



MALTA STOCK EXCHANGE plc

QUARTERLY NEWSLETTER

JANUARY-MARCH 2016



Dear Friends,

Recently members of the Exchange's Executive team and I, visited one of our broker member firms to discuss various Exchange related issues. As is customary in meetings I have with stakeholders, I asked for recommendations on ways we can improve our services and become more productive and responsive to industry's needs. One of the criticisms levelled towards us (quite fairly I gathered) was a lack of consistent and proper communications with stakeholders. Often we receive good recommendations, which for various reasons aren't easy to execute, however, this one, improving communications, was easy to implement - hence this newsletter.

It is our intention to publish a newsletter quarterly, and to bring to your attention recent Exchange developments. For the last year, the Board and I have taken seriously our obligations to not only instil sound corporate governance and a productive and professional work environment, but to be as transparent with all stakeholders as we possibly can. I believe this newsletter is a step in the right direction – hope you agree.

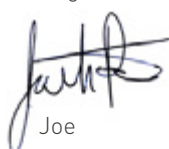
This year the Malta Stock Exchange will celebrate its 25th Anniversary. Congratulations to all employees, previous boards, and chairmen who worked so hard and diligently to get us to where we are today. As many of you are aware Ms. Eileen Muscat our energetic CEO, herself affiliated with the Exchange for some 25 years will be retiring in September. She will, however, remain with us as a business development consultant. After an exhaustive search, and intensive interview process, I'm pleased to report we named Mr. Simon Zammit as the Exchange's new CEO effective 19 September 2016. Although we screened almost a dozen "outside" and internal candidates, the Board ultimately decided that sound experience and strong technical skills should be the overriding selection criteria. Simon has almost 25 years' experience with the Exchange, having headed the CSD and Operations and IT departments. We are confident Simon will be an effective CEO and the Board and I look forward to working closely with him.

Due to increased regulations and new product lines the Board and I decided to bring back the role of General Manager (GM). We reasoned there has never been a time in our 25 year history where managing an Exchange has been as complex an affair as it is today. Therefore the CEO role, we believe, should focus primarily on managing Exchange affairs i.e. regulation, compliance, operations, finance, IT, Prospects, the CSD and business development. The GM on the other hand will be responsible for facilities management, human resources, procurement, training and travel, customer service and other corporate services.

Congratulations to Mr Alfred Sammut, a 17-year veteran of the Exchange for his promotion to the role of GM. Alfred's previous roles with the Exchange was head of CSD, Human Resources and Corporate Services. The Board and I are confident we could not have assembled a better executive team.

Good luck to you both, Simon and Alfred.

Regards



Joe



The Malta Stock Exchange launches Prospects, introducing the benefits of the capital markets to small and medium-sized enterprises

The highlight of the quarter was the official launch on 17 February at Le Meridian Hotel of Prospects, the new SME-oriented market. Prospects, which is operated by the Exchange, has the structure of a multilateral trading facility and is intended to facilitate access to capital by providing an efficient and cost-effective alternative option for sourcing funds or to address succession planning concerns. Over 100 participants attended the launch event and the Minister for Finance and the Chairman of the Exchange both spoke about its importance for economic development. The CEO then spoke in some detail regarding the rules governing this market. A website relating to this market was also launched (www.smeprospects.com).

On 26 February, we held a second event at the Exchange which was an Information Meeting for prospective Corporate Advisors which outlined the admission process. During these meetings, attendees were updated on the on-going efforts and discussions with the tax authorities and Ministry for Finance in order to draft rules that grant tax incentives. Drafting of these rules by tax consultants engaged by the Malta Stock Exchange are at an advanced stage. The Prospects Committee was set up in terms of the Rules and started its deliberations in March with the review of five applications for the role of Corporate Advisor.

MSE SHARIA EQUITY INDEX

On 8 February 2016, the MSE launched the MSE Sharia Equity Index which includes eight currently listed equities which have been certified by Dar Al Sharia of Dubai, a world-renowned Islamic Finance consultancy firm, as being Sharia compliant. This Index is the first step to establish Malta as a centre for Islamic Finance products with a view to attracting Sharia compliant equities and Sukuk instruments that could be listed and traded on the market.

EXTERNAL ADVISORY BOARD

The Exchange set up an External Advisory Board chaired by the Chairman of the Exchange and composed of a number of experts in the financial services sector, namely Dr Louis de Gabriele, Mr Chris Vassallo, Mr Karl Mercieca, Mr Andreas Woelfl, Dr Karl Strobl, Mr Nick Calamatta and Dr Nicholas Curmi. The objective of the Board is to advise the Exchange on the development of the capital markets and potential new areas of business in the light of opportunities arising from changes in legislation and regulation. The first meeting of the External Advisory Board was held on 13 January 2016 and was attended by the Board Members and Senior Management of the Exchange. The Advisory Board discussed matters relating to international business, listings as well as other matters.

REGULATORY MATTERS

At the beginning of the year, the Exchange received approval from the Competent Authority in respect of Prospects Rules which paved the way for the launch of the new market.

- In February, the Exchange submitted proposed amendments in respect of Chapters 2, 3, 4 and 7 of the Bye-laws together with relevant Appendices for approval by the Competent Authority.
- The Exchange submitted the following to the Competent Authority during the quarter:
 - Confirmation of RMICAAP
 - RMICAAP for 2015
 - Amended Risk Management Policy
 - Compliance Report: August 2015 – January 2016

CORPORATE SOCIAL RESPONSIBILITY

Throughout its years of operations, the Exchange has endeavoured to support cultural, educational and philanthropic causes financially by providing speakers as well as actively organising educational and information events and allowing the use of its premises for various initiatives. Furthermore, the Social Events Committee, supported by the staff, has been pivotal in organising events and initiatives where staff and their families can participate. The Board agreed to formalise a Corporate Social Responsibility Policy whereby it determined that 1% of profits after tax would be put towards a CSR Fund. This year, among other events and initiatives and as part of its CSR, the Exchange will, for the second consecutive year, finance a Banking and Finance Chair at the University of Malta and donate towards Heritage Malta, Din l-Art Helwa and the Community Chest Fund amongst other organisations. The Exchange will also host an Art Exhibition with the theme "Of Spatial Concerns" at its premises which will be open to the public on Tuesdays and Thursdays from 1600 to 1900 hours between 2 May 2016 and 16 June 2016.

ADMISSION

The following financial Instruments were admitted to the Exchange's Recognised Lists during January – March 2016:

22 issues of Treasury Bills

183,182 Santomas Shareholdings plc Ordinary Shares subsequent to a Bonus Issue

30,000,000 Bank of Valletta plc Ordinary Shares subsequent to a Bonus Issue

3 Sub Funds – Prague Developments SICAV

€21,982,400 4.5% Medserv plc Unsecured Bonds 2026

US\$ 9,148,100 5.75% Medserv plc Unsecured US\$ Bonds 2026

8,744,399 Medserv plc Ordinary Shares of a Nominal 0.10 subsequent to a Rights Issue

679,872 Maltapost plc Ordinary Shares of Nominal 0.25 subsequent to a scrip dividend issue

€3,000,200 1.5% MGS 2022 (IV) r

€196,733,100 2.5% MGS 2036 (I) r

E-PORTFOLIO

Through a letter enclosed with the annual Statement of Holdings, the MSE informed all account holders that it will soon be introducing an online facility aimed at providing enhanced services to investors registered within the Central Securities Depository (CSD).

The first phase of this project will allow investors online access to their accounts and investment portfolios and they can access their Statement of Holdings and Registration Advices. This service is in line with the Exchange's strategy to move towards a more paperless environment as part of its Corporate Social Responsibility obligations and to reduce costs by making the best use of technology. In subsequent phases, more online services will be introduced, taking full advantage of internet, e-mail and mobile technology. This service will be provided free of charge.

EUROPEAN MONEY WEEK

Over 40 Higher Secondary and 1st Year Sixth Form students from State and non-State schools visited the Malta Stock Exchange as part of the European Money Week activities organised by the Malta Bankers' Association between 14 and 18 March. These visits included a tour of the Exchange, as well as an overview on the role of the Malta Stock Exchange, the basic features of bonds and equities which are listed on the Exchange and how the capital market works. Other information about the new Prospects SME-oriented market, the post-trading infrastructure and the Exchange's future plans was also outlined to the students.

The European Money Week is an annual initiative launched by the European banking industry through the European Banking Federation. Throughout the week, several events were held, both at national and at European levels, with the aim of raising public awareness on the importance of financial literacy from an early age, and the need of improving financial education for junior and senior students.

AMENDMENTS TO BYE-LAWS

(a) Changes in Traders' Training and Approval procedures

New procedures with regard to the approval of traders have been recently amended. The new procedures that facilitate the approval of traders representing Member Firms by removing the necessity of Board approval as well providing new procedures for traders' training.

The changes in these procedures were introduced in order to expedite the approval process of new traders to address the industry's need. Since the implementation of the new procedures a total of 7 traders have been approved, 6 of which were approved in the last 5 months.

(b) Settlement Guarantee Fund

The Central Securities Depositories Regulation (CSDR) which has come into effect as from 1 January 2016 and will need to be implemented by next year, will impose strict prudential and operational requirements in respect of "Settlement Discipline" to be adopted by authorised Settlement Systems. Indeed, in this respect, a potential major systemic risk is that which may arise through a failure of an authorized settlement system caused by the failure of a participant in the system. This systemic risk was also identified as a major risk to the Exchange's operations during an independent Risk Management Review currently being undertaken by the Exchange. In order to partly address this systemic risk, the Bye-laws have been amended to provide that the current individual guarantees will become a collective Settlement Guarantee Fund (SGF), in accordance with the terms and conditions as indicated in the new Bye-laws.



IHI Research Analysts Meeting

IHI RESEARCH ANALYSTS MEETING

The Exchange, in conjunction with International Hotels Investments plc, (IHI) held the first Research Analysts Meeting on 15 February 2016 wherein IHI gave an overview of the development of the company and its plans for the future to over 40 participants, mainly from the legal and financial sectors. The aim of these meetings is to provide the opportunity for listed companies to address directly those individuals who provide advice or analysis on the performance of listed companies. This was the first of a series of such information meetings that will be organised by the Exchange for listed organisations.

CERTIFICATE OF FINANCE IN INTERNATIONAL TRADE (COFIT) PRESENTATION

This event was a course organised by COFIT for a group of students who are employees of AFREXIM, a development bank in Egypt. Among the presentations made, the Exchange gave an overview about its operations, its role and the various services it offers, including the trading function on the secondary market. Students also learnt about recent statistics showing the development of the Exchange, the business and product development initiatives and plans, and an overview of how the overseas events are planned and executed.

EDUCATION & PUBLIC RELATIONS

In January, the CEO addressed executives from Malta Enterprise in order to outline the new SME-oriented market, Prospects. Later on in the month, the CEO also addressed 6th Form Students in Gozo during a Career Day organised by the College in respect of career opportunities within the Financial Sector. During February, the CEO gave a presentation to 4th year Banking and Finance students at the University of Malta on the role and functions of the Exchange.

Mr Joseph Portelli, Chairman of the Malta Stock Exchange, participated in the Institute of Financial Services Practitioners (IFSP) annual conference, giving an overview of the Exchange's role and vision for the future.

During the quarter, the Exchange participated in videos and podcasts commissioned by Malta Enterprise and FinanceMalta. During the 2nd Banking and Finance Conference organised by the University of Malta held on 7 March 2016 the Exchange presented certificates to the following three students who got a Grade A in their dissertation for their M.Sc. in Banking and Finance.

“The Effects of Built-in Premium on the Outcome of ‘Zero-Premium’ FX Options Strategies”

Mr John Mark Caruana

“Equity Mutual Fund Performance Evaluation: An Emerging Market Perspective”

Ms Jana Hili

“Impact of Surprises in Macroeconomic Announcements and Revisions: Evidence from the US and German Sovereign Bond Market”

Mr Andre Psaila

VISITORS TO THE EXCHANGE

During the quarter, the Exchange welcomed a number of distinguished guests including the Chinese Ambassador to Malta H.E. Mr. Cai Jinbiao and his wife Mme. Wang Jianqun, Mr Karl Lanoo, the Chief Executive of CEPS, the Hon Mr Anton Refalo, Minister for Gozo, Mr Jeremy Browne, Special Representative for the City of London, as well as representatives from Deutsche Börse.

NEW CEO AND GENERAL MANAGER AT THE MALTA STOCK EXCHANGE

SIMON ZAMMIT

Simon Zammit will be taking over the role of CEO at the Malta Stock Exchange as from September this year. He has been employed with the Malta Stock Exchange since its inception in 1991 and has over the years managed various departments including CSD, Data Operations and IT as well as spearheaded a number of the Exchange's major projects. Simon is a Member of the Institute for the Management of Information Systems and holds an MBA from Henley Management College.



ALFRED SAMMUT

Alfred has been employed with The Malta Stock Exchange since June 1998, and has worked in various departments. Besides managing the Central Securities Depository, he has been assigned the role of Human Resources and Corporate Services Department Manager since 2007. This year, with effect from September, Alfred will take on the role of General Manager of the Malta Stock Exchange.



On Monday, 26 January, the Exchange hosted a seminar at the Club Financiero Genova in Madrid, giving a detailed overview of the recent developments, current trends and future prospects of the Maltese Financial services industry, with a specific focus on the Maltese Capital Market and the new SME oriented market, Prospects.

The event was very well attended by local players in the capital market service chain, financial intermediaries, stockbrokers, financial advisors and companies interested in discovering new opportunities for raising capital. The seminar was organised by the Malta Stock Exchange in close co-operation with FinanceMalta and under the auspices of the Embassy of Malta in Spain. The event was also supported by EY, Datum Finance, Camilleri Preziosi Advocates and David Mülchi & Asociado.

Another similar event was organised by Demetra Corporate Advisors in Budapest, Hungary during which Mr Cliff Pace gave an overview of the Maltese financial sector and capital markets, with special emphasis on Prospects.



Top table during Madrid event.



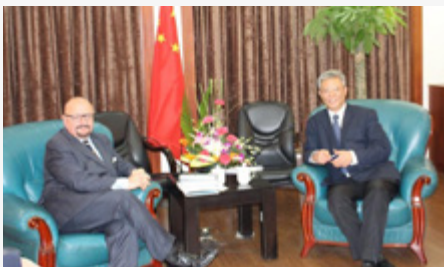
Chairman of the Malta Stock Exchange, with the President of Shanghai Stock Exchange and the Minister for Finance.



Audience at the Madrid event.



Participants of the delegation to China.



Visit to the Shanghai Chamber of Commerce.

During March, the Exchange organised a delegation that was led by the Minister for Finance, to Beijing and Shanghai. The delegation, which also included representatives from EY, Ganado and Associates and Chetcuti Cauchi Advocates, met with representatives of the Bank of China and a number of legal firms as well as

the Chamber of Commerce in Shanghai with a view to increasing awareness of Malta as a financial and business centre and the opportunities available to Chinese companies. A meeting was also held with the Shanghai Stock Exchange during which possible areas of co-operation between the two exchanges were discussed.

2 May 2016

**Official Opening of Art Exhibition
“Of Spatial Concerns”**

by HE Ms Marie Louise Coleiro Preca, President of Malta

The Exhibition will be open at the Exchange's Premises in Valletta every Tuesday and Thursday between 3 May and 16 June 2016 from 4.00pm to 7.00pm

6 June 2016

Research Analysts' Meeting

in collaboration with Simonds Farsons Cisk plc

Malta Stock Exchange, Valletta

15 June 2016

Dematerialisation and Custody Services Seminar

hosted by the Malta Stock Exchange

Malta Stock Exchange, Valletta

16 June 2016

FESE Convention 2016

hosted by the Malta Stock Exchange

Hilton, St Julians

www.fese.eu



MALTA STOCK EXCHANGE plc

This is edition number 1/2016 of the MSE newsletter covering the period January to March 2016. The newsletter will be published on a quarterly basis and is available by download from the Malta Stock Exchange website **www.borzamalta.com.mt**

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