



Alter Domus

# MALTA NEWSLETTER

JANUARY 2019



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Dear Friends,

After the Christmas and New Year's break, we are all set to execute our exciting plans for 2019. We have started the year by onboarding a number of new clients across our various services lines. In order to do so effectively, we have planned to recruit a number of people at various levels and this should result in having a staff compliment of approximately 180 employees in the next six months or so.

In the first part of the year we will continue to focus and offer more specialised services, particularly Regulatory Services and Co-Sourcing Services. Globally, these services are very much in demand due to increased regulatory pressures as well as scarcity of talent in specialised areas. This situation is also reflected in the local market and we are therefore confident we can support our local clients better through these added service offerings. More details can be found in the following pages.

We hope you enjoy reading our latest newsletter.



**Chris Casapinta**  
*Country Executive, Malta*

# MALTA UPDATE

## MALTA'S NEW A+ CREDIT RATING AND PLACEMENT AS SECOND WORLDWIDE FOR ECONOMIC GROWTH IN 2019

At the end of the year, Scope Ratings GmbH upgraded Malta's credit rating to an A+ with a "stable outlook". This is the first time that the Republic of Malta has received such a rating, and Scope attributes this substantial upgrade to several factors including:

- Euro Area membership
- High economic growth
- Prudent financial management
- Strong external position

The A+ rating is most largely attributed to Malta's resilient economy, which has consistently outperformed the EU average. In addition, the country's strengthened fiscal framework, faster fiscal consolidation, low interest payments and strong GDP growth have all helped to bolster Malta's improved ranking.

The agency does, however, warn that there are risks which must be closely monitored as they could have very negative impacts on Malta's economy in the future. These risk factors include:

- Financially weak state-owned enterprises
- Supply-side constraints induced by the tightening labour market
- Skills shortages
- Policy harmonization risks
- Changes in EU corporate tax law

Reflecting their belief that the risks faced by Malta remain balanced at this stage, Scope Ratings GmbH assigned Malta a "stable outlook" rating.

The Maltese economy's consistent above-average performance is hard to ignore.

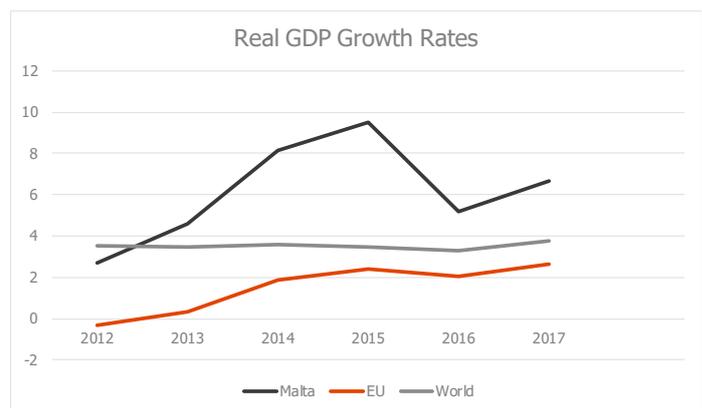
In 2018, Malta placed second in Europe for GDP growth, just behind Ireland. But the new year brings some exciting revelations, as the International Monetary Fund (IMF) announced that Malta had placed second in the world in terms of largest economic growth forecast for 2019.

While GDP is expected to grow globally by 3.7% by the end of 2019, IMF predicts that Malta is poised to experience 4.6% growth during the same period. Scope Rating GmbH anticipates annual growth to grow even further, predicting 5% growth for 2019. Needless to say, forecasts are very positive.

This forecasted growth is being fueled largely by high service exports such as tourism, transport and gaming, as well as robust private consumption. Additionally, the European Commission's report reveals that "the solid performance of the internationally-oriented services sector contributed to maintain Malta's sizeable current account surplus."

Maltese Minister Christian Cardona explains, "This is a vote of confidence in Malta and it sends a clear message that Malta's solid reputation in sectors like the financial and gaming sectors but also in the administrative, retail and construction sectors continues to generate interest in the country's economy."

High levels of growth are nothing new to Malta, which has experienced an average expansion rate of 4.3% since 2007. It will be interesting to see how Malta's economy holds up moving forward, especially in the case of a global economic downturn. Without a doubt, the country will work to maintain its very bright outlook.



Source: CIA World Factbook

# MALTA UPDATE

## MALTA'S IMPLEMENTATION OF THE EU ANTI-TAX AVOIDANCE DIRECTIVE & YACHT LEASING UPDATE

### EU ANTI-TAX AVOIDANCE DIRECTIVE

In December 2018, Malta's Foreign Minister of Finance transposed the EU's 2016 Anti-Tax Avoidance Directive (ATAD 1) into local law. The implementation of the below measures brought Maltese provisions in line with international standards:

#### Interest Limitation

When a company's interest and similar borrowing costs exceed interest receivable, the maximum tax deduction that can be claimed will be 30% of EBITDA. These new restrictions apply to cases where exceeding borrowing costs are in excess of €3 million.

#### Exit Tax

When a company changes its residence or moves its assets or business to another territory, these actions will be treated as taxable exit events. The company will be subject to tax in the same manner as if it had disposed of its assets.

#### Controlled Foreign Company (CFC) Rules

An entity which is subject to more than 50% control by a parent company that is a tax resident in Malta, and whose tax paid on profits is less than half the tax that would have been paid had the income been subject to tax in Malta, will be considered a CFC.

#### General Anti-Abuse Rule (GAAR)

The new rule further defines the tax avoidance schemes described in the Directive. As such, the measure will apply to arrangements that are not genuine, meaning they were not put in place for valid commercial reasons and have, instead, been put in place with the purpose of obtaining a tax advantage.

#### What do these changes mean?

The GAAR, in particular, will create an increased need for substance in Malta. To assist, Alter Domus Malta offers an array of services such as BOS, Co-Sourcing, Directorships, and more. They can also assist clients with the newly implemented changes either directly or through liaising with tax professionals when specific advice is required.

### YACHT LEASING UPDATE

Early in 2018, the European Commission put forth infringement procedures against Malta, Cyprus and Greece regarding the provision of yachts.

Many in the industry anticipate Malta's reaction to be pragmatic and sensible enough to ensure the country returns to good favor with the commission regarding these structures.

The expected upcoming changes include the allowable lease term increasing from its current "1-3 year" to a longer lease period. Another likely change will include the purchase option at the end of the lease term changing from its previous 1% minimum to an amount closer to the vessel's actual market value at the end of the lease term.

These changes have both advantages and disadvantages, depending upon which angle you take. So far, client opinions on this matter are split.

On one hand, some clients welcome the changes and the opportunity to split their VAT payments over a longer lease term of, for example, 5 years which would significantly reduce the payments being made annually. This is especially true for those with sizeable VAT payments.

On the other hand, some are disheartened by the longer lease period, as it prolongs the period of time necessary to receive their VAT-Paid Certificate and ultimately liquidate the structure.

While opinions remain divided, one certainty is that after the European Commission placed infringement procedures on Malta, the country has an obligation to respond in a practical way. Although the specifics of the changes and dates of their implementation remain to be seen, it is fairly clear to say that they will indeed come to fruition in the near future.

# MALTA PRODUCTS

## REGULATORY & COMPLIANCE SERVICES

The regulatory landscape within the Financial Services sector is changing at a really fast pace, making it quite challenging for companies within these sectors to keep-up and be fully abreast of these developments. Companies working within this industry risk falling behind in integrating and implementing all these developments and in the process not being compliant with the latest acts, regulations and guidelines. The risks of being in such a situation are significant and multi-factorial and include reputational and financial risk. The nature of the challenge is quite significant when considering that:

- 3-5 amending acts are issued per year
- 40-50 new regulations are issued per year through legal notice of which;
- 9-10 are new investment rules per year

Companies are finding it very difficult to find the right balance in keeping-up with these developments whilst at the same time maintaining their focus on operations and other core activities. This reality together with our focus and expertise in these areas has prompted Alter Domus Malta to expand its regulatory services provision to be in a position to support such companies in overcoming the said challenges. This service provision expansion has put us in a position to be able to offer a flexible solution in such a way that it can be tailored to our clients' individual needs. Clients can opt to either outsource all of their necessary regulatory services or else request support through a specific project.

The objective of this expanded service provision is to transform a company's regulatory requirements from a 'necessary evil' to a means that can contribute in driving our clients' business growth whilst at the same time optimising both their resources and capital.

Through this expanded service provision, Alter Domus can provide support in the following areas:

- **Operational change management** – with the aim of optimising the clients' processes and managing change and also priorities to ensure full control over requirements and deadlines
- **Ensuring good governance** – through the implementation of good governance practices around the entire regulatory process from ongoing monitoring to decision-making
- **Leveraging regulatory data** – through guidance on how regulatory information can be utilised in the ordinary course of business
- **Digital transformation** – driving digital transformation in the clients' entity through a consultative approach that leverages people, processes and information
- **Reporting on key metrics** – through direct support and guidance on the setting up of a structure for key metrics and thresholds in a dashboard form to facilitate regular monitoring and optimisation for the client
- **Adopting a forward-looking approach** – in the preparation of upcoming regulatory changes and the impacts that such changes will have on the business

Alter Domus is in a position to provide such services through an extensive in-house experience in providing regulatory support to Banks and Asset Management companies, together with expertise in transforming the ways entities manage information accompanied by strong knowledge of the regulatory framework.

# MALTA PRODUCTS

## CO-SOURCING SERVICES: ALL YOU NEED TO KNOW

Alter Domus Malta's Co-Sourcing services were developed out of the unique need that many Maltese organisations face. Malta's difficult labour market- with unemployment rates hovering at 3% and decreasing- make finding the right employees very challenging. When clients need the skills of certified accountants or those with specific expertise, their search becomes even more troublesome, as the country struggles to keep up with demand.

Co-sourcing combines the advantages of outsourcing and insourcing by providing organisations with access to external expertise without having to completely give up control over processes.

Clients who co-source employees from Alter Domus Malta have been able to reduce their time spent searching for talent and focus more on their core activities.

For most clients, the benefits of co-sourcing include:

- More time to focus on core strategy
- Cost-savings by cutting out the need for recruiters
- Having the right candidate almost immediately
- Working with someone they're familiar with
- A network of Alter Domus expertise behind the co-sourced staff

By setting up a service agreement with Alter Domus, and not an employment agreement with individuals, there are no employee benefits, fringe benefits, or perks that apply, allowing all costs to be more predictable.

In addition to the difficult human resources environment in Malta, co-sourcing is also beneficial for organisations facing immediate and critical resource needs. Examples of this can include:

- Peak periods of work within an organisation's yearly cycle
- Specific projects
- Employees on maternity leave
- Long term sickness
- Cases of departure during business growth

Co-sourcing arrangements can vary based on client needs, and can include employees from junior level to senior manager and can last anywhere from one to twelve months. The flexible arrangements can vary from staff being available to clients daily, to an engagement of just a few days a week.

Alter Domus' co-sourcing services offer professional, well-trained and flexible staff with experience in administration, accounting, company secretarial work and other services that Alter Domus provides. Clients benefit from the co-sourced staff's access to the Alter Domus' wealth of knowledge and support, working to consistently ensure their business continuity.



# MALTA AFTER HOURS

## FORUMS, CHARITY INITIATIVES & CONFERENCES



On November 27th, Alter Domus Malta, in collaboration with Deloitte and Ganado Advocates, hosted the 4th edition of the Malta Asset Management Forum at the Hilton Hotel. Through various panel discussions and presentations, the audience of over 100 asset managers received the latest relevant updates from within the financial services sector. Alter Domus Malta's Przemyslaw Koger, Domenic Azzopardi and Edward McCardle shared their expertise by sitting on a variety of panels an expanding upon topics such as private equity, internal control environment, and anti-money laundering.

On November 28th, Alter Domus Malta and Business Office Services International (BOSI) Malta joined forces to host a charity art exhibition and auction in aid of the ALS Foundation in Malta. ALS Malta founder Bjorn Formosa, who himself suffers from ALS, has worked tirelessly to create a home for the many sufferers of the disease. In order to aid in this admirable undertaking, various Maltese and foreign artists donated their works, which were then put up for auction during the event. Alter Domus Malta was humbled by the experience and opportunity to contribute to such a noble cause. They are delighted to reveal that more than €4,000 were raised and donated to ALS Malta during the course of the event.



On January 17th, Przemyslaw Koger, Director and Head of Relationship Management Malta attended the 6th annual Polish & CEE Private Equity Conference in Warsaw. There, he spoke on a panel and delivered his insights on the benefits of Malta as a jurisdiction for private equity funds. In particular, he spoke of Malta's NAIF structure and its growing appeal to foreign investors. He explained that it is not only beneficial because of its speed to market, but it provides a great deal of flexibility. It is unregulated, thus does not require licenses, authorizations, or approvals. By regulating the manager rather than the fund, this structure continues to attract foreign investors to Malta's shores.

# ALTER DOMUS UPDATE

## NEW APPOINTMENTS & NEW CAPABILITIES

During the latter part of 2018, the Alter Domus Group experienced a number of new appointments and expanded its capabilities to include new services as well.



**Aidan Connolly**

In December 2018, Aidan Connolly, assumed the role of Interim Chief Executive Officer of the Alter Domus Group, in addition to his previous role as Chief Financial Officer.

Dominique Robyns, Chairman of the Alter Domus Supervisory Board of Directors, explained the value that Aidan brings to the Group. He revealed that Aidan “brings significant experience in leading world-class businesses, including as CFO of Worldpay, the world’s fifth largest payments processor, and whose many years of senior leadership will be key as Alter Domus pursues its global growth strategy.”



**Sum Tze Sheng**

Sum Tze Sheng joined the Group as Country Executive for Singapore after spending years successfully leading business development initiatives in South Asia and Oceania. He brings with him experience gained through his various roles in the banking and financial services industry throughout his career, which spans over a decade.



**Johnson Har**

Johnson Har joined the Group as Head of Hong Kong in December 2018. Johnson previously served as Vice President at Northern Trust and was responsible for leading business development efforts across asset owner and asset management sectors in North Asia.

### ALTER DOMUS JERSEY APPROVED AS TISE LISTING MEMBER

At the end of 2018, Alter Domus Jersey was approved as a Category 1 & 2 Listing Member of The International Stock Exchange (TISE). The Jersey office is now able to arrange and sponsor the listing of debt securities and investment securities on TISE. This is very exciting news for the entire group as the capability is a natural extension of our integrated offering.

**Chris Casapinta**, Country Executive Malta said: “These new appointments help to reinforce the Alter Domus brand around the world, by accurately reflecting the breadth of expertise and experience of our employees. Our employees are highly regarded both locally and internationally and these appointments reflect that as well.”

“We would also like to recognize Alter Domus Jersey for their new capabilities, which open a variety of doors for clients in Jersey, as well as around the world. This demonstrates Alter Domus’ global network truly at work.”

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- Luxembourg
- Malta
- Spain:
  - Barcelona & Madrid
- The Netherlands
- United Kingdom
- Italy
- Nordic
- Poland
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- Singapore
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