

# Malta

## An opportunity for the financial sector

A publication for promoting foreign investment in Malta



**MALTA**

**FINANCE CENTRE**







## General profile

Malta's free market economy – the smallest economy in the euro-zone – relies heavily on trade in both goods and services, principally with Europe. Malta's economy is dependent on foreign trade, manufacturing, and tourism. Malta joined the EU in 2004 and adopted the euro on 1 January 2008. Malta has weathered the euro-zone crisis better than most EU member states due to a low debt-to-GDP ratio and financially sound banking sector. It maintains one of the lowest unemployment rates in Europe. In 2014 through 2016, Malta led the euro zone in growth, expanding more than 4.5% per year. Malta's services sector continues to grow, with sustained growth in the financial services sectors. Advantageous tax schemes remained attractive to foreign investors, though EU discussions of anti-tax avoidance measures have raised concerns among Malta's financial services and insurance providers, as the measures could have a significant impact on those sectors. Malta's GDP growth remains strong and is supported by a strong labor market. The high cost of borrowing and small labor market remain potential constraints to future economic growth. Increasingly, other EU and European migrants are relocating to Malta for employment, though wages have remained low compared to other European countries. Inflation remains low.

With a civilization that dates back thousands of years, Malta boasts some of the oldest megalithic sites in the world. Situated in the center of the Mediterranean, Malta's islands have long served as a strategic military asset, with the islands at various times having come under control of the Phoenicians, Carthaginians, Greeks, Romans and Arabian.

### Geography



**Area:** 316 sq. km

**Density:** 1,365.5 (people per sq. km of land area) (World Bank)

**Climate:** Mediterranean; mild, rainy winters; hot, dry summers

**Terrain:** mostly low, rocky, flat to dissected plains; many coastal cliffs.

**Natural resources:** limestone, salt, arable land

**Land use: agricultural land:** 32.3% **arable land** 28.4%; **permanent crops** 3.9%; **permanent pasture** 0%, **forest:** 0.9%, **other:** 66.8% (2011 est.)

### Politics



**Capital:** Valletta, 197,000 inhab. (2014)

**Government type:** Parliamentary republic

**Chief of state:** President **Marie-Louise Coleiro PRECA** (since 4 April 2014)

**Head of government:** Prime Minister **Joseph MUSCAT** (since 11 March 2013)

**Member of:** ECB, EU, FAO, ILO, IMF, IMO, Interpol, Schengen Convention, UN, UNCTAD, UNESCO, UNIDO, WHO, WTO

### Population & Society



**Population:** 436,947 (World Bank, 2016)

**Ethnic group:** Maltese (descendants of ancient Carthaginians and Phoenicians with strong elements of Italian and other Mediterranean stock)

**Languages:** Maltese (official) 90.1%, English (official) 6%, multilingual 3%, other 0.9% (2005 est.)

**Religion:** Roman Catholic (official) more than 90% (2006 est.)

**Population growth rate:** 0.26% (2017 est.)

**Total fertility rate:** 1.55 children born/woman (2017 est.)

**Life expectancy at birth: total population:** 80.5 years

**Male**  78.1 years **Female**  83 years (2017 est.)

**Urban population:** 95.6% of total population (2017)

### Economy and Human development



**Currency:** Euro

**Inflation rate (at consumer prices):** 0.9% (2016), 1.2% (2015), 0.8% (2014), 1% (2013).

**GDP:** 11 billion \$ (official exchange rate), 17.32\$ billion (PPP)

**GDP real growth rate:** 5.5% (2016 est.)

**GDP per capita (PPP):** 39,900\$ (2016)

**Public debt:** 56% of GDP (2016 est.)

**GDP Composition, by sector:** agriculture: 1.3%, industry: 10.6%, services: 88.1% (2016 est.)

**Inequality in income:** 13.6%

**Unemployment rate:** 4.7% (2016 est.)

**Unemployment 15-24 total:** 11.8% **Male**  3.9% **Female**  9.4% (2015 est.)

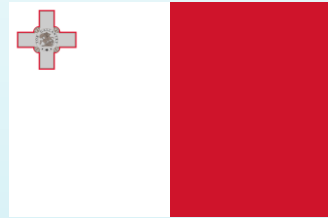
**HDI:** 0.856 (33rd)

**Population below the poverty line:** 16.3% (2015 est.)





# Why Malta?



*"The Maltese climate, culture, history and lifestyle all combine to make Malta one of the most attractive places to live in Europe. This coupled with Malta's attractiveness as a business hub and its competitive tax system explains Malta's rising popularity with the internationally mobile community." (KPMG, 2017)*

## Several strengths

Malta enjoys a stable political climate and a bi-partisan political scene that is largely convergent on issues of national and economic importance.

This publication is funded by **Malta Finance Centre**, a public-private initiative set up to promote Malta as an International Financial Centre. **Malta Finance Centre** came on the scene at a critical time, just as Malta entered the Eurozone.

The financial services sector represents a major force in the country's economy.

Malta has several significant strengths such as a **well-trained, motivated workforce**; a **low-cost environment**; and an **advantageous tax regime** backed up by more than 60 double taxation agreements. **Malta Finance Centre** works in order to add a world-class information and IT infrastructure, having English as an official language and an enviable climate along with its strategic location.

## Sound banking system

**Malta and Germany were the only two states in the Euro Zone maintaining economic growth during the financial crisis.** Malta's banks have been ranked amongst the top 5 soundest banks in the world. (Chetcuti Cauchi Advocates).

## An ideal location for doing business

Malta is an ideal location for multinationals seeking cost- and tax-efficient jurisdictions within the EU.

The legal, regulatory and fiscal framework in Malta, being accustomed to both **civil and common law concepts**, its qualified work force including professionals in the legal, tax and financial services field, and the relatively **low operating costs** are some of the ingredients that have contributed to Malta as a great place for starting a business.

A stable macroeconomic environment

EU and Eurozone location

Growing numbers of fresh graduates specialising in financial services

Lower operational costs

A reputable stock exchange

Easy access to key stakeholders due to the size of the island

English-speaking country with a probusiness government

Flexible regulatory framework

Convenient European time zone

A stepping stone to European and north African markets



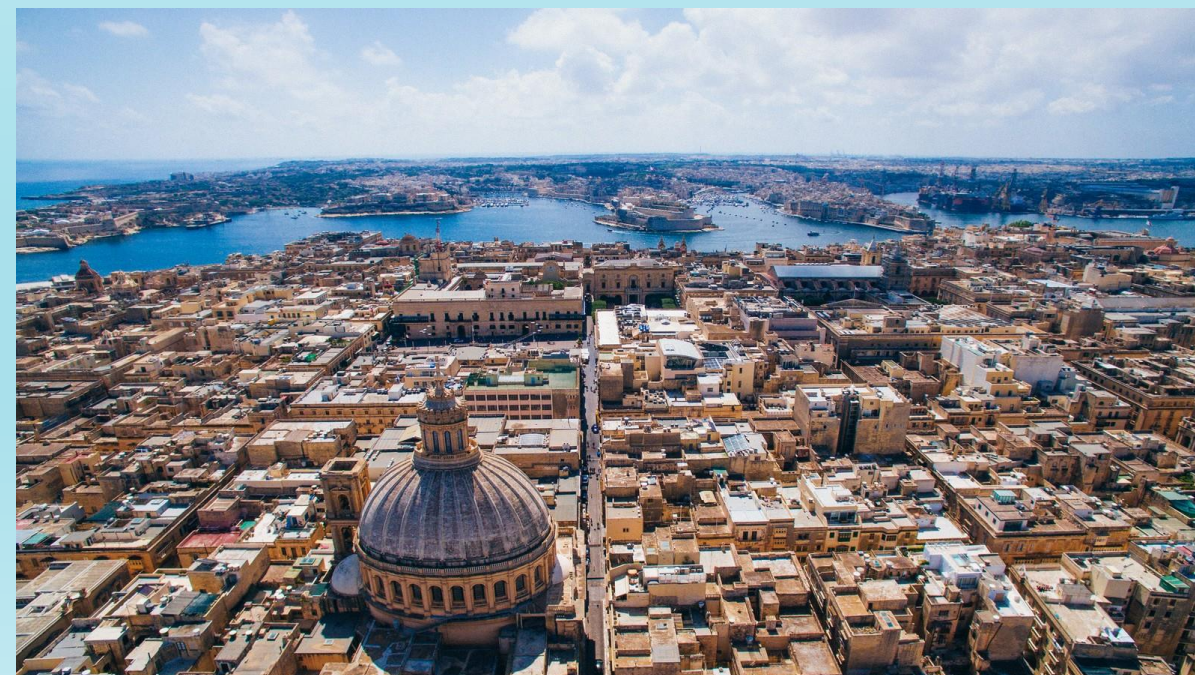
## A strong growth pace

Malta, European Union ('EU') Member State, has enjoyed **strong and consistent growth in its financial services industry** and is fast becoming the jurisdiction of choice for a number of multinational companies looking for an ideal hub from which to do business across the EU, Middle East and North African markets.

An efficient work force, a stable and safe environment, a low-cost and tax-efficient jurisdiction, highly-qualified work-force, strategic geographical location, **English as a business language** and a strong legal and fiscal framework are all ingredients which combine to make Malta one of the best places to do business and this has resulted in Malta's ranking among the **top five emerging financial centres in the world** as the City of London's Global Financial Index reports (KPMG, 2017).

## Malta as the preferred choice

An increasing number of multinationals are choosing Malta as their preferred location for holding company, group finance and treasury activities (KPMG, 2016). In the EY's 2017 Attractiveness Survey, it emerged that almost 80% of the current investors surveyed believe that Malta is attractive for corporate taxation, stability of social climate and telecommunications structure. For the respondents, the financial sector is going to be the third leading sector for importance in the next 5 years.





# Malta towards an international finance centre

Sovereign Ratings

**A**  
(Fitch, 2015)

**A3**  
(Moody's, 2014)

**BBB+/A-2**  
(Standard & Poor's, 2015)

## Finance Centre (2014)

Contribution to GDP	<b>13%</b>
Employees	<b>10,000+</b>
Companies on the register	<b>65,000+</b>
New registrations	<b>5,144</b>
Number of new Companies	<b>5,061</b>
Number of new Partnerships	<b>83</b>
Time to start up a business	<b>1 week</b>

## Highly qualified human capital

Malta's drive to become a global financial services centre has helped generate around **10,000 jobs** in this sector. With **60 per cent** of Maltese students going on to further education, the island has a **highly educated and multilingual pool of talent** from which to hire from. Malta is continually cultivating the right talent, with more University of Malta graduates coming from the economy and management faculty than any other in 2013-2014.



## A leading centre of excellence

Malta regularly receives **high rankings** in benchmarking reports and was named 'Most favoured domicile in Europe' for **investment funds** in the Hedge Funds Review Service Provider Rankings in 2013 and 2014. In addition, the World Economic Forum ranks Malta above average for almost every metric in **financial market development**.

## Regulated but not overregulated

The real strength and value of Malta's finance sector lies in its sound policies and robust regulatory regime, which supports the development of a **strong banking sector**. With the advent of the Single European Payments Area (SEPA) removing the distinction between local and cross-border payments, institutions willing to fully exploit the opportunities of the Single European Market and Malta's strategic location gain significant benefits by locating to Malta.

## Huge transformation in the banking sector

Malta's strong banking sector has been the **country's backbone**, supporting the growth of various other sectors. Capital buffers retained by local banks are among the highest in Europe, and Maltese banks have registered solvency ratios that are almost double the EU average. Malta has seen a significant transformation in its banking sector over the last decade, from a **tightly controlled publicly** owned sector to one of **liberalisation and foreign ownership**. The country has attracted some of the most highly respected names in institutional finance to establish operations in Malta and use the country as a **strategic launch location** for future expansion into Europe, Africa and the Middle East.

**10TH** **SOUNDEST BANKING SYSTEM**

World Economic Forum  
2014-2015 Global Competitiveness Index

**«The lowest effective tax rate in the EU»**

(KPMG, 2016)

## Increasing Demand for Banking Services

With thousands of holding and trading companies and an **growing number of investment funds** established in Malta, the **demand for banking services remains high**. The country is also home to the largest international ship registry in Europe, more than 500 investment funds and a thriving **insurance sector** that has doubled in size over the past few years establishing Malta as one of Europe's **primary international insurance domiciles**. The continued expansion of its finance centre provides the Maltese **banking sector with interesting growth opportunities**.

# Financial and credit institutions at Malta

## Credit institutions main services available at Malta

### Retail banking

Although **HSBC** and **Bank of Valletta (BOV)** account for almost 90 per cent of the pie for domestic retail banking, it has not stopped smaller international banks from operating in this sphere. An increasing number of banking institutions have recognised the potential of **Malta's retail market** and have successfully set up, serving both local and international clientele. Purchasing power and interest for property is strong, and Malta has a high request for **home loans**.

### Business banking

Malta's financial centre is everexpanding and is witnessing around **25 per cent annual growth** despite the global financial and economic crisis. With more than **65,000 companies** – many of them foreign-owned – registered in the country, sophisticated business banking solutions and services are in high demand in the Maltese market.

### Corporate banking

Malta hosts a number of institutions specialising in trade-related products, such as structured trade finance, factoring and forfaiting. Regional emerging economies currently have a high demand for substantial infrastructure developments leading to opportunities in infrastructure and project finance through Malta's attractive framework.

### Investment banking

The fund sector is booming in Malta with almost **600 investment funds** in 2014. These healthy numbers prove investment banking in Malta is an increasingly **profitable business**. Malta is beginning to see a cluster forming for smaller international banks offering custody services.

The **Malta Stock Exchange** is also gaining a reputation as a gateway for small-cap and non-European issuers to tap into the wider EU capital market.

### Private banking

Malta has become a hub for wealth management and family offices from Europe, North Africa and the Middle East. With the growth of the finance centre and other sectors of the economy such as shipping and aviation, a large number of affluent foreigners have relocated to Malta.

## Financial institutions

Maltese financial institutions are seeing a significant increase in international interest with the number of licensed institutions now surpassing those of traditional credit institutions. Although subject to strict regulation and supervision, key advantages include less onerous requirements when compared to those applicable to credit institutions. Financial institutions are regulated by the **Financial Institutions Act**. The legislation covers organisations of different size and scope, and activities include factoring, money transmission services, issuing and administering means of payments, guarantees and commitments as well as foreign exchange. **Financial institutions are not allowed to take deposits** or other repayable funds from the public to fund their business.

33

financial institutions in 2014

27

credit institutions in 2014

## The banking sector (2013)

Total assets: **€49.7bn**  
 Bank offices and branches: **130**  
 Deposits: **€28.9bn**



## Key opportunities

Healthy and stable sector

Financial institutions

eBusiness solutions

Growth opportunities for ship finance and investment banking services

Call for more specialised banking services

Innovative Stock Exchange (MSE) with a fast growing listing process

# References

Chetcuti Cauchi Advocates, Malta Citizenship by Investment, Malta individual investment programme

Finance Malta: Sector Guides 2015-2016, Financial institutions (A Country Profiler Publication)

KPMG 2016, Malta-Country Profile

KPMG 2017, Citizenship by investment in Malta

Main data and figures: CIA World Factbook, World Bank, UNCTAD, UNDP, World Bank World competitiveness index 2015-2016

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