



Investor Compensation Scheme

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1. What is the Investor Compensation Scheme?

The Investor Compensation Scheme is a rescue fund for customers of failed investment firms, which are licensed by the Malta Financial Services Authority (MFSA) to provide investment services. The Investor Compensation Scheme can only pay compensation if a licensed investment firm is unable or likely to be unable to pay claims against it, according to the Investor Compensation Scheme Regulations (the Regulations). In general this is when the licensed firm stops trading or becomes insolvent. The Regulations are based on the EU Directive 97/9 on investor-compensation schemes.

The Scheme is intended to promote confidence not only in licensed investment firms, but more importantly, in the financial system as a whole. It draws its justification from the fact that an investor is not generally in a position to make a comprehensive assessment of the risks affecting a licensed investment firm.

2. Does the Scheme cover losses caused by bad advice?

The Scheme does not cover losses caused by bad advice or poor investment management.

3. Are currencies covered by the Scheme?

The Scheme covers investments in any currency.

4. Does compensation cover investment losses arising from market fluctuations?

The Scheme does not compensate losses caused by market fluctuations in the value of investments. There is no cover for a downturn in the market, nor for any losses caused by inflation. These economic effects are beyond the control of the intermediaries.

5. Am I covered if I carry out investment transactions via internet?

Investment transactions carried out via internet may only be covered if the firm you are dealing with is a licensed intermediary.

6. Does the Scheme cover companies as well as individuals?

Most types of investments are covered, including investments by small companies that are permitted to draw up abridged balance sheets in terms of the Companies Act. Investments by firms on own account, or those arising out of illegal transactions, as well as investments held by financial firms and their connected persons are, inter alia, outside the scope of the Investor Compensation Scheme.

7. Are bank deposits covered?

Bank deposits are not legally defined as investments and are not covered by this Scheme. They may, however, be eligible for protection under a different Scheme, namely the Depositor Compensation Scheme.

8. How does the Scheme obtain its funds to pay compensation to investors?

The Investor Compensation Scheme is not an insurance company. It is not funded by the Government or by the taxpayer. The Scheme is funded by contributions from most financial intermediaries which are licensed by The Malta Financial Services Authority to provide investment services. These contributions take the form of a fixed amount paid annually and a variable provision which accumulates each year and is payable on call, in case of need.

9. What if I have more than one claim?

An investor can only submit one claim for all his investments taken in aggregate against a failed licensed firm.

10. What if I have a joint account or a trust, or my holdings are held under nominee?

Joint investment accounts are divided equally between account holders where there is no indication of the share of each holder in the account. Each will be covered up to the limits prescribed in the Regulations, subject to eligibility. In respect of investments held by a person acting as trustee or nominee for one or more beneficial owners, the investment making up the claim shall be deemed to belong to such beneficial owners equally unless there exists specific information which may otherwise determine the beneficial interests of such persons.

11. What are the payment limits under this Scheme?

If the claim is accepted, 90% of the net loss, subject to a maximum of €20,000, is paid to any one person.

Further information may be obtained from:

<https://www.mfsa.com.mt/pages/viewcontent.aspx?id=370>

<https://www.compensationschemes.org.mt/>