Agenda

- Malta - General overview
- Malta’s Funds regime
- Alternative Investment Funds
- Taxation
  - Funds
  - Investment management company
Malta - At a Glance (I)

- Onshore EU domicile and part of the Eurozone;
- Laws and Regulations based on EU Directives;
- Single Regulator - Malta Financial Services Authority (MFSA) - highly approachable and communicative - member of EU Regulatory Bodies;
- Low operational costs in terms of salaries, office space etc than other EU States;
- Stable political environment;
- Highly efficient fiscal regime
## Malta - At a Glance (II)

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Contribution to GDP</td>
<td>13%</td>
</tr>
<tr>
<td>Malta Sovereign Credit Ratings</td>
<td>A3 (Moody’s)</td>
</tr>
<tr>
<td>Index of Inflation</td>
<td>2.72</td>
</tr>
<tr>
<td>Domiciled Funds</td>
<td>Approx 500</td>
</tr>
<tr>
<td>Official Languages</td>
<td>English &amp; Maltese</td>
</tr>
<tr>
<td>Banks</td>
<td>25</td>
</tr>
<tr>
<td>Fund Managers approx.</td>
<td>70</td>
</tr>
<tr>
<td>Corporate Tax Rate</td>
<td>35% with an effective tax rate in the range of 0% to 10%</td>
</tr>
</tbody>
</table>
## Malta - At a Glance (III)

| International review | 1st in online sophistication and availability  
1st in the timely implementation of EU internal Market rules into national law  
13th soundest banking system  
15th in Financial Market Development  
Growing wealth management location  
Tier 1 reputation among EU and non-EU countries |

**Source:**  
Alternative Investment Funds (PIFs)

- General overview
- Licencing process
- Fund structures
- Categories of PIFs
- Management
  - Self managed
  - Third party managed
- Redomiciliation
- Fund listing
Malta’s fund regime

- FUNDS
  - Retail Funds
    - UCITS
  - Alternative Investments Funds
  - Professional Investor Funds
    - Experienced Investor
    - Qualifying Investor
    - Extraordinary Investor
Scope

- AIFMD framework seeks to regulate the following Managers:
  - EU Alternative Investment Fund Managers (AIFMs) which manage AIFs, whether EU AIFs or non-EU AIFs;
  - Non-EU AIFMs which manage EU AIFs; and
  - Non-EU AIFMs which market EU AIFs or non-EU AIFS in the EU

- The Directive requires all Maltese AIFMs to be authorised subsequently to comply with a number of on-going obligations
AIFs - *De Minimis* regime

- Lighter regime for small AIFMs who manage portfolios of AIFs whose assets under management collectively do not exceed

Include the diagram

- A *de minimis* AIF will be exempt from complying with the provisions of the AIFMD with the exception of certain reporting requirements, however there is the choice to opt-in should the AIFM wish so.

- If the *de minimis* is exceeded, the AIFM or the AIF (if self-managed) must opt in to the AIFMD framework.
AIFs - Authorization and Capital Requirements

Authorisation:

- All AIFMs and AIFs (if self-managed) which do not fall out of the scope as listed above or under any exemptions as set out in the Directive, must be authorised by their home EU Member State, i.e. where they have their registered office.

Capital Requirements:

<table>
<thead>
<tr>
<th></th>
<th>Third party managed</th>
<th>Self Managed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial capital requirement</td>
<td>€300,000</td>
<td>€125,000</td>
</tr>
</tbody>
</table>

In addition, if the portfolio value of the AIF exceeds EUR 250 million, an additional 0.02% of the amount exceeding EUR 250 million is required. This additional amount shall not exceed EUR 10 million.
Preparatory Phase

PIF Promoters meet MFSA to discuss proposal giving guidance on the license for a more efficient process application.

PIF Promoters submit a draft application form together with supporting documents to be reviewed by MFSA.

MFSA may ask for further documentation to the Promoter (now applicant), and sets the Standard License Conditions applying to the Scheme.

Pre-licensing Phase

Once all key points noted in the draft application have been resolved, the MFSA will issue the ‘in principal’ approval for the license.

Promoter finalizes pending issues and submits final application together with supporting documents.

MFSA issues license.

Post-licensing Phase

MFSA determines whether the promoter needs to satisfy any post-licensing conditions.

PIF can formally start business.

AIF - Authorisation and licensing process
AIFs - Custodian/depository

Under a self-managed structure:

☑️ Single custodian/depository shall be appointed for each AIF
☑️ Custodian/Depositary should be independent from AIFM
☑️ In case of a Maltese AIF, the custodian must be licensed in Malta whilst for a non EU AIF, the custodian/depository shall be established in the third-country where the AIF is licensed or in the home Member State of the AIF.
☑️ However, there is a transition period until July 2017 where the custodian can be licensed in any recognized jurisdiction.
AIFs - Taxation

A Malta domiciled AIF certain taxation benefits which can be listed below:

- an exemption from income tax and capital gains tax at both the fund level and at a non-resident investor level as long as more than 85% of the value of its assets is situated outside Malta;
- investment income received by the Fund is not subject to any withholding tax;
- no withholding tax is due on dividends paid out to non-residents;
- no tax is payable by non-resident investors when they dispose of their investment;
- no stamp duty charged on share issues or transfers; and
- no tax on the net asset value of the scheme.
Investment Manager - Malta (I)

- An Investment Management Company set up in Malta has always required the attainment of a License as required by Article 3 to the ISA;

- Category 2 Investment Services License to provide management or investment advisory services to CISs is required;

- Must ensure ongoing compliance with the investment objectives and policies of the Offering Memorandum / fund specific Offering Supplement of the Fund.
Investment Manager - Structure

- **Founder Shareholders**  
  (min of 2)

- **Management Company**

- **Investment Committee**  
  3 members  
  (can be members of the Board)

- **Office Space**

- **Employee/s**

- **Board of Directors**  
  (3 members)

- **Compliance & MLRO**

- **Risk Manager**
<table>
<thead>
<tr>
<th>UCITS</th>
<th>Retail non-UCITS</th>
<th>PIFs</th>
<th>AIFs</th>
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<td>Can be either Maltese or European subject that such European company complies with the UCITS Directive</td>
<td>In possession of a Category 2 license and authorized to provide fund management services</td>
<td>If established in Malta, must have a Category 2 license and authorized to provide fund management services</td>
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<td>Must have business organization systems, experience and expertise to act as fund manager</td>
<td>AIFMs may apply for a lighter or de minimis regime if they manage assets not exceeding Eur100m or Eur 500m for unleveraged AIFs with no redemption rights within the initial 5 years</td>
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Licensing Process

- In the licensing process, the MFSA will take into consideration the reputation and suitability of the management company. A license will only be issued if the MFSA is satisfied that the company’s directors and officers are fit and proper persons to carry out their responsibilities, focusing mostly on the following:
  - The protection of the investors and general public;
  - The protection of Malta’s reputation;
  - The promotion of competition and choice;
  - The experience and track record of the company; and
  - The reputation and stability of the company.
Licensing Process

Preparatory Phase

The Company meets the MFSA to discuss proposal giving guidance on the license for a more efficient process application

The Company submit a draft application form together with supporting documents to be reviewed by MFSA

MFSA may ask for further documentation to the Company (now applicant), and sets the Standard License Conditions applying to the Scheme

Pre-licensing Phase

After any important points in the draft application are resolved, MFSA issues an ‘in-principle’ approval for a license

Applicant finalizes pending issues and submits final application together with supporting documents

MFSA issues licence

Post-licensing Phase

MFSA determines whether the Company needs to satisfy any post-licensing conditions

Management Company can formally start business
Taxation - Investment Management company

No Malta Tax upon Red.

6/7ths Refund - 5% Tax Leakage

Fees

Malta Tax @ 35%

Malta Co

No WHT

6/7ths Refund - 5% Tax Leakage

Shareholder

Shareholder

Malta Fund Managers

No WHT

No WHT

No WHT

Dividends / Interest / Gains / Discounts etc.

Exempt from Malta Income Tax

No WHT

Malta SPV

Investments

Investments

Investments

Malta Fund

Investors
**Taxation - Investment Management company**

6/7ths refund explained:

Assuming that Maltco 2 profit for the year was €1,000, tax would be suffered as follows:

<table>
<thead>
<tr>
<th>Taxation of Maltco 2</th>
<th></th>
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</thead>
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<tr>
<td>Chargeable income</td>
<td>€1,000</td>
</tr>
<tr>
<td>Tax @ 35%</td>
<td>(€ 350)</td>
</tr>
<tr>
<td>Profit after tax available for distribution</td>
<td>€650</td>
</tr>
<tr>
<td>Maltco 1 received 6/7ths refund of tax paid by Maltco 2</td>
<td>€300</td>
</tr>
<tr>
<td>Effective tax paid in Malta</td>
<td>€50</td>
</tr>
</tbody>
</table>

Key points:

Tax is paid by Maltco 2 and refund claimed by Maltco 1; Refund is not taxable in Malta.
Amicorp Worldwide Office

**The Americas**
- Barbados
- Bogota
- British Virgin Islands
- Buenos Aires, Argentina
- Curaçao
- Mexico City, Mexico
- Miami, Florida, United States
- Montevideo, Uruguay
- New York, United States
- San Diego, California, United States
- Santiago, Chile
- São Paulo, Brazil

**Europe & Africa**
- Amsterdam, the Netherlands
- Barcelona, Spain
- Cyprus
- London, United Kingdom
- Luxembourg
- Madrid, Spain
- Malta
- Mauritius
- Monaco
- Moscow, Russia
- Pretoria, South Africa
- Vilnius, Lithuania
- Zug and Zurich, Switzerland

**Asia & Middle East**
- Auckland, New Zealand
- Bangalore, India
- Beijing, People’s Republic of China
- Chengdu, People’s Republic of China
- Davao, Philippines
- Dubai, UAE
- Hong Kong, SAR, People’s Republic of China
- Mumbai, India
- New Delhi, India
- Shanghai, People’s Republic of China
- Shenzhen, People’s Republic of China
- Singapore
- Taipei, Taiwan
Thank you