Malta’s eventual accession to the EU provided the “quality certification” that has put Malta, alongside other EU jurisdictions, as an alternative EU domicile for financial services.

The Malta Financial Services Authority’s (MFSA) wide ranging regulatory platform spans across many facets of the financial services sphere, from investment services to insurance business, to trust business and others.

The growth Malta has experienced in the contribution to GDP by the financial services industry has been mainly characterised over the past few years by the captive insurance and funds business. Thanks to the presence of a robust yet flexible regulatory framework, (and a meticulous, yet approachable business-friendly single regulator), Malta is attracting an increasing number of investment fund promoters, who are structuring investment vehicles with varied investment objectives. They are investing in a myriad of asset classes, and targeting diverse investors such as retail, quasi-retail, professional or institutional.

Impressive and encouraging as it may be, the growth experienced so far is turning to be an exponential one; the industry is set on unusually sturdy foundations paving the way for organic growth in the years ahead. The pattern is rather clear to identify. Following the first Professional Investor Funds (PIF’s) set up by mainly European based fund managers, the industry is experiencing the arrival of other fund managers now setting up UCITS III schemes. The natural progression for this has been the setting up of fund management companies in Malta alongside the investment vehicles with the presence of highly skilled personnel, a healthy legal and regulatory framework and an efficient fiscal regime for corporate entities setting up in Malta, being additional positive contributors to these developments. The recent market turmoil has been a major catalyst for many fund managers who have had to rethink their strategies in relation to the chosen domicile of their investment vehicles. Investors’ growing awareness of risk has motivated managers to seek out well regulated and reputable jurisdictions, where the extent of regulatory oversight provided greater peace of mind to investors. Thus the need to identify a cost effective, business friendly, reputable and regulated jurisdiction where to set up investment funds has today become high on the agenda of many fund managers.

The planned EU directive regulating alternative investment schemes (a “cleaner” phrase for the “hateful” hedge funds), or as it is known AIFM (Alternative Investment Fund Managers Directive), has sent strong signals to fund managers of non-retail investment schemes that are promoted to EU nationals and residents. The nature of the directive’s draft so far, has led to fund managers promoting their investment funds in Europe to reconsider their non EU domicile status in search of jurisdictions featuring a strong legal and regulatory framework. Within this context, a number of funds are seeking to re-domicile their platforms to Europe with Malta being a very strong contender by way of the presence of the Continuation of Companies Act; a legislation that caters for the re-domiciliation of companies (and thus too their “continuation”) from one country to another.

THE RECENT MARKET TURMOIL HAS BEEN A MAJOR CATALYST FOR MANY FUND MANAGERS WHO HAVE HAD TO RETHINK THEIR STRATEGIES IN RELATION TO THE CHOSEN DOMICILE OF THEIR INVESTMENT VEHICLES

Malta’s reputation in the financial sphere in the context of the EU has gained momentum, and albeit tiny, when compared to the likes of Luxembourg or Dublin, has today become an option insofar as EU jurisdictions are concerned. The extent of business that has materialised so far and the increasing level of enquiries being received for re-domiciliation to Malta is an exciting development and augurs well for the growth of the industry going forward.

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