Malta as an Onshore Domicile

Reasons Behind Malta's Success

Malta offers the complete package that today's investors are looking for; regulation, transparency and good governance. In addition, the finance centre provides a more cost-efficient domicile for setting up funds, investing in both emerging and established markets, for fund administration, and for the global custody services provided to these funds.

A Portfolio of Fund Options

The Investment Services Act and subsidiary legislation, provides for the setting up of UCITS retail funds and Retails AIFs (in terms of the AIFM Directive) as well as Professional Investor Funds (PIFs) and Professional AIFs targeting Qualifying Investors. Maltese UCITS schemes are retail funds that are advertised to the general public. They must adhere to obligations relating to the diversity of investments and the liquidity of the scheme and are also subject to restrictions on eligibility of assets.

PIFs and Professional AIFs are non-retail funds, targeted at financially literate, high net worth individuals. Regulation on PIFs is not as stringent as that of UCITS or AIFs. Forms of PIFs include hedge funds, private equity funds and property funds. The PIF program caters for funds targeting "qualifying investors".

Innovative Vehicles

Forms of Maltese-registered funds include; open-ended and closed-ended corporate entities, trusts and limited partnerships. The investment company with variable share capital is to date the most widely used vehicle, particularly in the non-retail sector. This setup can be structured to include master feeder funds and umbrella funds with segregated sub-funds. In 2012, the Malta Financial Services Authority (MFSA) also implemented new regulations that make it possible for a fund to be embodied as an Incorporated Cell of a Recognised Cell Company (RICC). ICs may either be open-ended or close-ended.

Whilst an "umbrella fund" structure does cater for the establishment of segregated sub-funds, the RICC structure goes a step further in that each IC constitutes a separate legal entity from its RICC and other ICs on the same platform, with its own legal personality.

Types of Legal Form

- Investment companies (SICAV and INVCO);
- Incorporated cells;
- A contractual fund;
- A limited liability partnership;
- A unit trust.

Market-driven Regulation

Malta has established a comprehensive regulatory framework for the registration and marketing of all types of funds and investment vehicles. Malta's financial services framework is up to date with EU directives and in line with EU requirements, while Malta's sole regulator, the MFSA, performs its function in a constructive manner. The MFSA practices an "open door" policy, allowing fund promoters to constructively engage in licensing processes.

Cost Effective Setup and Operational Costs

From fund set up fees and on-going fees, compliance costs, operating costs pertinent to the functionaries of the fund, and related services, Malta is highly cost-competitive; this makes the island an attractive outsourcing location for back and middle office functions.

Free Choice of Management Style

Malta's flexibility allows for funds to opt for the self-managed route as an alternative to external third- party management. An in- house investment committee must be appointed to the self-managed fund. The majority of meetings must take place in Malta. The investment committee of a PIF may pass on the day-to-day investment management of the assets of the fund to a portfolio manager, while a self-managed retail scheme has to appoint at least two portfolio managers to implement the day-to-day investment decisions.

Freedom to Use Foreign Service Providers

Another positive attribute that Malta has is that funds in the process of registering are generally not required to appoint a local administrator. Typically, Maltese regulation allows service providers to be based anywhere as long as it is recognised by the MFSA. This allows for flexibility to work with institutions with which they have already established a business relationship. This does not apply to Custodians appointed by AIFs, which must necessarily be based in Malta.

Examples of Cost Effectiveness Through Malta's Setup:

- Total setup costs for a Malta UCITS range from EUR 20-35,000;
- Funds that are set up in Malta and have more than 15% of their assets invested abroad are not subject to tax in Malta and are also exempt from stamp duty;
- Fund administrators or managers can benefit from Malta's full imputation system. While they have to pay tax at the standard rate of 35%, the entitlement of a refund when the company distributes dividends can reduce the tax rate to 5%.

Passporting Opportunities for Funds and Fund Managers

Malta is now geared towards capturing more business from changes under the UCITS IV rules and the Alternative Investment Fund Manager's Directive. While the management company passport under the UCITS IV Directive ended the requirement that the management company needs to be established in the same country in which the UCITS is established, the provisions of the UCITS IV Directive also enable the set-up of master-feeder UCITS structures, by which one UCITS invests at least 85% of its Net Asset Value in another UCITS. The benefits of this type of structure mean that the management and administration of the master fund may be centralised in one country, and thus gain from economies of scale and potentially reduce costs to the investor.

Under the AIFM Directive all managers aiming to market funds to European investors are obliged to adhere to the EU's regulatory system. As a result, more offshore fund managers have moved into regulated onshore jurisdictions or base at least part of their operations in the EU.

Easy Migration

Numerous factors have contributed to the country's attractiveness as a location for re-domiciliation. These include, and are not limited to; the MFSA's solid reputation; Malta's cost competitiveness; fiscal flexibility; a straightforward procedure for the transfer of funds from another jurisdiction. Funds incorporated as companies in other jurisdictions can easily be transferred to Malta, after having undergone the licensing process with the MFSA. Maltese legislation allows re-domiciliation from all EU, EEA and OECD countries from a number of other countries such as the Bahamas, Bermuda, British Virgin Islands, the Cayman Islands, Gibraltar, Guernsey, the Isle of Man, Jersey and Mauritius.

For more information on how Zeta can assist you please contact our Business Development department on bd@zeta-financial.com.

Get in touch
Head office: 56, Ground Floor, Europa Centre, St. Anne Street, Floriana FRN 9011
zeta-financial.com

Michelle Oakes
Group Business Development Director
T. +356 2011 9700 E. bd@zeta-financial.com