

Malta Fintech Version 2021 and Development in the Approach Towards Artificial Intelligence

By Jonathan Vassallo, 5th June 2019

Background

Malta has established itself as an innovative island.

Practical, workable regulations have been successfully introduced for gaming and blockchain/crypto businesses and Malta is now preparing for the next generation of development within the financial service sector. New initiatives include Malta 'FinTech Vision 2021' and the 'Artificial Intelligence Project'.

FinTech Vision 2021

The Malta Financial Services Authority (MFSA) has launched its strategic vision and values for the next three years.

MFSA is currently assessing viable solutions to nurture innovation and to facilitate access to FinTech.

Ongoing assessments include:

- *Regulatory sandbox* – an environment in which businesses can test innovative products, services, business models and delivery mechanisms, without immediately having to be governed by the compliance regulations for that specific type of business. Several international financial service regulators have adopted this strategy to scrutinise innovator proposals, on a case by case basis, against a set of eligibility

criteria.

- *Innovation Hub* – the ‘Innovation Hub’ was set-up to support and provide guidance to innovative firms, in particular regarding the understanding and interpretation of applicable regulations. This guidance can be supplied by email/written correspondence, as well as via face-to-face meetings, between the relevant, innovative firm and Malta MFSA personnel.
- *Innovation partnerships* – an innovation partnership, or innovation accelerator, is a partnership arrangement between innovators, incumbent firms and/or public sector authorities, to accelerate the growth or development of a particular new initiative.
- *New MFSA website* – as part of FinTech Vision 2021, the MFSA has replaced its website with one that is more user centric.
- *Interactive rulebooks* – interactive rulebooks form an integral part of the new website. These interactive rulebooks provide the industry with a ‘state of the art’ online platform, facilitating access to the Maltese regulatory framework and helping to ensure that the regulations are consistently implemented.
- **Use and application of supervisory technology** – the MFSA is implementing technically sophisticated supervisory technology. This technology, commonly termed ‘SupTech’, will enable the MFSA to automate certain processes and will make the supervision of licence holders more efficient.
- *MFSA ‘Licence Holder Portal’* – the ‘Licence Holder Portal’ is currently being upgraded, to meet changing and additional business demands, and new European Union obligations. This Portal will shortly be renamed the ‘FinHub Portal’.
- *Cyber-security* – the MFSA will be issuing guidelines on cybersecurity for regulated entities, with the aim of enhancing licence holders’ cyber-resilience, particularly for those firms reliant on technology. The proposed guidelines will set out the Authority’s minimum expectations as to how entities should be addressing cyber-risk, and the necessary

safeguards they should have in place. The guidelines will also provide assessment methodology that will be used to determine compliance in this key area.

Artificial Intelligence

Malta is developing a national Artificial Intelligence (AI) strategy as part of an initiative to become one of the leading nations in this category.

The Maltese Parliamentary Secretary for Financial Services, Digital Economy and Innovation, Silvio Schembri, has stated: “With this strategy Malta is set to gain a strategic commercial advantage in the global economy sphere, generating investment and positioning itself as a leader in the AI field. The Maltese Government aspires to be a country that can help companies that invest in and serve Malta, not only to establish their business, but to commercialise and scale up using public policy.”

Malta is developing a coherent strategy to attract foreign AI companies to establish themselves in Malta.

Silvio Schembri explained that the Malta AI Taskforce has identified three ‘Strategic Pillars’:

- Investment, start-ups and innovation;
- Public sector adoption;
- Private sector adoption.

These ‘Pillars’ will be supported by three ‘Enablers’:

- Education and workforce;
- Legal and ethical framework;
- Ecosystem infrastructure.

Conclusion and Additional Information

Malta is positioning itself as a dynamic jurisdiction, across a number of new high-tech sectors. It is vital that the regulatory framework is appropriate and robust and Malta is developing, not only a coordinated compliance strategy, but is also identifying the Government support needed to optimise growth opportunities.

If you would like further information on this subject, please contact the Dixcart office in Malta: advice.malta@dixcart.com or your usual Dixcart contact.