

Malta's Value Proposition for International Financial Services Operators

Kenneth Farrugia
Chairman – FinanceMalta

TTN Conference Malta 2019
Hotel Hilton Malta

19th September 2019

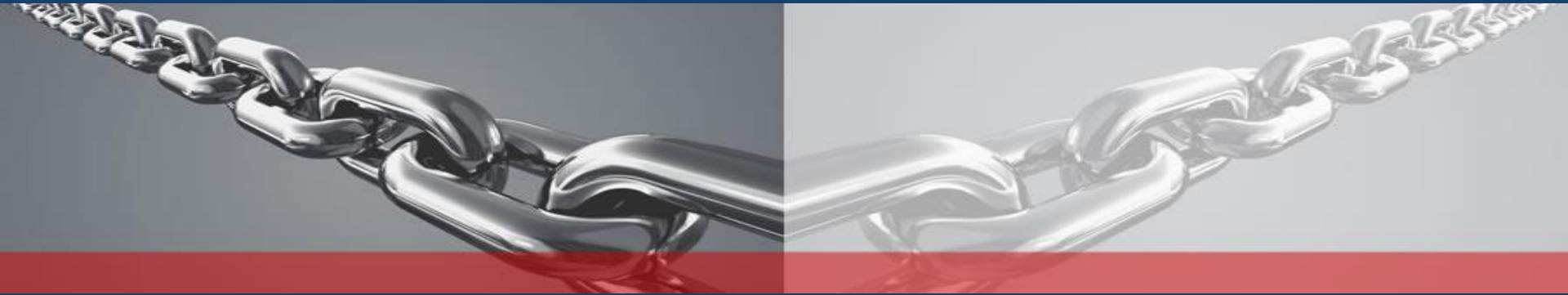


Agenda

- 1. Malta's Financial Services Industry**
 - Key Sectors and Structuring Opportunities**
- 2. Critical Pull Factors**

Malta's Financial Services Industry

Strength Through Innovation & Financial Diversity



Malta's Financial Services Industry

Defined Service Clusters



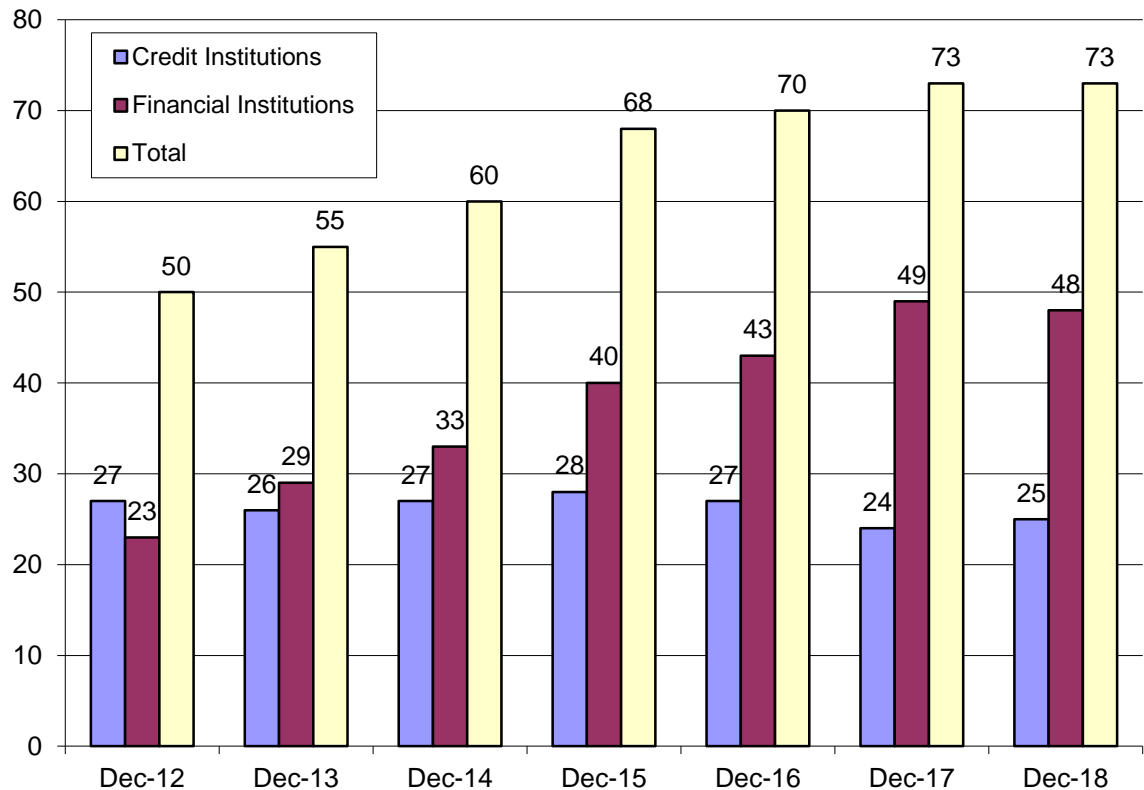
Malta's Financial Services Industry

Sustained growth in new licences over FY 2018



- **Banking Act** allows for the setting up of credit institutions that may passport their services cross border in Europe. Legislation and Regulatory Framework allows for **on-line banks**
- **Financial Institutions Act** allows for the setting up of operations which may provide various services to include:
 - Lending, financial leasing and venture or risk capital
 - E-Money transmission services, issuing and administering means of payment guarantees and commitments
 - Trading in money market instruments, foreign exchange, financial futures and options, interest rate and transferable instruments
 - Underwriting and participating in share issues
 - Money broking

A Jurisdiction for Banking and Financial Institutions



The legislative and regulatory framework for the insurance sector has attracted to Malta various insurance business typologies including:

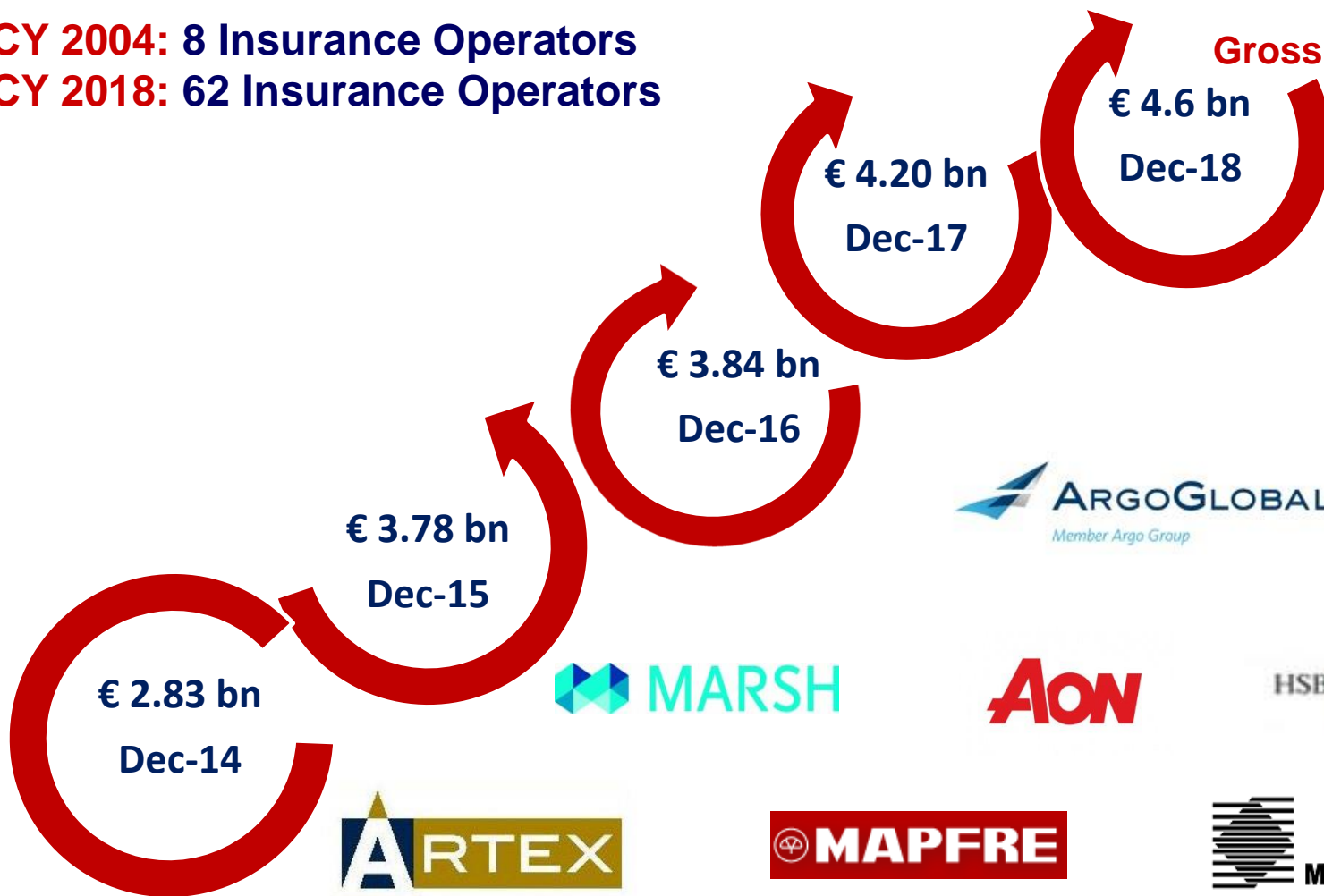
- **Captives**
- **Insurance (and reinsurance) Principal Companies**
- **Insurance Intermediaries**
- **Insurance Management Companies**
- **Protected Cell Companies (PCCs)**
- **Incorporated Cell Companies (ICCs)**
- **Securitisation vehicles set up in terms of the Securitisation Act**
- **Redomiciliation Act allows migration of foreign insurance companies to Malta**

Insurance Sector

Growth Driven by International Business

CY 2004: 8 Insurance Operators
CY 2018: 62 Insurance Operators

Gross Premiums Written



Asset Management Sector Sustained Growth



The diagram features two red rectangular boxes with white circular accents on the left. The top box is labeled 'Funds' and the bottom box is labeled 'Investment Services Providers'. A red line connects the two boxes, with a curved arrow pointing upwards from the bottom box to the top box, indicating growth. Below each box is a text label indicating new licenses or funds added in CY 2018.

Funds

+ 63 New Funds CY 2018

**Investment
Services
Providers**

+ 11 New Investment Services Licences CY2018

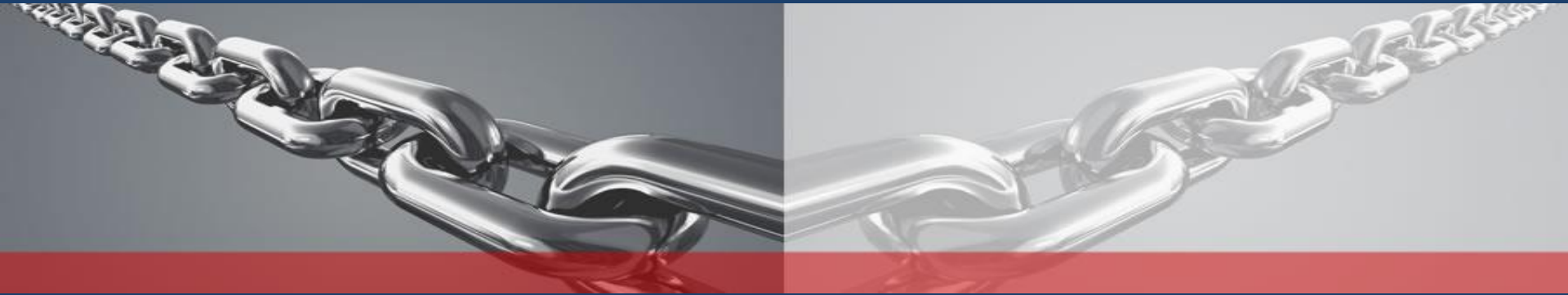
Developed Product/Service Clusters

- **156** Investment Services Licences
- **665 Funds** serviced in and from Malta
- **Over € 100 billion** in assets serviced in and from Malta
- **24** Fund Administrators
- **8** Custodians

Presence of a comprehensive legal and regulatory framework which presents a number of opportunities:

- **Establish Asset Servicing Operations in Malta**
 - Asset Management/Asset Advisory Organisations
 - Custody and Fund Administration Operations
 - Redomiciliation Legislation leading to EU Passporting Rights
 - Co-location for non EU operators to enable passporting of products and services
- **Ability to set-up various Fund structures**
 - Private Equity/Venture Capital Funds – tax treaty network
 - Alternative Investment Funds
 - Real Estate and Infrastructure Funds
 - Loan Funds
- **Flexible Investment Fund Framework**
 - UCITS
 - Professional Investor Funds (PIFs)
 - Alternative Investment Funds (AIFs)/Innovative Notified AIF (NAIFs)

Private Wealth Sector



TRUSTS: Structured under the Trust and Trustees Act

- Cater for asset protection, estate or tax planning, as a commercial tool or for testamentary usage.
- Trust setups may include: Discretionary Trusts; Maintenance Trusts; Charitable Trusts; Fixed Interest Trusts and Unit Trusts

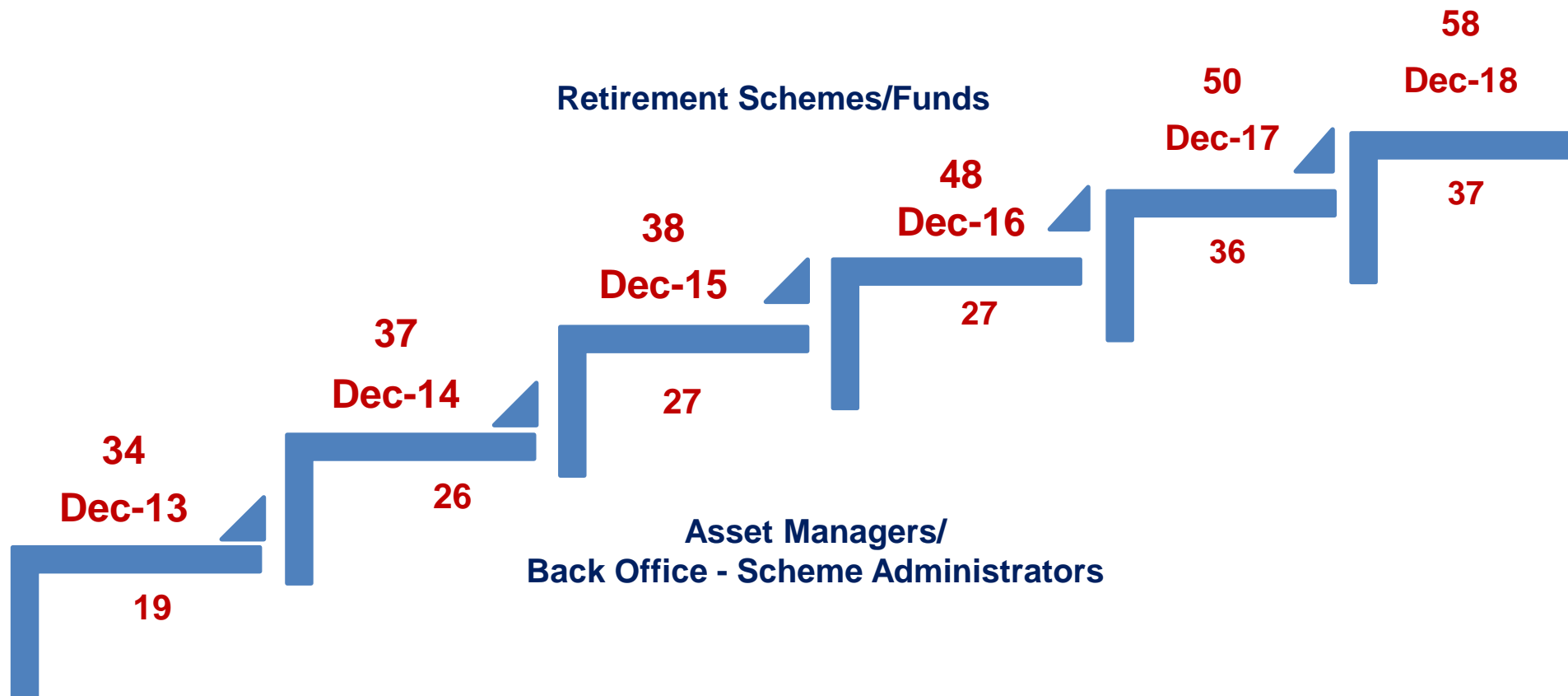
FOUNDATIONS: Structured under the Companies Act

- setup for the benefit of a named person or class of persons – such foundations being designated ‘**private foundations**’; or
- for the fulfilment of a specified purpose – such foundations being designated ‘**purpose foundations**’.

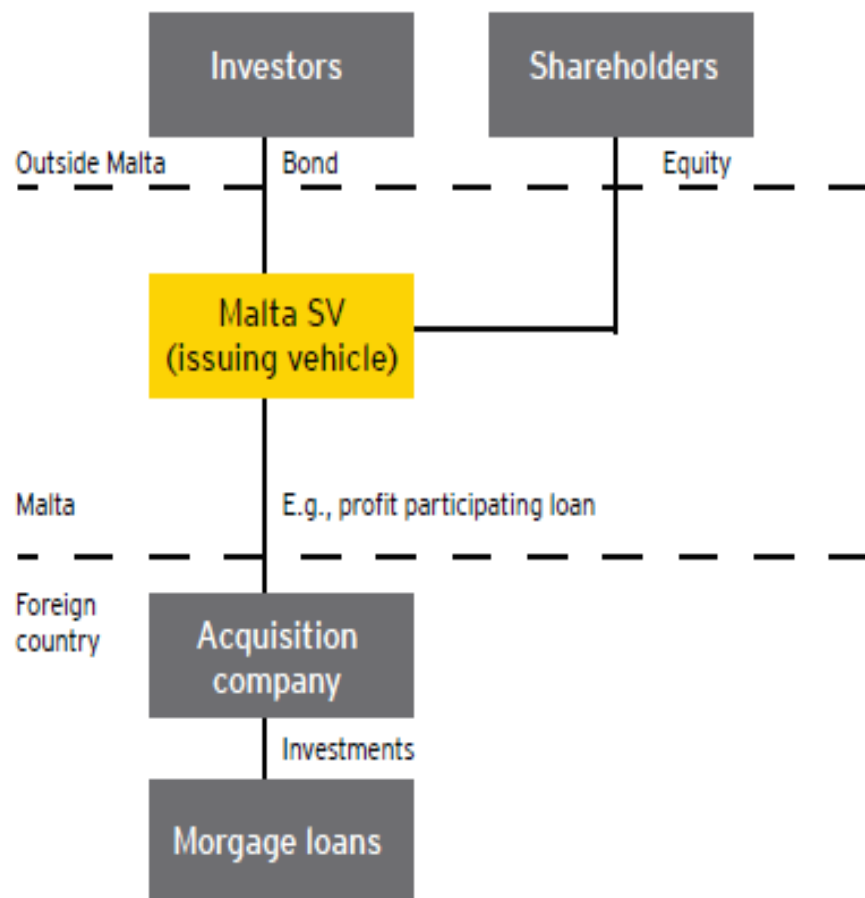
OTHERS: Pleasure Boat and Aircraft Registration Schemes, Private Funds, Incorporated Cell Companies and International Pensions Schemes

Growth Traction in Pension Business

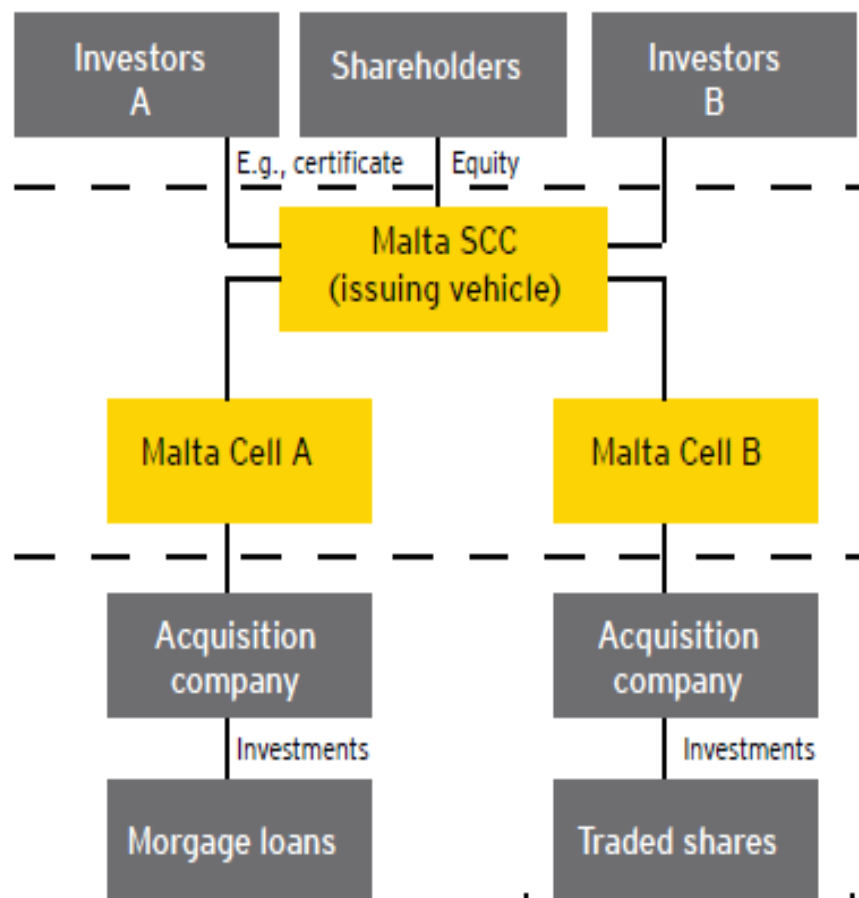
Over **€ 3.7 billion** in assets



Example 1 - Securitization vehicle

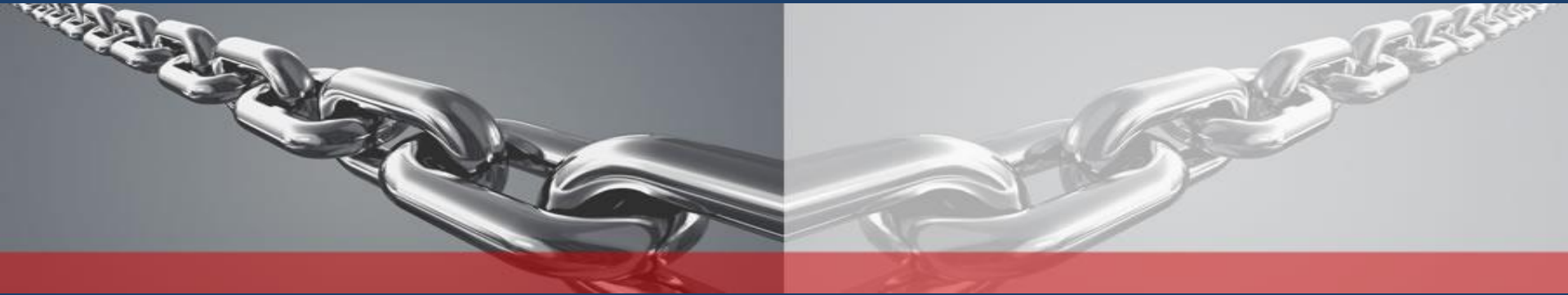


Example 2 - Securitization cell company



According to the terms and conditions of the certificate issued, the shares may be traded.

Blockchain & Virtual Financial Assets



Regulation being enacted leading to the set up of the Malta Digital Innovation Authority (MDIA) and position Malta as a pioneer in this field

The Authority's activity will centre around financial services activities involving the groundbreaking Distributed Ledger Technology (DLT).

3 legislative acts have been approved by parliament in July 2018:

- 1. Malta Digital Innovation Authority Act** enabled the set up the Authority
- 2. Information Technology Arrangements and Services Act** - introduce a regime for the registration of Technology Service Providers operating DLT platforms to include auditors and administrators or DLT platforms and their certification
- 3. Virtual Financial Assets Act** - set out a regulatory framework for cryptocurrencies and other service related intermediaries to provide legal certainty in a regulatory vacuum.

- **March 2017** : First government indication of Blockchain Malta project
- **August 2017** : GoM consultation on restructuring of MFSA indicates the need to deal with new challenges facing digital financial services business
- **October 2017** : MFSA consultation paper on CISs investing in VCs
- **November 2017** : Government of Malta commissions DLT legislative framework
- **January 2018** : MFSA rules for funds investing in VCs
- **February 2018** : GoM issued consultation document on DLT legislation
- **March 2018** : MFSA issues consultation on Financial Instruments Test
- **April 2018** : Binance announce their intention to relocate to Malta
- **May 2018** : Okex and Neufund follow suit
- **July 2018** : DLT legislation is published
- **November 2018** : Effective Date for VFA

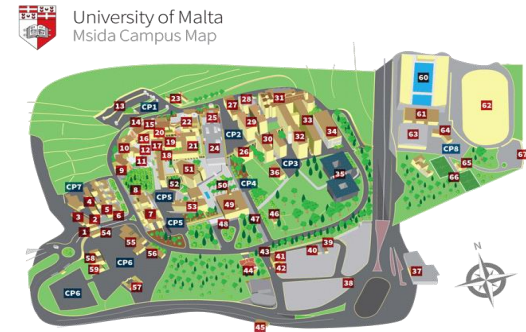
Malta's Value Proposition

Critical Pull Factors

- **Meticulous, Accessible & Pro-Business Single Regulator**
- **Comprehensive Legal and Regulatory Framework**
- **Highly Educated Workforce**
- **Robust Operational Infrastructure**
- **Cost Competitive Financial Centre**
- **Political and Economic Stability**

An Unparalleled Lifestyle

- **History** - over 7,000 years of history concentrated in just over 316 square kilometres
- **Health System** - a World Health Organization (WHO) survey ranked Malta 5th in the world for its standard of medical care
- **Flight Connections** - Malta well connected to international destinations





International Attestations Global Competitiveness Index 2017 – 2018

Rank out of 137 Countries –Top Quartile Position

3rd

• Internet Bandwidth per User

17th

• Soundness of the Banks

15th

• Strength of the auditing/reporting standards

13th

Quality of the Education System

20th

• Quality of Maths and Science Education

22nd

• Regulation of Securities Exchanges

Malta

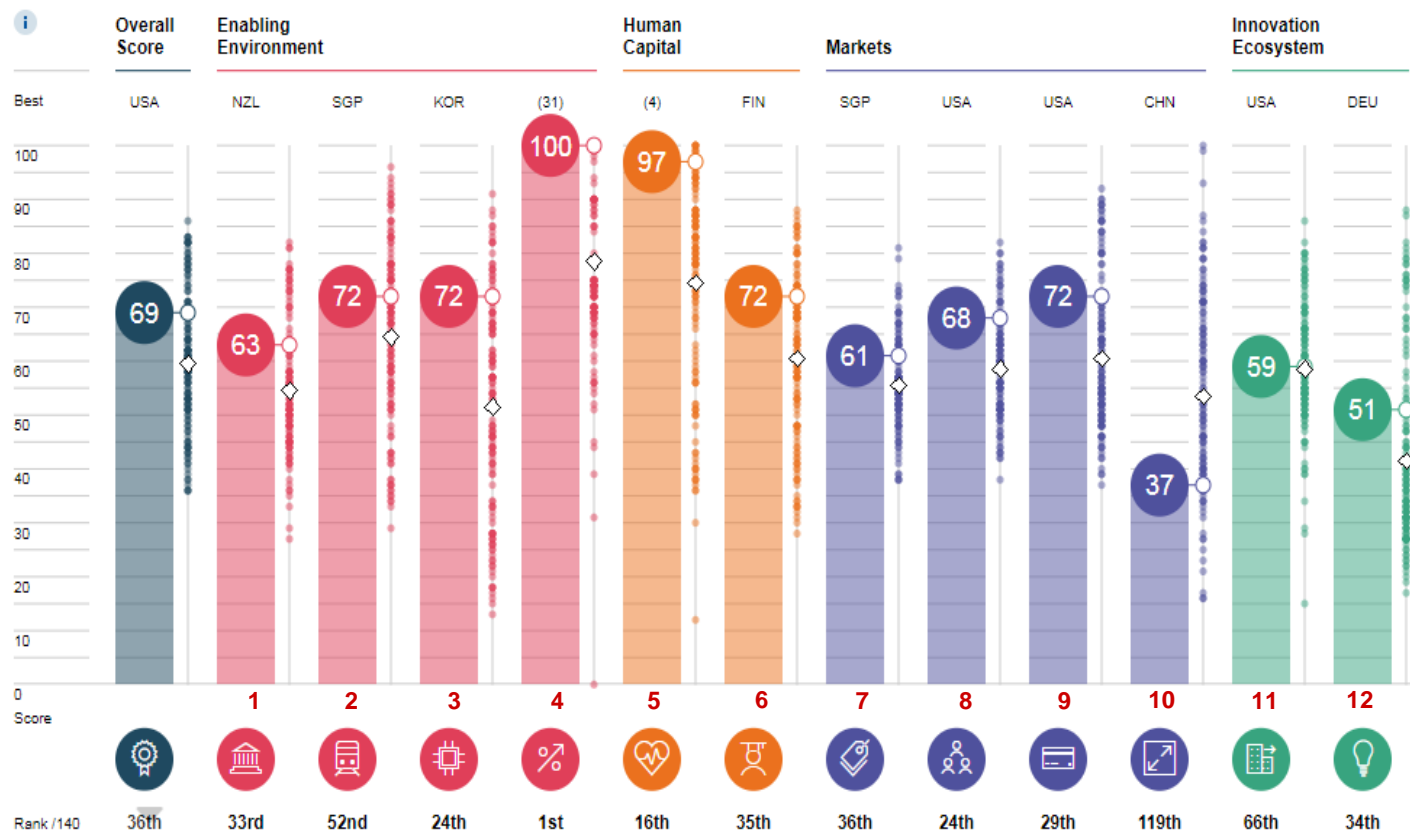
36th /140

Global Competitiveness Index 4.0 2018 edition

Rank in 2017 edition: 36th/135

Performance Overview 2018

Compare with ◇ Global average

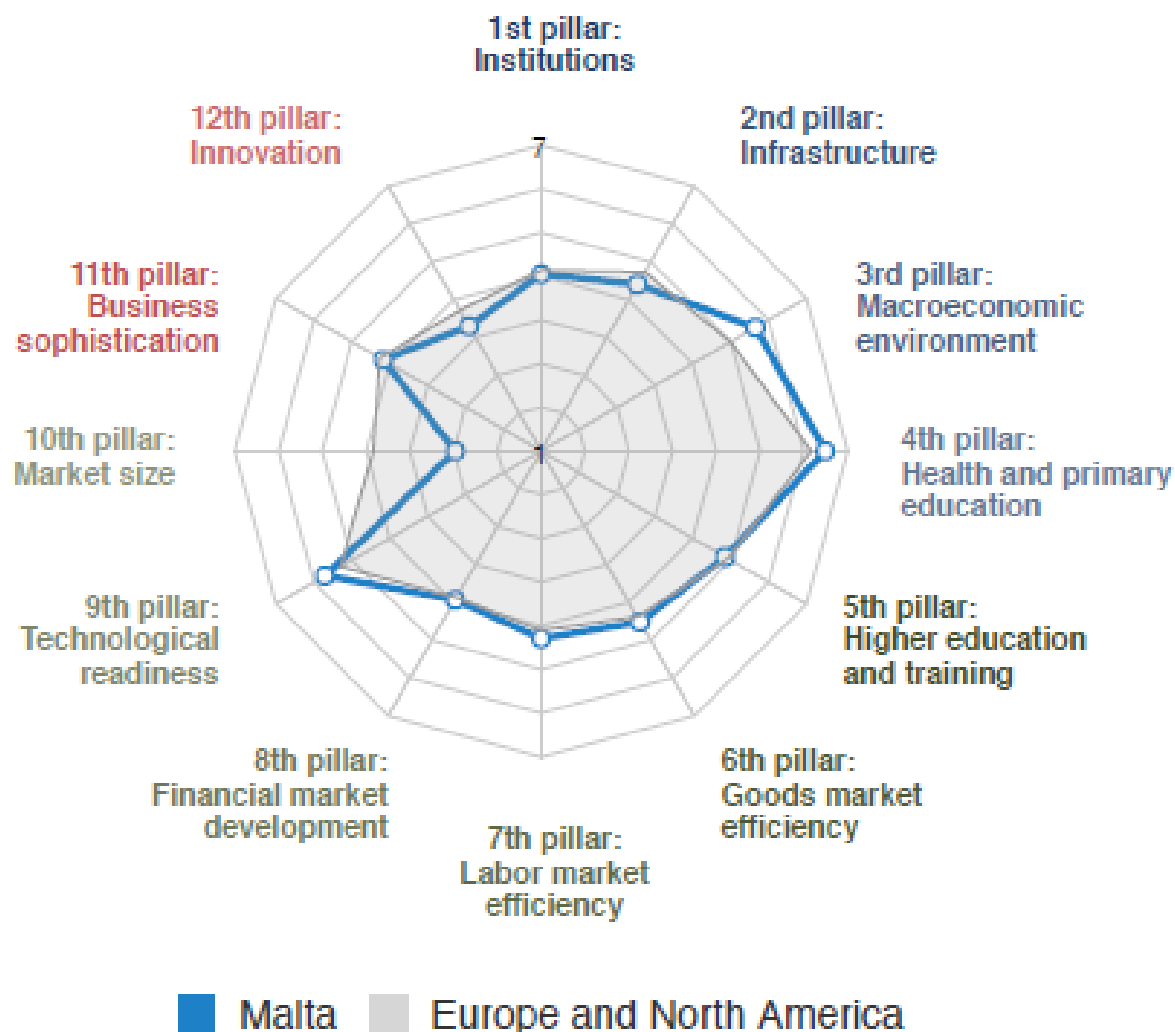


Comparative Pillars

1. Institutions
2. Transport System
3. ICT Adoption
4. Macro Stability
5. Health
6. Skills
7. Product Market
8. Labour Market
9. Financial System
10. Market Size
11. Business Dynamism
12. Innovation Capability

International Attestations

Global Competitiveness Index 2017 – 2018



Thank You

Further Information

Corporate Website: www.financemalta.org

Kenneth Farrugia – Chairman

email: chairman@financemalta.org

Ivan Grech – Chief Operations Officer

email: ivan.grech@financemalta.org

Follow us on Social Media

Twitter	- @FinanceMalta
LinkedIn	- FinanceMalta
Facebook	- FinanceMalta
You Tube	- FinanceMaltaYT

