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Malta 2020 *Special Report*

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A domicile for all

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his report shines a light on the amenability of Malta as a fund domicile.

Competing against larger, more time-honoured jurisdictions is a challenge for all smaller jurisdictions, but in Malta there exists great opportunity for funds of all sizes.

Throughout this report, the contributors are focused on highlighting what is perhaps Malta's strongest asset: its wide range of fund structuring options, with the Professional Investor Fund (Pif) in particular seeing rising levels of interest.

Competing against larger, more time-honoured jurisdictions is a challenge for all smaller jurisdictions, but in Malta there exists great opportunity for funds of all sizes

Elsewhere in this report, the other enticing benefits of Malta are explored.

Overall this report should serve as a strong calling card for anyone looking into setting up their fund or other business activities in Malta.

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What next for Malta?

Karine Seguin, Aaron Sammut and Albert Cilia of Trident Trust share their views on how Malta has developed and what the future holds

The Maltese fund industry continues to grow, with assets under administration having increased by 50% since the end of 2017 and now standing at €15.2bn (\$16.7bn), according to the most recent statistics issued by the Malta Financial Services Authority. Malta may still be a smaller player compared to some of the giants of the European market, but its growth rate and potential are significant.

The Maltese niche: start-up heaven

Over the years, Malta has developed into the ideal jurisdiction for start-ups, driven by a combination of high-quality professional service providers, well-drafted legislation and its onshore location. Malta has historically been served by a group of smaller custodians, which has limited its appeal to larger funds, but in all other respects its infrastructure operates at a globally competitive level. The quality and depth of the service offering from lawyers, administrators and auditors is on par with that of other major jurisdictions, with many of the parties involved being part of international networks that provide a globally uniform level of service. If the depth and scale of Malta's custody offering increases it will unlock the gate to attracting larger funds.

A globally competitive product range

Malta offers the full spectrum of fund structures available under EU



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legislation: Ucits, the Alternative Investment Fund (AIF), Notified AIF (NAIF) and Pif.

The development of the NAIF offers managers a fast route to market, since no local regulatory approval is required, as long as the manager is an authorised AIFM. A simple notification to the regulator ensures that the NAIF is recognised by the local regulator within 14 days, after which time it has full EU passporting rights.

Locally, however, the most popular solution remains the Pif. This is frequently used by start-ups, which structure it as a self-managed fund, in which an internal investment committee replaces the asset manager role. Without the requirements of a custodian and a risk officer, this is a very lean way for emerging managers to get started and build their

track record under the umbrella of an EU regulated fund.

The stepping stone to the North Africa and Middle East private equity markets

This is a very active market for us, in which we have a large number of institutional clients as a group. Despite the challenges in these markets, managers are identifying private equity opportunities that are producing very good returns for investors.

Malta has found its sweet spot in this area as it provides managers with an EU-regulated solution that is attractive to investors, together with geographical proximity and cultural overlap that facilitate professional collaboration. The benefit for fund managers is even greater where the fund also utilises local tax efficient Maltese Special Purpose Vehicles (SPV) to acquire the targets and can then have the entire structure administered under one roof.

Digital assets framework

Malta was a very early introducer of forward-looking legislation in this sector, which has received positive recognition internationally. The legislation sets out very clear standards for managers of cryptocurrency funds and other licensable activities, maintaining a high operational bar to filter the good from the bad.

The industry is still at inception, but we continue to receive a regular inflow of cryptofund enquiries thanks to our early decision as a group to invest time and resources



in thoroughly understanding the emerging cryptosector so that we can feel comfortable in providing services to it. As a result, today we work for more than 40 digital asset funds globally.

A global back office

For every Maltese fund administered in Malta, we estimate another two international funds (mostly Cayman and BVI-domiciled funds) are administered on the island. Malta is fast becoming an administration hub for a global range of funds because:

- Its time zone is preferred by European managers.
- European banks and custodians feel more comfortable with a European investor AML framework.
- It provides excellent value for money compared to numerous other locations.
- It has expertise across a wide range of asset classes and strategies, with the skills and learnings from each sector

readily transferred to the others at the service providers that are acting as a global back office within a multi-jurisdiction group.

Malta has developed this position as a global fund administration back office thanks to the quality and international nature of its workforce, which it has managed to build through offering extensive professional opportunities combined with a very attractive lifestyle, climate and environment. Such is the appeal of Malta to overseas workers that it is now often used by them as a training and development centre to accelerate their professional growth.

What next for Malta?

The jurisdiction retains its tax-efficient status for non-regulated SPVs, but it is the continued rapid development of the funds industry that presents by far the largest opportunity.

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Not only can Malta cement its position as a premier outsourcing location for the global alternative investments industry, but with a few improvements to its infrastructure, such as extending the range of custodians, we believe we can compete and win as a fund jurisdiction in our own right against larger and perhaps more established locations. We have a long history of entrepreneurialism in Malta and we believe our future on the island is very bright. HFM