



Alter Domus

MALTA NEWSLETTER

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Alter Domus

MALTA NEWSLETTER

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Dear Friends,

It's with great pleasure we present to you the first newsletter of 2020.

This edition includes updates from the European Commission on Malta's positive economic outlook and forecast for continued growth. We then highlight MFSA's clarified supervisory expectations and best practices for licensed entities. This newsletter also provides an update on the 5th AML Directive and DAC6 as they pertain to Maltese entities.

On the global front, Alter Domus has had an eventful end-of-year period which was marked by the appointment of our Chief Executive Officer and newest member of the Group Executive Board, Doug Hart. This latest appointment further bolsters our global leadership and position as a leader in the financial services industry.

We hope that you enjoy this newsletter and we wish you all the best for a prosperous 2020.



Chris Casapinta
Country Executive, Malta

MALTA UPDATE

MALTA'S ECONOMIC OUTLOOK 2020/2021: THE EUROPEAN COMMISSION FORECASTS CONTINUED GROWTH

The European Commission (EC) has predicted robust economic growth for Malta in 2020 and 2021, although the pace of expansion will slow. The EC foresees a continued surplus reduction to 1% in 2020, having fallen from 1.9% in 2018 to 1.2% in 2019, while the Maltese government says that it “is expected to remain stable.” European Commissioners also predict that Malta’s debt-to-GDP ratio will fall to 39% by 2021.

The EC forecasts GDP growth for Malta of 4% and 3.8% for 2020 and 2021 respectively. It is a marked reduction on the 6.8% and 5% growth rates seen in 2018 and 2019, respectively, as the island country’s economy moderates. In 2019, Malta was second behind Ireland as the European Union’s fastest growing economy. However, it is set to overtake the Emerald Isle’s speed of expansion in 2020 and 2021, which the EC predicts will grow at 3% and 3.2%, respectively.

WHAT’S DRIVING MALTA’S GROWTH?

The underlying reason for Malta’s stunning growth over the past five years is due to a “structural shift towards a fast growing, internationally-oriented services sector”. The country has enabled favourable labour conditions for job creation. Unemployment stands at a low of 3.4%, compared to the EU average of 6.3%. The strong unemployment rate in particular has increased average household disposable income, helping the economy to a record high in domestic consumption. In addition to domestic demand, export growth has also been an important contributing factor, with the “creation of new export-oriented service sectors, such as online gaming, and a pronounced expansion of existing ones, such as aviation services.”

Government investment initiatives are also a boon for continued positive economic performance. Primarily driven by EU funding, public investment-to-GDP is set to reach over 4%. In particular, this will see considerable spending on planned infrastructure and health projects.

WHAT COULD THE FUTURE HAVE IN STORE?

2017 saw record GDP growth for Malta of just under 7% on the previous year. The country experienced fast job creation, dropping from 5.5% unemployment in 2015 to 4% in 2017. Private consumption growth and job creation are both in stages of moderation, while the latter is likely to slow. However, the EC predicts an uptick in import growth in line with greater public investment.



MALTA UPDATE

MFSA'S CLEAR SUPERVISORY EXPECTATIONS FOR LICENSED ENTITIES

The Malta Financial Services Authority (MFSA) has released a document outlining its expectations on supervision for financial entities. With this document, the MFSA aims to reduce the scope for risk and drive adoption of measures to improve supervisory processes and strengthen recurring weak points that it has identified.

Entitled "Supervision: Risks Identified, Weaknesses and Expected Controls - A Cross-Sectoral Analysis," it highlights what the MFSA view as primary risks that financial entities of all kinds may present to their clients and includes best practices to follow.

TIGHTENING UP FINANCIAL ENTITY OBLIGATIONS

By issuing this document the MFSA is letting financial entities know what they expect of them with total clarity. Therefore, financial entities will have little scope for excuses should they fail to comply with what the regulatory body is demanding.

The MFSA expects financial entity board of directors to scrutinize the document and understand how it applies exactly to their organization. They are "expected to address any misalignments between their internal frameworks and practices and the expectations as set out in this document and to establish the necessary processes in order to ensure that the firm will continue to meet such expectations on an ongoing basis." The authority also wants to see firms carry out the required updates in a proactive spirit of self-regulation and cooperative compliance.

WHAT IS THE MFSA'S OBJECTIVE?

The overarching reason for issuing this document is to make Malta a more secure jurisdiction for financial sector clients, by enhancing its supervisory engagement and standards. It focuses heavily on anti-money laundering and the counter financing of terrorism (AML/CFT) and on combatting financial crime.

The MFSA sees the Maltese financial sector as particularly exposed to inflows of capital from higher-risk jurisdictions and customers, which indicates a greater risk of financial crime. It is eager to address this weakness with tighter regulatory measures in place. Notably, the authority plans to issue a follow-up document to expand on its proposals to address the identified weaknesses.

MFSA Chief Officer Supervision, Marianne Scicluna commented that: "The Authority is planning to intensify its supervisory work, both in terms of coverage and standard. The MFSA has fused the three pillars of its supervisory strategy - prudential, conduct and AML Supervision - to ensure a holistic and more efficient supervisory approach."

MALTA UPDATE

5TH AML DIRECTIVE & DAC6

5TH AML DIRECTIVE

In furtherance to the 4th AML Directive in 2018, a new directive has now been enacted extending the accessibility of the information contained in the newly established registers of beneficial owners which are currently being set up across EU Member States. In addition, it directly addresses the money laundering threats posed by virtual currencies and prepaid cards. The 5th AMLD also contains various provisions which aim to strengthen Financial Intelligence Analysis Units (“FIUs”) and the due diligence procedures which, subject persons are required to carry out on individuals and entities from high-risk jurisdictions.

Main salient points of the 5th AML Directive, which went into force on 10 January 2020:

1. As anticipated the 5th AML Directive will target an even wider sphere of obliged entities thus, increasing further transparency.
2. All bank accounts would need to be reported by all Bankers (kindly note that this information will not be publicly available). Banks might be requesting a number of KYC/clarifications from our end to be able to do the necessary reporting. Moreover, banks would need to be informed in a timely manner when there are any changes to the UBO/s of the structure. We at Alter Domus urge all of our clients to keep us updated in this respect.
3. We have already seen that the Malta Business Registrar (‘MBR’) has made company searches or company documents available to the public and as from January 2020, the MBR has also added a ‘Beneficial Owners’ tab online. Such information is publicly available against a fee.
4. As we have seen before, under the 4th AML directive, a beneficial owner must always be a natural person (only exception with trusts or similar set ups). If there is no person identifiable in the structure, the 5th AML Directive places a lot of added responsibility on the Corporate Service Provider to determine who is to be considered as being reportable (even if a person holds less than 25% however he ultimately takes all the decisions, he should be considered to be reportable).
5. All Maltese Trusts (including Trusts that do not generate any tax consequences here in Malta) would need to be reported to the MFSA via an online portal - TUBOR.

DAC6

2020 marks the year in which the EU Directive on Administrative Cooperation in tax matters shall become effective among EU Member States.

DAC6 imposes a statutory reporting obligation to disclose to tax authorities certain cross-border transactions and/or arrangements which fall within any of the hallmarks mentioned in the Directive. Should such a transaction or arrangement qualify as “reportable”, then the obligation falls on the taxpayer’s intermediary to report such a transaction or arrangement to local tax authorities.

We urge you to reach out to us, as your intermediary (or one of a number of intermediaries) in such a context, to discuss any particular implications which DAC6 may have on your business operations and the manner in which Alter Domus may assist in such regard, if and to the extent necessary.

Please be advised that the first reporting requirement falls due on 31 August 2020 with reference to the period covering 25 June 2018 and 01 July 2020.



MALTA PRODUCTS

DEPOSITARY SERVICES

One of the requirements of the AIFM Directive, effective on 22 July 2013, is for alternative fund managers to appoint an independent depositary. AIFMD compliant depositaries have a much broader set of responsibilities compared to traditional custodians, whose role is largely limited to safekeeping of assets.

KEY DEPOSITARY DUTIES

The Directive highlights three key depositary duties, which include cash monitoring, oversight, and safekeeping. Cash monitoring ensures an overview of all movements of the AIF, identification of significant cash flows, as well as corrective measures in case discrepancies are found. Oversight duties include timely settlement of transactions, income distribution, subscriptions and redemptions, valuation of shares or units, and investment compliance. Finally, safekeeping involves keeping records, verifying ownership, and conducting due diligence and ongoing monitoring of all delegates.

WHO CAN BE A DEPOSITARY?

The AIFM Directive allows non-banking entities to act as depositary for alternative funds with an initial lock-up period of five years and invest mainly in financial assets. This was welcome news by the alternative investment funds industry, as it meant more choice of providers and fee reductions due to stiff competition for the depositary business. Professional depositaries have emerged from corporate and fund administration service providers and are a popular choice amongst fund managers, as they have strong knowledge of the alternative investment industry and can provide more tailored service.

Traditional banks remained focused on UCITS and hedge funds investing mainly in financial assets although several larger players are also actively targeting real estate and private equity depositary business.

Alter Domus was approved as a professional depositary in Luxembourg in January 2014, the United Kingdom in May 2014, and Malta in April 2015.

SELECTION PROCESS

Seamless implementation, non-disruptive service and cost seem to be the key deciding factors when choosing a depositary. With many firms having fund administration in-house, it is important that the move to a third-party provider is done flawlessly, with very little interference to everyday operations and decision making. At Alter Domus we use latest technology and a secure client portal to share relevant documentation and ensure efficient and smooth process.

Fund managers that have already outsourced their fund administration function are often choosing to award depositary contracts to their existing fund administrators, which already have a good knowledge of their funds, but some firms chose a depositary independent from their fund administrator.

Professional depositaries like Alter Domus have grown in the popularity by providing flexible services, especially when compared to the rigid services provided by banks. Managers have begun using the depositary requirement to help substantiate their internal sign-offs and approvals, which are often haphazard. In this way, depositary services are more than a requirement; they can add real value to managers' back office operations.



MALTA PRODUCTS

DILIGENT BOARD PORTAL

Alter Domus' team of professionals are subject-matter experts in company, secretarial and governance services. They work in parallel with your board members to implement best practices and to ensure seamless coordination of your business activities, allowing you to increase boardroom effectiveness and accountability.

To enhance our technology and end users' experience, we are partnering with Diligent, a market leader in board and governance support services, and thus will be offering a fully integrated services through their board portal solution, Diligent Boards.

The solution used by Alter Domus is Diligent, a market leader in board and governance support services, and thus will be offering a fully integrated service through their Board portal solution. More than 650,000 users and 16,000+ clients around the globe rely on Diligent for the most secure and intuitive solution to board material management and collaboration.

WHAT IS DILIGENT BOARDS?

Diligent Boards moves all of the agendas, documents, annotations and discussions of board meetings online into one intuitive and secure platform. The platform goes beyond (just) providing digital board books, to manage the full scope of a board's moving parts— committees, contacts, reporting and more.

With Diligent Boards, directors have instant access to board or committee materials from virtually any device, anywhere in the world, both online as offline. Directors can easily review documents and make handwritten annotations which can be shared with fellow directors, all within a highly intuitive, highly secure and user friendly interface.

WHY DILIGENT?

Diligent is relied on by more than 16,000 organizations and 650,000 leaders in in over 90 countries. With award-winning 24/7/365 customer service across the globe, Diligent serves more than 50% of the Fortune 1000, 70% of the FTSE 100, and 65% of the ASX.

Diligent is used by many of the world's best performing companies to securely communicate, collaborate, inform, and manage all aspects of governance. Whether it's managing board information or securely reviewing investment reports, Diligent provides directors with secure solutions to help streamline governance and elevate oversight.

A PAPERLESS SOLUTION

Most directors have adapted quickly to digital options which allow them to access volumes of board materials on iPads or tablets and get near real-time updates at the speed of a sync for swifter and better-informed decision-making.



There are many added benefits to switching to a digital solution. Governance leaders, executives and board directors rely on Diligent for the most secure and intuitive solution to board material management and collaboration.

SECURITY FIRST

Diligent Boards provides best-in-class security so that the confidential work and communication of directors stays protected.

- What makes this technology so secure?
- End-to-end encryption for all workflow actions
- Diligent-owned and -operated hosting infrastructure
- Data hosting for EU clients in German data center
- Security foundation built on proprietary software platform
- Encryption standards to the highest industry norms
- Unique encryption keys for every customer

BENEFITS FOR BOARD MEMBERS AND EXECUTIVES

There are many specific benefits to using governance and board management technology for individual directors and executives:

ENHANCED CLIENT EXPERIENCE	ENHANCED COMMUNICATION BETWEEN MEETINGS	IMPROVED SECURITY
Information management	Ability to deliver information in real time	Secure distribution and storage of board materials
Simplified interactions	Ability to access historical board packs	Prevention of information “accidents”
True search functionality	Enhanced efficiency of board meeting preparation and decision making process	No need for directors and executives to become cybersecurity experts
Improved availability and resiliency		Audit trail capability for easy, secure cooperation with auditors and regulatory bodies

MALTA AFTER HOURS

ICAEW

The Institute of Chartered Accountants in England and Wales hosted a members-only event in Malta at the end of 2019. Przemyslaw Koger was delighted to attend and meet with other members of ICAEW at the networking event.

NEXT WAVE

In October of 2019, Domenic Azzopardi and Przemyslaw Koger both attended EY's NextWave event at the InterContinental Arena Conference Center in Malta. It was an excellent opportunity to hear from some of the industry's leaders on Malta's ongoing attractiveness and positive economic outlook. They were able to connect with their long-standing business partners and network with new ones at the full day event

CHRISTMAS EVENT

In December, the Malta Team hosted a Christmas Event for all staff members to celebrate the holiday season and the year of hard work and dedication. The event took place at The Villa in Balluta, Sliema and was an evening that won't soon be forgotten. It was an excellent opportunity for team members to interact outside of the office and share in the festive holiday spirit before embarking on the new and prosperous year ahead.

CHARITABLE DONATIONS

At the end of 2019, the Alter Domus Group made donations to more than 20 charitable organisations around the world. The charities that were chosen came from the suggestions of team members in each country, in order to help make positive impacts on the places where our people and our clients live and work. Malta's selected charity was the Malta Community Chest Fund.

The ambition of the Malta Community Chest Fund Foundation is to improve the quality of life and care of individuals and society in general, without any form of discrimination on the basis of social class, gender identity, age, ability, health, status or religion. The organisation aims to achieve this by ensuring the effective and transparent application or disbursement of funds raised through fund-raising activities, donations, contributions, bequests, endowments and legacies. Alter Domus Malta is proud to support such a charity that is so closely linked with our own core values and ambitions.



ALTER DOMUS UPDATE

NEW CHIEF EXECUTIVE OFFICER

After reaching €300 million in revenues and \$750 billion in client assets under administration, Alter Domus is laying the foundations for its next phase of growth.

On 12 December 2019, Doug Hart (formerly Regional Executive North America) was appointed Chief Executive Officer of the Alter Domus Group.

Doug brings over 25 years' experience in the Funds Administration, Investment Servicing, and Capital Markets industry and is currently Alter Domus' Regional Executive North America.

Doug was the Chief Executive Officer and Managing Director of Cortland Capital Markets LLC ("Cortland"), acquired by the Alter Domus Group in April 2018. Under Doug's leadership, Cortland – and then Alter Domus USA – have built innovative and trusted solutions to investment managers and commercial lenders.

Since 2018, Doug has been a member of Alter Domus' Group Executive Board and leads the business in the US. This region now represents 30% of Alter Domus' revenues, has demonstrated the largest growth and is soon expected to become Alter Domus' largest region.

Last year, the Board of Directors asked Aidan Connolly to take over as CEO, shortly after he joined Alter Domus, to provide leadership and drive to the business. He has overseen significant growth and investments during this time and has devoted considerable effort integrating the US business into the Group. Recognising that the US offers the greatest opportunities for growth and that it will soon become the largest region, he is stepping down to allow a more local executive focus on growth in this region and to drive the Group. During his period of leadership, the Group has expanded across all key metrics. We would like to thank him for his contribution and to wish him well in his future endeavours.

"I am incredibly excited to lead the Group going forward. Since Cortland joined two years ago, I have personally seen the combined strength of the capabilities of Cortland and the broader Alter Domus organisation. This is indeed a powerful combination and positions us to provide all our stakeholders – AD team members, clients, and shareholders – far superior outcomes than our competitors." said Doug Hart, Group CEO.



Doug Hart,
Group CEO

WE ARE WHERE YOU NEED US

AMERICAS

- Cayman Islands
- United States:
Chicago (IL)
New York (NY)
Darien (CT)
Austin (TX)
Indianapolis (IN)
Los Angeles (CA)
- Canada
- Latin America

EMEA

- Belgium
- Cyprus
- France
- Germany
- Guernsey
- Ireland
- Jersey
- Luxembourg
- Malta
- Mauritius
- Spain
- The Netherlands
- United Kingdom

ASIA-PACIFIC

- Australia
- China
- Hong Kong
- Japan
- Singapore
- India

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