Growth areas include private equity and ETF's

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After the lull in activity that affected all fund jurisdictions in the post-crisis period, there are now clear signs of risk appetite returning and that promoters are willing and able to launch funds. ÒThe efforts to promote Malta are paying off and this has translated into a fair number of vehicles being set up now,Ó says Laragh Cassar, a partner at Valletta-based law firm Camilleri Preziosi.

The most popular vehicle is still the middle-tier Professional Investor Fund (PIF), which is both accessible to a wide range of investors but not subject to as much regulatory scrutiny as the lower tier level of the PIF.

But Maltese expertise goes beyond the launching of new funds, which is a relatively straightforward procedure. Legal counsel assists hedge funds in the structuring of the fund structure and in the on-going day-to-day impact of Maltese law on the operations of the fund.

A number of patterns are likely to emerge in the coming years which will drive the Maltese fund industry forward, she believes. Firstly, the creation of Ucits funds on the island: ÒSo far this has not been a huge success story, but there is growing interest for funds to redomicile from the Caribbean and the Channel Islands,Ó says Cassar. In addition, some fund managers are setting up Ucits as a first step to moving more of their activities onshore. Says Cassar: ÒManagers and directors want to place Malta on their map and may use the island for further funds later on.Ó

Another potential growth area is private equity, although the infrastructure may need some further fine-tuning to ensure that the more traditional private equity model can be easily used in the local scenario. Cassar is one of a number of professionals in the Maltese funds industry to be involved in a private equity working committee of the Institute of Financial Services Practitioners (IFSP), which was set up in 1989 to aid the development of financial services in Malta.

“The IFSP is looking to improve the LP legislation to specifically cater for the structures more commonly used internationally with a view to exploiting the ‘extraordinary investor’ level of the PIF structure. This is the result of increased overseas interest,” says Cassar.

There will also be a push to encourage the creation of more exchange traded funds. “The IFSP is working on the structure to attract international investors,” says Cassar. The attraction to incorporate ETFs in Malta would be similar to the reasons that PIFs have been so successful: cost-efficiency; a co-operative but rigorous regulator; English-speaking service providers; and the chance to be aligned with a fast-growing fund jurisdiction.

Of course, the great unknown is the Alternative Investment Fund Managers directive. Cassar says the IFSP is looking at the potential benefits to the island of the directive. “The IFSP is looking at the types of structures that might attract investors. The directive clearly has the potential to change the way investors and fund promoters act.”

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