
The Maltese Financial Services Industry's Perception on the Regulators: An Empirical Analysis

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Abstract:

In this study, we analyse the perception of players within the financial services industry with regards to the Maltese industry regulators, specifically the Financial Intelligence Analysis Unit (FIAU), the Malta Financial Services Authority (MFSA), the Central Bank of Malta (CBM) and the Information and Data Protection Commission (IDPC).

We used the Five Factor Model of personality (FFM), which is a hierarchical organisation of personality traits in terms of five basic dimensions, which are conscientiousness, agreeableness, neuroticism, openness to experience and extraversion.

Results show that in general, both the regulated entities and the regulators gave high scores for each of the five traits, indicating that the overall perception of regulators in Malta is positive. From the perspective of the regulated entities, conscientiousness emerged as the key trait, with openness/intellect ranking the lowest. Conversely, regulators rated themselves highest on openness/intellect, with the lowest score given to extraversion.

The qualitative results indicate that regulators needed to 1) improve on communication with the regulated entities, which is generally very formal, 2) curb high staff turnover, and 3) strengthen their efficiency in taking timely decisions – resulting from unnecessary bureaucracy. On the positive side, results revealed that the regulators are known to be flexible and ready to listen.

Keywords: Perception, Five Factor Model, Financial Services Regulators, Maltese Regulated Entities.

JEL Codes: G2.

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1. Introduction

Crockett (1997) stated that in order to have financial stability in a country one must ensure stability: (1) within the key institutions and (2) within the Markets. Through the last decades, Malta has witnessed a substantial change in its financial and economic landscape, including becoming a member state of the EU in 2004 and adopting the euro as the national currency in 2008. Although Malta is a small country and is greatly dependent on foreign trade, it has managed to outperform its peers. In fact, the Annual Macro-Economic Database of the European Commission (AMECO) shows Malta as one of the best economic performing countries in the EU. Furthermore, the financial services sector has grown by around 25% annually in recent years. Malta's GDP has grown steadily and is approaching the levels recorded in advanced economies of the EU, with growth in most years exceeding the average in the euro area. Furthermore, during the economic slowdown of 2008-2009, growth in Malta was still higher than in several other EU countries (Grech and Rapa, 2016 and Grech, 2016).

Although this growth may be a result of many complementary factors, a key driver has been the ever-growing strength of the domestic financial services industry. Nonetheless, for an industry to sustain its growth, the financial services regulators must be perceived as efficient, reputable and trust-worthy by stakeholders. Therefore, stability, transparency and lack of corruption are needed to instil confidence. In fact, according to Farrugia's (2016) commentary in the Finance Malta Journal, Malta has gained a reputation for a robust regime with a highly approachable regulatory authority.

The Warwick Commission (2016) stated that finance is regulated in a stricter manner than in the case of other industries since they have domino effects that are more devastating on the economy. According to Quintyn and Taylor (2004), the main role of regulators and supervisors around the world is to manage the health of banks and other financial institutions together with ensuring the stability of the financial system. In fact, the government regulates financial institutions for two purposes mainly consumer protection and to maintain financial stability. This puts the regulator in a driving and important position to ensure that the financial system works well. Furthermore, it is even more important that key players and prospective key players in the financial industry see the regulator as being trustworthy and capable for the job.

There are some previous studies carried out which relate directly or indirectly to perceptions, regulations and the regulators; such as those conducted by Xerri (2015) on the perception of Maltese investors on the financial regulatory framework and by Sciriha (2016) on the perceptions of financial statement users and Maltese auditors regarding auditor independence. However, as far as we are aware no study has yet been carried out regarding the perception of regulators in a small Island such as Malta, poor in natural resources, but which is highly dependent on its financial

sector for economic stability and growth. This and the fact that the regulator has a main role in a country's economy where financial services is a core input to its' GDP and is the largest employer locally, makes this study both original and important (Özen *et al.*, 2018).

How the players perceive the regulator can determine the viability and strength of Malta's social, political and economic future in this fast and competitive global scenario (Bezzina *et al.*, 2013; Baldacchino *et al.*, 2017a; 2017b). In addition, when Malta joined the EU, the financial services sector has seen a rapid growth, which led to a sound and sophisticated financial system. This success resulted in various businesses choosing Malta as their hub, including hedge funds, insurance captives, credit institutions and more. After the financial crisis, some European banks are still suffering, but Malta's banking sector has never looked stronger. In fact, some banks in Malta are ranked the safest and best-run financial institutions amongst others in the EU rated as the 10th soundest banking system in the world by the World Economic Forum's Competitiveness Index 2014-2015 (Farrugia, 2016) (The Global Competitiveness Report, 2014). Moreover, Malta was cited by Calomiris and Haber (2014) as being the only European country that has been crisis-free since 1970.

With this paper, we aim to establish the current perception of players within the financial services industry and to determine whether this is in line with what the regulators perceive about themselves. We address this by adopting the Five Factor Model (FFM Model) by McCrae and Costa, (1990) used to determine good personality, as our framework/Themes to determine the perception of the regulators as one organizational body. These five themes being (1) Conscientiousness, (2) Agreeableness, (3) Neuroticism, (4) Openness to experience and (5) Extraversion.

2. Literature Review

2.1 The Need for Regulation

In order for governments to achieve the social, economic and environmental policy objectives, regulation is always needed. The needs of their citizens, communities and economy will be satisfied through a diverse range of regulatory schemes (The Organisation for Economic Co-operation and Development, 2013). However, as Professor Malcolm Sparrow (2000) argues: *“Regulators, under unprecedented pressure, face a range of demands, often contradictory in nature: be less intrusive – but be more effective; be kinder and gentler – but don't let the bastards get away with anything; focus your efforts – but be consistent; process things quicker – and be more careful next time; deal with important issues – but do not stray outside your statutory authority; be more responsive to the regulated community – but do not get captured by industry”* (p 17).

To achieve the outcome that one expects when implementing a strategy, this requires more than good governance (The Organisation for Economic Co-operation and

Development, 2013). This means that the following reinforcing elements have to be present (1) Well designed rules and regulations that are efficient and effective, (2) Appropriate institutional frameworks and related governance arrangements, (3) High quality and empowered institutional capacity and resources, (4) Effective, consistent and fair operational processes and practices. (Consiglio and Grima, 2012) (Grima, 2017b).

2.2 The Regulator as an Individual/Organisation

Coglianesi, (2015), Gray and Silbey, (2014) and Baldacchino, et. al., (2017a) note that a regulator can mean any individual or organisation, with an individual personality who/which sets rules or who/which administers or enforces them in a way to solve issues. We have seen the regulator as a leader in society, also given the definition of a leader provided by Winston and Patterson (2006): *“A leader is one or more people who select, equips, trains, and influences one or more follower(s) who have diverse gifts, abilities, and skills and focuses the follower(s) to the organization's mission and objectives causing the follower(s) to willingly and enthusiastically expend spiritual, emotional, and physical energy in a concerted coordinated effort to achieve the organizational mission and objectives. The leader achieves this influence by humbly conveying a prophetic vision of the future in clear terms that resonate with the follower(s) beliefs and values in such a way that the follower(s) can understand and interpret the future into present-time action steps”*. Therefore, justifying the use in this article of the FFM model of personality.

2.3 The study of perception

According to Harrell (1986), perception is ‘the process of recognising, selecting, organizing and interpreting stimuli in order to make sense of the world around us.’ Perception is the process by which organisms interpret and organise sensation to produce a meaningful experience of the world (Lindsay & Norman, 1977). When a person is faced with a situation/stimuli, based on experiences he will interpret that situation based on those experiences. However, what the person might perceive may be different from reality (Pickens, 2005).

2.4 The Five-factor model (FFM)

Personality is a main component of a leader’s personal characteristics. Goldberg (1981) established 5 primary factors from Cattell’s 16 “fundamental factors of personality (Cattell, 1990 and Cattell HEP, Mead AD 2008). Personality includes all the traits, characteristics, and quirks that set a person apart from the others (International Positive Psychology Association, 2017). However, in psychology research, the definition of personality can be complex. According to the American Psychological Association (American Psychological Association, 2017), personality is ‘Individual differences in characteristic patterns of thinking, feeling and behaving’. Other two renowned personality researchers, McCrae and Costa

(1990), then validated Goldberg's theory (1981) and defined personality traits as, '*dimensions of individual differences in tendencies to show consistent patterns of thoughts, feelings and actions*'.

The five-factor model of personality is a hierarchical organisation of personality traits in terms of 5 basic dimensions, which are (1) conscientiousness, (2) agreeableness, (3) neuroticism, (4) openness to experience and (5) extraversion (McCrae & John, 1992). Each of these 5 dimensions sums up a range of broad individual differences and includes other specific personality characteristics (Goldberg, 1981). In summary, the 5 dimensions, conscientiousness (C) describes task and goal-oriented behaviour; extraversion (E) and agreeableness (A) sum up the traits of an interpersonal nature; neuroticism (N) contrasts emotional stability including a number of negative effects; openness to experience (O) summarises an individual's mental and experiential life (Goldberg, 1981) and the 6 California Adult Q-set items (McCrae *et al.*, 1986) define the positive side of each dimension (John *et al.*, 1994).

This "Big Five" framework of personality traits has emerged as a robust model to understand the relationship between personality and various academic behaviours (Poropat, 2009). Certain personality traits held by a leader are associated with being a more effective leader than holding other traits (Ricketts, 2009). Research has shown that this model can accurately predict the personality of effective leaders (Barrick *et al.*, 2008).

However, as argued by its defenders, they do not declare that the FFM is the final word in the description of the personality. In fact, certain researchers including Eysneck (1991; 1992a; 1992b), John and Robins (1993), and Waller and Ben-Proath (1987) have discussed its shortcomings (John *et al.*, 1994). As McCrae and John (1992) highlight: "*There are disputes among five-factors about the best interpretation of the factors; there are certainly important distinctions to be made at the level of the more molecular traits that define the factors, and it is possible that there are other basic dimensions of personality*" (p. 177).

i. Conscientiousness (C):

This trait can be defined as the tendency to control impulses and act in socially acceptable ways and behaviours that facilitate goal-directed behaviour (John & Srivastava, 1999). In other words, conscientious individuals are more aware of their actions and the consequences of their behaviour than people who are not conscientious (Psychologist World, 2017). High aspiration, thoroughness and efficiency are part of the defining features of this dimension (John *et al.*, 1994). Although a number of different conceptions of (C) have been offered, Tellegen's (1982) constraint and Hogan's (1986) prudence both reflect a view of (C) as a dimension that holds impulsive behaviour in check. Also, Digman and Takemoto Chock's (1981) will to achieve, represents a view of (C) as a dimension that organises and directs behaviour. Therefore, this term combines both aspects

(McCrae and John, 1992). Since achievement and self-discipline are the main characteristics of this dimension, it might be argued that it is linked to transformational leadership (Barrick & Mount, 1991). It was said that conscientiousness in an organisation is seen as punctuality and purposefulness (McCrae, 2002). Through the study conducted by Judge et al., (2002a), conscientiousness showed a correlation of 0.28 to effective leadership. He also stated that the trait of conscientiousness and effective leadership might correlate due to the leader's ability to "*excel at process aspects of leadership, such as setting goals; or because they are more likely to have initiative and persist in the face of obstacles*" (Judge et al., 2002a p.774). Since conscientious leaders possess these traits of being dependable, behave consistently and are goal-oriented, these leaders would be more able to communicate the principles and standards for ethical behaviour to their subordinates clearly (Brown et al., 2005; Brown & Trevino, 2006; De Hoogh and Den Hartog, 2008).

From past research, it was suggested that both environmental and heritability factors might influence in conscientiousness. For example, in the survey carried out by McCrae and Costa (1988) it was found that those people who took part in the study, whose parents had shown caring behaviour towards them when they were children, were likely to show more conscientiousness. On the other hand, another study had shown that conscientiousness might be partly influenced by the genes inherited from their parents (Jang et al., 1996).

ii. Agreeableness (A)

According to Organ and Lingl (1995) this trait "*involves getting along with others in a pleasant, satisfying relationship*" (p. 340). Amongst others, this characteristic includes tendencies to be kind, trusting, gentle, trustworthy; and warm (Judge & Bono, 2000). McCrae and Costa (1991) argued that agreeableness and happiness are related. This is because agreeable individuals have a higher motivation to achieve interpersonal intimacy resulting in higher levels of wellbeing. According to Lebowitz (2016), agreeable people are likely to have few enemies, are sympathetic and affectionate to their friends and loved ones; and sympathetic to strangers.

Through the research conducted by Judge et al. (2002a), the correlation of agreeableness and leadership is 0.08. A leader who is high in agreeableness will possess characteristics, such as trusting and considerate, and also being cooperative (Bowling et al., 2010). Other typical traits possessed by these people are good-natured, tolerant and softhearted (Barrick & Mount, 1991). Mayer et al. (2007) stated that one important trait is agreeableness for a leader to create justice climate. The most outstanding characteristics of an ethical leader are being caring, altruistic and concerned, These all form part of this dimension (Trevino et al., 2003; Brown et al., 2005).

Bass (1985), stated that a transformational leader is a leader who gives special attention to neglected group members, treats each person as an individual and also

expresses appreciation for a job well done. He also stated that the leaders must link themselves to the subordinates and serve as a role model, whether consciously or unconsciously. To be able to mentor successfully, the leader needs the trait of empathy. Furthermore, Wiggins (1996) stated that the main motivation of agreeable people is altruism, which means the concern with other people's interests and being considerate regarding their situation (Digman 1989; McCrae & John, 1992). This was proven through the research carried out by Hogan & Shelton (1998), where evidence has shown that supervisors possessing agreeableness are seen as more approachable by their subordinates.

iii. Neuroticism (N)

This personality dimension compares emotional stability with different negative effects, such as anxiety, sadness, irritability and nervous tension (John *et al.*, 1994). Their essentially negative nature usually results in these individuals to experience more undesirable life events than others (Magnus *et al.*, 1993). This happens because neurotic individuals put themselves into situations that have negative effects (Diener *et al.*, 1985). It has been found that individuals who possess high measures of neuroticism lack self-confidence and self-esteem (McCrae & Costa, 1991) but in order to be a good transformational leader, it is argued that self-confidence is an essential characteristic (Bass, 1990; House, 1977).

Therefore, it is expected that neuroticism and transformational leadership have a negative relationship. The first main reason is that a transformational leader must set high-performance standards and then, by convince followers that achieving these standards is possible and essential (Eden, 1992). Leaders who possess low neuroticism and have a high level of self-esteem and self-confidence are better able to both set high standards and attaining them (Bass, 1990). To be a transformational leader, it involves challenging the status quo and taking substantial risks, which requires a high level of self-confidence (Kirkpatrick & Locke, 1991). Furthermore, since transformational leaders have a vision that is idealised and inspires trust (Conger & Kanungo, 1987); and instils faith in a better future on part of the followers (Shamir, Arthur & House, 1994), self-confidence of the leader plays a huge role in gaining the trust of the followers (Kirkpatrick & Locke, 1991) and in offering a view of the future as inspiring and positive (Yukl, 1998).

Research has shown that most effective leaders tend to be low on neuroticism. Leaders high in neuroticism will show behaviour traits of being overly anxious, insecure and worried (Barrick & Mount, 1991). These are less perceived to be effective leaders (McCrae and Costa, 1992; Curphy & Hogan, 1994). Another study found that self-confidence and personal adjustment have a positive correlation with transformational leadership (Ross & Offerman, 1991). To further prove this point, Bennis and Nanus' (1997) studied 70 transformational leaders and they all had high self-confidence. Lastly, Judge *et al.*'s (2002b) research concluded that the correlation between neuroticism and effective leadership is -0.24. Out of all the 5

dimensions of the FFM, neuroticism showed the weakest relationship to effective leadership.

iv. Openness to experience (O)

Openness to experience has been described as the depth and complexity of an individual's life experiences (John & Srivastava, 1999). This is linked to scientific and artistic creativity (Feist, 1998), divergent thinking, low religiosity and political liberalism (McCrae, 1996). This dimension represents characteristics of being creative, introspective, imaginative, resourceful and insightful (Judge & Bono, 2004).

This was found as being the third most correlated personality trait to leadership with a correlation between openness to experience and effective leadership of 0.24. This correlation states that effective leaders tend to have higher levels of openness to experience than those who are not in the position of a leader. There is the need for transformational leaders to be creative and original and this is seen in what Conger and Kanungo (1987) highlight and note that "*charismatic leaders are not group facilitators like consensual leaders, but they are active innovators...their behaviours must be novel, unconventional, and out of ordinary*" (p. 643). Bennis (1989) argued that creativity is needed because vision comes from a process of creative introspection. Being creative is important to be a successful leader because openness to experience correlates with divergent thinking (McCrae 1987) and is strongly correlated with personal measures of creativity (McCrae & Costa, 1997) together with behavioural measures (Feist, 1998). Leaders possessing this trait are more open to listen to their followers' opinions (Detert & Burris, 2007), which can be seen as openness to new ideas and flexibility of thought (Digman, 1990).

Furthermore, individuals who have a strong need for change and are better able to understand and adapt to other people's perspectives are open individuals (McCrae and Costa, 1988; McCrae, 1996). Since openness to experience is related to intellectuality or intellectance, leaders who possess great levels of openness to experience would be likely to provide more intellectual stimulation (McCrae & Costa, 1997). Through a survey analysis in the US carried out by Costa et al (1986), it was found that the level of openness to experience gradually decreases as the person grew older. A study conducted has shown that leaders who have high levels of openness to experience are perceived as more effective by their subordinates (Sosik *et al.*, 1998).

v. Extraversion (E)

While neuroticism is related to the experience of negative life events, extraversion is related to the experience of positive emotions (McCrae and Costa, 1992). Barrick and Mount (1991) considered extraversion in behavioural tendencies as linked to being talkative, sociable and assertive. Jung (1921), explained extraversion in terms of psychic energy. He stated that extraverts direct the energy towards other people

while introverts focus their psychic energy on solitary activities like thoughtful contemplation.

The study conducted by Judge *et al.* (2002b) found that extraversion holds the strongest correlation of 0.31 to effective leadership. This dimension is strongly related to social leadership (Costa & McCrae, 1988) and the emergence of being a leader in a group (Watson & Clark, 1997). Since extraverts possess the behaviours of positivity and ambition, they are likely to instil confidence and enthusiasm among the followers (Judge & Bono, 2004). Therefore, when leaders are optimistic, they would have an optimistic view of the future, which allows them to be perceived as 'leader like' (Hogan *et al.*, 1994). Evidence has shown that extraverted people have more friends and are likely to spend more time in social situations than introverts. Furthermore, since extraverted people are more socially friendly, they are expected to find interpersonal interactions more satisfying (Watson & Clark, 1997).

Since extraversion includes being expressive, it can be linked to transformational leadership. It has been argued that charismatic leaders possess the characteristics of being articulate and emotionally expressive (Friedman *et al.*, 1980; House, 1977). Furthermore, it was noted that charismatic leaders are expressive persons in order to persuade, influence and mobilise others (Gardner and Avolio, 1998).

3. Methodology

i) Sample:

The population considered in this article consisted of (1) personnel working for Maltese licensed/proposed for licence entities and dealing directly or indirectly with the financial regulators; and (2) personnel working for the Maltese regulators, that is, personnel within the Malta Financial Services Authority (MFSA), Financial Intelligence Analysis Unit (FIAU), Central Bank of Malta (CBM) and Information and the Data Protection Commissioner (IDPC).

We used non-probability sampling and chose the subjects based on their knowledge, relationships and expertise regarding a research subject (Freedman *et al.*, 2007). Furthermore, we also used snowball sampling, with referrals made by the participants themselves (Biernacki and Waldorf, 1981).

➤ *The Regulators*

- The MFSA is the single regulator for financial services in Malta, responsible for regulating, monitoring and supervision of all financial activity including banking, investment, insurance, trusts and pensions. The MFSA is the legal successor to two former regulatory structures that are MIBA and MFSC (MFSA, 2017).
- The FIAU is the national central agency in Malta responsible for the collection, collation, processing, analysis and dissemination of information

with a view to combating money laundering and the funding of terrorism (FIAU, 2017).

- The Central Bank of Malta is responsible to maintain price stability through the formulation and implementation of monetary policy (Legal Malta, 2017).
- The IDPC's is responsible to ensure that the whole society feels self-assured that their right to personal data protection is secured (IDPC, 2017). (The Freedom of Information Act, 2012), specifically, "to make a provision for the protection of individuals against the violation of their privacy by the processing of personal data and for matters connected therewith or ancillary there too." (The Data Protection Act, 2003)

➤ ***The Maltese Licensed Financial Services Providers***

- Malta currently boasts around 25 credit institutions having a presence on the island offering a full set of banking services that range from retail and investment banking to trade finance and custody services. In the Investment Funds and asset management industry Malta has emerged as one of Europe's strong domiciles. The Island has been an established jurisdiction for alternative funds, with a Professional Investment Fund (PIF) regime, Alternative Investment Funds (AIFs) under the Alternative Investment Management Directive (AIFMD), as well as EU-compliant and globally recognised UCITS schemes. Malta also introduced the Notified AIF (NAIF) regime in 2016. At the end of 2017, there were also 176 non-Malta domiciled funds (including sub-funds) administered by locally based fund administrators and 128 non-Malta domiciled funds (including sub-funds) managed by fund managers established in Malta. The Investment services sector continued to grow with 162 companies licensed in terms of the Investment Services Act (Cap 370) (FinanceMalta, 2016) (MFSA, 2017).
- There are around 63 insurance companies registered in Malta, with the majority being international players and only a few being active in the local market. International insurance business accounts for more than 80 % of the total gross written premiums. 46 undertakings are authorised to carry on general business, 8 long-term business, 2 composite and 7 pure reinsurance undertakings (FinanceMalta, 2016) (MFSA, 2017).
- Moreover, there are various Corporate Services Providers, Administrators, Custodians, Compliance, Legal and Audit firms who deal directly or indirectly with these regulators.

ii) Data collection process:

Two semi-structured interview schedules were constructed purposely for this study, one for regulated entities and another for regulators. For the regulated entities, the structured parts were split into 2 sections, (1) a section in which we collected data on the demographics of the regulated entity, such as the number of employees, role/position in the firm and the number of years being involved with the regulator and another section, (2) which focused on the 5 factors mentioned above with 3

statements under each factor. Participants were asked to rank the statements using a five-point Likert scale ranging from 1 for Strongly disagree to 5 for strongly agree. Following the completion of the structured interview schedule, the participants were allowed to express themselves and comment freely. These comments and the structured part were recorded as part of the data collected (Grima *et al.*, 2017a).

In the case of the Regulators' interviews, a similar methodology was used. The structured part consisted of 2 sections, (1) one with demographics asking for the number of years the participant worked with the regulator and the other (2) asking participants to rank the exact statements like the ones asked to the participants in the regulated entities but edited to relate to regulators, again using a five-point Likert scale ranging from 1 for Strongly disagree to 5 for strongly agree. Again, following the completion of the structured interview schedule, these participants were allowed to express themselves and comment freely. These comments and the structured part were also recorded as part of the data collected.

We carried out 191 interviews with participants from regulated entities and 38 interviews with participants from the regulators between January 2018 and September 2018. To ensure that the sample is representative of the population, the concept of data saturation was used (Marshall *et al.*, 2013; Morse, 1995). The results of the interviews were stored in Ms Excel and Ms Word.

iii) Data analysis process:

After receiving the answers from the respondents, the authors entered these answers into the IBM SPSS statistic package version 24, which is a program used for statistical analysis. The statistical analysis used in this study consisted of:

- a) *Descriptive statistics:* The authors use the arithmetic mean as a baseline measure in order to compare quantitative responses across personality traits, respondents and groups.
- b) *Kruskal-Wallis Test:* This non-parametric test compares different samples to find out whether there is a statistically significant difference between the values or ratings of these samples (Goel *et al.*, 2012). The test is routinely used in survey-based primary studies where sample sizes are low and where the data is not normally distributed.
- c) *Mann-Whitney Rank-Sum Test:* This non-parametric test compares two sample means obtained from two independent samples (McKnight & Najab, 2010).
- d) *Thematic approach:* The authors used the thematic approach to analyse the data collected from the comment boxes. According to Braun and Clarke (2006), the thematic analysis should be seen as a foundational method for qualitative analysis. They claim that it is a method for identifying, analyzing and reporting patterns within data.

3.1 Limitations of the Study

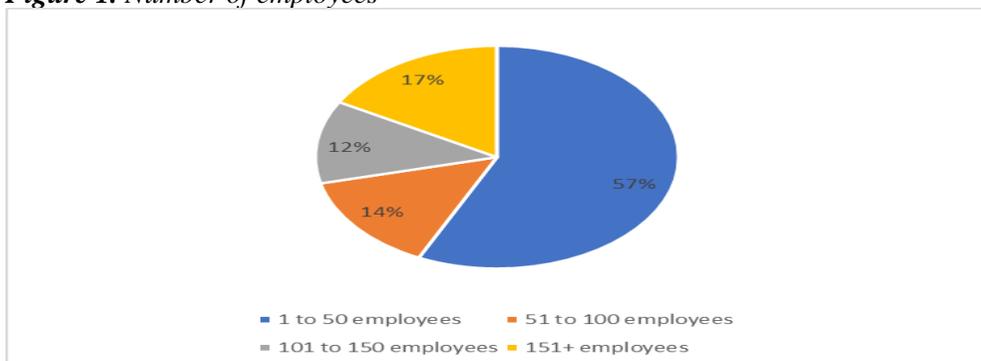
We opted for a five-point Likert rating scale to allow respondents to show the direction and strength of their opinion (Gardland, 1991). However, some researchers claim that the inclusion of a mid-point in a Likert scale may affect research reliability and validity, given that they indicate neither agreement nor disagreement (Verbogt & Wollebergh, 2000). Thus, this kind of option is desirable for the respondents and in the end; it may result in misleading conclusions. Furthermore, the respondents may interpret the midpoints in several ways that may be different from the original meaning, especially when the midpoints are not clearly defined (Kulas *et al.*, 2008). In order to mitigate the issue of a midpoint Likert scale, the participants, following the structured interview schedule were allowed to comment in an unstructured manner and this was recorded.

4. Analysis and Findings

4.1 Demographics: Regulated Entities

191 interviewees participated in the interview. The chart below shows the number of employees who work in the regulated entity that responded to the interview. The number of employees were grouped into 4 categories i.e. 1 - 50, 51 – 100, 101 – 150 and 151+ employees. Out of 191 participants, 109 (57%) worked in entities with between 1 – 50 employees, 27 (14%) participants worked in entities that have between 51 – 100 employees, 23 (12%) participants worked in entities with 101 – 150 employees and the remaining 32 (17%) participants worked in entities with over 151 employees.

Figure 1. Number of employees



The following chart refers to each respondent's role/position in the institution. Managers are represented by far the highest proportion of total responses (48%), followed by top management such as the Board Directors (BOD), Chief Financial Officers (CFO), Chief Executive Officers (CEO) and the Chief Risk Officers (CRO) (30%), with the rest of the sample evenly split between professionals such as lawyers, accountants, auditors and officers (11% a piece).

Figure 2. Role/Position in the institution

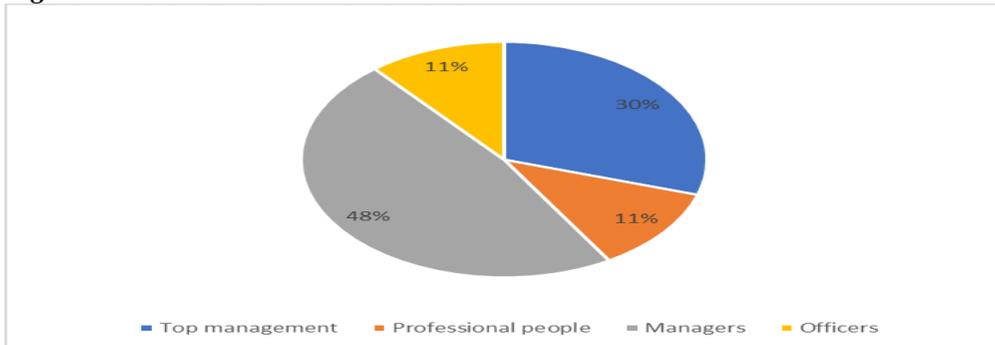
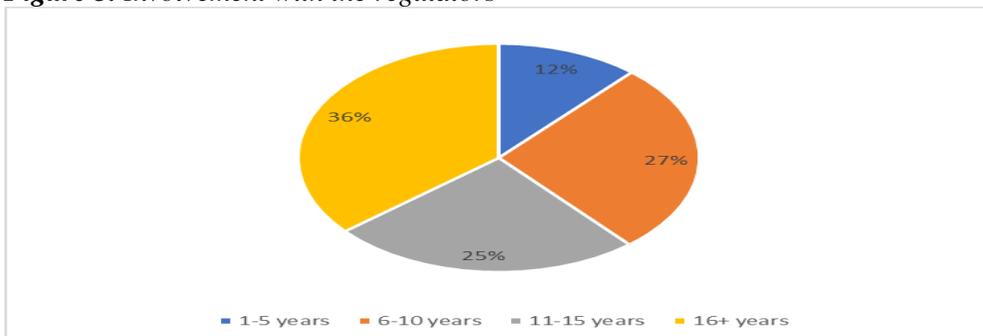


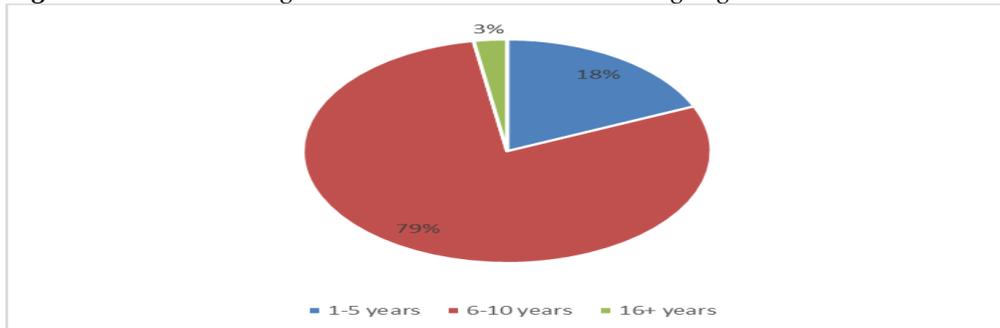
Figure 3, refers to the respondent's involvement with the regulators. The number of years of involvement with the regulators were grouped into 4 categories namely 1-5 years, 6 – 10 years, 11 – 15 years and 16 + years. As seen below, the majority of respondents have had 16 years' worth of involvement with regulators (36%), while another 25% have had between 11 and 15 years of involvement and 27% between 6 and 10 years. This reflects the high degree of familiarity and knowledge of our sample about the regulators, borne out of several years of interaction.

Figure 3. Involvement with the regulators



In total, 38 representatives from regulators were interviewed as part of this study. Figure 4, refers to the number of years that the participants have been working within financial services. The number of years of involvement with the regulators were grouped into 4 categories namely 1-5 years, 6 – 10 years, 11 – 15 years and 16 + years. The vast majority of respondents have worked in this sector for 6 to 10 years (79%), followed by 18% with only 1 to 5 years and 3% with over 16 years of experience.

This points towards a disparity in experience between regulators and regulated entities, given that in the latter case the majority of respondents have been interacting with the regulator for over 11 years, meaning that in essence, the people working within regulated entities in these sectors have more experience of the regulatory environment within the industry than those working for the regulators.

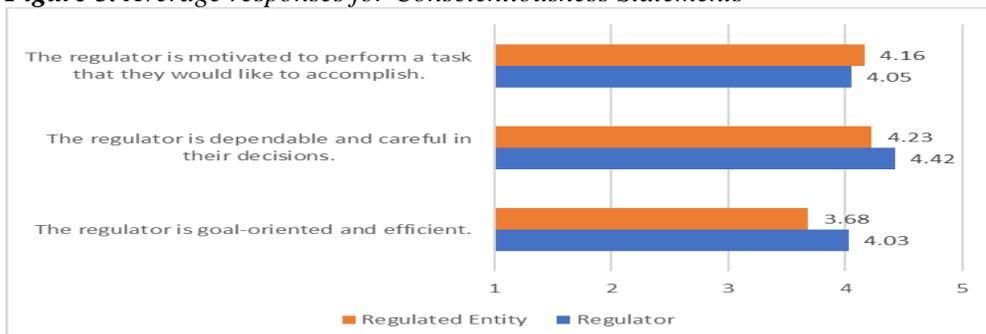
Figure 4. Years working in Financial Services or Gaming regulation

4.4.1 Interview analysis

We now turn to analyse the responses provided by the participants from both the regulated entities and the regulators with regards to their perceptions regarding the personality of the regulators based on the characteristics of Conscientiousness, Agreeableness, Neuroticism, Openness/Intellect and Extraversion. In each case, we shall break down the results according to the respondent, before comparing to check for any notable differences.

4.4.2 Organisation Conscientiousness

As noted in section 2, it was found that since conscientious leaders are dependable, behave consistently and are goal-oriented, they would be able to communicate the principles and standards for ethical behaviour to their subordinates clearly (Brown *et al.*, 2005; Brown & Trevino, 2006; De Hoogh and Den Hartog, 2008). A summary of the responses obtained for each of the three statements related to conscientiousness is provided in Figure 5 below.

Figure 5. Average responses for Conscientiousness Statements

We start with the regulated entity. On average, there is broad agreement with all of the statements regarding regulator conscientiousness. The highest level of agreement was reported with regards to the regulator's level of dependability and care with which decisions are taken (mean=4.23), while there is also a level of agreement with the statement that the regulator is motivated to perform a task that

they would like to accomplish (mean=4.16). The lowest score obtained was for the statement that the regulator is goal-oriented and efficient (mean=3.68), which nonetheless is still above the midpoint.

We also compare the responses obtained for each statement across the different entity descriptors, summarized in Table 4.1 below, where we report the chi-square statistics obtained from Kruskal-Wallis tests run in each case. When it comes to a number of employees, we find differences across each group that are statistically-significant when it comes to regulator dependability and motivation, largely driven by lower than average scores among entities with 51-100 employees. We also find statistically significant differences across roles within the entity, with the results suggesting that managers have the lowest opinion of the regulators' conscientiousness (mean=3.8), while the highest ratings were given by officers (mean=4.67), which may in part reflect the frequency and level of interactions with the regulator. Finally, we observe statistically significant differences in responses according to years of experience, with the results suggesting a negative correlation between experience and the level of conscientiousness attributed to the regulator (t-statistic=-6.82/ p=0.000). This shows that respondents with higher levels of experience in terms of their interactions with regulators generally provided a lower rating for the regulators' level of conscientiousness compared to those with fewer years of experience.

Table 1. *Kruskall-Wallis Test Results for Conscientiousness – Regulated Entities*

	Number of Employees	Role in the Entity	Years of Experience
The regulator is goal-oriented and efficient.	7.758*	16.914***	28.588***
The regulator is dependable and careful in their decisions.	10.247**	99.438***	62.075***
The regulator is motivated to perform a task that they would like to accomplish.	14.425***	68.460***	10.782**

Notes: ***denotes statistical significance at the 1% level; **denotes statistical significance at the 5% level; *denotes statistical significance at the 10% level.

We now turn to the responses obtained from the regulators. Once again, the average responses obtained were relatively high for each statement, with the highest rating obtained for dependability (mean=4.42). In contrast to the regulated entities, we do not find any statistically significant differences in responses according to the respondents' level of experience, as seen in Table 2, indicating that these views regarding conscientiousness are consistent across groups.

Table 2. *Kruskall-Wallis Test Results for Conscientiousness – Regulators*

	Years of Experience
The regulator is goal-oriented and efficient.	1.146
The regulator is dependable and careful in their decisions.	5.251
The regulator is motivated to perform a task that they would like to accomplish.	0.082

Notes: ***denotes statistical significance at the 1% level; **denotes statistical significance at the 5% level.

It is interesting to compare the responses obtained from the regulated entity and regulator in order to analyse any differences in perceptions. As seen from Figure 5, on average the regulated entity respondents' rating is lower than that provided by the regulator, with the exception of the statement on the regulators' perceived motivation to accomplish tasks. We thus compare the mean scores obtained for each statement using the Mann-Whitney Rank-Sum Test, with results reported in Table 3. The results broadly confirm that on average regulated entities have a lower perception of the regulators' level of conscientiousness relative to the regulators, at least in terms of perceived efficiency and goal-orientation and dependability in decision-making, with no significant differences reported for motivation.

Table 3. *Mann-Whitney Rank-Sum Test Results for Conscientiousness – Regulated Entities vs. Regulators*

	U-statistic
The regulator is goal-oriented and efficient.	-2.375**
The regulator is dependable and careful in their decisions.	-2.517**
The regulator is motivated to perform a task that they would like to accomplish.	0.603

Notes: ***denotes statistical significance at the 1% level; **denotes statistical significance at the 5% level.

4.4.3 Organisation Agreeableness

Under the factor agreeableness, the statements were concerned with feelings of trust, kindness and cooperation. According to Mayer *et al.* (2007), the trait of agreeableness is important for a leader to create justice climate. Being caring, altruistic and concerned about humans are the most remarkable characteristics of an ethical leader (Trevino *et al.*, 2003; Brown *et al.*, 2005) which all form part of this dimension. A summary of the responses obtained from the respondents is provided in Figure 6 below. In terms of the regulated entities, once again we observe relatively-high scores in each domain of agreeableness, with all ratings above the midpoint. The highest obtained was for the regulator's degree of perceived consideration when dealing with these regulated entities (mean=3.96), followed by modesty and trustworthiness (mean=3.89) and directness or frankness (mean=3.86).

Figure 6. Average responses for Agreeableness Statements

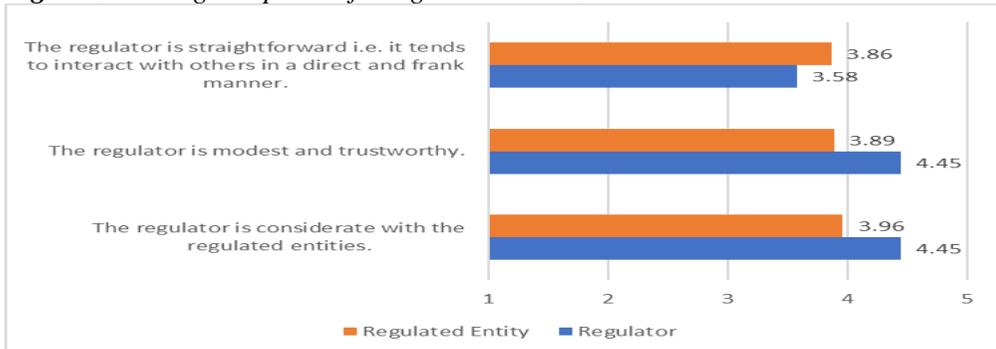


Table 4 breaks down the responses obtained for each statement according to the different respondent groupings. In terms of the number of employees, we find statistically significant differences when it comes to the extent to which the regulator is trustworthy and considerate in its dealings with regulated entities. A closer look at the data suggests that trustworthiness scores are lowest (average=3.75) among the smallest entities with 1-50 employees, with scores broadly constant across the other groups. On the flipside, these entities gave the highest scores when it comes to the directness and frankness of the regulator (average=4.01), with significant variation across the remaining groups. When looking at the respondents' role within the entity, once again we observe statistically significant differences in responses across roles. More specifically, we find that top management such as the CEOs or CFOs gave the lowest scores in terms of both the regulators' level of consideration (mean=3.58) and modesty and trustworthiness (mean=3.46), with the highest rating in either case provided by managers (mean=4.19 and 4.11 respectively). By contrast, top management provided the highest scores (mean=4.14) for the extent to which the regulator is straightforward and direct, with professionals such as accountants reporting the lowest scores (mean=3.18). Finally, we also observe significant differences in responses according to the respondents' level of experience in dealing with the regulator. As before, we find a negative and statistically-significant correlation between years of experience and the average level of agreeableness attributed to regulators ($t=-3.57$; $p=0.000$), which is reflected in the fact that those with 16+ years of experience gave the lowest scores for both consideration (mean=3.65) and trustworthiness (mean=3.55).

Table 4. Kruskal-Wallis Test Results for Agreeableness – Regulated Entities

	Number of Employees	Role in the Entity	Years of Experience
The regulator is straightforward i.e. it tends to interact with others in a direct and frank manner.	0.905	20.018***	17.054***
The regulator is modest and trustworthy.	12.877***	39.514***	33.405***

The regulator is considerate with the regulated entities.	12.734***	31.508***	32.590***
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Notes: ***denotes statistical significance at the 1% level; **denotes statistical significance at the 5% level.

We now move on to the regulators' responses. Once again, we observe relatively high scores in each agreeableness domain, particularly when it comes to consideration and trustworthiness (mean=4.5 in each case). The lowest score obtained was for directness (mean=3.58), which was even lower than the score given by the respondents from the regulated entities. Table 5 compares the responses obtained according to the respondent's level of experience. In this case, we find no statistically significant difference in responses across all domains, indicating once again that there is consistency across different respondents working at the regulators.

Table 5. *Kruskall-Wallis Test Results for Agreeableness – Regulators*

	Years of Experience
The regulator is straightforward i.e. it tends to interact with others in a direct and frank manner.	2.746
The regulator is modest and trustworthy.	7.593
The regulator is considerate with the regulated entities.	5.636

Notes: ***denotes statistical significance at the 1% level; **denotes statistical significance at the 5% level.

As before, we now compare the responses obtained from the regulated entities to those from the regulator. For trustworthiness and consideration, the regulated entity's score is statistically-significantly lower than that provided by the regulator, in line with our earlier findings. Nonetheless, it is interesting to note that the regulator attributed a lower score to their level of directness and frankness, with the difference being statistically significant, indicating that respondents working within the regulators may perceive a problem in terms of the ambiguity of their interactions with regulated entities.

Table 6. *Mann-Whitney Rank-Sum Test Results for Agreeableness – Regulated Entities vs. Regulators*

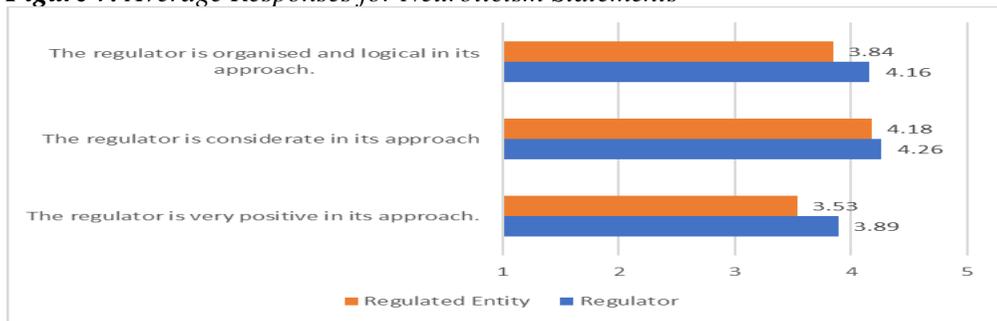
	U-Statistic
The regulator is straightforward i.e. it tends to interact with others in a direct and frank manner.	1.822*
The regulator is modest and trustworthy.	-5.901***
The regulator is considerate with the regulated entities.	-5.469***

Notes: ***denotes statistical significance at the 1% level; **denotes statistical significance at the 5% level; *denotes statistical significance at the 10% level.

4.4.4 Organisation Neuroticism

As previously mentioned, this personality dimension contrasts emotional stability with a diverse range of negative effects including anxiety, sadness, irritability and nervous tension (John *et al.*, 1994). However, we decided to make the opposite statements in the interview whereby we included positive, considerate, organised and logical as this dimension's traits. Figure 7 summarises the responses obtained from both the regulated entities and the regulators with regards to neuroticism.

Figure 7. Average Responses for Neuroticism Statements



Once again, we begin by analysing the responses by the regulated entities. On average, respondents perceive the regulator to be relatively stable and balanced, with low levels of neuroticism. The highest score given was for the statement on the regulators' considerate approach (mean=4.18), followed by the perceived level of organization (mean=3.84) and positivity in their approach (mean=3.53).

Table 7 breaks down the responses obtained according to the respondents' characteristics. We find statistically significant differences in the respondents' neuroticism scores depending on the size of the regulated entity, specifically with regards to how organized the regulator is and how considerate they are in their approach. The former is largely driven by comparatively low scores from entities with over 151 employees (mean=3.63), while the latter by above-average scores from entities with 101-150 employees (mean=4.43).

We also find statistically significant differences in responses when considering the role of the respondent. In particular, we observe that officers within regulated entities attributed the highest overall level of neuroticism to regulators (mean=3.42), followed by top management (mean=3.86), management (mean=3.92) and professionals (mean=3.95), who in turn perceive the regulators to be more stable. In addition, we find statistically significant differences in perceived neuroticism according to years of experience. Specifically, respondents with the highest levels of experience in terms of interactions with the regulator (16+ years) reported the

highest scores in terms of the regulators' positive approach (mean=3.68) and level of organization (mean=3.97). Thus, in this case, familiarity with the regulators due to several years of interactions seems to have resulted in a better overall perception of their level of stability, in contrast to the previous personality traits.

Table 7. Kruskal-Wallis Test Results for Neuroticism – Regulated Entities

	Number of Employees	Role in the Entity	Years of Experience
The regulator is very positive in its approach.	4.875	23.797***	15.059***
The regulator is considerate in its approach	8.152**	33.048***	41.885***
The regulator is organised and logical in its approach.	6.881*	39.751***	20.942***

Notes: ***denotes statistical significance at the 1% level; **denotes statistical significance at the 5% level; *denotes statistical significance at the 10% level.

We now turn to the regulators' responses. As seen from Figure 7 the average scores given were relatively high, once again underscoring the positive impression that respondents have of their own organisation's work. The highest score obtained was for the regulators' considerate approach (mean=4.26), followed by their level of organization (mean=4.16) and a positive approach (mean=3.89). Table 8 compares the responses obtained according to the respondents' level of experience. As seen below, once again we find no statistically significant differences in responses across each domain of neuroticism.

Table 8. Kruskal-Wallis Test Results for Neuroticism – Regulators

	Years of Experience
The regulator is very positive in its approach.	0.252
The regulator is considerate in its approach	1.574
The regulator is organised and logical in its approach.	0.567

Notes: ***denotes statistical significance at the 1% level; **denotes statistical significance at the 5% level.

We now compare the responses obtained from the regulated entities and regulators. The results are summarised in Table 9. As with previous traits, we find that the regulated firms' perception of neuroticism within the regulator is significantly higher than that reported by the respondents from the regulators, at least within the domains of perceived positivity and organization.

Table 9. Mann-Whitney Rank-Sum Test Results for Neuroticism – Regulated Entities vs. Regulators

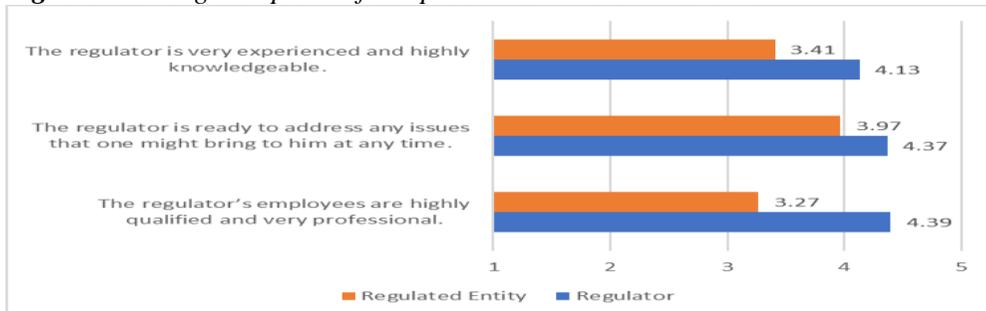
	U-Statistic
The regulator is very positive in its approach.	-3.329***
The regulator is considerate in its approach	-1.396
The regulator is organised and logical in its approach.	-3.313***

Notes: ***denotes statistical significance at the 1% level; **denotes statistical significance at the 5% level.

4.4.5 Organisation Openness/Intellect

The statements in the construct of Openness/Intellect were formulated to assess how much the regulator is open to discussion and whether its employees are highly qualified, professional, experienced and knowledgeable. A summary of the responses obtained is provided in Figure 8.

Figure 8. Average Responses for Openness/Intellect Statements



Respondents from the regulated entities, in general, perceive regulators to be fairly open and knowledgeable. The highest score obtained is for willingness to address issues raised (mean=3.97), followed by experience and knowledge (mean=3.41) and the professionalism and qualifications of the regulators' employees (mean=3.27).

Table 10 compares the individual responses according to various respondent characteristics. We find statistically significant variation in responses based on entity size, specifically within the context of the professionalism and qualifications of the regulators' employees and the regulator's level of knowledge and experience. In the former case, the lowest score was given by firms with 1 to 50 employees (mean=3.07), indicating a relatively poor perception of the quality of the regulators' workforce, while in the latter case the scores are particularly low among entities with 101-150 employees (mean=3.13).

We also find statistically significant differences in responses according to the respondent's role within their entity, again within the two domains mentioned earlier. The results show that top management gave the lowest scores when it comes to both their perception regarding the quality of staff members at the regulator (mean=2.14) and the regulators' level of knowledge and experience (mean=2.63), both of which are below the midpoint, indicating significant reservations by business leaders when it comes to the intellectual capabilities of the regulators and their employees.

Finally, we also find differences in mean scores according to the respondent's level of experience in terms of engaging with the regulator. In this instance, respondents

with the highest level of experience (16+ years) gave the lowest scores both in terms of the intellectual quality of the regulator's staff (mean=2.46) and the regulator's level of knowledge and experience (mean=2.87), with both scores below the midpoint. Thus, these findings point towards a relatively poor perception of the regulator's intellect among key demographics within the financial services industry. By contrast, it is important to note that no significant differences were found with regards to the open statement, which scored highly across all subgroups, indicating that on average respondents are satisfied with the regulator's willingness to listen to and address any issues that are raised.

Table 10. Kruskal-Wallis Test Results for Openness/Intellect – Regulated Entities

	Number of Employees	Role in the Entity	Years of Experience
The regulator's employees are highly qualified and very professional.	15.287***	110.829***	80.375***
The regulator is ready to address any issues that one might bring to him at any time.	0.657	0.122	0.035
The regulator is very experienced and highly knowledgeable.	14.850***	92.699***	58.662***

Notes: ***denotes statistical significance at the 1% level; **denotes statistical significance at the 5% level.

Turning now to the regulators' own responses, it is clear from Figure 8 that the average scores derived are relatively high in each domain, and notably higher than those provided by the regulated entities. The highest score obtained was for the knowledge/experience of the regulator's employees (mean=4.39), which is unsurprising given that the respondents are all employees of the regulator, followed by openness (mean=4.37) and the knowledge of the regulator (mean=4.13). Table 11 considers variation in responses according to the respondent's level of experience. As seen below, once again the respondents are remarkably consistent in their scores, with no statistically significant differences reported.

Table 11. Kruskal-Wallis Test Results for Openness/Intellect – Regulators

	Years of Experience
The regulator's employees are highly qualified and very professional.	2.207
The regulator is ready to address any issues that one might bring to him at any time.	4.495
The regulator is very experienced and highly knowledgeable.	1.510

Notes: ***denotes statistical significance at the 1% level; **denotes statistical significance at the 5% level.

We now compare the results obtained from the regulated entities and the regulators, summarized in Table 12 below. As expected, there are statistically significant

differences in responses across all three statements, with regulators on average providing higher scores than the regulated entities. The largest average difference was in relation to the regulators' staff members' level of professionalism and qualifications, which as reported earlier obtained the highest score among regulators, but in turn the lowest score among regulated entities, which points towards a significant difference in perceptions.

Table 12. Mann-Whitney Rank-Sum Test Results for Openness/Intellect – Regulated Entities vs. Regulators

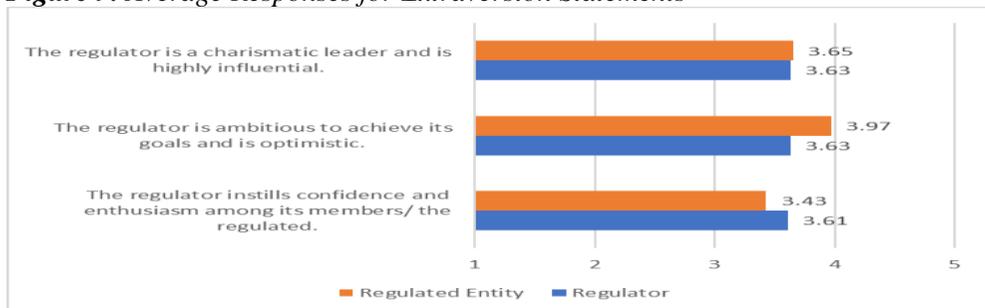
	U-Statistic
The regulator's employees are highly qualified and very professional.	-6.881***
The regulator is ready to address any issues that one might bring to him at any time.	-7.139***
The regulator is very experienced and highly knowledgeable.	-4.833***

Notes: ***denotes statistical significance at the 1% level; **denotes statistical significance at the 5% level.

4.4.6 Organisation Extraversion

As mentioned before, Barrick and Mount (1991) defined extraversion in behavioural tendencies linked to being talkative, sociable and assertive. We included statements about confidence, enthusiasm, ambition and optimism to reveal whether the regulator is considered as an extravert organization, ready to engage with stakeholders and the wider financial services community. Figure 9 summarises the mean responses obtained from the regulated entities and regulators.

Figure 9. Average Responses for Extraversion Statements



We start with the regulated entities. On average respondents have a good perception of the regulator's extraversion, as attested from Figure 9 above. The highest rating was given to the regulator's level of ambition (mean=3.97), followed by the statement on the regulator's charisma and level of influence (mean=3.65) and the extent to which they instil confidence among members (mean=3.43).

We proceed to compare the responses across different respondent subgroups. The results show statistically significant variation in responses according to the number

of employees within the regulated entity, only in relation to the extent to which the regulators instil confidence in its members. The highest rating is provided by those firms with over 151 employees (mean=4) while the lowest score was given by entities with 101-150 employees (mean=3.09). The role played by the respondent also had a statistically significant bearing on the responses provided. When it comes to instilling confidence, the lowest score was given by professionals like accountants and lawyers (mean=2.32), which was below the midpoint, with the highest score given by officers (mean=4). On the flipside, professionals gave the highest score with regards to the leadership skills of the regulators (mean=3.95), with the lowest score given by management (mean=3.55).

We also find statistically significant differences across respondents with varying years of experience in dealing with the regulators. In this case, the lowest score for the regulators' ability to instil confidence was provided by those with only 1-5 years of experience (mean=2.32), while the regulators' leadership skills were ranked lowest by those with 6-10 years of experience (mean=3.42). These results indicate that respondents with relatively low experience in terms of interacting with the regulators have a less favourable perception of the regulator's extraversion, relative to those with higher levels of experience.

Table 13. *Kruskall-Wallis Test Results for Extraversion – Regulated Entities*

	Number of Employees	Role in the Entity	Years of Experience
The regulator instils confidence and enthusiasm among its members/ the regulated.	27.622***	47.310***	41.316***
The regulator is ambitious to achieve its goals and is optimistic.	1.623	0.618	0.934
The regulator is a charismatic leader and is highly influential.	5.746	13.390***	34.693***

Notes: ***denotes statistical significance at the 1% level; **denotes statistical significance at the 5% level.

We move on to the regulators' responses. As seen in Figure 9, once again respondents provided high ratings on average for the regulator's perceived extroversion, albeit somewhat lower than the scores provided by the regulated entities, contrary to the other traits. The highest score was given to both the regulator's ability to instil confidence and its level of charisma and influence (mean=3.63), closely followed by the regulators' ambition (mean=3.61). Table 14

looks at the differences in responses according to the respondents' level of experience. As with the other traits, we find no statistically significant differences in responses based on experience.

Table 14. Kruskal-Wallis Test Results for Extraversion – Regulators

	Years of Experience
The regulator instils confidence and enthusiasm among its members/ the regulated.	2.500
The regulator is ambitious to achieve its goals and is optimistic.	1.807
The regulator is a charismatic leader and is highly influential.	2.587

Notes: ***denotes statistical significance at the 1% level; **denotes statistical significance at the 5% level.

We conclude by comparing the mean scores given by the regulated entities and the regulators, as summarized in Table 15. The only statistically significant difference observed is for the regulator's perceived ambition to achieve its goals and optimism, where on average the regulated entities provided a higher score than the regulator. This is an interesting finding since it suggests that the regulator is perceived to be more ambitious by financial services firms than by employees within the regulator itself.

Table 15. Mann-Whitney Rank-Sum Test Results for Extraversion – Regulated Entities vs. Regulators

	U-Statistic
The regulator instils confidence and enthusiasm among its members/ the regulated.	-1.303
The regulator is ambitious to achieve its goals and is optimistic.	6.705***
The regulator is a charismatic leader and is highly influential.	0.207

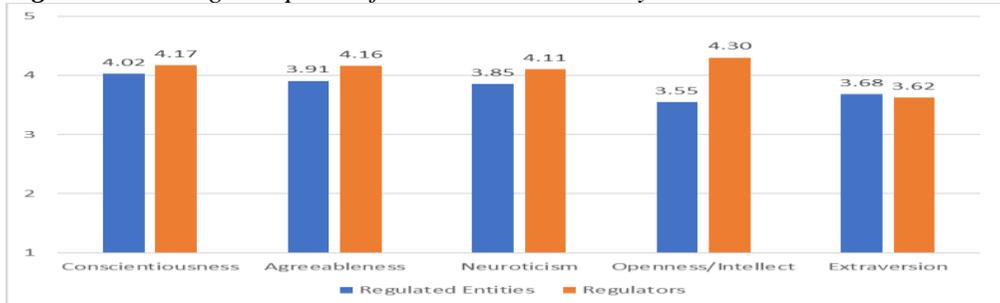
Notes: ***denotes statistical significance at the 1% level; **denotes statistical significance at the 5% level.

4.4.7 Organisational Personality of the Regulators

We conclude this section by looking at the average ratings provided across the five personality traits, in order to understand the perceived personality of the regulator from both the regulating entity and the regulators' perspectives. The average score for each trait is provided in Figure 10 below. Regulated entities rank regulators highest in terms of their conscientiousness (mean=4.02), followed by agreeableness (mean=3.91), stability/inverse of neuroticism (mean=3.85), extraversion (mean=3.68) and finally openness/intellect (mean=3.55). The differences across the five traits are statistically-significant (Kruskal-Wallis chi-squared statistic = 128.245; p=0.000), underscoring the fact that employees within the financial

services industry view regulators as primarily conscientious and agreeable, with knowledge and professionalism ranking somewhat lower, albeit still above the midpoint.

Figure 10. Average Responses for the Five Personality Traits



On the other hand, regulators attributed the highest mean score to openness/intellect (mean=4.3), followed by conscientiousness (mean=4.17), agreeableness (mean=4.16), stability (mean=4.11) and finally extraversion (mean=3.62). The differences are also statistically significant (Kruskall-Wallis chi-squared statistic = 20.334; $p=0.000$), thus indicating that regulators seem themselves as being primarily professional and knowledgeable, but not particularly extraverted, although this is also above the midpoint. Therefore, the key difference between the perceptions of the regulated entity and the regulator with regards to the regulator's personality lies in the openness/intellect trait. On the one hand, respondents from the regulated entity attributed the lowest score to this trait, in some cases even below the midpoint (particularly in relation to intellect), while on the other hand the regulators perceive this to be their strongest trait, particularly when it comes to the professionalism and qualifications of the regulator's workforce. This clear dissonance in perception among regulated firms and regulator merits further attention in order to understand its root cause and, perhaps more pertinently, which party is justified.

4.4.8 Themes emerging from the unstructured interviews

Themes	Description
Lack of Communication	45 (43 from Regulated Entities (RE), 2 Regulators (R)) participants made reference to the lack of communication between the regulator and the regulated entities, which ends up into lack of clarity on the implementation of the regulation. Lack of communication might lead to de-motivation among the regulated.
Staff Turnover	Most of the participants (183 – 180 from (RE), 3 (R)), noted that the regulator has a high staff turnover, which slows down efficiency. They noted that although the regulators may have competent individuals, staff turnover could bring a challenge to efficiency. However, some participants said that this turnover is not happening only at the regulators,

	but all of the regulated entities are experiencing it. The reason being is that Malta is in a situation whereby it is an employees' market and loads of opportunities are offered to the employees. Furthermore, due to staff turnover, regulated entities cannot have a dependable contact person.
Too careful and bureaucratic	152 (From RE) respondents feel that the regulators are too careful in their decisions, which results in a lack of efficiency. Being too cautious and bureaucratic has a negative consequence. Most highlighted that due to being too careful, a process takes a lot of time, which is not very good from a business aspect.
Lack of appropriate resources	161 (From 128 RE, 33 (R)), respondents noted that some of the regulators are under-resourced. It was highlighted that there are not enough appropriate people working with the regulator. This creates a knowledge gap where the regulated entities know more than the regulator. According to the regulated entities, this is not necessarily bad, but it can have an impact on efficiency. Furthermore, regulation is always changing, and this requires the regulators' employees to develop new skills, which may not always be present. Some stated that being in the industry could expose a person to new ideas and new ways of thinking, which is where the knowledge gap stems. Regulators sometimes show traits that they lack personality and practice. This leads to uncertainties leading to lack of efficiency in decision-making, due to fear of the unknown/uncertainty.
Depends who you deal with	Almost all of the respondents made reference that it depends on the person who you are dealing with (174 all RE). It was noted that the employees are highly qualified and very knowledgeable but when one asks questions, it is expected that the employee can provide answers to a certain point of contention. There is always that one person who is a point of reference and has a team and the members of the team always refer to that person. It was felt that the persons at the top are very knowledgeable but the lower the position is, the less knowledgeable they are. Some regulated entities stated that some of the regulators' employees fear of doing something wrong and are reluctant to give their opinion. One participant claimed that being able to discuss with regulators would give you solutions for the problems encountered. Others stated that there have been cases where they dealt with different regulator employees who did not concur on their advice. In fact, although it is obvious that every person is like no other person, the FFM does not say anything about this aspect of a person (Kluckhohn & Murray, 1953).
Fast paced industry	Since the financial industry is growing massively, some of the respondents stated that the regulator has to keep up with the innovations in the financial industry. The regulator has to adapt to this fast-paced growth (96 – 64 RE, 32 R).
Open to listen	(18 RE) respondents, feel that the regulator is always open to discussion and listen to the regulated entities' concerns. 1 participant noted that the regulator listens to new ideas; however, it cannot consider every idea. On the other hand, 10 participants claimed that the regulators are open to discussion but the deadlines and the requests say otherwise. A participant gave one example where certain circulars that had to be published were

	published exactly on the deadline or there was not a clear message as to when they have to be submitted.
Flexibility	74 RE respondents feel that the regulator is very flexible and this is evident why many foreign entities come to set up in Malta. The participants described the Regulator as appreciable regulators where with an open-door policy, which is unique in the EU. This corroborates with how the MFSA described Maltese regulatory regime.

5. Conclusion

In this study, we analysed the personality of the Maltese financial regulators within the framework of the Five Factors Model (FFM) of personality traits. To this end, we conducted a series of quantitative and qualitative semi-structured scheduled interviews with employees working directly or indirectly with regulated entities within the financial services sector as well as representatives from regulators. The statements provided were the same for both data sets in order to be able to compare the answers.

The quantitative analysis showed that in general, both the regulated entities and the regulators gave high scores for each of the five traits, indicating that the overall perception of regulators in Malta is positive. From the perspective of the regulated entities, conscientiousness emerged as the key trait, with openness/intellect ranking the lowest. Conversely, regulators rated themselves highest on openness/intellect, with the lowest score given to extraversion. A number of additional findings are worth noting. Firstly, we find that people with significant work experience within the industry in terms of interacting with regulators gave lower scores across in key domains like trustworthiness, diligence and care, professionalism and knowledge of regulator staff members, which suggests that these issues may require further investigation. Such a review should be conducted in tandem with key stakeholders from the industry, particularly those individuals with high levels of experience, in order to adequately forge ahead and improve matters. From the unstructured interviews, a common comment from both sides revealed that communication is not the regulators' strong suit, which is a major issue in today's growing industry. According to Agrawal (2012), good and effective communications is required not only for good human relations but also for good and successful business.

A key finding that emerges from this paper is the apparent disconnect between the regulators' perception regarding its knowledge and expertise, and that held by the regulated entities. The fact that this emerged as the lowest-ranked trait among regulated entities, in some cases dipping below the midpoint, merits further investigation given its importance in the creation and implementation of effective financial regulations and policies. At the very least, a skills audit could be conducted among staff members within the regulators in order to ascertain the current situation

and compare that to the ever-changing requirements of today's dynamic financial services sector, with training and development opportunities designed accordingly. Perhaps one of the key factors resulting in this low score for intellect stems from the fact that, as outlined in the unstructured interviews, the regulator experienced high staff turnover in these past few years. Employee turnover is one of the challenges in fast-growing economies like Malta, causing disruption in operations, which in turn lead to higher costs for the organisation (Iqbal, 2017). In order to mitigate this problem, more efforts should be done to improve retention by considering factors like better recruitment effort, compensation practices, working conditions and team building (Achoui and Mansour, 2007).

On the other hand, regulated entities feel that the regulator is very flexible and this is evidenced by a large number of foreign entities that set up shop in Malta. In fact, the MFSA is renowned for its efficiency and flexibility, which ensures a smooth and non-bureaucratic licensing process (Avanzia Tax Advisors, 2017). However, although conscientiousness scores were high across the board, some regulated entities stated that regulators may be too careful or deliberate in their decisions, which in turn leads to possible delays and inefficiencies. It is sometimes forgotten that competition and regulation have the same ultimate goals, namely to prevent illegitimate acquisition and exercise of market power and also to facilitate the efficient allocation of resources (Crampton, 2002). Thus, striking the right balance between the two is necessary for a well-functioning financial system.

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