Apart from admission and trading, the Exchange offers a comprehensive range of back–office services including maintenance of share and bond registers, clearing and settlement and custody services through its Central Securities Depository (CSD) which is situated in-house. It also has a link with Clearstream Banking in Frankfurt, Germany and in Luxembourg facilitating international access.

The Malta Stock Exchange offers a varied spectrum of products and services:

- Admission
  - Financial Instruments:
    - Equities
    - Bonds
      - Corporate Bonds,
      - Government Stocks
    - Treasury Bills.
  - Collective Investment Funds
- Trading of Financial Instruments
- Central Securities Depository Services
  - Securities’ issuance services
  - New issues registration services
  - Register and securities administration
  - Clearing and settlement
  - Custodial Services
MSE CENTRAL SECURITIES DEPOSITORY

All financial instruments traded at the Malta Stock Exchange are dematerialized, i.e. share and bond registers are held in electronic format and no certificates are issued as confirmation of holdings. All market transactions, off-market transfers and other amendments related to registers of listed companies are reflected in the relevant registers held within the Central Securities Depository.

An investor intending to acquire listed financial instruments traded on, or to otherwise hold securities in the custody of the Exchange, is assigned a unique Malta Stock Exchange Account Number within the Central Securities Depository. Such account is opened by the Member acting on behalf of the investor, custodians, or as a result of participation of an investor in an initial public offering. An Account will also be opened in respect of clients requesting securities custody services. Such Account Number is unique to each investor and all holdings, transactions, transfers, etc. are reflected in this account number. Upon request and at least once a year, clients receive Statement of Holdings showing all the financial instruments’ balances held within their account.

The Central Securities Depository provides a number of specialized securities administration and related corporate services:

- **Securities Issuance services**

In virtue of its appointment as Malta’s national numbering agency accredited with the international Association of National Numbering Agencies, the central securities depository issues upon formal request a unique international securities identification number (‘ISIN’) (and maintains updated details) in respect of securities issues in Malta as part of the preparatory work and other corporate administrative services involved in any type of securities issuance. Dematerialised securities issued through or admitted within the CSD (as their issuer CSD) may be dealt in, cleared and settled on the international markets through links with other international depositories (see below MSE’s link with Clearstream Banking of Frankfurt, Germany and Luxembourg).

- **Registrar Services**

This service includes the collection, data input and all other processes related to the applications made by prospective investors in respect of initial public offering of instruments and assets. Since the CSD will also be acting on the instructions of the issuer in respect of the allocation of the investments in the name of investors, the provision of registrar services is a naturally integrated extension of securities issuance services.

Registrar services involve the channelling and verification of applications from financial intermediaries, in a controlled and secure environment, reconciliation of the receipt of corresponding cleared funds, the
vetting and processing and data input, reporting to issuer, allocation, and integration with any already existing register held on the CSD, release of funds and/or processing of any refunds due, followed by the communication and confirmation with investors by formal registration advice.

- **Securities Administration**

The provision of a securities holders’ register administration service in respect of issues of dematerialized securities by corporate (e.g., private and public companies or corporations) and non-corporate (e.g. other entities, unit trusts and mutual schemes) issuers. Registered securities administration services include the processing of all corporate actions planned by an issuer, such as the dividend / interest payments processing, power-of-attorney mandates and fixed term securities maturities and redemptions, new issues and rights and bonus issues, regulatory or other ad hoc reporting and updating of registered holdings’ details.

Other register related services include:

- Transfer of Ownership in Off Exchange Transactions
- Pledge / other collateral entry or release of securities
- Freeze of Securities after a Court Order or in terms of any other legal restrictions
- Services to Investors such as: Statement of Account, information for investors’ account

- **Clearing and Settlement processing**

Clearing and settlement of financial instruments, i.e. the verification of the transfer of financial instruments or other assets in accordance with due instructions: - typically consisting of, delivery versus payment (‘DvP’) in respect of the transfer of assets against payment, or free of payment (‘FoP’) in respect of the delivery of assets free of payment. Conventionally, securities settlement on the Maltese regulated market takes place on T+3 (T is the day of transaction) for all financial instruments except for Malta Government Treasury Bills which are settled on T+0. Clearing and settlement is performed by MaltaClear, the designated securities settlement system operated by the Exchange and forming part of the operations of the Central Securities Depository.

- **Custodial Services**

Through its custody and depository services, the CSD offers professional, customised and cost-efficient services to retail, institutional or sophisticated investors wishing to avail of the MSE’s custodial holding services, clearing and settlement of assets and the effective exercise of rights arising therefrom on their behalf. Custodial services may extend to both securities issued in Malta and overseas. Interested investors will typically appoint the MSE as their custodian and legal holder of the custody assets on their behalf and in their beneficial interest. By so doing, custody clients will in practice avail of the extensive coverage and possibility of enhanced liquidity that the MSE may extend to the international markets in respect of the custody assets, subject to the applicable terms and conditions.
• **The MSE CSD link with Clearstream Banking**

The Malta Stock Exchange has set up a link with Clearstream with a view to linking the Maltese market with the international markets. In a nutshell, the link facilitates the participation of MSE customers on the international markets while affording an easy access to international investors to include securities issued in Malta within their portfolios. MSE customers without a Clearstream or other CSD account abroad may still hold internationally issued securities and assets over a secure and efficient link by appointing the MSE as their custodian. This custodial relationship will allow investors to benefit from secure and efficient clearing and settlement processing and a host of other security custody services.

Additionally, investors interested in primary market subscriptions of dematerialized securities issued in Malta, as well as those wishing to process secondary market transfers, may derive practical benefit from the MSE-Clearstream link. Investors who already hold accounts with Clearstream Banking in Frankfurt or Luxembourg, or any other securities depository linked with Clearstream, do not need to open an account with the MSE Central Securities Depository, but may use their Clearstream or other linked CSD account to connect to the local market through the link set up between Clearstream and the MSE Central Securities Depository.

The relationship between MSE and Clearstream allows Maltese financial instruments issued through the CSD to be deposited, cleared and settled in an international environment making these financial instruments much more liquid since they may be actively transferred in a secure manner anywhere in the world through Clearstream’s global reach.

The converse of the above also holds and investors wishing to invest in foreign securities and assets may do so by transacting or otherwise acquiring title over such securities and assets through authorised intermediaries or over-the-counter. Instead of maintaining an account directly with a foreign depository, or indirectly through participants in such a depository, to record the holding in these investments, the MSE Central Security Depository will hold these investments in custody on behalf of such investors through its partnership custodial relationship with Clearstream Banking.

Title over such international investments will be acknowledged on the relevant value settlement date in the client’s respective portfolio securities account held at the MSE Central Securities Depository in Valletta.

Cash corporate action payments are administered by the MSE as custodian in the client’s specified cash account. Furthermore all corporate action instructions, including the exercise of any voting rights and also any possible applicable withholding tax reclams, will be governed by ad hoc service level undertakings forming part of the custody appointment.
The advantage of the relationship with an international partner such as Clearstream lies in extending to EU and non EU issuers easier access to the possibility of their equities or commercial paper to be issued and/or listed under the MSE brand, and through EU passporting, simultaneously or subsequently seeking a fast-track admission to trading venues beyond the Maltese shores. In this way, the MSE has a cost-effective proposition and is ideally placed to allow securities issuers to derive at the same time the maximum benefits from a safe and regulated financial services centre with an excellent reputation on one hand and enhanced liquidity of the international markets on the other hand. It also allows investors to obtain easy access to a wide range of eligible foreign assets under the security of the MSE-CSD link to the international markets.

➢ **Other services**

The MSE CSD recognises the increasing importance of the fund administration business in Malta – a business that has developed significantly in recent years. This is an interesting area of development, and the CSD can provide support to the growing fund administration business through the provision of the suite of services mentioned.
Memberships and affiliations

The Malta Stock Exchange plc is a full member of

- Federation of European Securities Exchanges
- World Federation of Exchanges
- International Organisation of Securities Commission
- European Central Securities Depositories Association
- European Capital Markets Institute
- European Corporate Governance Institute
- International Securities Services Association
- Association of National Numbering Agencies

The MSE is also a signatory of EU Code of Conduct on Clearing and Settlement

We hope that the information found in this document has proved to be useful and relevant to your needs - in the event that you require additional information or wish to make any specific enquiries, please contact:

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THE ISLAND OF MALTA

Malta joined the European Union on 1st of May 2004, and adopted the EURO as its national currency in 2008. However, Malta’s political, economic, cultural and historical connection with Europe can be traced back for many centuries due to its geographically strategic location, at the cross-roads between East and West.

Malta is a fast-developing financial and business centre right in the heart of the Mediterranean, an island which boasts an advanced communications set-up and a business environment which gives every incentive for companies operating here, to invest, grow, innovate and compete in the global marketplace. Boasting a highly educated and English-speaking workforce, a European time zone, a Mediterranean lifestyle as well as excellent air and sea connections to continental Europe and beyond, Malta is now recognized internationally as a low-risk jurisdiction benefitting from economic and political stability which makes the Island a safe and secure place to do business. It boasts a highly-qualified workforce and relatively low labour costs and benefits from having a legal structure which is based on the civil-law system of continental Europe and having an administrative and fiscal legislation which is based on UK law.

Malta enjoys a balanced vibrant economy in which manufacturing makes up 17% of GDP and financial services 13%. The financial services sector continues to play an important part in the economic development of the country and indeed, in line with national policy, this sector is well on the way to becoming Malta’s third pillar of the economy together with tourism and construction. Malta has a strong, yet flexible single regulatory body in the Malta Financial Services Authority (MFSA) which is responsible for all licensed financial services activity on the Islands, and which has a function-based structure in line with EU and global best practice standards. Malta’s strong bias towards robust regulation and expert practitioners has led to Malta becoming a highly developed financial centre, which is expected to grow significantly over the next decade. It offers excellent possibilities for low-cost financing of investment transactions and international activities. All domestic and foreign transactions are handled quickly and reliably by Maltese and foreign banks using the latest information technology and telecommunications systems.