



OFFICE OF THE COMPANY SECRETARY
58, Zachary Street, Valletta VLT 1130 - Malta
Telephone: (356) 2275 3032, 2275 3231 Fax: (356) 2275 3711

BOV/225

COMPANY ANNOUNCEMENT

The following is a Company Announcement issued by Bank of Valletta p.l.c. pursuant to the Malta Financial Services Authority Listing Rules:

Quote

La Valette Multi Manager Property Fund

Bank of Valletta (BOV or the Bank) refers to its Company Announcement BOV/223 of the 4 June 2012, in which it announced that it had received notice (dated 1 June 2012) from the Malta Financial Services Authority (MFSA or the Authority) of its determination with respect to the investigation that it had been carrying out since October 2010 concerning the sales practices adopted by the Bank in connection with the La Valette Multi Manager Property Fund (LVMMPF or the Fund).

The announcement also stated that the Authority had directed the Bank to fully cooperate with a review of files of the investors in the Fund to be carried out by an independent professional services firm, which review is aimed at identifying investors in the Fund that do not fall into the experienced investor criteria as defined in the LVMMPF prospectus. The directive requires, *inter alia*, that those investors identified from the file review as not eligible to invest in the Fund should be entitled to compensation from the Bank of an amount of €1 per share less any compensation already received.

The Bank, together with its advisors, has evaluated the MFSA communications (which are subject to a right of appeal within 30 days thereof) in detail, and has carefully considered its position. This consideration has involved the two communications received from the Authority on 1 June 2012 as follows:-

- (a) The decision (the Decision) of the Authority, and the imposition of a penalty following its investigation into the sales practices of the Bank in relation to the Property Fund, and
- (b) The purported directive (the Directive) that seeks, *inter alia*, to order the payment of compensation to certain investors determined to have been ineligible to invest in the Fund, and to fully cooperate with a file review to be carried out by an independent professional services firm to determine such investors.

The Decision

The Bank noted that the MFSA findings on the sales practices investigation allege breaches of certain Standard Licence Conditions under the Investment Services Guidelines and/or Rules in respect of a number of transactions carried out in connection with the Fund. The MFSA imposed an administrative penalty on the Bank, and will consider returning an appropriate proportion of the penalty following the conclusion to its satisfaction of the file review referred to above.

The Bank has expressed its strong disagreement with the MFSA regarding a number of important factors which led to the MFSA's decision to impose the administrative penalty, including the process that has been conducted by the Authority, and the manner in which certain evidence has been derived. The Bank believes that certain of the MFSA's findings (and therefore its Decision), are wrong and misconceived, both at law and in fact.

However, it is the desire of the BOV Board of Directors to bring to a close as soon as is practical all outstanding regulatory matters pertaining to the Fund. The Board has therefore resolved that, notwithstanding its substantive reservations concerning the Decision, given that this Decision closes the last of the three investigations into the Fund (subject to the regulatory repercussions in terms of the quantum of the administrative penalty that may be revised), it will not lodge an appeal against the Decision, and this so as to avoid the prospect of an extended adversarial regulatory dispute with the Authority, and to allow senior executive management to focus exclusively on the Bank's business, particularly in these challenging times.

However, this election not to appeal the MFSA Decision is being taken wholly without prejudice to the views held by BOV concerning the contents of the Decision and the process through which it was arrived at. Accordingly, the Bank is reserving all of its legal and other rights which remain unprejudiced in the event of any court or other judicial action.

The Directive

BOV is advised and believes that the contents of the Directive are *ultra vires* the powers and remit of the MFSA, as there is no provision in any law which endows the Authority with the power to unilaterally order the payment of compensation, without recourse to the Courts. Furthermore, the Directive takes no account of the binding contracts that are in place between the Bank and 99% of the investors in the Fund, which the Bank is advised constitutes a state of law as between the Bank and each of the investors with whom such a contract exists, and which at law remains a private matter between the Bank and investors, and with respect to which the MFSA remains a third party. Finally, the Directive is imprecise and unclear in certain respects, and it is apparent that the file review process will extend beyond the 30 day period permitted for the submission of an appeal to the Financial Services Tribunal.

Therefore, in order to protect its legal position and to ensure that the Bank's legal rights are not prejudiced or compromised in any way, the Bank will file an appeal before the Financial Services Tribunal against the Directive, *inter alia*, on the grounds that it is *ultra vires* the powers of the MFSA.

The File Review and Additional Compensation

Notwithstanding the strict legal position and the consequent filing of the appeal referred to above, Bank of Valletta declares that, in furtherance of its commitment to attain full closure of the Property Fund matters, on an *ex gratia* basis and entirely without prejudice and without admission of liability (and therefore not pursuant to the Directive):

- (a) It stands ready to fully cooperate with a file review of all application forms relating to the Fund (other than those execution only transactions in respect of which documentation is complete in all respects), to be carried out by an independent professional services firm to be engaged by the Authority, and to bear the costs thereof. The Bank will use its best endeavours to ensure that the file review process is finalised and any further compensation paid by the end of December 2012.
- (b) Notwithstanding the fact that irrevocable settlement agreements have already been reached with 99% of the investors in the Fund, the Bank will make (on an *ex gratia* and without prejudice basis) a payment of €1 per share (less any payments already made pursuant to the Bank of Valletta offer of 26 May 2011) to those investors shown by the independent file review and other documentation as not having met the experienced investor criteria as defined in the approved Prospectus of the Fund.

The Board of Directors firmly believes that the undertaking of the file review with the aim of identifying any investors who may not have been eligible to invest in the Fund because they would not have qualified as experienced investors in terms of the prospectus, and to provide additional *ex gratia* compensation thereto, independently of the strict legal position with respect to the purported directive of the MFSA and the 99% acceptance of the settlement offer, is a further step which it augurs should assist in bringing the matter of the LVMMPF to final closure.

Unquote

Catherine Formosa

**Dr. Catherine Formosa B.A., LL.D.
Company Secretary**

28 June 2012