

MALTA: A THRIVING FINANCIAL MARKET BEYOND TOURISM



Fabio Finazzi
Chief Operations Officer
REYL Malta

For many, Malta is either a holiday destination steeped in architectural and military history or an inevitable stop for any linguaphile. Yet, beyond the architectural majesty lies a thriving financial market that has become a key player for many in the asset management industry. As a member of the European Union, Malta has implemented all the rules and regulations we find throughout the Eurozone, with one of particular interest for asset managers, the Alternative Investment Fund Managers Directive (AIFMD) of 2013. Not only has Malta implemented the directive but it has taken significant steps to further strengthen its regulatory framework, thus making it an attractive jurisdiction for asset managers looking for a secure and compliant environment.

AIFMD LEVEL 2 ENHANCES MALTA'S REGULATORY FRAMEWORK

In 2021, the implementation of AIFMD Level 2 further enhanced Malta's regulatory framework especially for alternative investment funds (AIFs), including private equity, real estate, venture capital and hedge funds. The directive has introduced several new requirements and obligations for asset managers, such as the need for investment managers to appoint a local depository for each AIF.

The depository is of paramount importance for funds and investors alike, as it is responsible for the safekeeping of a fund's assets and ensures that the fund's operations comply with the objectives set out in the offering documents and the

overall regulatory requirements. AIFMD level 2 thus expanded the role of depositaries to include oversight and monitoring of cash and assets, risk management, and regulatory reporting. Malta has embraced these rules and pushed local depositories to implement stringent risk monitoring measures.

"Malta continues to be well-positioned to meet the requirements of AIFMD Level 2."

Malta's custody market has been and continues to be well-equipped to meet the requirements of AIFMD and the country's regulatory regime is often considered by investment professionals as one of the more robust in Europe. The Malta Financial Services Authority (MFSA), which oversees the market, has been particularly proactive of late in implementing strict regulatory guidelines and enforcing the new requirements around licensing, minimum capital, risk monitoring and controls, to cite just a few.

MALTA'S APPEAL TO ASSET MANAGERS: BEYOND REGULATIONS AND GROWING ASSETS

Beyond the regulatory aspects, Malta boasts several additional attributes that make it an effective jurisdiction to do business in: a strategic geographical location, skilled and knowledgeable workforce, corporate tax benefits, strong corporate support services and a stable economy.

It is therefore not surprising to see that asset managers from around the globe have chosen Malta as the home for their funds. In 2022, the aggregate net asset value of Malta-domiciled funds stood at a little over €21 billion. Although dwarfed by the assets domiciled in behemoths such as Luxembourg and Ireland, it remains quite an achievement for an island the size of Malta. In addition, Malta continues to see an upward trend year on year with net new assets of close to €1 billion between 2021 and 2022.

These assets are spread between AIFs with a share of 70.5%, Professional Investment Funds (PIFs) with 15.6% and UCITS funds standing at 13.9%. Overall, as of June 2022, there were 483 funds registered on the island with the lion's share being PIFs with 50.5% of the market and the remainder spread between AIFs and UCITS with 24.0% and 23.4%, respectively.

Malta continues to be well-positioned to meet the requirements of AIFMD Level 2. The regulatory framework is robust, and service providers have the necessary expertise and resources to meet the expanded obligations of depositaries. Therefore, Malta should continue to attract asset managers and investors looking for a competitive and robust environment for their service providers.

Since 2015, REYL & CIE (Malta) Ltd is one of the key service providers on the Island of Malta, offering all-inclusive solutions with its local and international business partners in the best interest of its clients and their needs.



REYL
INTESA SANPAOLO

IMPORTANT INFORMATION - This content is being provided by REYL & Cie Ltd or/and its affiliates (hereinafter referred to as "REYL") solely for information purposes and is not intended to be a solicitation or offer, recommendation or advice to buy or sell interests in any financial instrument mentioned in it, to effect any transaction, or to conclude any transaction of any kind whatsoever, in particular to any recipient who is not a qualified, accredited, eligible professional or institutional investor. It is intended for the sole use of the recipient and may not be forwarded, printed, downloaded, used or reproduced for any other purpose. It is not intended for distribution/offering to, or use by, natural or legal persons that are nationals of a country or subject to a jurisdiction of which the laws or regulations would prohibit such distribution/offering or use. Whilst REYL shall use reasonable efforts to obtain information from sources which it believes to be reliable, REYL, its directors, officers, employees, agents or shareholders assume no liability regarding this content and give no warranty as to the accuracy, completeness or reliability of any mentioned data and thus assume no liability for losses arising from the use of this content. The information, opinions and assessments contained in the present document shall apply at the time of publication and may be revoked or changed without prior notice. This content is intended only for recipients who understand and are capable of assuming all risks involved. Before entering into any transaction, recipients should determine if the relevant financial instrument mentioned in the content suits particular circumstances and should ensure that they independently assess (together with their professional advisers) the specific risks, the legal, tax, accounting consequences and eligibility requirements of any purchase, holding or sale of financial instruments mentioned in the content. REYL, its directors, officers, employees, agents or shareholders may from time to time have interests and/or underwriting commitments in the financial instruments described herein. REYL makes no representation as to the suitability of the mentioned information, opinions or securities and financial instruments. Historical data on the performance of the financial instruments or on the underlying assets are no indication for future performance. The present content has been compiled by a department of REYL which is not an organisational unit responsible for financial research. REYL is subject to distinct regulatory requirements and certain services and/or financial instruments may not be available in all jurisdictions or to all recipient types. Recipients are therefore responsible to comply with all applicable laws and regulations. There is no intention to offer services and/or financial instruments in countries or jurisdictions where such offer would be unlawful under the relevant laws and regulations.

SUCCESS. TOGETHER.