

Focus on developing value-added services

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Malta has not only weathered the worldwide financial crisis but seems to be one of the few jurisdictions where growth momentum has been sustained.

The number of jobs in finance grew by 103 last year even as most countries saw a sharp decline, and the financial services industry now provides 8,900 direct and indirect jobs. Figures from the National Statistics Office show that the financial intermediation sector's direct contribution to the economy rose from 4.5% in 2008 to 6% in 2009.

The fund management industry has been one of the pillars of the continuing growth. Last year, 20 new investment services licences were authorised and at the start of this year there were 88 investment services licence holders, 29 more than in 2006. In addition, 105 new Collective Investment Schemes licences were issued (including sub-funds), bringing the total number of funds (including sub-funds) to 392.

Even the total Net Asset Value (NAV) of Malta-domiciled investment funds (PIFs, UCITS, and Non-UCITS) was up last year, at EUR 7 billion.

The upward trajectory of the Maltese financial services sector has been sustained by the willingness of stakeholders – private firms, government and the Malta Financial Services Authority – to work in a collegiate fashion. This triumvirate has been augmented in the last three years by FinanceMalta, which is tasked specifically with promoting the island.

FinanceMalta's annual conference, for instance, has gained traction and now entices some of the biggest names in the industry to Maltese shores. One of its appeals is that the conference agenda is carefully calibrated to reflect latest thinking and issues in the funds sector. Kenneth Farrugia, chairman of FinanceMalta, says: "It has evolved nicely. We changed the format this year and focused on the future of supervision in the EU, corporate governance, and the role of the stock exchange." Workshops included Islamic finance, the AIFM directive and Solvency II challenge for insurers.

FinanceMalta also aims to represent the island at conferences around the world. The result is Malta is now frequently mentioned even in conferences in which it does not participate or provide sponsorship.

The push to explain Malta's advantages has ensured that some of the world's most respected hedge fund administrators have set up in the jurisdiction, including Apex, Praxis and Custom House. So while Maltese-domiciled funds are not obliged to use Malta-based administrators, many do so: as of December 31, 2009, 46.8 per cent of the total funds domiciled in Malta were administered in Malta. In addition, the first signs of the predicted wave of redomiciliations from offshore locations to Europe are now in evidence in Malta.

But Malta has loftier aims than being a domicile for funds, or a centre for commoditised services, as Farrugia explains. "We are looking to develop more value-added services, like research and investment capabilities. In addition, we have a global outreach program to internationalise Maltese financial services."

The depth of expertise emerging from Maltese universities underpins this drive: there are more than 10,000 full-time university students in Malta out of a population of just 400,000, and a further 11,000 in vocational training. In addition, although Malta has the lowest female participation rate in the workforce in Europe, 50% of students are currently female, suggesting there is great untapped potential to drive the next wave of growth on the island.

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