Capital Markets - Why MALTA?

MFSA
Malta Financial Services Authority

Introduction

Malta has been developing rapidly as a finance centre since becoming a Member State of the European Union in 2004 adopting the Euro as the currency in 2008. Malta has gained a reputation for a robust regime (without being unduly prescriptive) with a highly approachable regulatory authority. It has been internationally recognised that the Maltese regulations provide a secure and stable framework for prudential supervision, consumer protection, market surveillance and prevention of money laundering. Staff at MFSA have gained considerable experience through training with other regulators and financial institutions in the UK, Europe and the US. Regulators from BaFIN, the former FSA and the SEC visit Malta on a regular basis to carry out training of staff.

The Malta Financial Services Authority ("MFSA"), an autonomous self-funded public institution, is the single regulator for financial services. The MFSA is also the Listing Authority and approves admissibility to listing on Recognised Investment Exchanges. Malta has continuously topped the scoreboard of Member States since for the timely implementation of internal market rules for financial services in particular, the Prospectus Directive. The MFSA has signed a considerable number of MoUs with various non-EU jurisdictions and is also a signatory to the IOSCO and the IAIS multilateral MoUs.

" a robust regime with a highly approachable regulatory authority "

Why Malta for Capital Markets?

Malta as an emerging financial services location has proved to be successful in the various financial services sectors and is now committed to developing capital markets. Malta is ideally placed for this development. The World Economic Forum Competitiveness Report [2012-2013] places Malta: 15th for Financial Market Development; 12th for the Regulation of Stock Exchanges; and 13th for the Soundness of the Banks out of a total of 144 countries.

Malta has all the necessary infrastructure in place for the continued expansion of the finance centre.

- Flexible regulatory regime: The Maltese regulatory framework is both robust and adaptable, allowing promoters to innovate and to develop new products to meet the changing investor needs. This flexible, proactive, transparent and regular contact with the regulator is very much appreciated by the industry.
- Well trained professionals: Maltese accountants are trained under IFRS, which Malta adopted in 1998 well before other Member States. The Report places Malta 15th regarding the strength of auditing and reporting standards. The Maltese legal profession is a long established profession and most professionals have had further training at major institutions overseas particularly in the UK.

Maltese professionals have considerable international experience on structured finance working closely overseas firms particularly from the City of London and the US.

Malta has a very competitive tax regime based on the imputation system of taxation whereby companies pay corporate tax at 35%. This tax is regarded as a prepayment for the tax due by the shareholder upon the eventual distribution of profits.

Consequently on declaration of dividend the shareholders receive a refund of 6/7 of the corporate tax paid by the company.

"Malta has a very competitive tax regime"

This system of taxation is Malta's general system of taxation for all trading companies. It has been approved by the EU in 2007 under State Aid and Code of Conduct. Malta was one of a group of jurisdictions that benefited from being placed immediately (following the G20 meeting) on the OECD's 'white list' of countries and territories that had both embraced and substantially implemented the tax standards. Securitisation vehicles are tax neutral and non-resident investors in listed securities are not subject to withholding tax on dividends and capital gains.

Malta has a worldwide network of over 65 tax treaties (with all EU and most OECD member states) which is continuously expanding. New treaties are being negotiated particularly with various Latin American countries.

"a worldwide network of over 65 tax treaties"

Malta has redomiciliation legislation applicable to all types of companies, including securitisation vehicles under the Continuation of Companies Regulations. Redomiciliation of companies has taken place from both onshore and offshore jurisdictions.

The Securitisation Vehicle

The Securitisation Act provides a legal framework for domestic and cross-border securitisations to take place in and from Malta. It provides a comprehensive framework for the conversion of receivables or other assets into securities that can be placed and traded in capital markets. Securitisation vehicles can be setup for:

a. Sale transactions: whereby the originator transfers a pool of assets to the securitisation vehicle;

b. Synthetic transactions: whereby the securitisation vehicle assumes the credit risk of the originator through credit derivatives and

c. Loan transactions: whereby the securitisation vehicle grants secured loans or other secured facilities to the originator.

The flexibility of the securitisation regime allows for an extensive range of assets including future receivables which may be securitised through a Maltese vehicle.

Besides the traditional forms of structured finance Malta intends to develop a niche area in securitisation vehicles in insurance; life settlement policies; raising of finance for intellectual property based structures and environment and transportation projects.

A securitisation vehicle enjoys tax neutral status thereby optimising the investors' return and the originator's cost of funding. Although, as a rule, securitisation vehicles are liable to tax in Malta at 35%, substantial deductions are available which effectively eliminate any taxable income in Malta. Specifically enacted tax rules clarify the deductions available for securitisation vehicle.

The European Wholesale Capital Markets

Malta has through the MFSA created a "one stop shop" for the development of the financial services sector and now intends to do the same for the capital markets. Besides the possibility of setting up an efficient securitisation vehicle, Malta is now offering the possibility for the listing of wholesale securities issued by the securities vehicles.

A new regulated market the European Wholesale Securities Market [EWSM], jointly owned by the Irish Stock Exchange and the Malta Stock Exchange, for wholesale fixed income securities was setup, registered and domiciled in Malta in 2012. The EWSM is approved as an EU regulated market under MiFID and is a "Recognised Stock Exchange" within the meaning of the UK Income Tax Act, 2007.

The regulatory requirements are available in the Guidelines for Listing and Trading on the EWSM [www.ewsm.eu]. The MFSA as Listing Authority approves prospectuses for securities to be admitted to the EWSM under the Prospectus Directive as well as the ongoing requirements of issuers under the Transparency Directive. The MFSA adopts a pragmatic market oriented proactive approach to prospectus review and approval including guaranteed review times of three business days for initial submission and two business days for subsequent drafts of prospectuses.

The Guidelines provide for the appointment of a Listing Agent for the admission process. The Listing Agent ensures smooth and timely interaction between issuers and arrangers and the MFSA and EWSM on regulatory requirements.

The Listing Agent is approved by the Listing Authority and may be a body corporate, partnership or firm incorporated or established in the EEA and be independent of any Issuer, or related service provider, to which it provides listing agent services.

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