



cutting through complexity™

Malta as a Funds Jurisdiction *quo vadis?*

2011 KPMG Survey Results

Risk Consulting Advisory Services

November 2011



Executive Summary



Juanita Bencini
Partner, Risk Consulting Advisory Services, KPMG

“ **98% have said that the funds industry in Malta will grow in the years to come ... This is an extraordinary vote of confidence in the jurisdiction** ”

Malta is increasingly becoming an attractive jurisdiction for setting up investment funds, be they retail funds or professional investor funds (including hedge funds). Besides the fact that funds invested overseas are completely exempt from tax, Malta does not impose any tax on the net asset value of the fund. In addition, the licensing procedure which is based on EU norms is mindful and reactive to clients' needs.

On the 1 November 2011 KPMG in Malta organised its biennial Financial Services Conference, the fourth of its kind. In the run up to the Conference, a survey was conducted on Malta as a Funds Jurisdiction, aimed at collating the sector's views on the prospected growth of the funds industry in Malta in the near future. A snapshot of the salient results was presented during the Conference and we have put together this Report in order to reproduce the results as well as highlight those comments which have struck us as being of particular relevance in assessing the sentiment in the market.

The Survey was sent to a selection of local as well as foreign fund managers and fund administrators and was designed to provide insights into the Maltese funds industry.

Respondents were asked to share their views on the growth prospects they envisage for the local industry and the type of funds the sector is likely to attract. They were also asked to consider the attractiveness of the local offering for funds, and opine on the obstacles encountered in setting up and operating funds on the island. Additionally, participants provided valuable feedback on the effectiveness in marketing Malta as a funds jurisdiction.

The survey has revealed that the funds industry in Malta has experienced significant growth during the past year and an overwhelming 98% stated that they expect a further expansion of the sector in the years to come.

Malta's beneficial tax regime, together with the robustness of its regulatory framework and proactive regulator, have been identified as its main competitive advantages. However, results revealed a shortage of experienced skills in the fund management arena.

Respondents have highlighted the fact that more could be done to market Malta with fund promoters and service providers, particularly through innovate marketing, road shows and site visits.

This document was made possible through the participation of a significant number of service providers. Our foremost thanks go to these people, who despite their busy schedules found time to provide us with their responses to the survey questions. We find the insight very useful and spurs us on to carry out similar surveys in the future.

Malta as a Funds Jurisdiction

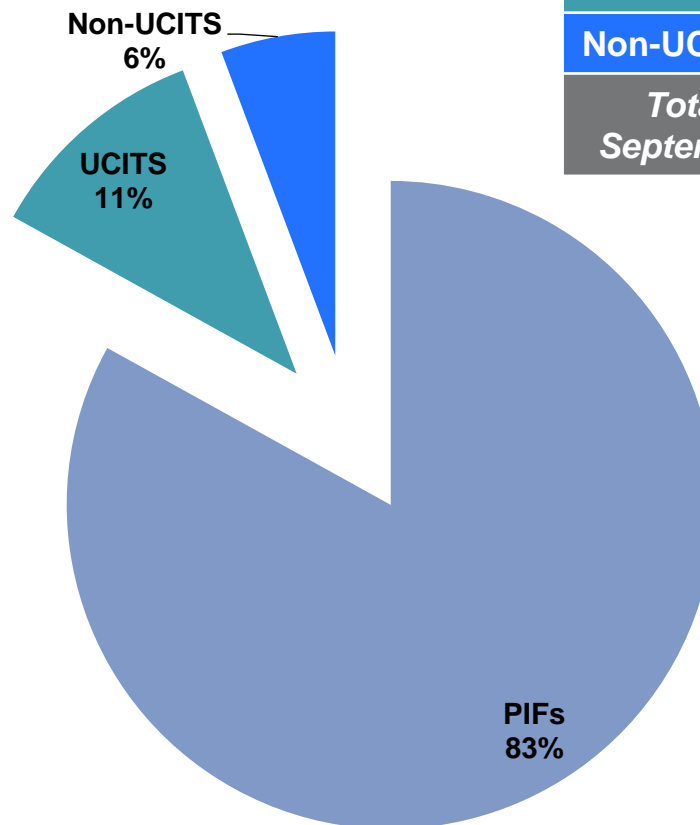
Current industry profile

“Where is Malta heading with its funds industry?”

Over the past nine months, Malta has witnessed an overall increase of 36% in locally-domiciled funds. PIF have grown by 42%, whilst a 18% increase was reported with respect to UCITS licences.

Additionally, there is also a significant amount of non-domiciled funds which are being serviced by Malta-based fund management and administration companies.

The local sector has also experienced a significant increase in the net asset value, which was generally contributed by a range of new and a number of funds which are slowly recovering following the financial turmoil of 2008.



Type	#
PIFs	436
UCITS	59
Non-UCITS	30
Total as at September 2011	525 *

** Where the Fund is an umbrella fund, the Scheme is not taken into account but the number of sub-funds only is included*

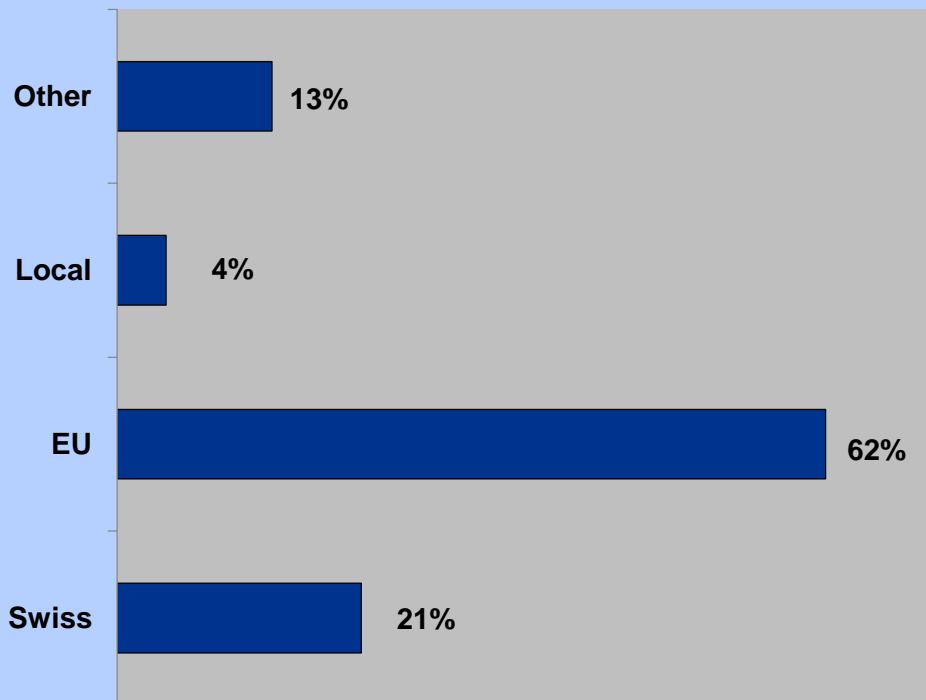
Source: MFSA

Malta as a Funds Jurisdiction

Current industry profile

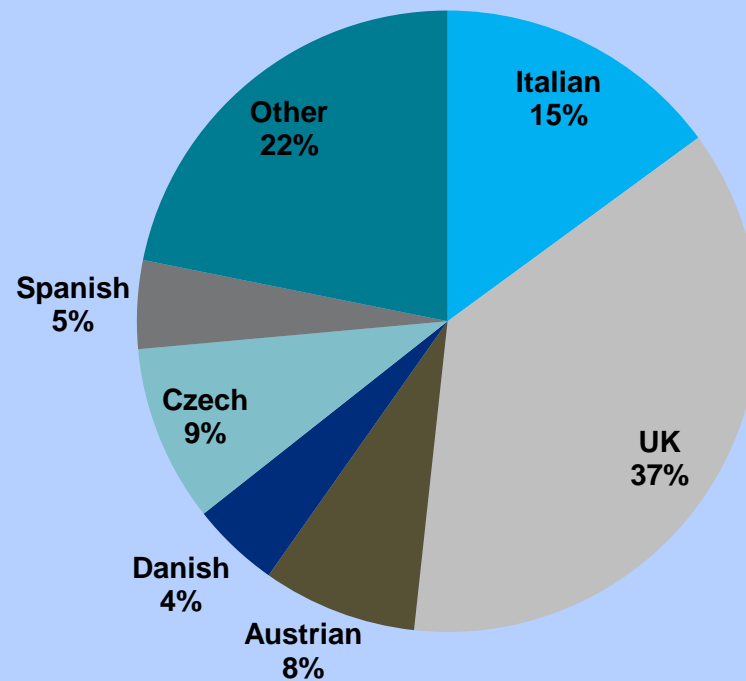
KPMG's internal funds team have carried out an exercise to determine the provenance of Malta fund promoters and we are presenting hereunder the outcome of our assessment.

PIF Promoters' Nationality



* Other is made up of: Canada, United Arab Emirates, Turkey, India, Norway, South Africa and America

PIF Promoters' Nationality - EU Countries




* Other is made up of: Latvian, French, Dutch, German, Greek, Cypriot, Slovak, Swedish and Irish

The Survey


Malta as a Funds Jurisdiction

An overview of the response


Financial Services Conference
Securities Session

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Malta as a Funds Jurisdiction Survey



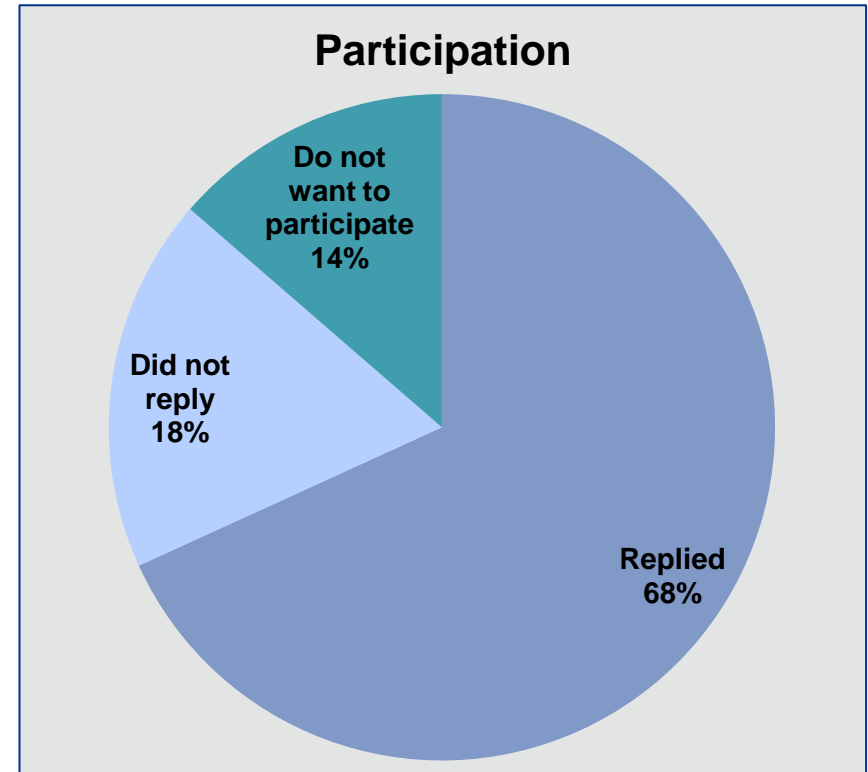
The information provided will only be used for the Financial Services Conference and will not be passed on to any third parties. Results from this survey will be presented in aggregate form at the conference on 1st November 2011.

<div style="background-color: #0056b3; color: white; padding: 5px; margin-bottom: 5px;"> 1. Do you think that the fund industry will grow in Malta over the next three years? </div> <ul style="list-style-type: none"> • Yes <input type="checkbox"/> • No <input type="checkbox"/> • Not sure <input type="checkbox"/> 	<div style="background-color: #0056b3; color: white; padding: 5px; margin-bottom: 5px;"> 4b. What is the biggest hurdle encountered in operating funds in Malta? </div> <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/>
<div style="background-color: #0056b3; color: white; padding: 5px; margin-bottom: 5px;"> 2. If your answer to the above is YES, which type of funds will Malta attract? </div> <ul style="list-style-type: none"> • PIFs: Managed <input type="checkbox"/> Self-managed <input type="checkbox"/> • UCITS <input type="checkbox"/> 	<div style="background-color: #0056b3; color: white; padding: 5px; margin-bottom: 5px;"> 5. Do you think enough is done to market Malta with fund promoters and service providers? </div> <ul style="list-style-type: none"> • Yes <input type="checkbox"/> • No <input type="checkbox"/> • Not sure <input type="checkbox"/>
<div style="background-color: #0056b3; color: white; padding: 5px; margin-bottom: 5px;"> 3. In your opinion, what is the single topmost attractive proposition that Malta has to offer for funds? </div> <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/>	<div style="background-color: #0056b3; color: white; padding: 5px; margin-bottom: 5px;"> 6. If YES, do you feel that the marketing is effective? </div> <ul style="list-style-type: none"> • Yes <input type="checkbox"/> • No <input type="checkbox"/> • Not sure <input type="checkbox"/>
<div style="background-color: #0056b3; color: white; padding: 5px; margin-bottom: 5px;"> 4a. What is the biggest hurdle encountered in setting up of funds in Malta? </div> <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/>	<div style="background-color: #0056b3; color: white; padding: 5px; margin-bottom: 5px;"> 7. If NO, name the one most important thing that Malta should do to have more effective marketing? </div> <hr style="border: 0; border-top: 1px solid black; margin: 5px 0;"/>

Thank you for participating in this survey.
Your input is highly valued.

Please indicate e-mail address at which you would like to receive the survey results:

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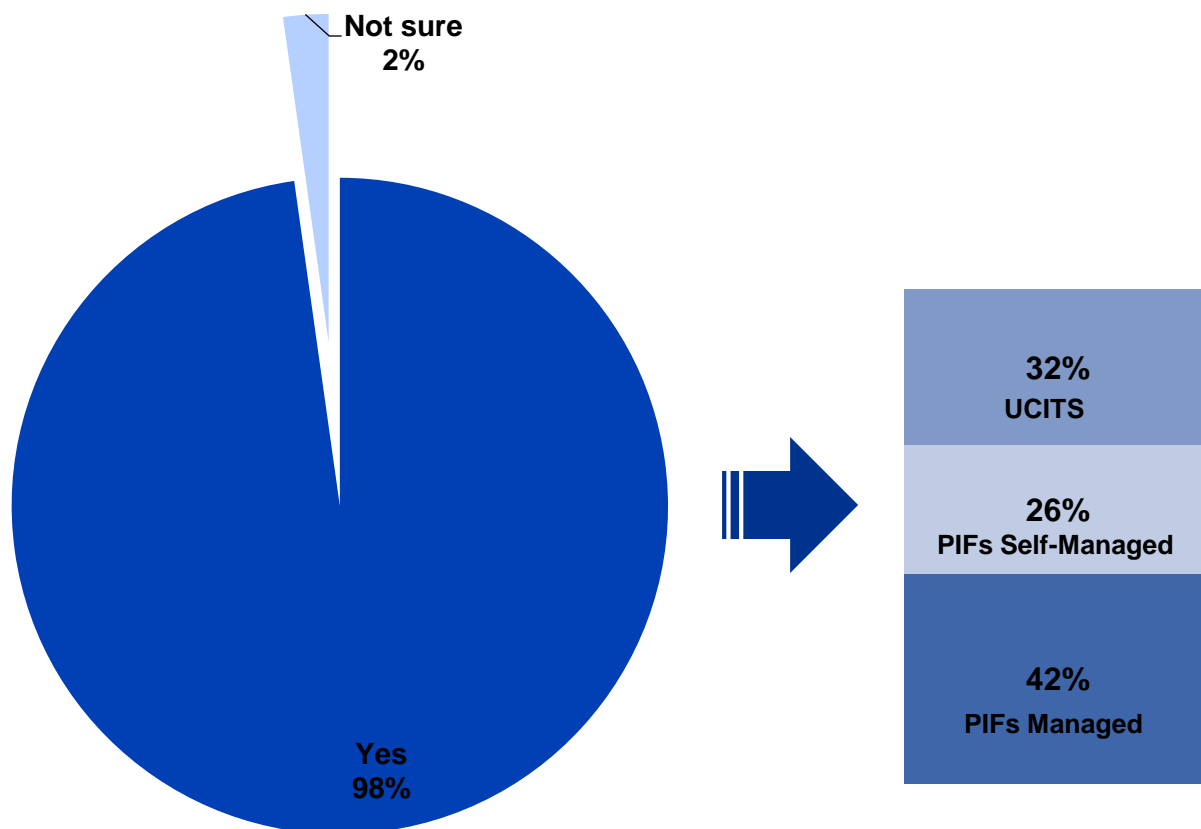
66

of entities to whom the survey was sent

Malta as a Funds Jurisdiction

The growth of the fund industry

“Do you think the fund industry will grow in Malta over the next three years? If yes, what type of funds will Malta attract?”



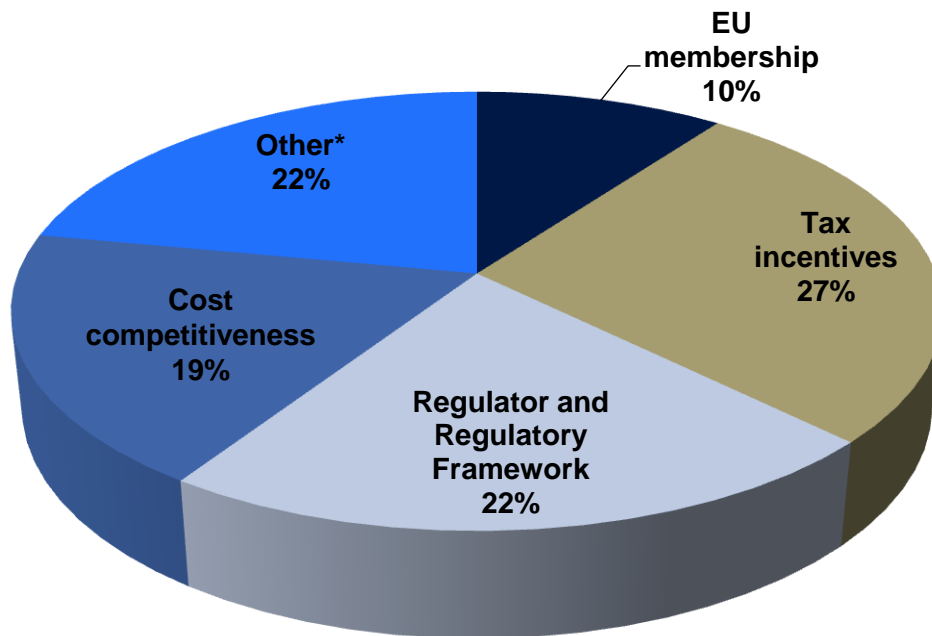
Overall, an overwhelming majority prospect a growth in the local funds industry within the years to come

Respondents believe that the local funds industry will primarily attract managed PIFs, followed by UCITS and self-managed PIFs

Malta as a Funds Jurisdiction

Sources of competitive advantage

“In your opinion, what is the single topmost attractive proposition that Malta has to offer for funds?”



Topping the list of Malta’s competitive advantages, the local tax regime provides benefits to both fund administrators and expatriates alike. The recently enacted *Highly Qualified Persons Rules, 2011* further enhance the local offering.

A sound regulatory infrastructure, driven by a flexible, approachable and proactive regulator is another factor which enhances Malta’s competitive bid. The regulator is commended for having established a robust regulatory regime, which is nonetheless mindful of business needs.

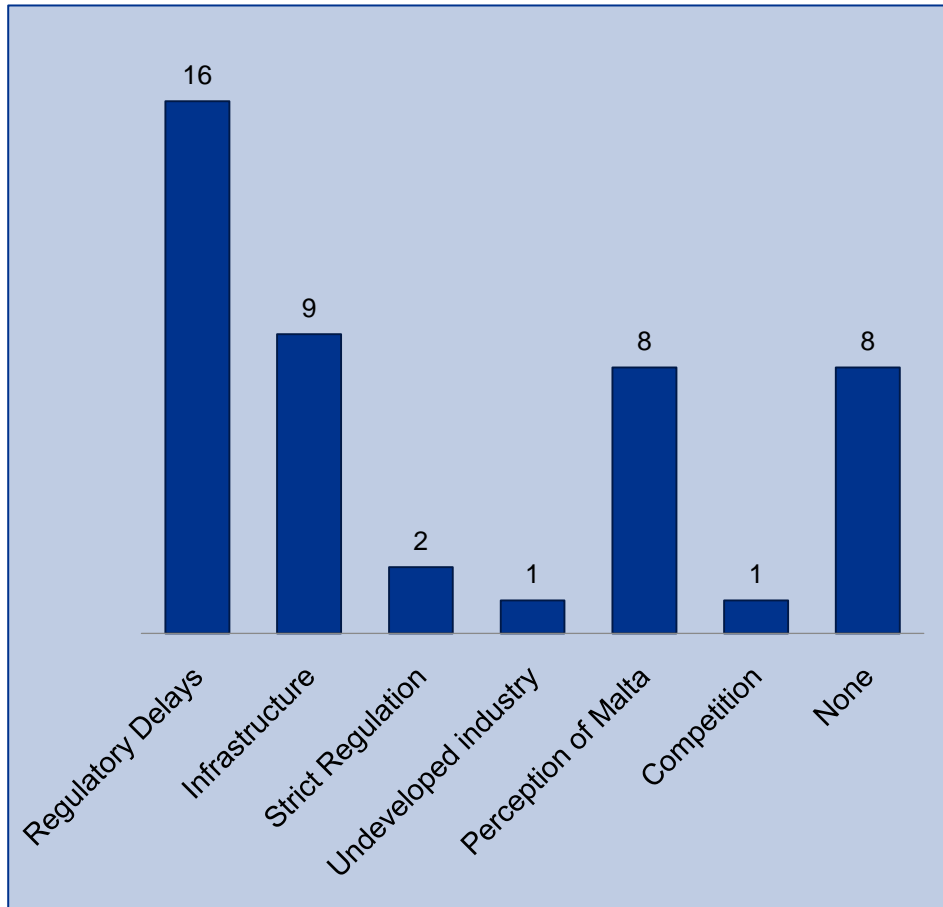
Additionally, the availability of skilled resources, the lack of language barriers and Malta’s position as an EU and Eurozone Member supplement the local proposition.

* Other includes time zone, language, expertise, flexibility, and geographical location

Malta as a Funds Jurisdiction

Perceived obstacles in the setting up of funds

“What is the biggest hurdle encountered in the setting up of funds in Malta?”



- The perception is that the local funds sector lacks specific expertise in fund management
- Respondents feel that the regulator can do more to achieve quicker turnarounds in the processing of licence applications, in particular when dealing with complex structures
- The fact that the local regulatory framework is sometimes stricter than that adopted by Malta’s direct competitors – namely Cyprus, Luxembourg and Ireland – may see Malta losing out
- Malta is also perceived as suffering from a shortage of internationally-renowned banks and global custodians

“Investor perceptions and lack of knowledge affect the acceptance of Malta as a fund domicile”

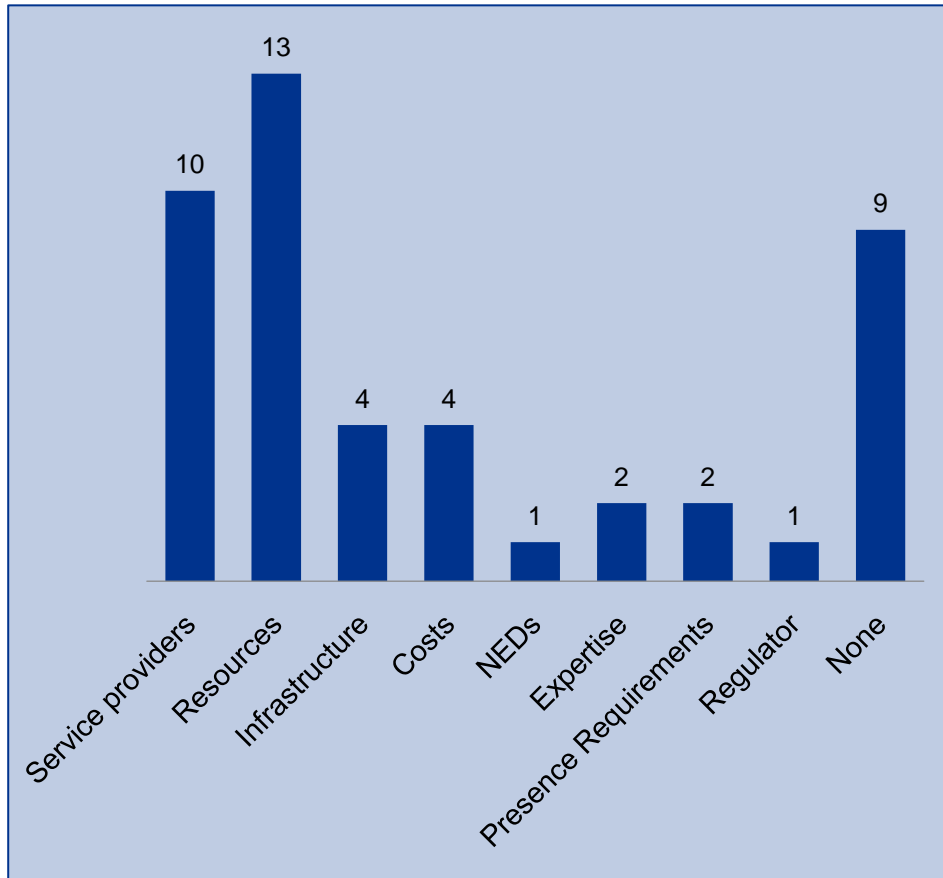
“NEDs experienced in fund management are lacking”

Survey Respondents

Malta as a Funds Jurisdiction

Perceived obstacles in the setting up of funds

“What is the biggest hurdle encountered in operating funds in Malta?”



Some respondents provided more than one response, so the number of responses is higher than the number of respondents

- An inexperienced workforce is one obstacle in operating funds in Malta.
- Local operators cannot reclaim input VAT and this is perceived as a drawback in terms of Malta’s cost competitiveness.
- Limited listing possibilities hinders the operation of funds locally.
- The scarcity of service providers, particularly with respect to custodians and portfolio managers, is another obstacle.

“Malta suffers from a shortage in skilled senior traders and investment specialists”

“NEDs should not be accountants or lawyers or central bankers but ideally fund or portfolio managers ... They need to understand the mind frame and needs of fund managers”

Survey Respondents

“Do you think enough is done to market Malta with fund promoters and service providers?”

Views expressed by survey respondents

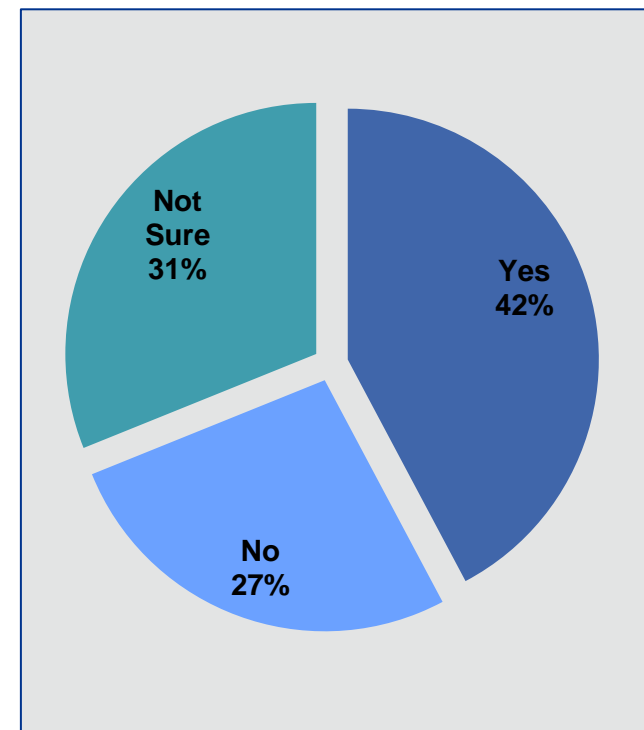
“There is nothing unique in the marketing that Malta does ... more efforts should be expended on road shows and site visits”

“Malta should bring new fund managers to Malta for a site visit to see what it has to offer”

“Where are the fund managers – the guys who managed a billion Euro ... the guys who traded capital markets through 1997, 2001 and the bull market of 2003-2008? ... Promoters want to speak to fund managers who speak their language not bank CEOs, lawyers and auditors”

“Malta needs a stronger presence of ‘Big Name’ operators”

“Practitioners do most of the marketing which represents a significant cost to their firms ... Government should introduce fiscal incentives which would mitigate, in part, these costs”



Contact us

For further information on the issues raised in this Report please contact us:



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