



## Malta as an International Financial Centre

The Financial Services Sector is a major pillar of the Maltese economy. In fact, Malta's 'Vision 2015' envisages that this sector will account for 25% of the island's Gross Domestic Product. Islamic Finance shall play a prominent role in achieving this target. Under the current Maltese legislation Islamic Finance transactions can already be instituted utilising various legal instruments.

## The Global Competitiveness Report 2009-2010 of the World Economic Forum has ranked Malta:

The 52<sup>nd</sup> out of 113 economies for global competitiveness;

The 13<sup>th</sup> soundest banking sector;

The 13<sup>th</sup> in financial sophistication category;

One of the top performers in terms of foreign direct investment in proportion to gross domestic product.

Malta was also among the 40 countries praised by the Organisation for Economic Co-Operation and Development (OECD) for "sustainability implementing" internationally agreed upon tax standards.

## ERREMME BUSINESS ADVISORS

Reuben M. Buttigieg is Managing Director of Erremme Business Advisors and Chairperson of the Malta Institute of Management Training and Education Division. Reuben is the head of the Islamic Finance arm of Erremme Business Advisors. He has been the pioneer of Islamic Finance in Malta and is a major contributor towards promotional events in this respect.

Reuben has represented Malta internationally through presentations and speeches with the aim of presenting Malta's case and promote Islamic Finance. Throughout these events he has advocated Malta as an island with robust regulatory framework and presenting ways and means how Malta could be used as a conduit for Islamic Finance.

Erremme Business Advisors has advised on various international Islamic finance transactions to international clients including world renowned organisations. Erremme Business Advisors were the appointed experts on Islamic Finance and Access to Finance for SMEs on different occasions amongst others on the Position Paper compiled by the European Economic and Social Committee.

# Malta

## The Mediterranean Islamic Finance Centre



113B, Paola Road, Tarxien TXN 1807, Malta, Europe  
Tel: +356 2166 1273 | Fax: +356 2166 3253  
Email: [info@erremme.org](mailto:info@erremme.org) | [www.erremme.org](http://www.erremme.org)



Islamic Finance Expertise

## The opportunities Malta has to offer on a macro level:

Malta's geo-strategic position at the centre of the Mediterranean Sea makes it more accessible to other countries, given the well-connected flights. Moreover, its location makes it a starting point to access several emerging markets in Africa and Europe.

Being a member of the European Union (EU), the Eurozone and the OECD facilitates stronger links with all EU member states and North African countries, in particular with Libya, Tunisia and Egypt.

Malta has access to approximately 230 million Muslims in Europe and North Africa, providing a massive client base for Islamic Financial Institutions (IFIs).

IFIs incorporated in Malta benefit from passporting rights in the EU to reach a population of approximately 500 million people.

Malta has a strong network of Double Tax Treaties, among which, are those signed with Tunisia, Morocco, the United Arab Emirates, Italy and Libya.

## From a micro perspective, Malta offers the following benefits:

Political stability further makes Malta a pro-business centre. Both sides of the House of Representatives strongly encourage the development of Malta as a regional hub for Islamic Finance.

A reputable legislative and regulatory framework provides stability and reliability. The establishment of the Malta Financial Services Authority (MFSA), in 2002, was the pinnacle in the process of becoming an onshore jurisdiction.

Malta has a highly-educated multilingual and multicultural workforce. Most people further their studies both locally and abroad. Many seek international experience abroad in their field of choice.

Efficient tax structures, such as a competitive corporate tax and a full imputation tax system assist the pro-business environment.

The ICT infrastructure has seen a large amount of investment over the past decade, providing fast bandwidth networks. Also, Malta is linked to Europe by submarine fibre optic cables.

## Possibilities for Islamic Finance Transactions

Legislative instruments that facilitate the possibility for Islamic Finance transactions include:

### Trusts and Trustees Act

This is the main piece of legislation through which Islamic Finance transactions can take place. By adding a trust layer to the transaction, it is not only incorporated successfully, but the trust gives an added layer of security.

### Protected Cell Companies

Malta is the only full EU member state with PCC legislation. Through this, takaful and re-takaful companies can be established in Malta. Furthermore, Malta has yet to introduce Incorporate Cell Company legislation, which is unique to a handful of EU jurisdictions only.

### Funds

The Maltese fund regime allows both retail funds and professional investor funds (PIFs). A major breakthrough has been the issue of a Guidance Note on Shariah Funds by the MFSA.

### Islamic Real Estate Investment Trusts

I-REITS are highly possible under existing law as the only requirement is for them to be Shariah compliant. This implies that investments in non-Halal activities are not undertaken. I-REITS may also be registered on the Stock Exchange.

### Special Purpose Vehicles

These companies may be used as asset holders for companies, especially those in the shipping and aviation industries, as well as in the issuance of sukuk.

### Islamic Banking

Government, by means of several agencies and the MFSA is looking into the necessary legal amendments to banking legislation to facilitate Islamic Banking. However, there are numerous legislative instruments which could be used for Islamic Finance products, amongst others, its Venture Capital legislation.

### Malta Stock Exchange

Listing of IFIs on the stock exchange provides an excellent opportunity.



## Areas of Investment for IFIs

### Ship Registration

Malta as one of the largest ship registries in the world could register all types of vessels.

### Aircraft Finance

Malta is attempting to replicate its reputation in aviation as it currently has in shipping. The Aircraft Registration Act aligns Malta with the Cape Town Convention and provides incentives for the financing of aircraft. Of particular interest, ijarah, the issuance of sukuk and the holding of aircraft through SPVs.

### Agribusiness

Malta has the right climate for several Mediterranean fruit, such as the olive. Gozo, Malta's sister island has been largely established as an agricultural centre.

### Manufacturing

Multinationals such as STMicroelectronics are present in Malta.

### Superyachts

Many superyachts have chosen to be registered in Malta in order to benefit from its effective tax regime.