

## Credit Institutions

Offering both security and flexibility, Malta is increasingly being seen as an attractive alternative to other established European finance centres. A licence in Malta offers a wide range of profitable activities from commercial and corporate banking to wealth management.

Malta's stable economy is one of the EU's top performers, and due to its strategic location and vast network of double taxation treaties, the country provides good access to the markets of Europe, North Africa and the Middle East. Malta boasts a state-of-the-art telecoms infrastructure and a workforce with excellent IT skills, and the country's legislation also allows for online-only banks. Increasing numbers of both expats and high-net-worth individuals are moving to Malta, bringing increased business to the country's banks and with €13.5 billion in domestic deposits for a population of 421,000, the Maltese are extremely wealthy.

### Retail Banking

Although HSBC and Bank of Valletta (BOV) account for almost 90 per cent of the pie for domestic retail banking, it has not stopped smaller international banks from operating in this sphere. A number of banking institutions have recognised the potential of Malta's retail market and have successfully set up, serving both local and international clientele. Purchasing power and interest for property is strong, and Malta has a high request for home loans. Real estate is considered a reliable and profitable investment, and the country has a property-owning culture with most people preferring to buy rather than rent.

### Business Banking

Malta's financial centre is ever-expanding and is witnessing around 25 per cent annual growth despite the global financial and economic crisis. With more than 65,000 companies – many of them foreign-owned – registered in the country, sophisticated business banking solutions and services are in high demand in the Maltese market. Growth in the fund and insurance sectors in addition to the high number of trusts that are established in Malta have created opportunities for the sector to expand, despite the limitations of a small domestic market.

### Corporate Banking

Malta hosts a number of institutions specialising in trade-related products, such as structured trade finance, factoring and forfaiting. Malta's strategic location and stable environment makes the country an ideal operational base and a launch pad to international markets. Regional emerging economies currently have a high demand for substantial infrastructure developments leading to opportunities in infrastructure and project finance through Malta's attractive framework. Salaries and ongoing operational costs in Malta are around 20-30 per cent lower than those in other European countries and a wide range of high-quality office space and housing are available at reasonable rents.

### Investment Banking

The fund sector is booming in Malta with almost 600 investment funds authorised by the MFSA in 2014, including an additional 27 fund administrators. These healthy numbers prove investment banking in Malta is an increasingly profitable business. With new applications flowing in to the MFSA, Malta is beginning to see a cluster forming for smaller international banks offering custody services. The Malta Stock Exchange is also gaining a reputation as a gateway for small-cap and non-European issuers to tap into the wider EU capital market.

### Private Banking

Malta has become a hub for wealth management and family offices from Europe, North Africa and the Middle East. With the growth of the finance centre and other sectors of the economy such as shipping and aviation, a large number of affluent foreigners have relocated to Malta. Interest earned by non-residents on deposits placed with local banking institutions are exempt from any form of taxation and there is no exit tax on either the capital, or the income generated. Specialist wealth managers such as Mediterranean Bank are offering Swiss-style private wealth management, while foreign banks such as Sparkasse and BAWAG offer management solutions. Significant wealth growth is expected in emerging markets across the Mediterranean and North Africa, which can be easily accessed from Malta.





## Key Features of Credit Institutions

**Permitted Activities:** In addition to traditional banking, banks in Malta can carry out the following activities:

- ▶ Financial leasing
- ▶ Payment services
- ▶ Issuing and administering means of payment (credit cards, travellers' cheques and bankers' drafts and similar instruments)
- ▶ Guarantees and commitments
- ▶ Trading for own account or for account of customers in:
  - money market instruments (cheques, bills, certificates of deposits and similar instruments)
  - foreign exchange
  - financial futures and options
  - exchange and interest-rate instruments
  - transferable securities
- ▶ Participation in securities issues and the provision of services related to such issues
- ▶ Advice to undertakings on capital structure, industrial strategy and related questions and advice as well as services relating to mergers and the purchase of undertakings
- ▶ Money broking
- ▶ Portfolio management and advice
- ▶ Safekeeping and administration of securities
- ▶ Credit reference services
- ▶ Safe custody services
- ▶ Issuing electronic money

**Licensing Timeframe:** Six months

## Licensing Requirements

- ▶ Own funds need to amount to not less than 5 million euro
- ▶ At least two individuals to effectively direct the business of the credit institution in Malta
- ▶ Must prove prudent conduct, fit and proper persons, integrity and professionalism, adequate flows of information and the possibility of consolidated supervision
- ▶ Where the applicant for business is not authorised as a credit institution, either in Malta or in its own country, and is therefore not subject to supervision, the MFSA may require an active participation both by way of shareholding interest and/or by way of management by an authorised credit institution of repute

**Licence Application:** Applications must be submitted to the MFSA on the appropriate forms. The application procedure consists of two processes, the analysis of the business plan (including financial projections) and the due diligence exercises on directors, senior managers and shareholders. Institutions need to submit the following documents:

- ▶ A copy of the Memorandum and Articles of Association of the institution
- ▶ Audited financial statements for the last three years (if applicable)
- ▶ A business plan including the structure, organisation and management systems of the prospective bank
- ▶ Identity of all directors, controllers and managers of the institution
- ▶ Identity of all shareholders with qualifying shareholding
- ▶ Identity of the individuals who will be effectively directing the business of the prospective bank.

**Regulatory Fees:** Authorisation application fees are one-time fees and non-refundable irrespective of whether the application is accepted or refused.

- ▶ Application: €35,000
- ▶ Annual supervision fee: Equivalent to 0.0002 of its deposit liabilities as reported at the end of the preceding year, but never less than €25,000 and not more than €1,200,000
- ▶ Representative Office Fee payable upon establishment and in each subsequent year: €3,600

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Credit institutions (2014)