Today Matta’s economy is a diverse one, supported by sectors such as information and communication technology, advanced manufacturing, maritime and life sciences with the country ranking among the best performing Eurozone economies, registering economic growth and low unemployment. And, despite its small size and population, in just over a decade it has emerged as a globally-recognized financial services centre, with the sector becoming one of Malta’s world-class export industries that has registered impressive year-on-year growth.

Malta is now recognized as an alternative to established European finance centres such as Dublin, London and Luxembourg and offers investors a remarkably diverse financial services portfolio. Currently, Malta’s International Financial Corporation in the Global Financial Services Index ranks ahead of Madrid, Dublin and Brussels, and Hedge Fund Review voted Malta the best European Hedge Fund Domicile in both 2013 and 2014.

In 2014, new fund set ups and redomiciliations from non-EU jurisdictions grew to a total of nearly 600 investment funds with a combined net asset value of approximately €10 billion. There were 60 key international insurance operators in Malta, and there were 27 credit and 33 financial institutions. These results have not only propelled Malta into the ranks of leading European finance centres, but economic and political stability have also made the island an exception to the financial crisis that hit global economies.

So how did this tiny island become such an attractive domicile for investors and financial entities?

With a relatively small internal market, Malta has capitalized on opportunities that have arisen due to its strategic location and easy access to markets both in Europe and North Africa. Its decision to join the EU in 2004, the Eurozone in 2008 and the subsequent introduction of passporting rights has...
positioned Malta on a sound platform to grow internationally and also allow operators to extend their services across the EU.

EU membership infers that Malta has the same standards as those that international operators can find in other EU member states insofar as the regulatory and legal frameworks are concerned. The Malta Financial Services Authority (MFSA) is an independent, risk-based regulator, with a firm approach and rigorous due diligence; however it is also known for being easy to approach, which allows for companies investing in Malta to establish constructive working relationships with the authority. Legislation in Malta is robust, built upon best practices from other finance centres, in line with EU law and constantly updated to reflect market demands.

These developments have today collectively contributed to the growth and transformation of the sector, bringing about a number of service clusters predominantly dominated by foreign-owned operators. For example, in the investment funds arena, Malta hosts various international fund administrators including companies like Alter Domus, Amicorp, Apex, Citco and Custom House that service funds at home and abroad. The same developments have also taken place in other sectors with cluster formations in the insurance and banking industries.

In asset management, various foreign operators have set up in Malta, encouraged by the presence of an excellent, professional services infrastructure, a well-trained and motivated workforce, a lower-cost environment, and an advantageous tax regime that is backed up by more than 60 double taxation agreements. Malta also offers operators a world-class information and communications technology infrastructure, English is the official language and there is an enviable climate for expatriate living.

Much of the impetus for this growth has been spearheaded by FinanceMalta, a public-private partnership and the national promotional body for the financial services industry, which is chaired by Kenneth Farrugia, a banker by profession.

“The aim of FinanceMalta is to position Malta as a financial centre of repute from where to conduct international investment services business,” Farrugia explains. “We have identified the key financial sectors that we are currently focusing on,” Farrugia says. “These are the asset management, insurance and financial institutions sectors, trusts and foundations, wealth management as well as capital markets and Islamic finance.”

“Innovation and the ability to bring new products to the market in a very short time, is one of our strengths which we intend to capitalize on for further growth. For instance, Malta is the only EU member state with Protected Cell Company legislation. This provides numerous advantages compared to stand-alone insurance companies or captives, whereby the insurer can write business through the ownership of a protected cell, using the core’s capital. Another innovative and important legal act relating to wealth management is that pertaining to family businesses. This is a first in Europe, and will encourage the regulation of family businesses, their governance as well as the transfer of business from one generation to the next.”

“Our focus for the coming 12 months is to explore new markets including those of the Middle East, New York and Asia whilst simultaneously developing areas that show great potential for growth including international pensions, Malta’s capital markets and Islamic finance,” he adds.

Given its strategic location and excellent relations with many Muslim nations, Malta is already working towards establishing itself as a European centre for Islamic banking. The local regulator, MFSA, has already issued formal guidelines on Sharia-compliant investment funds, which can be set up as either Undertakings for Collective Investments in Transferable Securities (UCITs), Alternative Investment Funds (AIFs) or Professional Investment Funds (PIFs). Given the restrictions that apply to UCITs funds, Malta’s framework for PIFs is considered by many within the industry to provide a very attractive environment for Sharia funds to work in.

FinanceMalta will be promoting Malta at the Henley & Partners forum and the GCC Wealth Briefing Summit in Dubai.