

## Choosing Malta as the global HQ

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Just as the presence of shovel-makers during California's gold rush was a sure sign that more prospectors were on the way, so the increasing number of service providers in Malta surely presages a wave of new funds to the island.

Custom House Global Fund Services (CHGFS) is one of a number of fund service providers that have established an office in Malta, although the Custom House Group went further when it decided to relocate its headquarters to Malta. Dermot Butler, chairman of CHGFS, says a practical-minded regulator, advantageous tax laws, a well-educated and English-speaking workforce, and membership of the European Union made Malta a natural choice.

"There is nothing intrinsically wrong with how the Cayman Islands and other Caribbean fund domiciles work and I expect them to remain strong within the sector, particularly among funds with managers based in the US and BRIC countries," says Mr Butler. "But we are expanding the services we provide out of Malta because of its growth potential. For a start it is a lot less expensive than Dublin or Luxembourg in terms of population. It is also probably the third biggest fund administration centre in the world which is little recognised."

Most important of all for growth today, Malta's main advantage over the offshore centres of the Caribbean is that, in the wake of the Alternative Investment Fund Managers Directive, being in the EU may well be critical to any hedge fund or private equity manager that seeks to have EU resident investors on its share register.

However, it was the island's surprisingly sophisticated infrastructure and the know-how of its fund industry practitioners that initially alerted CHGFS to the possibility of creating a headquarters there. In 2005, it was asked by a client, The National Bank of Canada, to create a fund of funds vehicle with a large number of underlying strategies in Malta. "It required a fair bit of complex legal work to get the master-feeder structure right and to make sure it all worked from a tax perspective too," says Mr Butler. "The Maltese lawyers we used got to grips with the challenge and helped us achieve our goal."

The result was a piece of financial engineering, which involved some 30 (now 100) sub-funds, demonstrating the intellectual expertise and proficiency of local finance professionals, Mr Butler says.

The success of the project was at the root of the board of CHGFS's decision to move its holding company to Malta. The firm believes it has chosen to invest in Malta at just the right time in the island's development. Albert Cilia, executive director of CHGFS, notes: "There is great potential for growth here which we hope to achieve by working with our partner, Equity Trust (based in Amsterdam). We have already won some significant clients and over the next few months I think volumes of business to Malta and to our firm will start to accelerate."

Mr Butler agrees. "Malta has come a long way in a short time thanks to its pro-business stance. It is already a sophisticated financial services centre."

CHGFS also has offices in Chicago, Dublin and Singapore, Luxembourg and the Netherlands from which its 24/5 service offering is delivered. Whereas the NAV process at some administrators breaks down when the local office shuts for the evening, CHGFS's systems and global staff enable smooth workflow resulting in more timely NAVs for hedge fund managers. Malta fits nicely into this sleek operation.

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