DAWN OF A NEW ERA

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Overview
The introduction of the EU’s new rules for alternative investment fund managers could help propel Malta to the next level in the development of its financial services sector.

Legal services
Malta’s legal firms are positioning themselves for the opportunities implementation of the AIFM directive may bring to the island jurisdiction.

Fund administration
Malta’s administrative landscape is set to change with the arrival of Citco in 2013, which is likely to raise the profile of the jurisdiction and attract more business.

Custody
Custody is now at the centre of operational concerns as custodians begin to replace some of the functions that were once the exclusive preserve of prime brokers.

What they say about Malta
While service providers acknowledge Malta has made a name for itself as a jurisdiction of choice for start-up managers, few believe larger funds will be attracted to the domicile until a wider selection of custodians is present.

Malta at a glance
Key facts and figures about Malta, a jurisdiction for hedge funds and managers in the European Union.
The introduction of the EU’s new rules for alternative investment fund managers could help propel Malta to the next level in the development of its financial services sector.

Moving to the next level

The next 12 months will be crucial for Malta as a jurisdiction for alternatives. First up on the agenda is an election. In mid-December a vote against the proposed budget brought down the government of Prime Minister Lawrence Gonzi. President George Abela agreed to dissolve parliament on January 7 with elections scheduled for March 9, 2013.

Many in Malta believe the Labour party will win the election and if that happens, there could be some impact on the financial services sector, even though all political parties in the country are committed to building up the industry. Some fear Labour policies in other areas, such as tax, could have a negative effect while others are still wary of a Labour government that in the past has had left-leaning tendencies.

Perhaps most worrying for the alternative funds sector is the possibility that the current head of the Malta Financial Services Authority, Joseph Bannister, could be replaced. This, say many, would be a real blow for the industry. He is widely seen as a success, a strong advocate for the sector at home and, most particularly, in the EU where the voice of Malta on such issues as the alternative investment fund managers (AIFM) directive has been heard and listened to because of the experience Bannister brought to his arguments.

Rumblings of a possible change began even before the fall of the government. In November allegations were made by Labour MP Evarist Bartolo that Bannister “is the business associate of a recipient of direct contracts from the regulator and insisted he is a non-executive director of the Kairos Fund and of four other schemes that have no association with Malta”, according local press reports.

Most within the industry saw this as a storm in a teacup and a fairly transparent attempt to tarnish Bannister’s reputation. For his part, Bannister is keen to stay on, saying he has more he would like to achieve. Top of that list will be implementation of the AIFM directive in July 2013. No matter who is head of the MFSA by then, many within Malta see the introduction of the EU legislation as a potential game changer for the jurisdiction. Many believe there will be an influx of fund managers and management companies from outside the EU, especially Switzerland, as well as new managers from within the union. The reasons are many. While most cite the lower costs of the jurisdiction and an attractive tax environment for both individuals and corporates, the main pull might just be the MFSA itself. The main hedge fund jurisdictions in Europe, Luxembourg and Ireland, have seen phenomenal growth and are well established. Their success, however, means that access to the regulator is not easy. Indeed, many complain that it is near impossible to get answers from these regulators, particularly for smaller managers looking to start up a fund.

Approachable and open

The MFSA remains open and approachable. While Ireland and Luxembourg may scoff at the small size of Malta’s market share within the EU, probably around 20% at most, that masks the real fact that the smallest EU member state has made significant progress in attracting fund managers and management companies to the island. As locals point out, an influx of even 10 or 12 management companies is a lot for a population of well under 500,000. Already the country is finding it difficult to supply all the employment needs of the growing financial services sector. Many companies, including law firms and accountants, are looking outside Malta for the talent that is needed in this highly specialised sector. Even the MFSA has been recruiting from outside Malta. It increased staff levels by around 40 in 2012 and intends to recruit 40 more in 2013. This, according to Bannister, is a result of the growing funds business and the determination of the regulator to keep its doors open and the approval process short, albeit thorough. Finding talent is not proving to be a problem as many in southern Europe are looking for jobs outside their home countries. Malta, which has a stable economy that has had no banking dramas and has emerged relatively unscathed from the financial crisis, is seen as a good prospect, even if salary levels are somewhat lower.

At the MFSA, to keep up with demand, not only has more staff been added but also the regulator has had a bit of a restructuring. “We have had to create a hierarchy on the supervisor side. Another 20 staff have been envisaged. On the board we have to start looking at the management side because the management was not changed in the last 10 years. An internal exercise has been looking at the management side,” says Bannister. The idea is to keep the approval
time for applications as short as possible while maintaining the needed due diligence and checks that are paramount for the jurisdiction, which is especially protective of its reputation. Bannister and others believe that even one minor scandal could hurt the industry and that is something no one in the financial services sector wants to see happen. Therefore, barriers to entry are as high or sometimes higher than in other jurisdictions but usually within a timeframe of three to four months. The added benefit is that the open-door policy means fund managers can discuss a strategy with the MFSA before making a formal application and get a steer on whether there may be any problems.

**AIFM preparation**

But the really big news of 2013 will be implementation of the AIFM directive. With the implementation regulations, known as level 2, finally published (December 19, 2012), only time will tell if the anticipated surge in growth for the jurisdiction will follow.

“We have been on top of [the AIFM directive] from day one,” says Bannister. “We have participated actively, actively consulted. For us implementation is not a problem, despite what you hear in other jurisdictions. Legislation is ready. We don’t need to make changes in legislation. We issued a consultation paper, there was feedback and basically we then have to put everything in operation.”

In terms of how the directive and regulations will be implemented, there are two teams within in the MFSA tasked with this. One idea is to create separate rulebooks and mandates for the authorisation of private equity funds and for hedge funds. “Now we are working with international consultants on this,” says Bannister. “On private equity we are working with international consultants and our expectation is that we will have everything ready early [in 2013]. Things are moving fast. We had contacts through our lawyers in London with HMRC [Her Majesty’s Revenue & Customs] and basically we are going to use the partnership not limited by shares, which looks to be tax efficient, and obviously HMRC rules on the contracts between partners. It’s a good step forward.”

Bannister says little will probably have to change in Malta, mainly because the jurisdiction already provides for a Sicav structure, an open-ended collective investment scheme, and also has a partnership structure in place.

The main concern of Bannister, the lack of a variety of custodians in Malta, may finally be solved. Financial services group Cito is understood to have applied not only for a custodian licence but also for one for fund administration. As the largest hedge fund administrator, its presence in Malta is expected to give a boost to the jurisdiction’s attractions for larger fund managers.

In addition Credit Suisse is also expected to offer custodial services in 2013 along with a private bank from Liechtenstein. This – along with with the existing services offered by HSBC, Deutsche Bank and the largest local player, Bank of Valletta – Bannister believes should be enough to attract other custodians, something required under the AIFM directive and UCITS legislation. In any event, the country has until 2018 to get enough custodians on the ground to service the funds industry. Many hope that, by then, the requirement of a custodian based in the same domicile as the fund will no longer be compulsory.

Even if the lack of custodians is not an issue, there are still concerns that the jurisdiction is failing to attract funds of a larger size. Malta has become known as a niche jurisdiction for small managers, many of them well under the $50 million mark.

“There is still that question why Malta? If there is still a ‘why Malta’ in the eyes of the promoters, they are thinking about how they need to explain themselves to investors. If there is still a concern about why Malta, and also given the fact that the AIFM directive is just around the corner now, most of those that wanted to reposition before the AIFM directive have done so. The rest are now waiting to see the impact of the implementation,” says one observer of the situation in Malta.

Some managers may be sitting on the fence before committing. If the private placement system remains for some time, that may be a better option for managers based outside the EU rather than complying with the AIFM directive’s requirements.

Bannister takes a different view. “What we are seeing now is medium-sized managers coming from London. So we are quite comfortable with that. We are seeing medium-sized managers from Switzerland. The big managers? Yes and no. This is a highly mobile industry and the government – at least previous ministers of finance – were always of the view that 20 small companies employing 50 each is better than one employing 1,000 because if it moves, then we have a problem,” comments Bannister.

Balance is a concern. No one in Malta wants to see financial services grow too large and dominate the economy but on the other hand there is still a lot of scope for growth. Attracting high-value but low-impact companies such as hedge funds is a valid strategy for a country limited by space and population.

“Now the question is how far [alternatives] can expand [in Malta]. I think it can expand quite a lot. But obviously you have to be careful. The finance centres are in the spotlight in Europe,” cautions Bannister.

Aside from the new rules from the EU, Bannister is concentrating on improving corporate governance. The financial intelligence unit at the MFSA is working on requirements for board members and Bannister intends to unveil a manual in 2013 for non-executives to use, outlining their responsibilities. He is keen to pursue a voluntary course on the number of directorships but will not hesitate to intervene if he thinks a person is taking on too much responsibility. The main thing, he believes, is educating directors in their fiduciary responsibilities and the consequences if they do not fulfil them.

Aside from this, the MFSA feels confident it is coping with expansion of financial services at all levels. How much of a boost the AIFM directive will give the jurisdiction remains to be seen. But in 12 months time Malta will know whether the directive has been the push towards critical mass that it so desires in the alternatives sector.
### Key features of professional investor funds (PIFs)

<table>
<thead>
<tr>
<th>Condition</th>
<th>Experienced</th>
<th>Qualifying</th>
<th>Extraordinary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service provider</td>
<td>Must be based in Malta or in a recognised jurisdiction</td>
<td>Must be based in Malta or in a recognised jurisdiction</td>
<td>Must be based in Malta or in a recognised jurisdiction</td>
</tr>
<tr>
<td>Fund manager</td>
<td>Optional self-managed PIFs allowed. Manager may also act as administrator</td>
<td>Optional self-managed PIFs allowed. Manager may also act as administrator</td>
<td>Optional self-managed PIFs allowed. Manager may also act as administrator</td>
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<tr>
<td>Fund administrator</td>
<td>Optional</td>
<td>Optional</td>
<td>Optional</td>
</tr>
<tr>
<td>Custodian/prime broker</td>
<td>Required. Must be independent from fund manager</td>
<td>Optional. Provided there are adequate safekeeping arrangements. Where appointed, custodian does not need to be based in Malta</td>
<td>Optional. Provided there are adequate safekeeping arrangements. Where appointed, custodian does not need to be based in Malta</td>
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<tr>
<td>Investment adviser</td>
<td>Optional</td>
<td>Optional</td>
<td>Optional</td>
</tr>
<tr>
<td>Compliance officer</td>
<td>Required. May also act as money laundering officer</td>
<td>Required. May also act as money laundering officer</td>
<td>Required. May also act as money laundering officer</td>
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<tr>
<td>Money laundering reporting officer</td>
<td>Required. Not required if fund does not promote and market its own units/shares</td>
<td>Required. Not required if fund does not promote and market its own units/shares</td>
<td>Required. Not required if fund does not promote and market its own units/shares</td>
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<tr>
<td>Local representative</td>
<td>Required if all officials and service providers are established abroad</td>
<td>Required if all officials and service providers are established abroad</td>
<td>Required if all officials and service providers are established abroad</td>
</tr>
<tr>
<td>Auditor</td>
<td>Required</td>
<td>Required</td>
<td>Required</td>
</tr>
<tr>
<td>Net worth of investors</td>
<td>-</td>
<td>€750,000 (or other conditions)</td>
<td>€7.5 million (or other conditions)</td>
</tr>
<tr>
<td>Offering and marketing documents</td>
<td>Must prepare an offering document</td>
<td>Must prepare an offering document</td>
<td>Must prepare either a brief offering document or a brief marketing document</td>
</tr>
<tr>
<td>Listing</td>
<td>Optional</td>
<td>Optional</td>
<td>Optional</td>
</tr>
<tr>
<td>Borrowing limits</td>
<td>100% of NAV in respect of borrowing used for investment purposes and leverage through derivatives. Unlimited borrowing for temporary liquidity</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Diversification</td>
<td>Fund of hedge funds must invest in at least two hedge funds</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Minimum entry level</td>
<td>€/$/£10,000</td>
<td>€/$/£75,000</td>
<td>€/$/£750,000</td>
</tr>
<tr>
<td>Annual report</td>
<td>Must be submitted with a custodian's report</td>
<td>Must be submitted with a custodian's report</td>
<td>Must be submitted with a custodian's report</td>
</tr>
<tr>
<td>Set-up time</td>
<td>Approximately two to three months</td>
<td>Approximately two to three months</td>
<td>Approximately two to three months</td>
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Note: Structure: mostly open or closed-ended investment companies although unit trusts, contractual funds and limited partnerships can also be used. Regulated by the Investment Services Act.
Source: Finance Malta investor guide series: Investment funds and asset management
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Malta’s legal firms are positioning themselves for the opportunities implementation of the AIFM directive may bring to the island jurisdiction.

Growth prospects look good

Malta’s lawyers are in a positive mood. Those involved in the financial services sector continue to expand and although there may be a shortage of local expertise, most are confident they will be able to attract high-calibre people to the profession.

The drivers for expansion are mixed. Some point to interest from Swiss-based managers and management companies interested in moving into an EU jurisdiction. Others believe the introduction of the EU’s alternative investment fund managers (AIFM) directive in July 2013 will act as a catalyst for expansion and expect to see much more interest in Malta as an alternative location to the more crowded and expensive jurisdictions of Ireland and Luxembourg.

The AIFM directive, says Andrew Zammit, managing partner at CSB Advocates, will be a “good thing for Malta”. He believes the cost-effectiveness of the jurisdiction will win business away from Luxembourg in particular.

Looking ahead Zammit believes the firm will be expanding its consultancy work and is actively looking to recruit. On the corporate services side, however, he does not expect as much growth in activity.

“Our involvement with investment funds and fund managers and service providers usually begins by helping them go through process of getting a licence from the Malta Financial Services Authority [MFSA],” explains Zammit. The profile of clients, he says, varies. “We see a lot of small boutiques focused on corporate and financial services as well as large and small start-ups, breaking away from large international fund managers.”

What sets this law firm apart from the others is its concentration on technology. “Our edge as a firm is that we are young in age and outlook. This is where technology meets finance. We understand this and are involved in e-commerce models with strong IT technology, media and communications backgrounds as well as expertise in online foreign exchange trading. We did our first application four years ago, recurring from the technology and finance sectors where we see a lot of work,” says Zammit.

Malta, he believes, is a good base for such operations. “Ultimately you are using the technology to drive the system, so you don’t need a large human resources pool in Malta. The technology can be overseen by one or two individuals, whether expats or locally recruited. This keeps the structure lean and mean and cost-effective. We’ve seen clients in this area grow. Four years ago there were only three or four and now there are 15-20,” he says.

He says CSB Advocates was “in the right place at the right time”. “We grew up with the internet. It’s part of how we did research, started communicating with people. The internet has its own challenges in legal terms, but it has raised interesting considerations,” he states, adding, “Malta has quite an interesting offering, lots of online gaming and other e-commerce structures sprouting up, taking a very modular approach to setting up operations in Malta.” He believes the country can match services in any other centre.

International outlook

At Muscat Azzopardi & Associates, James Muscat Azzopardi has taken a different direction. This law firm has an international outlook, advising private and corporate clients as well as governments. He is, however, disappointed in the slowdown in growth in 2012. “I would have thought by now that we would have probably more interest [in Malta]. I think there is still a bit of a wait and see. This is a recurring theme for the AIFM directive. But people realise they need to make the decision of relocating or starting off somewhere new. You can’t decide that after a month”.

While Muscat Azzopardi believes Malta has still to become a household name for fund managers, he believes the jurisdiction has the capability to be a viable alternative to Luxembourg and Ireland. “We are much better known than a few years ago,” he says, adding, “We are now at the stage where more and more managers and advisers are discussing Malta.”

Like others he has seen an upsurge of interest in Malta coming from Switzerland. “Malta is seen as a very good option [as an EU location],” he states. “It is relatively straightforward in Malta and we are cost-effective. The better Malta is known, the better for us practitioners.”

David Griscti at David Griscti & Associates tells a similar story. Despite the delays with introduction of the detailed implementation legislation on the AIFM directive, Griscti has seen a continuous pipeline of new business. “I would not say it is at the same rate as previous years. What we have seen is a very marked increase in interest in the fund management and asset side,” he says. “We are handling between six and seven asset management applications at the moment. We are also seeing a marked increase in interest of custodians. Right now we are handling two [applications]. They are not global custodians – they are smaller custodians – but they are looking at Malta.”

He, too, is seeing interest from Swiss-based fund managers. In this area Malta appears to be attractive as an alternative for the majority of the operations of the fund, with a small presence being retained in Switzerland. Malta is where they intend to handle portfolios including all of the manage-
ment side. “This is the change we are seeing. We are seeing an increase in this type of business now,” says Griscti.

Looking at the long-term future of Malta as a hedge fund jurisdiction, Griscti agrees the country has been seen as a niche for the smaller end of the market. However, he thinks attracting larger funds is not something Malta can force. “I don’t think with the big guys it is a question of knocking on the door and creating the awareness. We do that when we are abroad. But whether or not they will start using Malta [in 2013] is a matter of critical mass.”

**Mass effect**

Laragh Cassar, a partner at Camilleri Preziosi Advocates, agrees that Malta has not yet achieved the elusive critical mass. Although the first fund was set up in the mid-1990s, this part of the financial services sector only became a possibility after Malta joined the EU in 2004. “After we joined the European Union, that is when we started seeing a lot more international funds coming here. It started off quite slowly and then developed over the past four or five years with a slow growth.”

Another area where she sees growth is in UCits. “UCits was one of those areas where you had all the legislation in place, all the criteria needed to set up a fund in Malta but you didn’t have the major players to go with it. I think that has changed. We have a few more UCits setting up here in Malta.”

The financial services sector is also becoming more conscious of their corporate governance. “We are seeing clients who think attracting larger funds is not an easy task,” says Cassar. “A lot of these corporate governance and fiduciary obligations in general and the detail of them. At the same time as a firm we have taken several initiatives with our clients,” he adds.

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Laragh Cassar, Camilleri Preziosi Advocates (pictured)

Cassar believes Malta has retained its competitive edge over the other more mature hedge fund jurisdictions. “When you compare legal fees, audit fees, general administration fees, I don’t think they compare at all to Dublin or Luxembourg. The cost of setting up your fund and moving your fund manager to Malta – rental and the whole scope of things – it is considerably less.”

Malta has the obvious advantages of an approachable regulator, a favourable tax environment and the prevalence of the English language. “Over the past two years you have probably seen that these low-profile, small to medium-sized funds have actually increased.”

While many thought the AIFM directive might act as a catalyst for redomiciliation of funds, the reality has been disappointing, according to Cassar. “The legislation is there, the process is there but we have not seen an exodus of funds from the Cayman Islands and other jurisdictions coming into the EU. There has been interest,” she says, adding, “What has changed over the years is probably the profile of funds that are coming on board. I have seen those starting off mostly as the small to medium-sized fund of funds managers coming on board and I think at that time the major incentive to come over to Malta was the cost. These size of funds were just not feasible to set up in Dublin or Luxembourg and even less in London.” Her experience has been that most funds coming through Camilleri Preziosi Advocates have been in the $20 million-$30 million range. “These guys are still finding this jurisdiction very attractive.”

Griscti agrees the country has been seen as a niche for the smaller end of the market. However, he thinks attracting larger funds is not something Malta can force. “I don’t think with the big guys it is a question of knocking on the door and creating the awareness. We do that when we are abroad. But whether or not they will start using Malta [in 2013] is a matter of critical mass.”
or six managers who have decided to move to Malta. Now the Swiss law has been published and due to come into effect in February 2013, more managers are considering the option of setting up in Malta.

“Now with the AIFM directive coming in a number of them are looking to engage Malta managers. So we have Malta funds already established as part of the group, then they delegate the advisory to the Swiss entity. They don’t set up their own management company. It really depends on the size, because if you are managing a certain amount of money, setting up your own manager would be the best way to access the cost benefits that Malta has to offer, apart from EU membership,” adds Zerafa.

Smaller managers that cannot yet afford to set up a full operation in Malta but are interested in the passport available to market funds inside the EU are looking at the option of setting up a small presence in Malta to qualify for the passport under the AIFM directive. This is attractive for smaller funds as the set-up cost and the ongoing servicing fees are less than in other jurisdictions, including administration, director and audit fees, according to Zerafa.

**Game changer?**

Whether or not the AIFM directive will be a game changer for Malta is an open question. At Mamo TCV Advocates, partner Joseph Saliba thinks “The AIFM directive will set some new rules. I do see a general division between mangers staying totally in the EU and those staying totally out, depending on their business model in the future and distribution. We are very much relying on potentially four years of private placement and marketing but that can come to an end pretty quickly. Not just because five years is a short time but also some jurisdictions are already indicating their intentions to stop [private placement] now, Germany in particular.”

The future, according to Saliba, is somewhat uncertain. Some funds may not be able to afford two totally separate, parallel businesses, one inside and one outside the EU. “We might be losing some business on those managers who cannot cope with the AIFM directive but on the other hand I do see an opportunity for those finally moving into the EU and setting up a manager relationship in the EU rather than staying in Switzerland. Then I see a growth opportunity for Malta.”

Overall, 2012 was a relatively good year for Mamo TCV although the firm did not see the kind of growth it has had in the recent past. “We have seen still a steady influx [of business] but I do not think it really was a big increase in work compared to last year. If you speak to service providers there was significant growth. For us there were new funds but also the proportion of work is now increasing on the side of ongoing work,” explains Danièle Cop, another partner in the funds practice at the firm.

“What we have seen though is more work on the service providers of the funds, in terms of what is happening with the AIFM directive regulatory development. Also with the custodians, looking at the agreements they have in place, how to revise them and start planning for implementation for the new regime. In future, with the increasing amount of legislation coming out and documents we need to get familiar with, I think we will start to specialise more with the funds and on the other side with service providers, with the managers, custodians and administrators because it is just impossible to keep up with everything across the spectrum,” adds Cop.

Interestingly, Saliba hints that Malta may be able to develop a new niche in future: private equity. At present the country is implementing legislation that allows for a “proper route” to set up private equity funds. “We are building it up now. It would be fair to say that we have built up the experience for hedge funds so at least from the reactions we get from the industry in general, Malta is competing very well even at the expertise level. Clients from the big jurisdictions, even the UK, leave drafting of the documents of all the service provider agreements to the local firms,” says Saliba.

One area that all the legal firms are watching is local politics. With elections scheduled for the first quarter of 2013, many expect a change of government with the Labour party gaining power. This, according to Joseph Ghio, a partner at Fenech & Fenech Advocates, should not impact the financial services sector adversely.

“There is not much we can do wrong because we have published a transmission of the AIFM directive. I really don’t think there can be any material change to establishing ourselves as a financial centre,” he notes.

What is of more concern to many is the possibility that the current head of the MFSA, Joseph Bannister, may be replaced, as this is a political appointment. However, given the importance attached to development of Malta’s financial services sector by all political parties, few think a new appointment would jeopardise Malta’s progress and growth as a jurisdiction for the alternative fund industry.

“[Whoever] the next chairman [of the MFSA] is, I think that if he uses Professor Bannister as a model of how he should go about his business, that should be fine. And the finance minister, whoever it will be, will be very careful in choosing the right man for the job,” concludes Ghio.

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**Redomiciliation guide**

If an investment fund wants to redomicile to Malta, it can use existing legislation that has been tested over several years. The first step is to make an application for a collective investment scheme (CIS) licence to be submitted to the Malta Financial Services Authority (MFSA). The application can be submitted in draft form and will be reviewed by the regulator.

The registrar of companies has to be informed about the redomiciliation.

The MFSA will perform the relevant due diligence enquiries, including contacting the regulator of the overseas scheme.

The MFSA will vet the draft documentation provided and proceed to issue an in principle approval following resolution of any significant issues arising from the application.

The promoters will then finalise the relevant documentation required by the authorisation unit of the MFSA and the registrar of companies.

Subject to satisfactory resolution of all requirements communicated by the authorisation unit and the registrar of companies, the scheme will be licensed on the same date that it is redomiciled to Malta.

Source: Finance Malta investor guide series: Investment funds and asset management
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Malta’s administrative landscape is set to change with the arrival of Citco in 2013, which is likely to raise the profile of the jurisdiction and attract more business.

Growing competition

“Malta will be on the rise for the next few years. I don’t see a reason why it should stop, irrespective of the financial crisis, because [the crisis] is giving a reason for other players to look for alternatives,” declares Kevin Caruana, managing director at Custom House Global Fund Services, part of the TMF group.

His thoughts echo those of others in the fund administration business in the jurisdiction. Malta continues to be an attractive place for fund administration. From only a handful of companies a few years ago, the island now has nearly 30 fund administrators. With Citco expected to set up shop, many think the industry overall could get a fillip as larger funds start considering Malta as an alternative to the more expensive and relatively crowded markets of Ireland and Luxembourg.

For Custom House, Malta has been on the radar for some time. In September 2008, Custom House merged with the fund services business of what is now the TMF Group and reorganised under Custom House Global Fund Services, the Maltese-based holding company for the group. Malta was the only jurisdiction where both entities had fund administration operations. TMF has around 10 people still operating separately from Custom House in Malta, but that is expected to change in 2013 when the two are completely merged.

In terms of new business coming through the sales team, which is centred in Dublin, Malta is one of the fastest-growing locations for the group, according to Caruana. Its Malta office has grown from around eight people in December 2009 to 30 people. “That is because the group realises Malta not only offers qualified personnel but is actually a centralised hub that the market players can relate to,” says Caruana.

“Malta is now very much more in the international geography and it is recognised as an institution. We have fund managers, clients of ours who have actually opened shop in Malta, have moved their fund administration to the Malta office. We believe that Malta and [the fund administration] industry is going to be a key operational office for Custom House.”

Custom House in Malta services one of the largest fund structures domiciled on the island, the Royal Bank of Canada funds, which have assets under management (AUM) of more than $2 billion. But this is unusual for the jurisdiction. Most business for administrators and others remains well below the $100 million mark with many even below $50 million.

“Ironically the financial crisis in a way gave Malta a push,” says Caruana. “[The crisis] forced people to look for a new option. Investors wanted a new jurisdiction to look for onshore investment rather than maybe typical offshore businesses that we were accustomed to before. As long as Malta keeps its standards high and has a business-minded approach I think we can still increase [our market share].”

Struggling with the question

Caruana’s comments reflect a question Malta’s funds sector is struggling with. On the one hand, Malta is seen as a niche market for small asset structures or strategies. However, Caruana believes Malta should not be selling itself short. Irrespective of where the fund is domiciled, he says, it is “easy to service” it in Malta. Pluses for Malta include the fact it is an EU onshore jurisdiction with English as an official language.

“As the demand increases and resources start to get stretched, it could lead to delays and it could lead to increases in general costs, which might eat up our advantage,” warns Caruana. “On the positive side I think government and the opposing parties are in agreement. They are doing as much as they can to make [Malta] attractive for clients and service providers. I like to think we will always be in a position to supply demand.”

With the expected arrival of Citco in 2013, Caruana admits competition will be tougher. “Citco coming in means more business to the island and increasing the profile of the industry,” he says, adding, “The biggest competition is going to be regarding staff rather than business.”

Another fund administrator that has been feeling the pinch of recruiting staff is Alter Domus, founded in Luxembourg with origins in accountants PricewaterhouseCoopers. The Malta operation began in September 2010 as a greenfield operation. “We basically had very few clients and they were on the corporate side,” says Chris Casapinta, managing director in Malta.

The company received its fund administration licence in 2011 and began servicing mainly Cayman Islands funds. “In the meantime we started building a name here locally.” Now the office employs 23 people, “which is decent by Maltese standards”, says Casapinta.

Although the operation in Malta began offering corporate, accounting and directorship services, fund administration has quickly overtaken. “I expect in 2013 our revenue will be 70% fund administration and 30% corporate services. On the corporate side in Malta, it is very competitive, prices are going down,” he says, adding, “It is the same on fund administration at the moment but less competitive. On the corporate side it is really competitive and we have been seeing a lot of new entrants into the market.”

“The group realises Malta not only offers qualified personnel but is actually a centralised hub that the market players can relate to.”

Kevin Caruana, Custom House Global Fund Services
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Alter Domus administers mainly Cayman funds at the moment. It is also picking up business from funds that prefer the lower cost of Maltese administrators compared with Luxembourg.

Around 70% of the funds, by AUM, administered in Malta are based in Cayman, around 5% from the British Virgin Islands and a quarter domiciled in Malta. However, in terms of the actual number of funds administered, Malta accounts for almost half, mainly because most of the funds have very small AUM.

**Telling timezones**

A lot of the business Casapinta picks up from Cayman is European-based managers looking for a fund administrator closer to home and in the same timezone. These funds have been established for some time. Many are based in Switzerland, he says.

"Being in the same timezone is a big plus," he adds. While Cayman should remain a domicile of choice, he still expects to see a movement of fund administration away from the Caribbean and into Europe, particularly if both manager and investors are mainly in Europe. "On the Malta side, I also see continued growth, albeit at a slower pace," he says.

"Today we have got a number of clients with [links to local law firms and we are] expecting repeat referral. Now we have worked with, for example, PwC, with Deloitte, too. Once it starts, the more administration you are able to offer, the more people start referring to you. The good thing about Malta is that it is small." This, he believes, helps businesses grow, as word-of-mouth recommendations are quick to be passed around the financial services sector.

Another relatively recent newcomer to Malta is SGGG Fesserv Fund Services (Malta). "We started our fund administration at the end of 2008, beginning of 2009 which of course was not the right timing," admits Lawrence Buttigieg, general manager. Buttigieg sees opportunities in the future as Malta continues to improve its infrastructure in addition to the new business he expects to come from the introduction of the EU’s alternative investment fund managers (AIFM) directive in July 2013. "With the AIFM directive coming through, a lot of managers have started looking at how that will influence the business and solutions to that. In most cases the solution will be to have a Malta jurisdiction, a structure and a licence to operate from within the EU, which when someone is looking for new options, is coming across Malta."

He believes SGGG Fesserv is living in “interesting times” as some managers are still hesitating over the AIFM directive until more details on the implementation measures and how that will impact fund businesses is known.

"At the end of the day managers need to adapt themselves and probably the best jurisdiction to operate from, particularly for smaller managers where costs of running an operation is a concern, is Malta. I think the more requirements to be satisfied, the more the cost will be a factor. And that is why Malta becomes more important," he says, adding, "I think overall Malta has now become very prominent on the radar."

Like others, Buttigieg also points to the English-speaking population and an approachable regulator as advantages for the jurisdiction. "I think you get a more boutique service from [Malta] as opposed to the bigger players that are in Dublin and Luxembourg," he says. "In terms of the expertise, several players have been operating here for a number of years. So the expertise is either in-house locally or available from operations outside Malta."

Another fund administrator with multiple global locations and a sound presence in Malta is Apex Fund Services. "It’s been a tough year. We have seen smaller funds drifting off and not surviving. We’re having to replace those funds and that has been quite difficult. We still managed to keep business and grow another 20%,” says managing director Anthony O’Driscoll.

He says Apex has also seen a change in where clients are domiciling in 2012. "We have seen a lot more going back to the traditional offshore [jurisdictions] and that’s primarily where we have been doing our business – from Cayman and Bermuda funds administered from here,” he continues. "Malta has slowed down. I think it’s caught on the edge of the storm – of the regulation coming with the AIFM directive. A lot of people are not sure of the impact it’s going to have on their business."

He also points to the Swiss market where many fund managers are also looking outside the non-EU state for a base inside the union. Many have also been spooked by new regulations that came into effect in February 2013 that will bring hedge funds under control of the Swiss regulator. "We shall see [in 2013] whether we return to normality for our business”. Additional revenue in 2012, says O’Driscoll, has come purely from new launches. However, he admits most of these launches were under the $50 million AUM mark. “We think we will see a lot more business from other jurisdictions looking to increase their tax take,” he says, referring to the need of many governments to raise revenue.

"Even though very few funds actually go through the process of redomiciliation, if there was somebody thinking of changing jurisdiction, they would want to look at [Malta]. At least we are on the radar when they actually decide,” he says.

Despite more competition, particularly around fees, O’Driscoll believes Apex continues to grow its business “because of the name and reputation we have built with the clients we have here and the service level” as well as a global presence and high technology standards.

Looking to the arrival of Citco, O’Driscoll is sanguine. "It depends on how you want the industry to grow. Having a large player here just to use the jurisdiction [and put] all the jobs back to Ireland or Luxembourg is not going to be adding any value to the jurisdiction,” he cautions. "We need to be sure that what we are bringing in is going to build business in Malta, produce the jobs in Malta and grow the industry. The ultimate goal of having the funds industry in Malta is to make sure we get job creation. We need to fit the needs of Malta.”

**Anthony O’Driscoll, Apex Fund Services**
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Custody is now at the centre of operational concerns as custodians begin to replace some of the functions that were once the exclusive preserve of prime brokers.

Struggle for momentum

A lot has changed since the financial crisis. One area that has experienced a quiet revolution has been prime custody. Sparked off by the Lehman bankruptcy and spurred on by the collapse of MF Global in 2012, hedge funds are turning more to custodians as a place to put unencumbered assets.

Hedge fund assets available for prime custody rose 40% between 2010 and the end of August 2012, representing a quarter of all assets under management (AUM) by the industry. The increase in assets parked with custodians is a result of increasing AUM in general coupled with reduced reliance on prime brokers for financing, according to a study by BNY Mellon.

Custodians are now at the centre of hedge fund industry service provision. This is good news for investors, keen to see assets held safely and in segregated accounts. For European-based hedge funds, it helps prepare them for the coming EU alternative investment fund managers (AIFM) directive, which requires managers to use custodians.

“At a time when we are facing a regulatory tsunami, there is going to be a much greater onus on service providers, especially custodians,” acknowledges Chris Bond, head of global banking and markets at HSBC Bank Malta. “This means the industry is going to have to address the risk/reward balance or, as it is today, possibly the imbalance.”

Custodians, or rather the lack of them, are a hot topic in Malta. The jurisdiction has been struggling to attract the top-tier names to the island in advance of the AIFM directive. While the government has secured a derogation that allows funds based in Malta to use custodians based in other EU states until 2018, the state is keen to attract serious players.

This may finally be happening. It is an open secret in Malta that Citco, the largest fund administrator in the world, has applied not only for a fund administration licence but also for one as a custodian. This would certainly move Malta into the next level and give HSBC some competition.

The international bank is focusing on building its global relationships, according to Bond. This could mean HSBC may concentrate on the upper end of the custody market, leaving the small custodians room for expansion. Nevertheless, the addition of more international players will put pressure on HSBC to continue to improve its own service offering.

One other international player is present on the island, Deutsche Sparkasse Bank, but its custody operations are outsourced back to Dublin.

JP Morgan has granted Bank of Valletta, the largest domestic bank, a full custody licence. Bank of Valletta collects’ custody arrangements that are too small for JP Morgan to process. This netting gives smaller funds access to a large custodian and helps Bank of Valletta provide an enhanced service.

But Malta still needs more big-name custodians. People close to the situation are confident Credit Suisse, in addition to Citco, will be opening a base for custodial activities in 2013 along with a Liechtenstein bank. Many hope the entry of these new players will act as a catalyst to encourage other custodians to explore seriously the opportunities there.

“If you look at the profile of Malta’s fund industry today, I think about 90% are hedge funds and most of these are relatively new, if not start-ups,” notes Bond. Most of these funds are relatively small with AUM under $100 million, which makes them comparatively unattractive to larger custodians.

However, what may be too small for some hits exactly the right spot for others. “It has been very busy for us [in 2012] and the pipeline for 2013 is looking very robust so I am optimistic. The challenge for us is increasing our human resources,” says a buoyant Paul Mifsud, managing director at Sparkasse Bank Malta.

He now employs 22 staff and is looking to expand further. The reason is “business seems to be a good constant flow. I hope the momentum remains,” he continues. “The challenge is obviously the infrastructure. We are confident about that because we have invested in our IT.”

The reason behind this increase in business is the general success of Malta as a ‘brand’ for alternatives, believes Mifsud. “I think Finance Malta has done an excellent job in marketing. I believe that our unique proposition of advocating open architecture and being able to work with independent fund administrators has helped.” This openness has also helped Sparkasse, which works closely with fund administrators on the island.

“Many fund custodians seem to be pitching for $100 million or over,” he notes, adding, “I think people are savvy with the decisions they make and where they put their assets.” For him, Malta ticks the right boxes as far as regulation goes. While the jurisdiction is not as established as Ireland and Luxembourg, he believes it is only a matter of time before Malta is accepted as a major location for alternatives.

Mifsud says managers are realising the importance of custodians. “We know exactly what we want and we have a very robust procedure where we sit down with the investment manager and the representatives to make sure we understand the project and move forward in tandem or pull away. The beauty of it is that people who have formed Sicavs are constantly opening sub-funds. So far it has been good and I am very positive about 2013. I think it will get busier.”

Business seems to be a good constant flow. I hope the momentum remains.

Paul Mifsud, Sparkasse Bank Malta (pictured)
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While service providers acknowledge Malta has made a name for itself as a jurisdiction of choice for start-up managers, few believe larger funds will be attracted to the domicile until a wider selection of custodians is present.

Prospects looking good

Nicola Smith, chief executive, Helvetic Fund Administration

“Malta is doing a fantastic job of promoting itself,” declares Nicola Smith. “The government is really behind the industry.” Even though the jurisdiction has been a relative newcomer to the industry, Smith says the country has “probably done more promoting” than the base for Helvetic in Gibraltar. “The only thing that is possibly going to hold them back a little bit – and I do not think it is going to hold them back much – is [the lack of] custodians,” she notes.

The island does not yet have a wide range of custodians. This is something required under European Union (EU) regulations for both alternative investment funds and UCITS products. However, since most alternative funds in Malta manage less than $100 million, they are unlikely to be attractive to the larger custodians.

Malta has built a reputation for attracting start-ups, which she believes will continue to be a plus point for many other types of service providers.

For example, Helvetic specialises in funds with assets under management of less than $100 million. “Players like us are happy to service those kind of structures,” she confirms. “You have got two levels of funds: the level that are going to go to Dublin or Luxembourg and are always going to choose a big name because of the portfolio manager, whether it’s going to be a UCITS structure or mainstream. Those structures are going to stay where they are,” she acknowledges. However, she believes the larger banks like HSBC, Deutsche Bank and Bank of Valletta, already present in Malta, might attract the larger funds.

Anthony O’Driscoll, managing director, Apex Fund Services

In less than five years, Apex Fund Services’ Maltese office has become a success story for the company with a large staff servicing a variety of local and foreign funds. “Malta has a lot of pluses going for it,” says Anthony O’Driscoll. “The regulator is very important to us, more so because of the numbers [of funds] that we are licensing on a regular basis.” He sees the relatively easy access to the Malta Financial Services Authority (MFSA) as one of the advantages of being based in Malta. “You are not just another number. You can have close proximity to the regulator.”

While the rules and regulations across all the jurisdictions are similar and will become even more so under the alternative investment fund managers (AIFM) directive, due to come into effect in July 2013, O’Driscoll appreciates the openness of the MFSA in its dealings with service providers and particularly in the set-up stages for managers launching new products in the jurisdiction.

Malta is still “under the radar” for most in the funds industry. O’Driscoll is realistic about the jurisdiction’s ambitions. “Malta would never be like Dublin or Luxembourg. It’s an alternative to the two of them and you will get certain managers who like what Malta has on offer and others who will always go for the Luxembourg brand,” he says.

“It’s going to take time to change [the perception that Malta is for start-ups only]. It’s where we fit into the market at the moment.” He acknowledges that 2008 was a catalyst for Malta’s growth. Smaller managers and start-ups were looking for less expensive alternatives to Ireland and Luxembourg but still within the EU. Malta really began its promotional push at the same time. This combined to attract a large number of new managers and management companies to the island.

“It’s got a lot of its growth from that knee-jerk reaction” where managers wanted onshore structures. “None of them knew whether it was going to be a success launching their offshore structures. For some it made sense because it was the cheaper option and the easier way to start and that’s where it took off in 2008. I came here in March 2008 for the first time.”

O’Driscoll is confident Malta will continue to grow, albeit at a steady, slow pace. “One of the key restraints of Malta at the moment is the custody side of things,” he admits. Although Malta has a dispensation until 2018 to use custodians located outside the country, after that, unless EU rules change, it will need local custodians to service locally...
Outsourcing by fund managers under AIFMD – A new framework or more of the same?

Background
The Maltese fund management industry has traditionally relied on outsourcing some of its functions to third parties within the same group of companies that are typically regulated in other countries within the European Union. A relatively recent phenomenon is the setting up of fund platforms in Malta where the manager of the platform retains the risk management function and also sets general investment strategies for implementation by sub-investment managers located outside Malta, which would not form part of the same group as the manager but are normally regulated in their country of domicile. The Malta Financial Services Authority (MFSA) has regulated such outsourcing by applying the Markets in Financial Instruments Directive (MiFID) rules on outsourcing also to the fund management industry. This extension of MiFID to fund managers has worked very well since the Maltese fund management firm would be required by the MFSA to have substance in Malta, to retain responsibility for its functions vis-à-vis the fund, and to monitor and supervise the manner in which the sub-investment manager is implementing the investment strategies set by the Maltese manager.

The Alternative Investment Fund Managers Directive and the current MFSA Rules
The Alternative Investment Fund Managers Directive (AIFMD) provides for the delegation and outsourcing of functions by the AIFM. The implications of the directive on AIFMs are significant. While the directive does not impose any limitations with regard to the delegation of administrative and technical functions, on the other hand, delegation of portfolio and risk management functions is subject to numerous limitations.

Under both the AIFMD and the current MFSA regime, outsourcing of portfolio and risk management functions is only allowed after notification to the competent authority of the home member state of the AIFM (i.e., the MFSA in the case of Malta-based AIFMs). Such delegation may only be made to authorised or approved undertakings. In the case of delegation to undertakings established in third countries, the AIFMD provides that the delegation may only be made where the third-country undertaking is an authorised undertaking and a co-operation agreement exists between the two competent authorities. In the case of one of these conditions not being met, prior approval from the competent authority must be sought. Furthermore, the AIFM must demonstrate that the delegate and its personnel are qualified and capable to perform the functions delegated and that the undertaking has sufficient resources to perform the respective delegated tasks. This is generally the current position adopted by the MFSA under the current outsourcing rules.

Both the current and the soon to be in force AIFMD rules do not exonerate the AIFM from liability towards investors and towards the AIF upon delegation of functions. Under the current rules, the licence holder remains fully responsible for discharging all of its obligations. The AIFMD as well as the MFSA rules require that the outsourcing must not result in the delegation by senior management of its functions. The delegation should not be such that, in essence, the manager would be considered a letter-box entity. Indeed, the AIFM is expected to retain certain functions and responsibilities. This is in line with the approach adopted by the MFSA so far in respect of fund management entities domiciled in Malta.

Notwithstanding the similarities, there are slight differences within both set of rules. The AIFMD requires that delegation of portfolio and risk management functions is made for objective reasons. Objective reasons may include, but are not limited to, optimising business functions and processes, reducing costs and seeking better expertise in the performance of certain functions. Although no such requirement exists under the current MFSA rules, delegation is generally done on such a basis.

In some aspects, the current MFSA rules go further than the directive and impose clearer obligations, both on the delegate as well as on the AIFM. In particular, the MFSA rules impose obligations on the delegate to allow the licence holder to have access to data related to the outsourced activities, obligations for securing confidential information, disclosure of developments that may have a material impact on the delegates ability to carry out the outsourced activities, as well as a requirement to maintain a contingency plan for disaster recovery. Having said that, we would expect the level 2 regulation to follow the same detailed principles, which are currently implemented by the MFSA as an extension of the MiFID regime to fund managers.

Conclusion
This article has shown that the majority of rules on outsourcing provided under the AIFMD are already in place under the MFSA rules. We are hopeful that most of the obligations imposed by the level 2 regulations will be similar and complement the current MFSA rules on outsourcing. Nevertheless, outsourcing arrangements and delegation agreements should be subject to more scrutiny and attention.

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domiciled funds. “That may have a negative impact when people are looking in and seeing who is here in terms of custody. It shouldn’t impact on the private equity side of things and we should see growth from the private equity sector using Malta as a jurisdiction. But we definitely need to get more [custodians],” he says.

Like many in Malta, Apex is also seeing interest in the jurisdiction from Swiss managers and investment companies. “It’s still early days to see what a lot of the Swiss will do with offshore jurisdictions. It will very much come down to where they see their investors coming from. You will have to look at where the capital is being raised and what vehicle suits the investors,” he concludes.

Chris Bond, head of global banking and markets, HSBC Bank Malta
As one of the leading players in financial services on the island, HSBC has been developing a strategy of promoting Malta’s credentials to attract some of the larger funds, according to Chris Bond. “That is the role that we play as a leading international bank. We are not focused on the start-up end of the business. It is just not our strength.”

Bond is a strong supporter of Malta as a jurisdiction, particularly the advantages that a small country brings to the international bank. “There are not many places in the world where you have got the finance minister’s number on your phone and you have got the regulator’s office numbers and the central bank’s number.” For him it is about accessibility.

As a systemically important institution for the island, Bond is aware of the impact any change at HSBC could have on the jurisdiction and he values the close relationship the bank has with the government and main financial authorities. He also believes the consultative approach taken by Malta is a positive for the growth of the industry.

Joseph Ghio, partner, Fenech & Fenech Advocates
At Fenech & Fenech, Joseph Ghio believes there is a subtle trend emerging on the investment fund side. “There is a balance between Ucits funds and PIFs [professional investment funds]. Malta as a jurisdiction is still very much characterised by the number of professional investor funds that are setting up. But Ucits are increasing with the AIFM directive, although Ucits will remain an alternative product,” says Ghio.

“Some managers will continue to look at the potential of using a PIF structure for their strategies,” he continues, suggesting that with the introduction of the EU directive in July 2013 fund managers may prefer the PIF structure as “that gives more flexibility for strategies and then see and use Ucits products as more of a retail option.”

In general, Ghio is optimistic about the impact the introduction of the AIFM directive will have on the jurisdiction. “It is good news because [it will make] the market look at potential alternatives. It will create an environment for people to think about what is the best vehicle for what they do. So that, in itself, will continue to increase [Malta’s] visibility as an alternative to more recognised jurisdictions,” he says.

While managers may now be acquainted with Malta, some worry that investors are less familiar with the jurisdiction. Ghio believes this will probably remain the case for some time. However, he believes that time to market and costs may help Malta expand its market share. When a client wants to have a structure up and running in the shortest time possible, he believes Malta is a good alternative to the larger jurisdictions of Ireland and Luxembourg.

For example, he says Malta can provide a manager with a licence for a Ucits fund quicker than the other jurisdictions and at a lower cost. “We are providing the tried-and-tested product even though our asset size remains small,” he adds.

He acknowledges that Malta is seen as a niche jurisdiction for start-up managers. So far, the country has had only limited success in attracting larger funds which remain “happy to go to jurisdictions that investors are used to”, particularly if time and cost is not an issue. “Malta will continue to be more attractive for start ups, but we will have to take it to the next level and start attracting big managers,” Ghio says.

To do this he believes service providers need to “spread the word” that Malta can offer an alternative to other jurisdictions. We have already been very successful in doing that, but people are still waiting for [a] competitor to take the first step and set up [a] large fund in Malta,” he says.

Like others, he believes the lack of large custodians in the jurisdiction is a drawback. “[It is something] that will boost our prospects and our success in continuing to attract quality in custodians for Malta,” he says. “We have to do more [to attract custodians]. Here I can only praise the MFSA in continuing to try to attract the big names. The market knows that the big ones have been looking at Malta for some time now. Unfortunately, their focus has been diverted to looking at what has been happening in the market and looking at how to restructure their business. If you are looking at red tape all day, the last thing you want to do is read the reports on how you can grow the business. Reports are looking at how to save a business not grow them,” he says, “and even though the asset manages themselves are looking at Malta as an alternative, the big names have other things on their minds. That is the impression we get. It’s just time and getting the first one through [the door]. Then people will follow. It will be a snowball effect, but you have to get those first snowflakes to stick together and in these markets attention is diverted to different things.”
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MALTA: AT A GLANCE

Overview

The Maltese archipelago includes the islands of Malta, Gozo, Comino, Comminotto and Filfla. Located south of the Italian island of Sicily between Europe and North Africa, it has been occupied by Phoenicians, Greeks, Romans, Arabs and latterly France and Britain. Independence from Britain was achieved in 1964, after the Maltese people were awarded the George Cross for defending the island during World War II.

Quick facts

Country name: Republic of Malta (conventional long form); Malta (short form)
Nationality: Maltese (noun singular and plural); Maltese (adjective)
Ethnic groups: Maltese (descendants of ancient Carthaginians and Phoenicians with strong elements of Italian and other Mediterranean stock)
Population: 418,000 (UN, 2011)
Capital: Valletta
Area: 316 sq km (122 sq miles)
Monetary unit: euro from January 1, 2008
International dailing code: +356
Languages: Maltese (official) 90.2%, English (official) 6%, multilingual 3%, other 0.8% (2005 census)
Religions: Roman Catholic (official) 98%
Population: 409,836 (July 2012 est); country comparison to the world: 174
Independence: September 21, 1964 (from the UK)
Legal system: mixed legal system of English common law and civil law (based on the Roman and Napoleonic civil codes)
Political parties: Alternativa Demokratika/Alliance for Social Justice or AD; Labour Party or PL; Nationalist Party or PN; The Malta Communist Party
National symbol: Maltese cross
National anthem: “L-Innu Malti” (The Maltese Anthem; adopted 1945; written in the form of a prayer)

Economy

Malta produces about 20% of its food needs, has limited fresh water supplies and has few domestic energy sources. The country adopted the euro on January 1, 2008. The economy is dependent on foreign trade, manufacturing and tourism. It has low unemployment relative to other European countries and growth has recovered since the 2009 recession. Malta’s financial services industry has grown in recent years and in 2008-09 it escaped significant damage from the international financial crisis, largely because the sector is centred on the indigenous real estate market, is not highly leveraged and the banking system is closely regulated. Fiscal stimulus measures contributed to the deterioration in Malta’s public finances in 2011, leading the EU to warn Malta that it would risk sanctions if it failed to bring its deficit and debt levels within EU guidelines. Moody’s downgraded Malta’s sovereign credit rating in September 2011.

GDP (official exchange rate): $8.798 billion (2011 est)
GDP – real growth rate: $25,600 (2011 est)
GDP – composition by sector: agriculture, 1.9%; industry, 17.2%; services, 80.9% (2010 est)
Public debt: 71.9% of GDP (2011 est); country comparison to the world: 34. Malta reports public debt at nominal value outstanding at the end of the year, according to guidelines set out in the Maastricht Treaty.

Politics

January 2012
Malta’s credit rating, along with that of several eurozone countries, is downgraded by Standard and Poor’s rating agency. The IMF warns that the Maltese economy is at risk of contagion from the global financial crisis.

December 2012
Elections set for early March 2013 after government of Prime Minister Lawrence Gonzi loses one-vote majority over transport reform dispute.

Media

Print press
Times of Malta: daily
Malta Independent: daily
It-Torca: weekly, owned by General Workers’ Union
Il-Mument: weekly, owned by Nationalist Party
In-Nazzjon: daily, owned by Nationalist Party
L-Orizzont: daily, owned by General Workers’ Union
Malta Now: free-of-charge daily
Malta Today: newspaper and news portal

Television
Television Malta (TVM): public
ONE TV: owned by Malta Labour Party
Net TV: owned by Nationalist Party

Radio
Radio Malta: public
ONE Radio: owned by Malta Labour Party
Radio 101: owned by Nationalist Party
Bay Radio: private, FM music station
RTK: Catholic Church station

Internet
MaltaMedia
di-ve.com
maltarightnow.com: in Maltese
maltastar.com

Public holidays in 2013
New Year: January 1
Saint Paul’s Shipwreck: February 10
Saint Joseph: March 19
Good Friday: March 29
Freedom Day Malta: March 31
Labour Day: May 1
National holiday: June 7
Saint Peter & Saint Paul: June 29
Assumption of Mary: August 15
Victory Day Malta: September 8
Independence Day: September 21
Immaculate Conception: December 8
Republican: December 13
Christmas: December 25

Sources: BBC, CIA World Factbook, Holiday Times Around the World. Image: pavalena/shutterstock.com
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