

## **THE DEPOSITOR AND INVESTOR COMPENSATION SCHEMES AT A GLANCE**

### **General Information**

The Investor Compensation Scheme is a rescue fund for customers of failed investment firms which are licensed by the Malta Financial Services Authority (MFSA), in instances where the licensed investment firm is unable or likely to be unable to pay claims against it, when the licensed firm stops trading or becomes insolvent.

The Investor Scheme is based on the EU Directive 97/9 on investor-compensation schemes.

The Depositor Compensation Scheme (the "Scheme") is a rescue fund for depositors of failed banks which are licensed by the Malta Financial Services Authority (MFSA), in instances where a bank is unable to meet its obligations towards depositors or has otherwise suspended payment.

The Scheme is based on the EU Directive 2014/49/EU on deposit-guarantee schemes. And regulated in accordance with the *LN 383 of 2015*.

Each scheme is a separate and distinct entity from the other. However, both schemes are managed by a single Management Committee which is appointed by the MFSA. This Committee is made up of persons representing the MFSA, the Central Bank of Malta, investment firms, the banks and customers. Both Schemes are intended to promote confidence not only in licensed institutions, but more importantly, in the financial system as a whole. The two of them are in fact financed by the banks and investment firms respectively. This means that the consumer will not be asked to contribute to these Schemes.

## **DEPOSITOR COMPENSATION SCHEME**

### **Limit of protection under the Scheme**

The depositor will be repaid by the Scheme up to €100,000 per depositor per credit institution. If the depositor has more deposits at the same credit institution, all the deposits at the same credit institution are "aggregated" and the total is subject to the limit of €100,000.

In case of joint account with other person(s); the limit of €100,000 applies to each depositor separately. However, deposits in an account to which two or more persons are entitled as members of a business partnership, association or grouping of a similar nature, without legal personality, are aggregated and treated as if made by a single depositor (limit: €100,000).

Deposits may be protected in some cases up to a maximum of €500,000 for 6 months after the amount has been credited or from the moment when such deposits become legally transferrable. In order to qualify for such higher protection a deposit in excess of €100,000 must meet any one of the following additional criteria:

- it comprises monies deposited in preparation for the purchase of a private residential property by the depositor or monies which represent the proceeds of sale of a private residential property of the depositor;
- it comprises sums paid to the depositor in respect of (a) a separation, divorce or dissolution of their civil union; or (b) benefits payable on retirement; or (c) a claim for compensation for unfair

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dismissal; or (d) a claim for compensation for redundancy; or (e) benefits payable for death or bodily injury; or (f) a claim for compensation for wrongful conviction.

### **Reimbursement**

Reimbursement period in case of credit institution's failure is as follows:

- 15 working days from 1 January 2019 until 31 December 2020;
- within 10 working days from 1 January 2021 until 31 December 2023; and
- within 7 working days from 1 January 2024 onwards.

Should the above timeframes not be respected, the depositor has the right to lodge a complaint with the Scheme by contacting them on the contact details outlined hereunder:

Depositor Compensation Scheme,  
Malta Financial Services Authority,  
Triq l-Imdina, Zone 1, Central Business District,  
Birkirkara, Malta  
Tel:(+) 356 21441155  
E-mail: [info@compensationschemes.org.mt](mailto:info@compensationschemes.org.mt).  
Website: [www.compensationschemes.org.mt](http://www.compensationschemes.org.mt)

Exceptions for certain deposits are stated on the above mentioned website.

The coverage of the deposits under the Scheme shall be confirmed in the statement of account provided by the credit institution.

The depositors shall be informed on request whether certain products are covered or not by the respective credit institution.

## **INVESTOR COMPENSATION SCHEME**

### **Investors Entitled to Compensation**

Any investor who has entrusted money or instruments to a licence holder in connection with licensed business. The Scheme provides for the payment of compensation in respect of claims arising out of a participant's inability to (a) repay money owed to or belonging to investors and held on their behalf in connection with licensed business; or (b) return to investors any instruments belonging to them and held, administered or managed on their behalf in connection with licensed business or, where this is not possible, their monetary equivalent or value.

The list of investors which are excluded from claiming compensation as provided by the Investor Compensation Scheme Regulations is analogous to that provided by the Depositor Compensation Scheme Regulations, thus including amongst others, professional and institutional investors, investment firms, credit institutions, financial institutions, insurance undertakings, collective investment schemes and pension funds.

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A noteworthy difference between the two Regulations is that in the Investor Compensation Scheme Regulations, the Management Committee of the Investor Compensation Scheme is allowed to exclude “other categories of professional and institutional investors” as it deems fit.

### **Limit of Protection under the Investor Compensation Scheme**

The Fund covers the ninety percent (90%) of a firm’s net liability to an investor in respect of investments which qualify for compensation under the Investment Services Act subject to a maximum payment to any one person of €20,000. Any other amount exceeding such threshold is not protected.

Compensation which has already been paid in the following forms is deducted from the amounts payable under the Scheme:

- payments received from investment compensation schemes elsewhere;
- payments from any insurance policy taken out by the claimant in respect of the investment;
- payments from the liquidator or receiver; and
- any amounts which had a right of set-off at the date of declaration.

Further information about both Schemes is available on the website:

[www.compensationschemes.org.mt](http://www.compensationschemes.org.mt)