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Dear Friends,

We are happy to present the second newsletter for 2019 with numerous updates on both the local and international side of things.

During the first few months of the year, we have been actively involved in various initiatives mainly throughout Europe demonstrating our increasing capabilities in the private clients business amongst other industries. We have also had specific initiatives covering Malta’s attractiveness for this particular client segment. The feedback and results were very encouraging!

As mentioned in the last newsletter, we continued to be busy onboarding new clients and also getting more talent to our existing teams. Apart from appointing Raffaella Busttil as Head of Operations (more detail in the newsletter) we also appointed a new Senior Manager, Steve Cuschieri, who joined our Corporate Services Team amongst other talented team members.

As always, should you have any comments or feedback, feel free to revert back to us.

Chris Casapinta
Country Executive, Malta
On February 28th, 2019, the Maltese VAT authorities issued their new guidelines relating to the lease of pleasure yachts by a lessor to a lessee, further clarifying the manner in which VAT is levied on the leasing of pleasure yachts at each chargeable event.

**What has changed?**

Article 59a of the VAT Directive allows Member States to tax the use and enjoyment of services, therefore including the lease of a pleasure craft, for the time that the service is effectively used and enjoyed within European territorial waters.

**Use and enjoyment**

Previously, at the date of each chargeable event, the extent to which a pleasure boat was deemed to be effectively in EU territorial waters was established depending on the vessels’ length with larger vessels enjoying a greater VAT reduction than smaller ones as it was perceived that larger vessels travel for longer periods outside EU territorial waters.

The new rules take into consideration the effective use and enjoyment of a vessel by first calculating the “preliminary ratio” based on the actual use and enjoyment of the vessel within the first tax period that it is leased by the lessee from the lessor. This ratio will be used for the first annual tax period, after which the lessor will assess the lessee’s technical data and determine the “actual effective use and enjoyment” ratio. An adjustment, whether against or in favor of the lessor, will be made in the subsequent VAT return.

The lessor will collect technical data from the lessee to determine the actual use and enjoyment ratio by the lessee throughout the term of the lease.
MALTA UPDATE
REAL ESTATE INVESTMENT TRUST (REIT) FRAMEWORK & MFSA VISION

Real Estate Investment Trust (REIT) Framework

As part of their 2019 budget, Malta’s government has introduced the Real Estate Investment Trust (REIT) framework, which provides a positive development for the financing of projects within Malta’s real estate sector.

By definition, REITs are companies which own and manage various types of properties. They earn regular income through the rental of these properties, which is then distributed to shareholders in the form of regular dividends. Investors also benefit from the long-term appreciation of the properties within the company’s portfolio.

Benefits

One of the main benefits of Real Estate Investment Trusts is the tax efficiency it provides investors, allowing them the opportunity to invest in sometimes large-scale real estate projects which they would otherwise be unable to invest in.

The sector benefits from increased liquidity, individual projects allow for effective project financing, and investors achieve greater diversification.

MFSA Vision

In February, the Malta Financial Services Authority (MFSA) released its three-year master plan for the stability of financial services in Malta. The plan, entitled “MFSA’s Vision 2021” describes MFSA’s proposed strategy for anti-money laundering (AML), risk management, counter-facing of terrorism (CFT), supervision and conduct enforcement.

Joseph Cuschieri, CEO of the MFSA, has continued to highlight the island’s strengthening investments in fintech and financial services, as well as the ongoing innovation within the industry as critical success factors. In order to manage the formation, implementation and review of the MFSA’s risk policies, a risk and audit committee was also introduced.

To learn more about the MFSA’s plans to safeguard the integrity of markets and maintain stability within the financial sector, “Vision 2021” can be downloaded online.
Why use a Security Trustee as part of your structure?

Companies continue to diversify their funding arrangements by considering alternative finance structures. Those who elect to raise finances by issuing debt or other credit instruments in Malta have the ability to engage a third party upon which all rights and obligations of the creditors/beneficiaries are focused. This third party is known as the security trustee. The relationship between the issuer, guarantor and security trustee is regulated by a security trust deed. The security trustee must be duly authorized and qualified to act as a trustee or co-trustee in terms of Malta’s Trusts and Trustees Act, and holds the security for the benefit of the other parties involved.

Who would need a Security Trustee?

Companies may opt to appoint a security trustee if:
- The creditors/beneficiaries of the security are too numerous to all appear on the relevant register;
- The number of creditors/beneficiaries is likely to change over time; or
- It is necessary to demonstrate independence from the parties associated with the issuer or the subject matter of the security

When is a Security Trustee required?

In certain cases, the inclusion of a Security Trustee may be required by regulations for companies wishing to list.

What can Alter Domus do as a Security Trustee?

The principal aim of the security trustee is to protect the rights and interests of the creditors/beneficiaries. The security trustee is furthermore obliged to:
- Hold property on trust for the benefit of the creditors/beneficiaries;
- Settle all outstanding liabilities;
- Enforce collateral rights to protect the interests of the creditors/beneficiaries.

The benefits of pointing a Security Trustee

Both issuer and creditors receive several benefits from the arrangement, including:
- Single, independent point of reference for coordinating necessary actions
- Regulated entity providing legally required expertise and resources
- Centralization of administration of creditor’s rights and duties
- Easily identifiable entity and protection of creditor information

Real life scenarios where Alter Domus acts as Security Trustee

(a) Real Estate Transaction Bond Issue - The Issuer acts as the finance and holding company of the property business of a Group, its main purpose being that of financing the funding requirements relating to the acquisition of assets. The security constituted for the benefit of the bondholders of the bond issue consisted of property belonging to the Issuer. The constitution of the said security, for the benefit of the bondholders, over property belonging to the Issuer, was regulated by the terms and conditions of a Security Trust Deed to be entered into by the Issuer, and the Security Trustee, for benefit of Bondholders, on the other.

(b) Refinancing Transaction Bond issue - To further expand the Group’s business, the Issuer took up a loan with a bank and in return effected a bond Issue for potential investors to buy such bonds, allowing the Issuer to raise money and pay back the loan with the bank. The security to be constituted for the benefit of the Bondholders consisted of property belonging to the Guarantor, which has also entered into a Guarantee as primary obligor, whereby the Guarantor, jointly and severally with the Issuer, unconditionally and irrevocably guarantees to the Security Trustee, for the benefit of the Bondholders the payment of, and undertakes on first demand in writing made by the Security Trustee on the Guarantor, to pay the Indebtedness to the Security Trustee or any balance thereof at any time due or owing under the Secured Bonds.
The rapidly evolving regulatory environment has created a shift in the way that asset managers, multinational corporations and smaller businesses conduct business and high-net-worth individuals (HNWIs) manage and structure their wealth. These massive shifts in the regulatory landscape have been led in large part by changes to anti-money laundering rules and tax authorities’ worldwide drive to claim tax revenues.

These changes have pushed wealth management and alternative asset structures towards full transparency. This is just the tip of the iceberg with the more recent addition of beneficial ownership rules adding to the regulatory deluge.

Where can asset managers, corporations and HNWIs turn for relief?

Asset managers are increasingly looking to domicile funds and associated corporate structures onshore in the EU, for example in countries such as Malta. HNWIs are seeking viable jurisdictions for the repatriation of their private wealth structures into Europe and with the uncertainty surrounding the Brexit decision in the UK, many are turning to Malta as their jurisdiction of choice. The same is true for corporations looking for a safe reprieve from the increasing complexity.

For those in this position, Malta presents significant benefits, many of which are derived from its EU membership, highly skilled workforce and flexible legal system. In Malta, where company legislation is based on English Law concepts, companies and even foundations can re-domicile. Under certain circumstances, re-domiciliation can also provide an opportunity for revaluing assets to market value.

What can Alter Domus do to assist?

When asset managers, large multinationals, HNWIs and smaller corporations re-domicile to Malta, Alter Domus provides an entire range of comprehensive services to support the transition. Alter Domus can also assist through the provision of the Wealth Administration Solution, or “wADs,” a digital tool that provides clients with a global, top-down view of their wealth/assets, improving their oversight and professionalizing the way they manage their finances.

By tapping into the many working relationships that exist in Malta between Alter Domus and the top accountancy and law firms in the country, clients choosing to re-domicile have an entire team of experts behind the helm.
Malta’s Proposition for the UK Financial Services Industry

On February 21st, Alter Domus’ Przemyslaw Koger spoke at the “Malta’s Proposition for UK Financial Services” event in London. There, he sat on a panel and gave his insights on private clients considering trusts, foundations, residency programs and taxes. As a whole, the event aimed to highlight the advantages and high level of services that the Maltese jurisdiction has to offer UK companies seeking to relocate in the midst of Brexit. Finance Malta sponsored the event as a way to help boost Malta’s international reputation in the financial services industry.

UK Financial Services Brexit & Beyond Summit

On March 21st, Przemyslaw Koger attended the 4th UK Financial Services Brexit & Beyond Summit in London. Considered the premier event on Brexit for the UK financial services industry, the summit gave attendees the opportunity to explore alternative jurisdictions, especially for those looking to move certain parts of their operations outside of the UK. Przemyslaw met with attendees to discuss the many benefits of doing business in Malta.

Finance Malta’s 12th Annual Conference

Alter Domus Malta is proud to be sponsoring Finance Malta’s upcoming 12th Annual Conference from June 5th to 6th. Key members of senior leadership will be at our booth and look forward to meeting with other attendees, sharing insights on the market, and receiving updates on developments within the local financial services sector. This year’s event is titled Malta: A Platform for Innovation and will include discussions on innovations that are driving the sector forward.
On March 6th, Aidan Connolly was appointed as permanent Chief Executive Officer of the Alter Domus Group. After serving as interim Chief Executive Officer since December, the Supervisory Board confirmed him on a permanent basis.

Aidan has since set out the Group’s priorities, which include:

- Significant sales growth
- Much better cost and margin controls
- Simplification of processes and systems

Chairman Dominique Robyns revealed the he was pleased to announce the confirmation, as Aidan is poised to pursue Alter Domus’ ambitious global growth strategies along those defined priorities.

Before joining Alter Domus, Aidan was CFO at Wilko, a UK value retailer. Prior to that he was CFO at Worldpay, the world’s fifth largest payment processor, and CEO of Sodexo in the UK.

In April, Raffaella Busuttil joined the organization as the new Head of Operations Malta. In her new role, she will also be part of the Executive Committee.

Raffaella’s career began with the Bank of Valletta Group where she was appointed Head of Finance of Valletta Fund Management (VFM) Ltd. She retained her role as Head of Finance when VFM was spun into BOV Fund Services and later served as CFO for a large local public listed company.

Raffaella is a qualified accountant holding a Bachelor’s Degree in Accountancy, as well as a Master’s Degree in Financial Services from the University of Malta.

Chris Casapinta Country Executive Malta said: “Raffella’s recruitment will further strengthen our senior management team and reinforce our offering in Malta, adding on to the breadth of international expertise and experience of our employees. Her extensive experience in the local financial services industry means that Raffaella will further improve our internal processes and the quality level of our service provision.”
### OFFICE

Alter Domus (Services) Malta Limited  
Vision Exchange Building  
Territorials Street  
Mriehel BKR 3000  
Malta  
T + 356 22 05 1000  
contact.mt@alterDomus.com  
www.alterDomus.com

### CONTACT

**CHRIS CASAPINTA**  
Country Executive Malta  
+356 22 05 10 03  
Chris.Casapinta@alterDomus.com

**PRZEMYSLAW KOGER**  
Head of Relationship Management Malta  
Head of Depositary Services Malta  
+356 22 05 10 93  
Przemyslaw.Koger@alterDomus.com

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**WE'RE WHERE YOU NEED US.**

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**alterDomus**