

# Malta

A Fast Growing EU Domicile  
for Ucits and Professional Investor Funds

## Valletta Fund Services

Your Business Partner in Malta



November 2011

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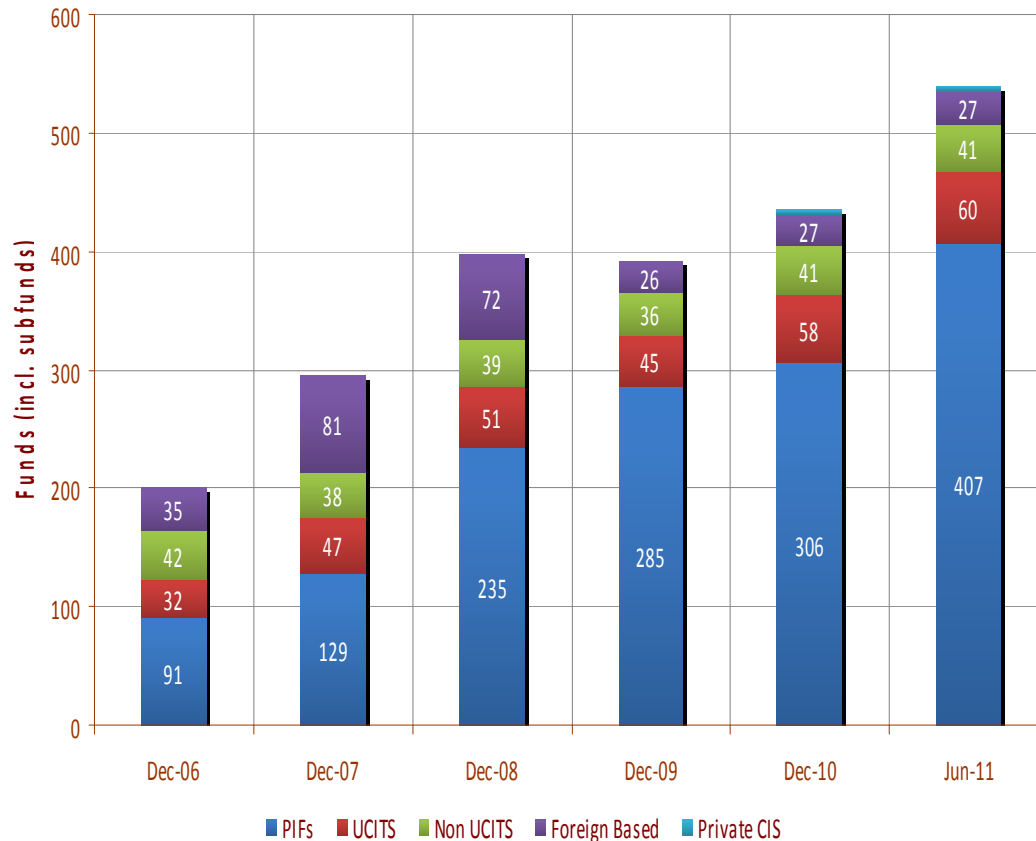
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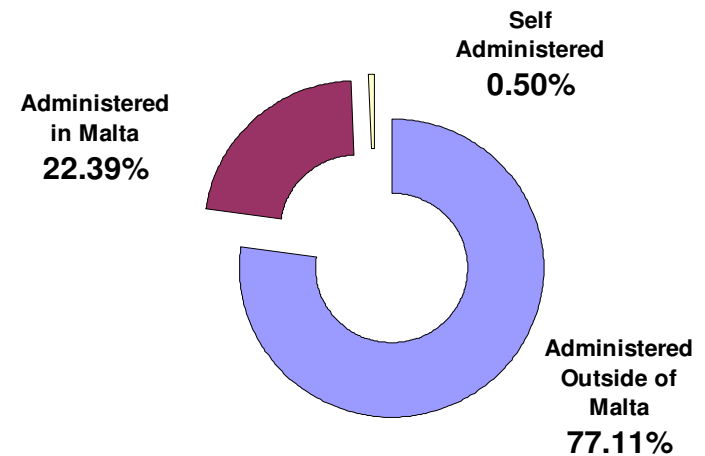
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**Section 1**  
**Malta - A Fast Growing European Fund Domicile**

# Fast Growing Funds Industry



Administration of Locally Based Investment Funds by Location of Administrator



Data as at 30<sup>th</sup> June 2011  
Source: MFSA

# Fast Growing Funds Industry

## □ **Development of a Cluster**

- **Wide range of Hedge Funds and Ucits domiciled in Malta;**
- **21 Fund Administrators;**
- **81 Category 2 Licensed Investment Management Companies; and**
- **3 Custodians providing Global Custody Services.**

Data as at 30<sup>th</sup> September 2011  
Source: MFSA

# Key Success Factors

- 1. A Robust Yet Flexible Regulatory Framework**
- 2. A Culture of Getting Things Done**
  - Government and Industry have a clear strategic vision to position Malta as a reputable financial services centre and a fund domicile of choice.
- 3. Competitive Fiscal Environment**
  - no tax at either fund level and non resident shareholder level;
  - a comprehensive range of double tax treaties.

# What Makes Malta Different

## - Unique Success Factors

### 1. Accessible and Pro-Business Regulator

- Meticulous yet business friendly and accessible regulator.

### 2. Time to Market

- registration of funds within an average of four to five weeks from submission of documentation to the MFSA;
- sub-funds within a maximum of three weeks.

# What Makes Malta Different - Unique Success Factors

## 3. Supply of Labour – Quality of Service

- ❑ Strong learning culture;
- ❑ Fully fledged university providing various degree programs;
- ❑ Highly qualified workforce;
- ❑ Highly competitive set-up and operational cost structure;
- ❑ Service driven business orientation;

# What Makes Malta Different - Unique Success Factors

## 4. Cost Competitive Jurisdiction – Fund Set-Up – Indicative Costs

### □ Set Up Fees

*Scheme Set-Up and Licensing from	€ 18,000
MFSA Application fee:	€ 2,500 (scheme with 1 sub-fund)
MFSA Licence fee:	€ 2,000 (scheme with 1 sub-fund)
Registry of Company fee:	€ 1,750 (one-time fee)

### □ Ongoing Fees

* Audit Fees	€ 6,000
** Administration Fees	€ 15,000 - €25,000 (minimum)
** Custody Fees	€ 7,000 (minimum)
Annual Licensing Fees (Scheme and 1 sub-fund)	€ 990

\* Indicative, as actual fee will depend on the features of the Scheme and its sub-fund/s.

\*\* The actual fee will be based as a percentage of the net asset value.

# What Makes Malta Different - Unique Success Factors

## 5. Life Style

- ❑ Cosmopolitan;
- ❑ Significant investment in infrastructure with an increasing accent on the environment;
- ❑ Flight connections to international destinations;
- ❑ Over 5,000 years of history in just over 316 square kilometres.

**Section 2**  
**Malta - A Comprehensive Regulatory  
Framework for Investment Funds**

# **Malta's Fund Industry**

## **A Comprehensive Regulatory Framework for Investment Funds**

### **Flexible Choice of Fund Structures for UCITS III Schemes and Professional Investor Funds**

#### **1. UCITS Schemes**

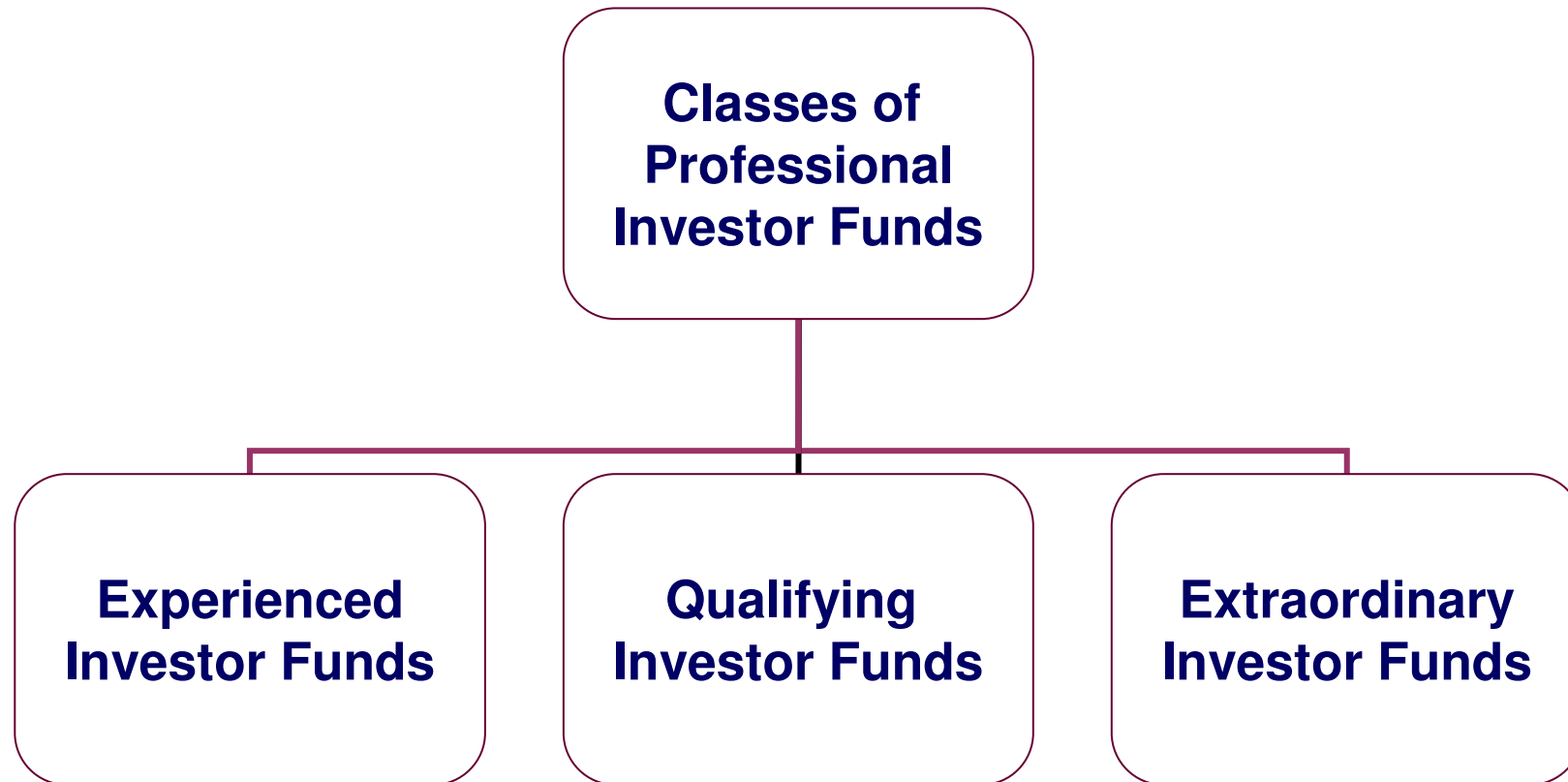
- **UCITS Directive transposed in national legislation;**
- **UCITS Funds may be set up in two ways**
  - (i) Self Managed.**
  - (ii) Third Party Managed.**

#### **2. Choice of Professional Investor Fund Structures**

# Professional Investor Funds (PIFs)

- ❑ **Suitable vehicles for Fund Promoters wishing to set up Hedge Funds, Private Equity Funds, Funds of Hedge Funds, Venture Capital Funds and Property Funds;**
- ❑ **Funds may be set up as an investment company, a limited partnership, contractual fund or a trust.**
- ❑ **Three classes of PIFs aimed at various investor profiles ranging from *quasi*-retail to institutional investors;**

# Classes of Professional Investor Funds (PIFs)

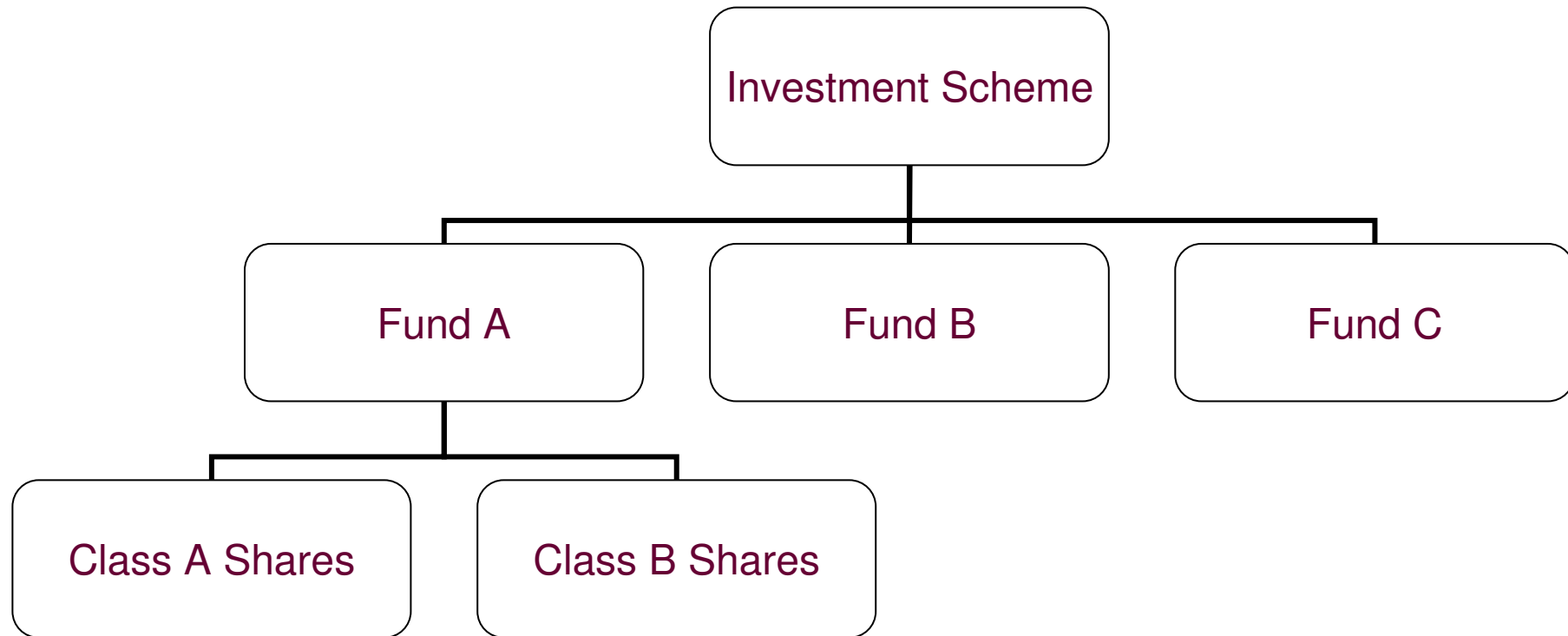


# Professional Investor Funds

## Summary of Key Features

	<b>Experienced</b>	<b>Qualifying</b>	<b>Extraordinary</b>
<b>Leverage</b>	100% of NAV	Unlimited	Unlimited
<b>Minimum Investment</b>	€ 10,000 or currency equivalent	€ 75,000 or currency equivalent	€ 750,000 or currency equivalent
<b>Investor Eligibility Criteria</b>	Yes	Yes	Yes
<b>Investment Restrictions</b>	Yes	None	None
<b>Regulatory Reply Timeline</b>	7 days from submission of full documentation	7 days from submission of full documentation	3 days from submission of full documentation
<b>Self Managed Scheme Structure</b>	Yes	Yes	Yes

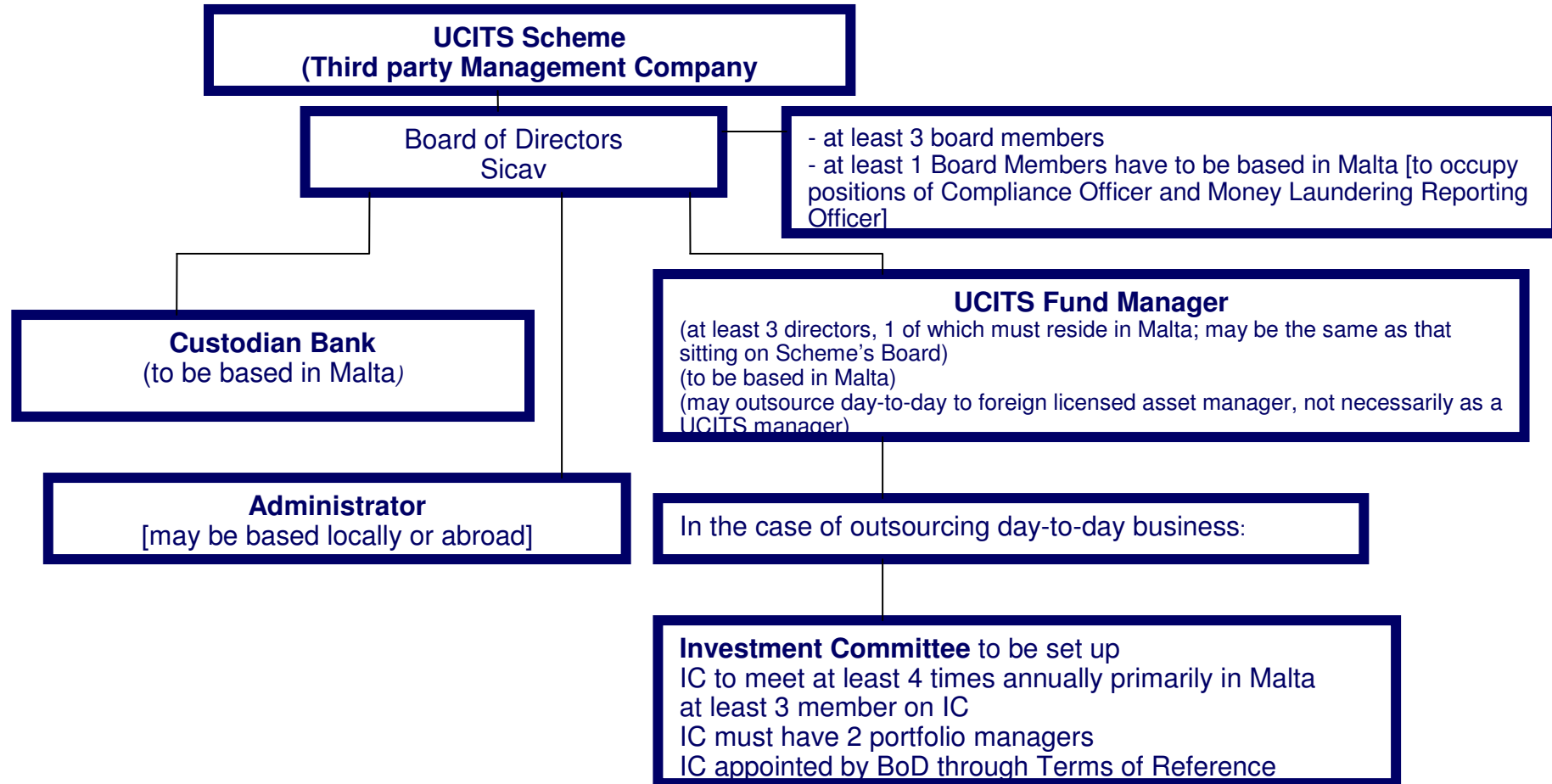
# Scheme Structure – Multi Funds or Single Fund Structure



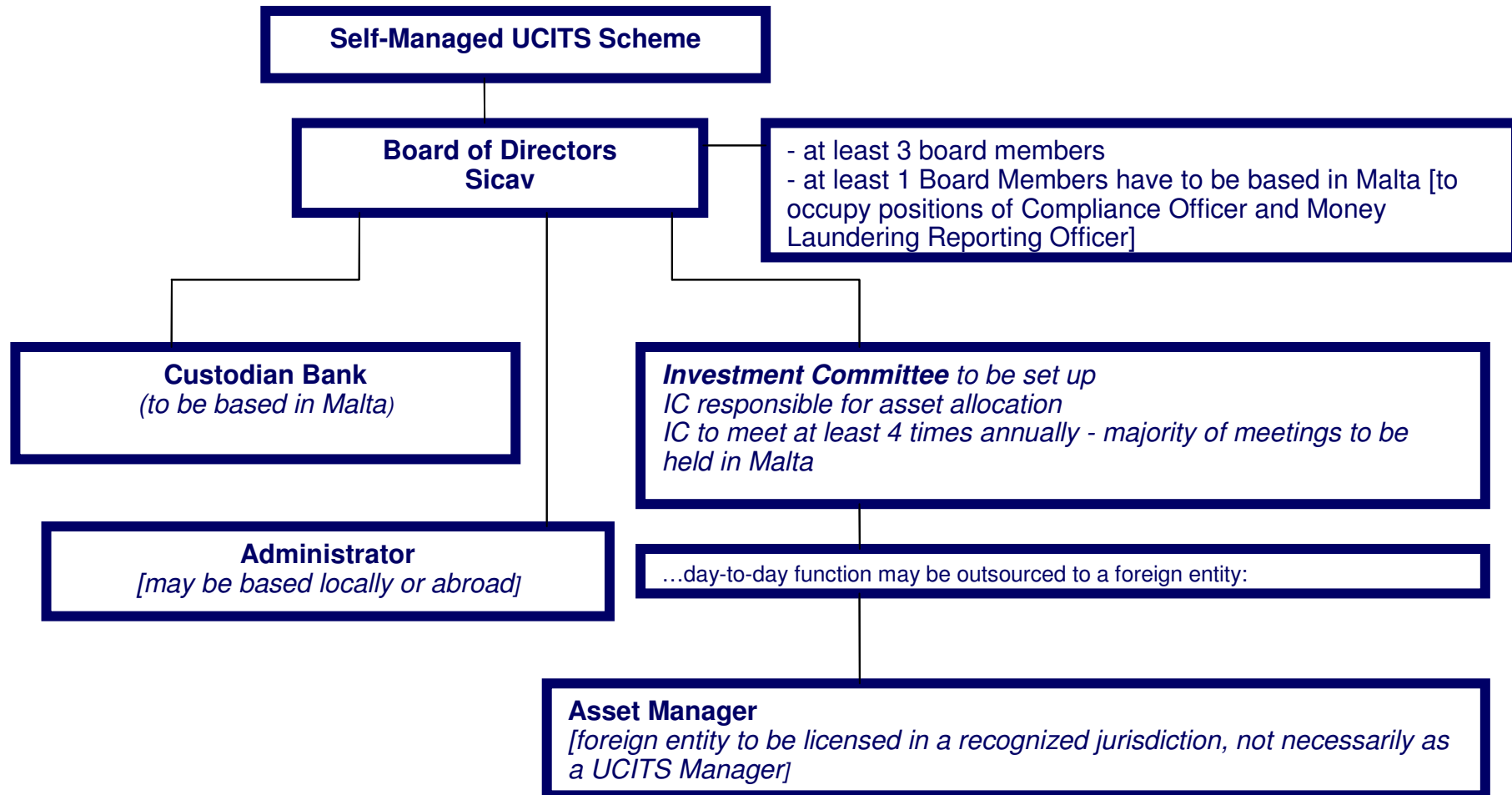
- Underlying Funds may consist of several share classes denominated in different currencies and featuring different fee structures.
- Fund's assets treated as separate patrimonies.

# UCITS Fund

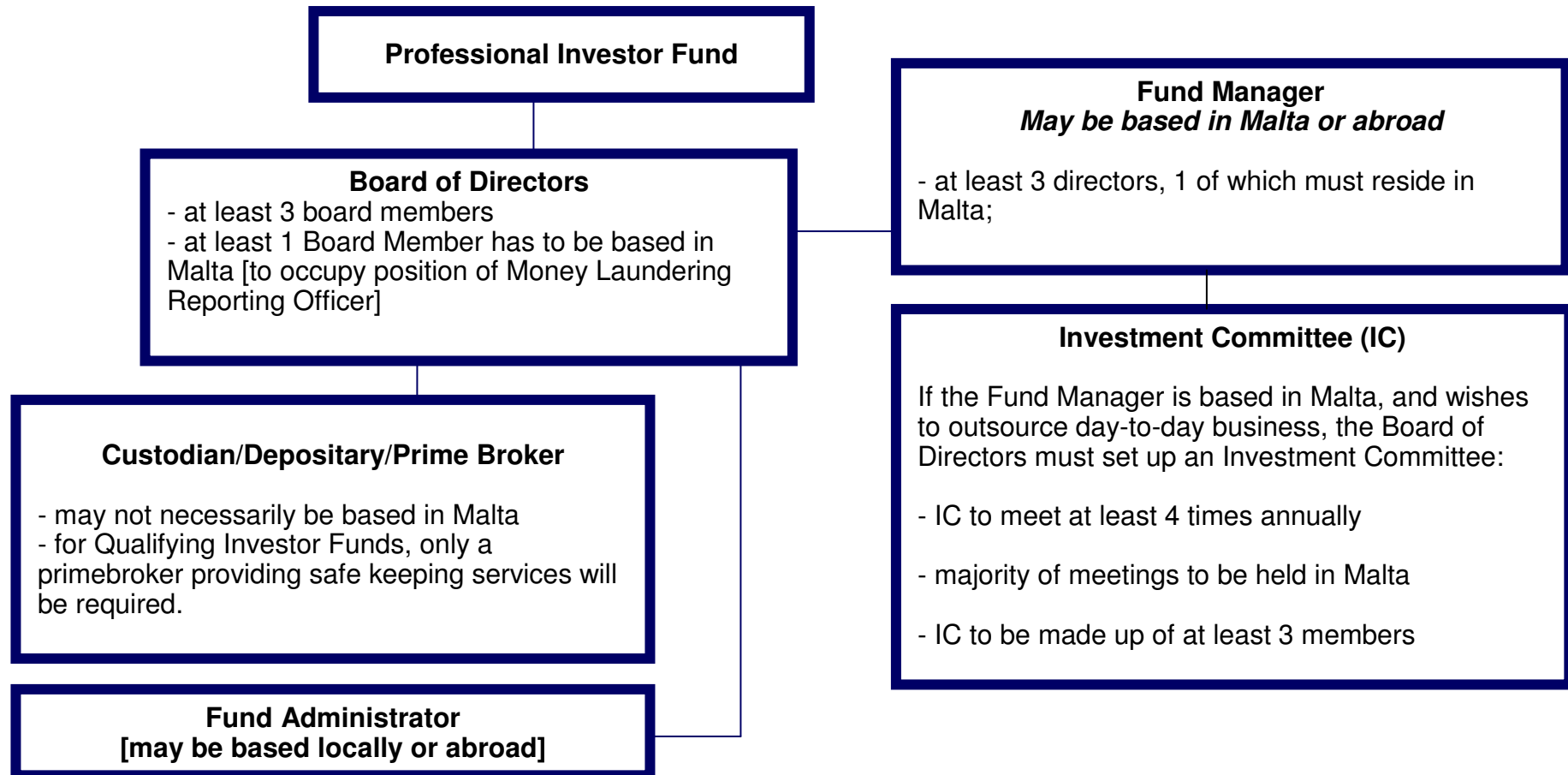
## - Third Party Managed Scheme Structure



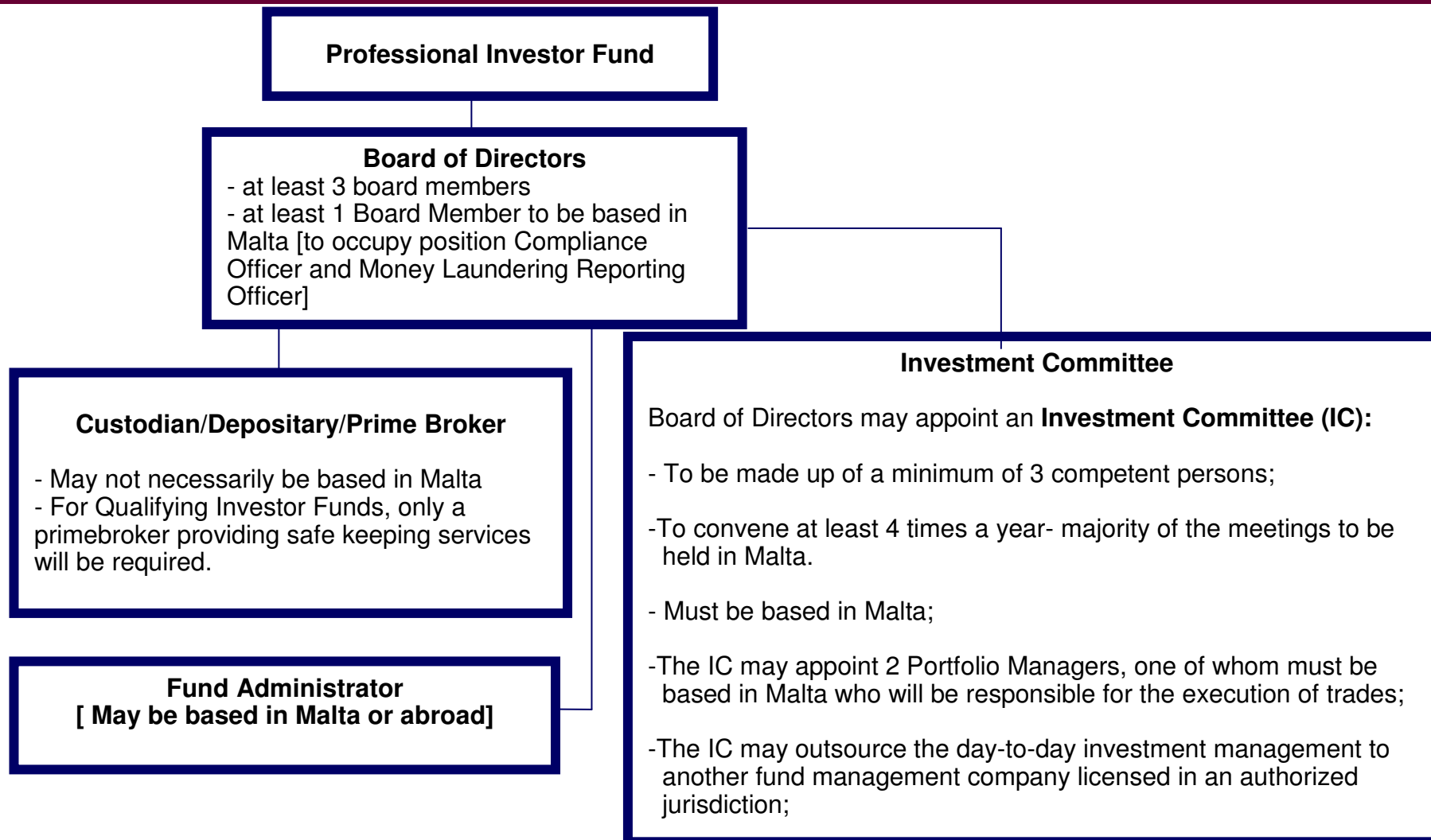
# UCITS Fund – Self Managed Scheme Structure



# Professional Investor Fund - Third Party Managed Scheme



# Professional Investor Fund - Self Managed Scheme



# Taxation of Funds

# Introduction

## Taxation – Fund

- Funds having more than 85% of the value of their total assets being outside Malta are exempt from tax in Malta, other than on income derived from immovable property.
- There is no capital duty, or net wealth tax on the fund's net asset value.
- Tax treatment applies equally whether fund set up as SICAV or limited partnership (legal personality).

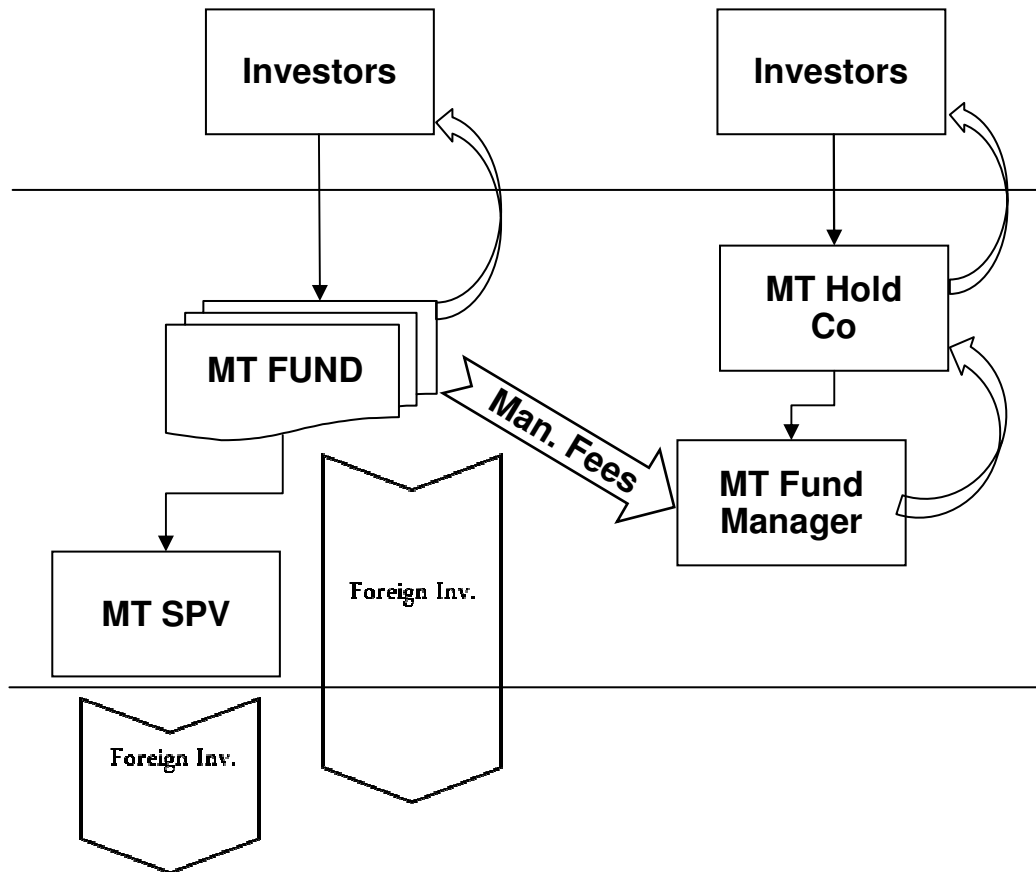
## Taxation – Fund Manager

- Fund Managers established in Malta are subject to tax at 35%, however, upon a distribution of dividends, the shareholders are entitled to a 6/7ths refund of the Malta tax charge, thus reducing the effective tax.
- Fund Managers in Malta do not of themselves entail Maltese tax residence of a foreign fund.
- Fund Managers can set up in Malta as company with limited liability.
- Management services rendered to Maltese funds are exempt without credit for VAT purposes.

## Taxation – Investor

- Fiscally neutral repatriations: non-residents are not subject to tax in Malta, whether by way of withholding or assessment, on the distribution of the fund's income, whether in the form of dividends, interest and liquidation, or on capital gains derived from the disposal of units in such funds.

# Plain Vanilla Fund Structure



## MT Fund

- Receives dividends/interest/ gains etc.
- Exempt from tax; no WHT suffered on receipts from MT SPV

## MT SPV

- Through operation of the tax refund system, Malta tax will be as low as 0% - 6.25%.
- WHT reduced /eliminated via treaty network

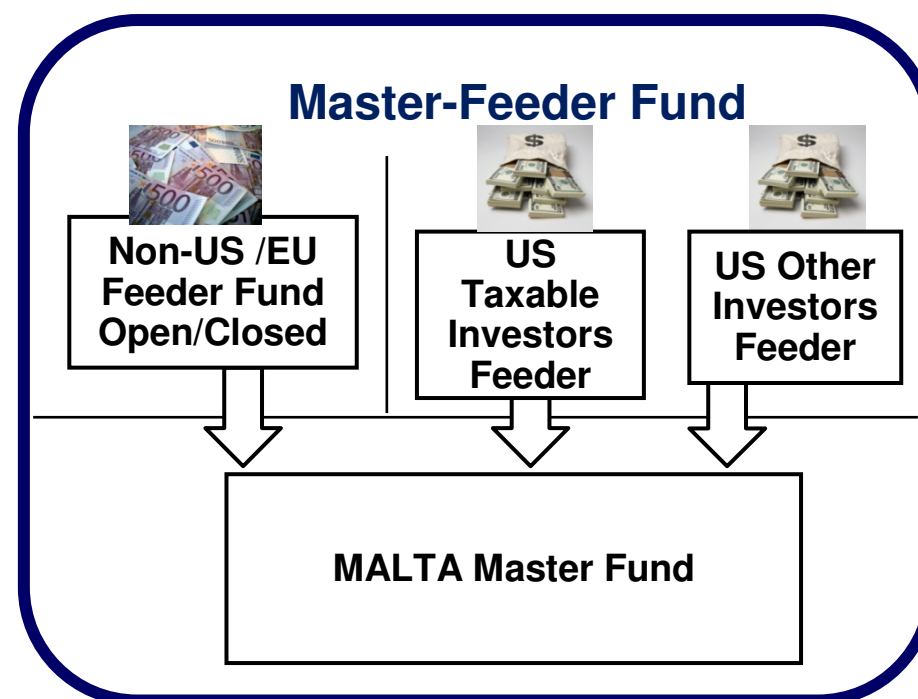
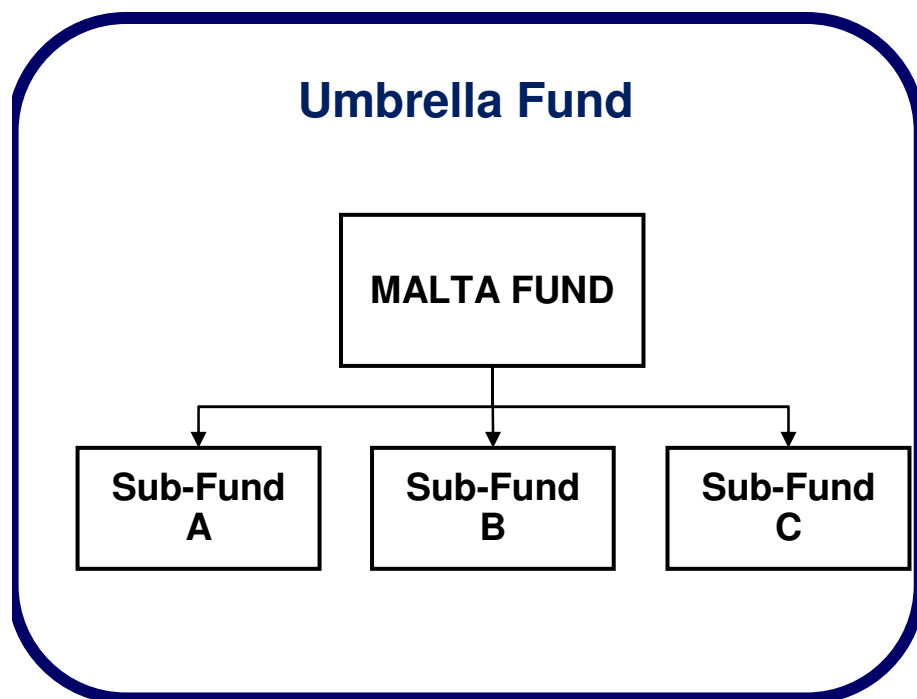
## MT Fund Manager

- Through the operation of the tax refund system, a headline corporate rate of tax of 35% will apply with an imputation system reducing this to 5%.

## Investors

- There are no WHT on distributions of any kind from Maltese companies or funds
- There are no taxes upon the transfer/redemption of shares / units of the Maltese company / fund

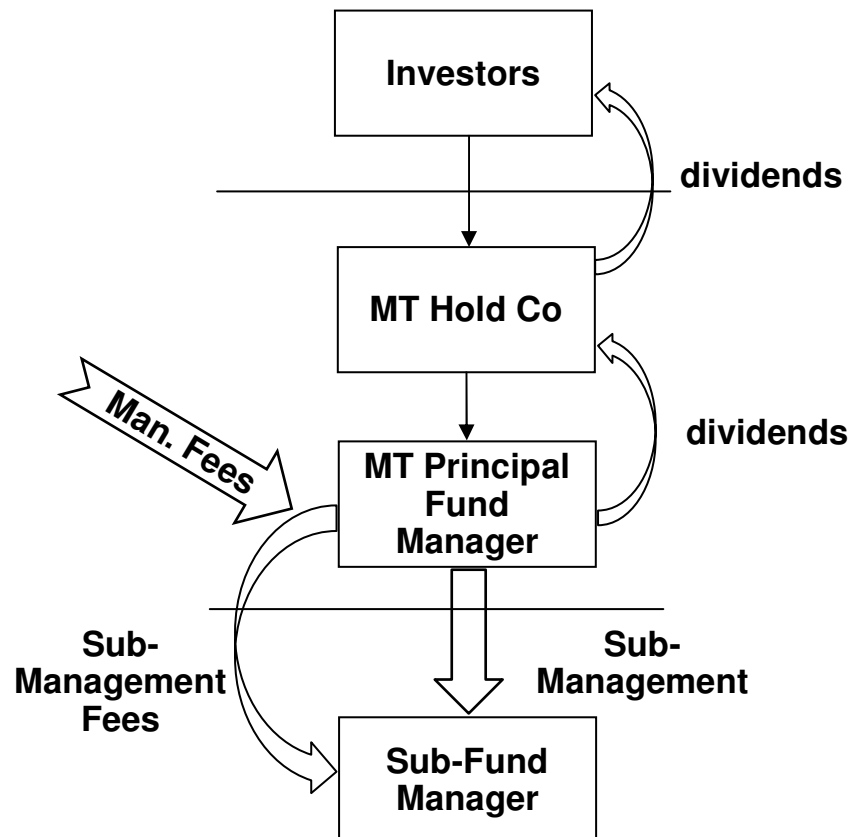
## Different structures



No matter whether the Malta Fund is an Umbrella fund or in a Master-Feeder Fund (whether Feeder or Master), the tax consequences are the same:

- The income of the Fund is exempt from tax in Malta;
- Distributions to the non-resident investors are nor subject to tax; and similarly
- There are no tax implications on the transfer/redemption of units in the Malta fund.

# Sub-Management Arrangement



- It is possible for a Maltese fund manager to outsource some of its services
- MT Principal Fund Manager can sub-contract part of management services to sub-fund manager
- E.G. For UK tax purposes, transfer pricing analysis is to be carried out to identify arm's length fees to be charged by UK Sub-Fund Manager

## MT Fund Manager

- Through the operation of the tax refund system, Malta tax will be as low as 5%
- Attractive expatriate taxation for senior staff in Malta.

**Section 3**  
**Valletta Fund Services**  
**Corporate and Business Profile**

# Valletta Fund Services

## 15 Years of Fund Services Experience

**Valletta Fund Management Limited**  
provides fund administration services to  
third party fund management organisations

**Valletta Fund Services**  
Malta's Leading Fund  
Services Provider

1995

1998

2006

2011

**Set up of  
Valletta Fund Management**

- Malta's 1<sup>st</sup> Fund Management Organisation
- Proprietary Fund Solutions
- Fund Administration Services

**Set up of  
Valletta Fund Services**

- Malta's 1<sup>st</sup> Recognised Fund Administrator
- Spun Off from Valletta Fund Management

# Valletta Fund Services

## Business Profile

### Business Profile

- ❑ **Funds Under Administration - US\$ 2.6 billion**
- ❑ **Number of Schemes - 49 schemes**
- ❑ **Number of Funds - 112 Funds**
- ❑ **Shareholder Registry - over 60,000 accounts**

# **Strong Parentage**

## **Bank of Valletta Group - Overview**

- ❑ Bank of Valletta, founded in 1809, was listed on the Malta Stock Exchange in 1992 and privatised in 1995**
- ❑ BOV is the largest banking group in Malta.**
- ❑ BoV provides a holistic range of banking and investment services.**
- ❑ Fitch Rating : BBB+ Long Term Issuer Default Rating.**

# International Recognition



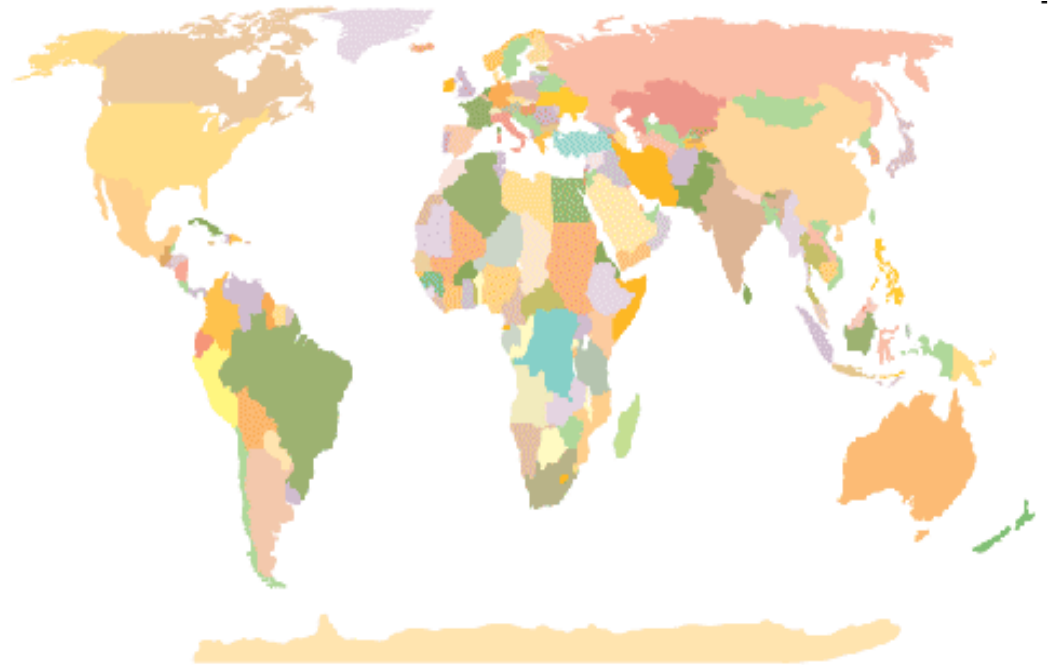
Global Finance magazine has named **BOV** the **Best Bank in Malta** for 2010 in an exclusive survey undertaken earlier this year. Global Finance editors enlist the input of industry analysts, corporate executives and banking consultants to choose the Best Bank in 22 countries on criteria that include growth in assets, profitability, strategic relationships, customer service, competitive pricing, and innovative products.

Being named Best Bank in Malta for 2006, 2007, 2008, 2010 and 2011 by Global Finance underlines the robust sustained performance being registered by Bank of Valletta together with the validity of the strategies BOV is implementing. The award also underlines the strength of the BOV brand – it shows that customers are continuing to choose Bank of Valletta for its genuine and caring service based on supportiveness and mutuality

# Bank of Valletta

## A Network of Overseas Representative Offices

**Servicing the business requirements of the Bank's clients through offices in Italy, Canada, USA and North Africa.**



# **Valletta Fund Services**

## **Bespoke Fund Services Solutions**

### **1. Fund Set Up Services**

- **Turnkey Fund Formation Service**

### **2. Fund Administration Services**

- **Fund Accounting Services;**
- **Fund Valuation Services;**
- **Transfer Agency Services; and**
- **Corporate Services.**
- **Regulatory Reporting Services**

### **3. Fund Management Back-Office Services**

# Over a Decade of Fund Servicing Experience

## Myriad of assets and fund structures

- ❑ **Multi Asset**

Money market, fixed income, equity, property, hedge, venture capital and absolute return funds;

- ❑ **Multi Structure**

Multi Class, Funds of Funds and Feeder Funds;  
Distributor and Accumulator share classes;

- ❑ **Asset Management Base – Domestic and International**

Malta, Switzerland, Italy, UK, Slovakia, Holland, Latvia, Luxembourg, Czech Republic, Austria, Turkey and South Africa.

- ❑ **Fund Domiciles**

Malta, Cayman Islands and Channel Islands.

# Fund Servicing

## Wide Range of Fund Structures and Investment Strategies

- ❑ Retail Non-Ucits Funds
- ❑ Ucits Funds
- ❑ Hedge Funds

Servicing a wide range of funds and investment strategies;

### **Range of Funds**

- Retail Funds
- Multi Manager Funds
- Fund of Hedge Funds
- Fund of Funds
- Private Equity Funds

### **Range of Investment Strategies**

- Long Only Funds
- Long Short Funds
- Distressed Debt Funds
- Algorithmic Funds
- Global Macro Funds
- Event Driven Funds
- Relative Value Funds

# **Valletta Fund Services**

## **Highly Experienced Board of Directors**

### **Chairman**

- **Mr Roderick Chalmers** - **Chairman of Bank of Valletta Group.**

### **Directors**

- **Mr Tonio Depasquale** - **CEO of Bank of Valletta Group.**
- **Mr Charles Borg** - **Chief Officer Financial Markets and Investments Bank of Valletta plc.**
- **Mr Tom Anastasi Pace** - **ex-Chief Officer Financial Markets and Investments of Bank of Valletta plc.**
- **Mr Robin Fuller** - **Chairman of Dominion Fund Management.**

# Outline of Fund Services

## 1. Turnkey Fund Formation Service

In providing this service, VFS prepares all the necessary documentation to include:

- Scheme Application Form;
- Memorandum and Articles of Association;
- Offering Memorandum;
- Personal Questionnaires of all Directors of the Scheme;
- Management/Administration and Custody Agreements;
- Manage the Fund's licencing process with the MFSA.

# Outline of Fund Services

## 2. Fund Administration Services

- ❑ **Fund Accounting Services** – Preparation of financial statements on the basis of International Financial Reporting Standards.
- ❑ **Fund Valuation Services** – issuance of fund valuations in the frequency as may be required by the promoter – daily, weekly, monthly, quarterly, semi annual or annual. Live price feeds through Thomson Reuter's Datastream.
- ❑ **Transfer Agency Services** – management of subscriptions, redemptions, transfers, switches, distributions and shareholder valuations.
- ❑ **Corporate Services** – Company Secretarial, PML Support and Registered Office Services.

# Key IT Systems

- ❑ **Transfer Agency System - Multifonds**  
System provided by European Fund Administration based in Luxembourg used to support shareholder registry service requirements.
- ❑ **Fund Valuation System - ICON**  
System provided by LineData Services in London used to value all funds under administration.
- ❑ **Data warehouse – VFS' DataMart**  
Proprietary datamart system allowing for the provision of bespoke fund services.
- ❑ **Fund Accounting System - Exchequer**  
System used to issue financial statements for all the SICAVs under administration.

# Strong Risk Management Culture

- ❑ **Independently Assessed Risk Controls**
  - SAS 70 - Type I - September 2010
  - Type II - June 2011
  
- ❑ **Comprehensive Internal Compliance Monitoring Plan**
  
- ❑ **External Compliance Audits**

## Concluding Points

- ❑ **Malta** - an attractive EU jurisdiction for Ucits Funds and hedge funds;
- ❑ presence of a **meticulous** yet accessible regulator;
- ❑ **cost competitive** jurisdiction;
- ❑ **efficient licensing** process; and
- ❑ **strong operational infrastructure.**
- ❑ **Valletta Fund Services**
  - **Your Fund Administration Partner in Malta**

# Contact Information

# Contact Information

**External International Business Development  
New York - USA**

**Mr. Benoit J.P. Flammang**

**email:                   ben@beninvest.com**

**direct line:           +1 917 432 44219**

# Website

- ❑ **Web Address: [www.vfs.com.mt](http://www.vfs.com.mt)**
  
- ❑ **Site provides comprehensive information on**
  - Malta's Financial Services Industry;**
  - Bank of Valletta Group; and**
  - Valletta Fund Services Limited.**



**Valletta Fund Services Limited  
TG Complex  
Suite 2, Level 3  
Brewery Street  
Mriehel BKR 3000**

**Website : [www.vfs.com.mt](http://www.vfs.com.mt)**

**Valletta Fund Services Limited is recognised to provide fund administration services  
by the Malta Financial Services Authority**

**The contents of this document are intended to provide general information only  
and cannot substitute legal, tax or any other relevant advice.**

