

## **Malta as a Business Platform**

Historically, Malta has always been a hub of maritime activity in the Mediterranean. The country is now exporting this "hub" concept to the rest of the world, by extending it to the IT and Financial services sector.

These efforts are being rewarded by recent developments in the sector, with giants like Microsoft, Oracle and Cisco planning to set up IT academies in the country. Encouraged by government initiatives and excellent telecoms infrastructure, Malta is one of the top ranking progressive development environment in the IT world and its branches.

The country is committed to work hard to ensure that the latest project, SmartCity@Malta, will become the European outpost for global ICT or media companies that want to penetrate markets Europe, as well as North Africa. This resolute commitment will be applied to all prospective investment proposals.

## **A Competitive Investment Location**

The country offers an attractive blend of incentives, including tax breaks, subsidised factory space, soft loans and rebates on training and employment costs is offered to investors interested in Malta. Coordinated by Malta Enterprise, the package includes assistance in all areas of set-up and gives the island a sharp competitive edge within the investment market.

## **Determined to Leave its Mark**

Malta has been aggressively shaping and implementing legislative and regulatory systems to encourage investment and growth in key target sectors. Possessing a dynamically flexible, highly skilled and multilingual workforce, Malta has redefined its role within the international business community to one of initiative and success.

## **Promoting a Culture of Excellence**

Malta has been very successful in diversifying its economy away from traditional economic activity generators. By developing new sectors like ICT, iGaming Pharmaceuticals and Financial Services, the economy is gearing these diverse operations to compete effectively in world markets. However, despite these successes, the government is now focusing on attracting foreign investment in high value added sectors that will maximize the potential of combining Malta's state-of-the-art IT and telecoms infrastructure with its highly skilled workforce.

## **Financial Services Sector...A success story**

### **Making Success A Reality**

The Maltese financial services sector is the fastest growing sector of the economy. Its current contribution is 12% of GDP and it employs more than 5,000 employees. Government's commitment to sustained development of this sector is evidenced by legislation and supervisory systems introduced in recent years, as well as the dedication of the MFSA which ensures Malta's place among countries with optimal financial sectors.

Malta has gained international recognition as a world-class centre, attracting blue chip banks, fund managers, investment houses and professional practices from the USA, UK, Germany, Austria and Switzerland.

### **Exploiting Key Advantages**

Malta's competitive advantages are well suited for the developments in international financial markets:

- Low cost base, with salaries much lower than European levels
- Highly skilled, multilingual workforce; especially English
- World class IT capabilities
- Banking sector can support all kinds of international operations and offers wide variety of credit, funding and consultancy facilities.

### **Built on Sound Fundamentals**

Malta has received international recognition for its stable regulatory framework, which adopted EU standards for insider dealing, money laundering, professional secrecy, and banking regulation from the very start. Malta's banking laws follow the best practices of EU banking regulations and supervisions requirements. There is a tight regulatory framework for international practices and standards, with laws including the Prevention of Money Laundering Act, the Insider Dealing Act, and the Professional Secrecy Act.

### **Developments**

Malta's Stock Exchange was set up in 1992, reaching dynamic levels of activity in 2004 which persist. Given that the market value of listed stocks has more than doubled, the MSE is now seeking to play an important role in the Mediterranean region by conceptualizing "Borzamed"; a plan for the cooperation of Mediterranean Stock Exchanges.

The MSE is striving to develop a niche market that attracts companies whose sizes keeps them out of major EU stock exchanges. The idea behind this strategy is tutoring smaller companies until they are ready to penetrate larger exchanges.

## **Insurance**

Malta is gaining a firm foothold in this sector, offering a high quality location specializing in delivery of services and back office administration to all types of insurance firms. In 2003, Government enacted legislation that allows the creation of captive insurance companies. 2004 saw the introduction of legislation for Protected Cell Companies.

## **Taxation**

The country has unique cost advantages. Although its corporate tax rate is 35%, financial services companies benefit from a package of incentives and tax reductions, accessed through Malta Enterprise, which can take the rate down to as low as 4%. In addition, Malta's overall cost base is lower than anywhere in mainland Europe, particularly than that of Luxembourg, one of the island's major competitors. Malta has double taxation treaties with 42 countries, including most of the major European trading nations, and is in the process of negotiating others. Income originating from overseas is not subject to double taxation, even if there is no double taxation agreement existing.

## **Goals**

Currently employing over 5000 people and contributing 12% of GDP, in 2006 the financial sector made the following important contributions to the Maltese economy:

28.57% of the total increase in gross value added in the economy

42.17% of the total increase in operation surplus of the economy

Given its dynamic growth potential, the Government aims for the financial sector to contribute 25% of GDP by 2010.

Malta's message to the financial services world is simple and straightforward: The regulatory system is world class, costs are comparatively low and the island's authorities are committed to putting Malta on the map as the foremost centre for financial services in the Euro Med region. ^

## **Regulatory Body**

The Malta Financial Services Authority, set up in 2002, regulates all financial services. Companies benefit from reduced bureaucracy in procedures, implying lower fees and compliance costs. Although the MFSA is demanding in compliance requirements, it also offers tailor-made solutions where standard practices fail.

## **Building Momentum**

At present, Malta's financial sector is dominated by banking; but this is changing as the investment and fund management industry is arousing foreign interests. Companies wishing to target the Mediterranean region are setting in Malta. Such investment prospects are regulated by the Investment Services Act. Malta specializes in establishing, licensing and listing of collective investment schemes. The MFSA is marketing Malta as the place to be for establishing funds, investing in emerging markets as well as administering corporate and private trusts.

## **Small Firms...where do they fit in the picture**

A positive feature associated with small firms is the high level of motivation, since very often it is the owners that run the business and the success of the business is directly connected with the well-being of the owners and their willingness to make sacrifices.

The high degree of flexibility and adaptability to sudden changes, a low degree of bureaucratic time wasting in managerial hierarchy, and minimal industrial relations problems, make small firms a force to be reckoned with.

Small firms are poised to exploit market niches, where individual design and personalized attention are preferred over the standardization, suffered in market dominated by industrial giants.

New entrepreneurs will have to be dynamic and more versatile when taking decisions; and small firms are known to be able to adapt faster to these challenges more easily than larger firms. Success will not depend on dominant positions, but on the ability to discern changes and adapt to them quickly by proactive adjustment. This will in turn offer the exciting possibilities of economies of speed.

## **Conclusion**

Malta's strengths lie mainly in the resilience and ambition of its people, qualities that are a direct result of the chequered history that makes Malta fascinating. For foreigners working in Malta, the combination of an efficient business climate, excellent infrastructure and driven work force, enhanced by the relaxed holiday environment in which they operate, offers a unique and magical experience.

(his Excellency, Edward Fenech Adami, President of Malta 2004-2009)