Maltese financial institutions are seeing a significant increase in international interest with the number of licensed institutions now surpassing those of traditional credit institutions. Although subject to strict regulation and supervision, key advantages include less onerous requirements when compared to those applicable to credit institutions.

Financial institutions are regulated by the Financial Institutions Act, which is considered an ‘offshoot’ of the Banking Act. The legislation covers organisations of different size and scope, and activities include factoring, money transmission services, issuing and administering means of payments, guarantees and commitments as well as foreign exchange. While many of these activities are also carried out by credit institutions, financial institutions are not allowed to take deposits or other repayable funds from the public to fund their business.
Key Features of Financial Institutions

**Permitted Activities:** Financial institutions are prohibited from taking deposits or other repayable funds from the public to fund their activities. Their activities can include the following:

- Lending (including personal credits, mortgage credits, factoring with or without recourse, financing of commercial transactions including forfeiting)
- Financial leasing
- Venture or risk capital
- Payment services
- Issuing and administering means of payment (e.g. credit cards, travellers’ checks and bankers’ drafts)
- Guarantees and commitments
- Trading for own account or for account of customers in:
  - Money market instruments (checks, bills, certificates of deposits etc.)
  - Foreign exchange
  - Financial futures and options
  - Exchange and interest rate instruments
  - Transferable instruments
- Underwriting share issues and the participation in such issues
- Money broking
- Issuing of electronic money

**Licensing Timeframe:** Three months

Licensing Requirements

- Own funds requirements are dependent on the activities which the financial institution proposes to provide
- Must be at least two individuals who will effectively direct the business of the financial institution in Malta
- Must prove prudent conduct, fit and proper persons, integrity and professionalism, adequate flows of information, and the possibility of consolidated supervision.

**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:

- Programme of operations
- Proposed level initial capita
- A copy of the Memorandum and Articles of Association of the institution or the deed of partnership
- Audited financial statements for the last three years and the identity of statutory auditors and audit firms (if applicable)
- A business plan including the structure, organisation and management systems of the institution (needs to include financial information for the MFSA to set the own funds requirement)
- Identity of all directors, controllers and managers of the institution
- Identity of all shareholders with qualifying shareholding or partners
- Identity of the individuals who will be effectively directing the business of the prospective institution
- Applicant’s legal status and the address of his head office

The MFSA may require the applicant to submit additional information as it may deem appropriate to determine an application for a licence.

**Regulatory Fees:**

- **Authorisation application fees** are one-time fees and non-refundable irrespective of whether the application is accepted or refused.
  - Application: €3,500

- **Annual supervision fee:** Equivalent to 0.0002 of the total assets as reported at the end of the preceding year in the balance sheet, but never less than €2,500.

Benefits of Financial Institutions

- Less stringent licensing and regulatory requirements than credit institutions.
- Licence fees for financial institutions are low in Malta compared to other finance centres.
- Malta has a wide network of tax treaties and offers easy access to a wide range of market places.