Malta’s international banking centre has been gaining considerable ground in establishing itself as a finance hub in the Mediterranean region. Over the past decade or so, the sector has transformed itself from one having four retail banks serving the local population to a reputable international banking centre currently hosting twenty-two locally licensed banks.

The spread of foreign-owned banks includes subsidiaries whose parents are located in Australia, Austria, Bahrain, Belgium, Greece, Portugal, Turkey, and the UK. Other banks have major shareholding interests emanating from Cyprus, Finland, Italy, Kuwait, Saudi Arabia and Switzerland, and a branch of a Netherlands-licensed bank also operates in Malta under the European Passport Rights for Credit Institutions Regulations.

This influx, which includes several leading banking groups, has added dynamism to Malta’s thriving financial services industry, and the expectation is that many other banking institutions will follow this lead.

Scope of Activities
As growth continues, so does the range of products and services being offered in and from Malta. These include retail banking, private banking, trust business, investment banking, trade finance, treasury operations and syndicated loans.

Malta joined the European Union in May 2004, and successfully adopted the euro in January 2008. This inspires confidence, and also allows operators easy access to European markets. At the same time, the island’s strategic location in the centre of the Mediterranean makes it a convenient gateway to North African markets, and an ideal base for financial institutions wishing to tap into the ever-increasing wealth being generated in the region.

A Robust Regulatory and Legislative Framework
The Malta Financial Services Authority (MFSA) is the country’s single regulator for all banking, investment and insurance business. Its high regulatory standards are modelled on EU legislation and best practice, whilst at the same time allowing for the flexibility necessary in a modern and dynamic banking environment, without imposing undue bureaucratic burdens on operators.

Closely supervised by the MFSA, Maltese banks remain well capitalized, and have high liquidity ratios as well as sound, well diversified portfolios. Their funding is sourced mainly from customer deposits, and their prudent business...
model has enabled them to emerge largely unscathed from the turmoil of the 2008 banking crisis, as evidenced by the World Economic Forum’s October 2008 report on global competitiveness, which ranked Malta amongst the top ten countries insofar as soundness of the banking system is concerned.

**An Advantageous Business Domicile**

The island has a good source of well-educated people and a cadre of qualified professionals in law, accounting, taxation, I.T. and other disciplines required by the financial services industry. The workforce possesses good language skills – English is an official language – and a positive work ethic prevails.

Costs are also measurably lower than in other European centres, with salaries averaging one-third to one-half of the EU level. Other operating costs are likewise competitive, and excellent office space and housing are available at reasonable rents.

The Maltese fiscal regime has also been one of the main drivers in creating an attractive investment environment. Companies are taxed at a flat rate of 35%, but the Maltese tax regime includes not only treaty relief but also unilateral relief and the flat rate foreign tax credit, which assumes a deemed foreign tax of 25% of the income received in Malta, irrespective of any tax paid abroad. Thus income arising from overseas is not subject to double taxation, even if there is no double taxation agreement in existence.

Another key advantage is the full imputation system that applies to the taxation of dividends. This entitles shareholders to a tax refund of 6/7ths of the tax paid by the distributing company out of profits derived from income arising from outside Malta. The refund is reduced to 2/3rds where the distributing company claims double taxation relief.

Malta’s tax system has been deemed by the European Commission to be compliant with EU non-discrimination principles, and with proper planning and structuring, investors can achieve considerable fiscal efficiency using Malta as a base.

**Continued Growth**

The Maltese financial services sector is today fast becoming a cornerstone of the economy, broadly accounting for around 12% of the GDP. The sector has been experiencing tremendous growth, and government’s vision is to increase the industry’s contribution to 25% of GDP by 2015.

Banking has a central role to play in this ambitious development, and in projecting the island’s well-earned reputation as an international finance centre of excellence.

*For further information and contact details visit www.financemalta.org*