

Malta – financially safe and unquestionably hot

The Maltese Archipelago is made up of a number of small Islands of which three are inhabited with Malta being the largest with an area of 246 Km. Malta's central location in the Mediterranean gave it a strategic importance throughout its long and chequered history. Malta has been influenced and shaped by various civilisations from the Phoenicians, Romans, the Knights of Malta, the French, and the British Empire. Now, Malta is an independent country and a full member of the EU and has quietly emerged as one of Europe's stable and innovative domiciles. The country's decision to become a member of the European Union in 2004 and the eurozone in 2008 have proved pivotal to its development as a fast growing finance and business hub which offers an ideal base for forex trading businesses.

By Patrick J. O'Brien, Communications Director, EXANTE

The selection of the most suitable jurisdiction for either international trade or investment can often be difficult. With over 75 countries positioning themselves as international financial hubs across the world, deciding on the most appropriate domicile to establish an operation is one of the biggest challenges facing FX brokers. Clearly, the ultimate decision needs to be taken following an in-depth evaluation of a number of considerations.

Compelling proposition

Malta's position as an EU member state, and its financial services, presents a compelling proposition for brokers and international financial services organisations planning to set up or relocate their operations into Europe. The growth of Malta as an international financial services domicile has so far been spearheaded by very strong growth registered in the investment funds and insurance

sectors. Other sectors have also enjoyed very strong growth such as the trusts, banking and wealth management sectors.

Malta's developed infrastructure and regulatory framework make it an ideal country for financial services firms to base their operations. It has ranked highly in the 2012-2013 Global competitiveness report in areas such as 'Financial Market Sophistication', 'Sound Banking', Health and Education, and Technological Infrastructure.

Its local financial services regulator, Malta Financial Services Authority, MFSA, has built a solid reputation of maintaining a high standard of compliance while eliminating unnecessary complexity and ambiguity for investors. Malta has one of the soundest banking systems in the world, a testament to the reliable, old-fashioned principles adhered to by its leading 'credit institutions

Factors contributing to the growth of the industry in Malta include:

- Malta's international reputation in the Financial services sector offering a European-harmonized framework with opportunities for EU cross-border passporting of services
- Access to talent which is well versed in the sector
- A legal setup which ensures clarity and legal certainty in an area of the law that may not be as clear in other jurisdictions
- Extensive double taxation agreements

licence holders': Bank of Valletta and HSBC Bank. Being an excellent European hub for financial service means Malta has lured to its shores various market players in the field of foreign exchange, ranging from specialist software providers interested in using Malta as a base of operations, to FX asset managers and forex trading platforms seeking their way of entry in the EU Market. The island has also become an attractive jurisdiction for the licensing and operation of businesses dealing in rolling spot forex and/or derivative contracts.

The basis for such attractiveness lies in a combination of several factors, including an attractive corporate tax regime, a solid regulatory framework, and access to the whole European market in virtue of the passporting rights available in terms of the EU



Interview with Kenneth Farrugia, Chairman of FinanceMalta, the Malta Funds Industry Association and Malita Investments p.l.c., a listed Malta Stock Exchange company.

Why has Malta continued to attract FX brokers and financial services business?

Malta's financial services industry is currently going through an interesting paradigm shift, evolving from an industry which was primarily driven by the domestic market into a well connected, attractive domicile for EU-regulated international financial services business. While there is still ample room for stronger growth in EU-driven business flows, Malta is equally attractive for non-EU based financial services operators, particularly those in the Middle East, the US, Latin America and Hong Kong and China, to do business in Europe through Malta. Admittedly, all EU member states somewhat position their country as a 'Gateway to Europe'. Nonetheless, Malta's unique geographic position serves as a very strong attestation to Malta's overall value proposition as this offers a two pronged conduit of opportunities to both Europe and North Africa.

Malta also offers investors a secure and transparent environment in which to build, or expand, a business. The country has introduced business-friendly policies underpinned by a legal and regulatory framework that is fully

harmonised with EU legislation. Malta has also invested heavily in modern telecommunications and transport infrastructure, with a full package of incentives that range from fiscal benefits to the provision of custom-built production facilities. Malta's unique selling point is its highly skilled and highly qualified workforce, available at competitive rates, for all areas of the expanding economy. With great attention being paid to the next generation of its workforce, the country continues to invest heavily in education with the flexibility of the local workforce being one of the country's greatest assets: the Maltese are quick to adapt to changing technological and market needs, sustaining and enhancing Malta's appeal as a world-class investment and business centre.

How important is it for the Government of Malta to support the growth and development of the financial services industry and in particular forex brokerage firms?

Malta is a very open national economy with Tourism the most important economic sector. The number of tourists increased practically significantly over the past three decades to over 1.5 million tourists. The country has



Kenneth Farrugia

also managed to attract a number of international organisations who have established strong manufacturing and servicing operations on the island to include Playmobil, Actavis, Lufthansa Technik and Baxter amongst others.

The financial services sector is one of the most recent economic sectors that have propelled Malta into the ranks of leading financial centres in Europe and in the process becoming an important economic generator registering impressive year on year growth and today accounting for some 12 percent of GDP and provides close to 10,000 jobs, hence the importance of this sector to the national economy and the sustained support by the Government.

Markets in Financial Instruments Directive ('MIFID'), which was adopted in 2004 with the primary objective of ensuring a harmonised regime for the authorisation and operation of investment firms within the EU. Malta has witnessed increasing interest by niche financial services operators such as Forex trading, e-money and trade finance operators.

As banking regulations across the EU becomes much tighter, and the need for scarce capital becomes more evident, entrepreneurs have been looking at ways how they can offer select services, typically offered by a bank, via dedicated vehicles. Malta is increasingly enjoying recognition because it fulfils all the aforementioned criteria.

Gateway to the EU

Equally, Malta's geographic location right in the middle of the Mediterranean makes it a gateway to the EU for non-EU financial services firms and, an open door to the financial services businesses

in the Arab world. Consequently, Malta lies in a convenient time zone for doing business across the



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THE BROKERS VIEW

George Grech, Head of trade desk at EXANTE tells us why the firm chose Malta.

Malta is a growing financial centre of the highest order. In addition to its strategic location, it boasts a well educated and multilingual workforce, a transparent and strong regulatory regime, a can-do pro business environment, and plenty of sunshine. Within this environment, EXANTE has been able to achieve tremendous growth within a relatively short period of time. We at EXANTE have managed to find a niche in the brokerage market by offering a superior product than our competitors through our online Platform (ATP). Our efforts have attracted much media interest to Malta as EXANTE

has graced the cover of the FT and other media leaders in the financial Press.



George Grech

world: one hour ahead of GMT, meaning office hours coincide with Asia in the afternoon, Europe throughout the day and the US in the morning. On the point of economical and political stability, while global finance centres around the world struggled, Malta's finance sector not only withstood the effects of the recent economic and financial downturn, but also posted year-on-year growth. Despite the international turmoil, Malta's finance sector has expanded between 20 and 30 per cent annually and has regularly received high rankings in benchmarking reports.

The European Commission viewed the competitiveness





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of Malta's economy, in terms of labour productivity, as above average in an EU-wide comparison, with the country improving its ranking in the Global Competitiveness Report 2012-2013 of the World Economic Forum, climbing from 54th place to 47th (out of 144 countries).

In the financial services industry, there are a number of sectors that have become star performers. The funds industry is home to just under 600 funds, primarily consisting of PIFs, but also including Ucits as well as non Ucits. The regulatory framework is supported with an equally comprehensive legal framework

allowing such funds to be set up as SICAVs, Limited Partnerships, Trusts and Contractual Funds.

Conclusion

Malta's operational and service framework continues to strengthen itself as a result of the growth of the financial services industry. Notable is the strong presence of all top four audit firms. Equally, Malta's legal firms are multi-disciplinary, providing advice across a broad range of financial services areas. Cluster formation is equally evident in the fund industry and insurance sectors.

The country's highly skilled workforce is driven by the

presence of an excellent educational system wherein students seeking to pursue tertiary education are paid a stipend by the government. Malta also has a sophisticated telecommunications infrastructure, with large bandwidth networks providing high capacity communications to and from the island. Its regulatory processing efficiency is becoming increasingly notable, as are the highly competitive set-up and ongoing costs to operate a fund in Malta. It also has some 60 double tax treaties with both EU and non-EU countries.

Malta's increasing popularity as an EU-based financial centre is gaining traction as is shown by the presence of numerous international financial services providers enjoying success on the islands. All of which bodes well for the future growth of this dynamic island.