



Alternative Investment Funds in Malta

Fund Services

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Why
Malta?



Some Key data

- Malta became the smallest member state in the EU in May 2004, and joined the Euro Zone in 2008.
- GDP per capita is at 78% of the EU average, at €18,580 (March 2015).
- Malta was relatively unscathed during the years following the financial crisis of 2008, and stabilised by 2012.
- Malta has one of the highest figures of sunshine hours in Europe with an average of 3,000 per year.
- English widely spoken and written in Malta, and is the principal language for education and business.

Factors contributing to Malta's competitive advantage

- Flexible legal and regulatory environment with a legislative framework in line with EU Directives. Malta is fundamentally a civil law jurisdiction, however business legislation is principally based upon English law principles
- Malta boasts a high level of education with graduates representing a cross-section of the various disciplines related to financial services. Specific training in financial services is offered at various post-secondary and tertiary education levels.
- The accounting profession is well-established on the island. Accountants are either university graduates or in possession of a certified accountant qualification (ACA/ACCA)
- A flexible and proactive regulator that is very approachable and business-minded, yet robust.
- An ever-growing supply of high-quality office space for rent at cheaper prices than Western Europe
- Malta's development as an international financial centre is reflected in the range of financial services available. Complementing the traditional retail functions, banks are

increasingly offering private and investment banking, project finance, syndicated loans, treasury, custody and depositary services. Malta also hosts a number of institutions specialising in trade-related products such as structured trade finance, factoring and forfeiting

- Major international accountancy firms, including the Big 4 firms, are present on the island. Legal firms tend to be local, though most form part of international legal networks. Many professionals in both areas pursue studies and training overseas
- Maltese standard time is one hour ahead of Greenwich Mean Time (GMT) and six hours ahead of US Eastern Standard Time (EST) so business runs smoothly with the international community
- International Financial Reporting Standards, as adopted by the EU, are entrenched in company legislation and applicable since 1997, so there are no local GAAP requirements to deal with
- A very competitive tax regime, also for expatriates, and an extensive and growing double taxation treaty network
- No restrictions on the granting of work permits for EU and EEA nationals



Joint 1st for the timely implementation of EU's Internal Market Rules into national law



15th for Soundest Banking Systems in the World

(World Economic Forum's Global Competitiveness Report 2015-2016, 140 countries reviewed)



3rd out of 144 countries Malta's ranking for International bandwidth per user

(World Economic Forum's Global Competitiveness Report 2014-2015)



1st place Europe's favoured fund domicile

(Hedge Fund Review's 2013 and 2014, Service Provider Ranking)



World Economic Forum

The Global Competitiveness Report, compiled by the World Economic Forum's centre for Global Competitiveness and Performance, provides an analysis of the strengths and weaknesses of countries, related to national competitiveness using the Global Competitiveness Index as the main methodology. Competitiveness is defined as "the set of institutions, policies, and factors that determine the level of productivity of a country" and is gauged on 12 pillars.

Global Competitiveness Index 2015-2016 rankings

How Malta scored

Overall, Malta has placed number 48 out of 140 countries in the 2015 report. Malta remained in the top-tier category, that groups 'innovation driven economies'. Malta has again scored highly in education, innovation, business sophistication and technological readiness. It ranked 19th in effect of taxation on incentives to invest.

Global Competitiveness Index

	Rank (out of 140)	Score (1 -7)
GCI 2015 - 2016	48	4.4
GCI 2014 - 2015 (out of 144)	47	4.4
GCI 2013 - 2014 (out of 148)	41	4.5
GCI 2012 - 2013 (out of 144)	47	4.4
Basic requirements (20.0%)	34	5.2
1st pillar: Institutions	35	4.5
2nd pillar: Infrastructure	43	4.7
3rd pillar: Macroeconomic environment	43	5.2
4th pillar: Health and primary education	25	6.3
Efficiency enhancers (50.0%)	42	4.4
5th pillar: Higher education and training	42	4.8
6th pillar: Goods market efficiency	42	4.6
7th pillar: Labor market efficiency	55	4.3
8th pillar: Financial market development	40	4.4
9th pillar: Technology readiness	23	5.6
10th pillar: Market size	123	2.6
Innovation and sophistication factors (30.0%)	49	3.9
11th pillar: Business sophistication	46	4.2
12th pillar: Innovation	49	3.5

Funds in Malta



What Others Say about Malta as a Fund Jurisdiction

Malta is a jurisdiction that is very attractive to fund promoters. Malta's economy has come through the credit crunch and market crisis remarkably unscathed. Malta has stable financial institutions and offers a firm but flexible regulatory regime for investment services. As an EU Member State, the Maltese regulatory framework is based on the EU model, however in adopting a principle-based approach rather than a strictly rules-based approach, the MFSA (Malta's single regulator for financial services activities) ensures that fund promoters' requirements are addressed satisfactorily.

The Capstone Group

The conservative policies which Maltese financial institutions have induced in the running of their business, with regards to structured financial products, lending policies and borrowing in a traditional retail funding model, have in fact safeguarded Malta's financial stability from systemic events, adversely encountered in other economies.

Praude Asset Management Ltd

'We have recommended Malta as a jurisdiction to three of our funds in the regulatory incubator now, and all are having a good experience'

Seonaid Mackenzie, Founder at Sturgeon Ventures LLP, United Kingdom

'Many speak of Malta as a fund domicile of the future'

Stuart Martin, Partner at law firm Dechert

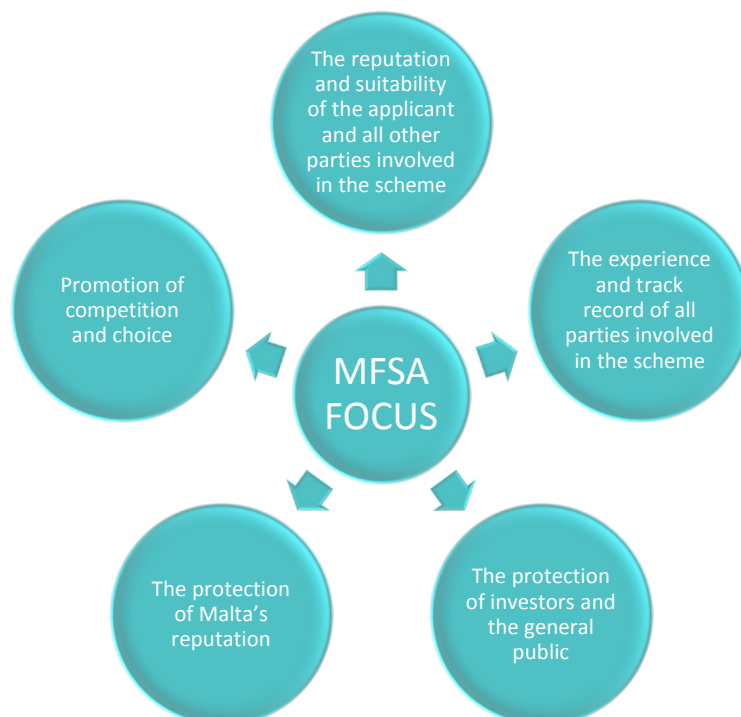
Many of these larger hedge funds, while serviced from Malta, remain legally domiciled elsewhere, so those assets aren't counted in Malta's official tally.

Bloomberg Markets Report - January 2012

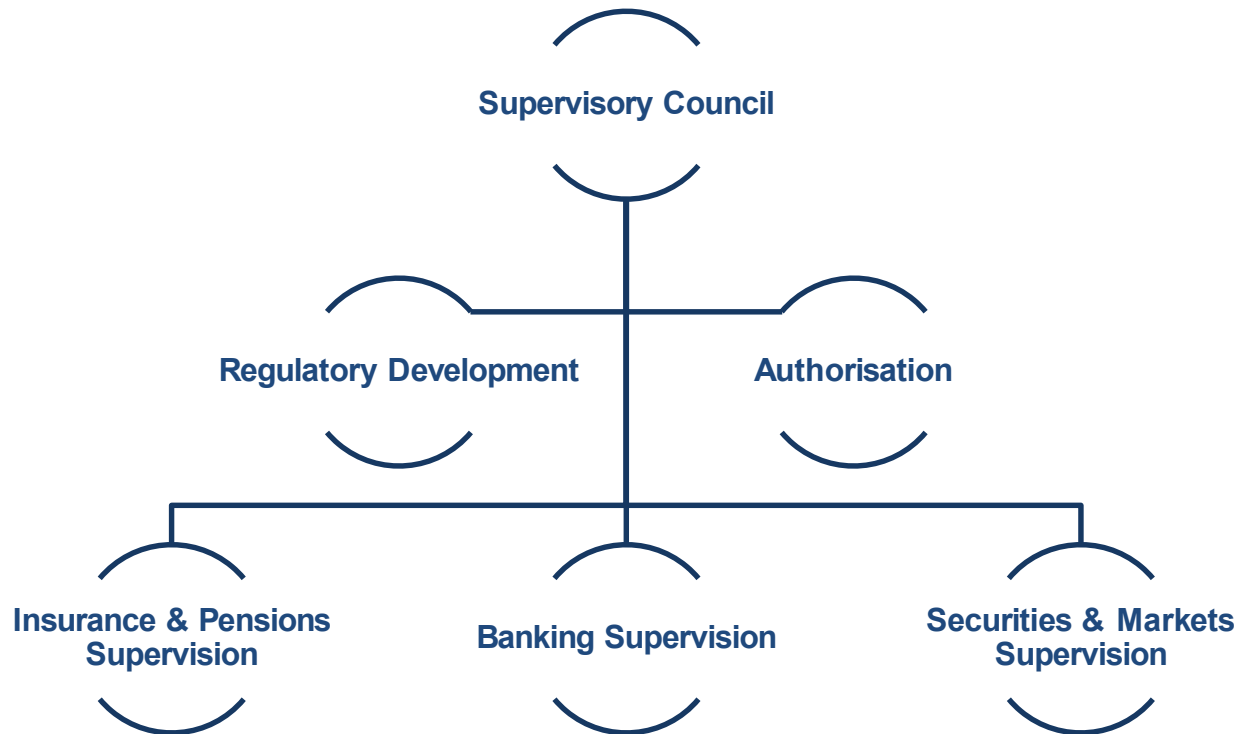
The Malta Financial Services Authority (MFSA)

The Malta Financial Services Authority (MFSA) is the single regulator for financial services in Malta and regulates banking, insurance, pensions and investment services (securities) business. The MFSA adopts a firm but flexible approach to regulation.

- **The licensing process is personalised**
- **Regulation is business-friendly and mindful of business needs**
- **Business oriented and efficient at transposing all potentially beneficial discretionary clauses in EU Directives**
- **Supervision is risk based and minimally intrusive**
- **Several institutions in Malta choose to target “niche” segments of the market**
- **The MFSA is open to new business models**



The Malta Financial Services Authority (MFSA)



- **Regulatory Development Unit** - co-ordinates the development of cross-sector policy initiatives and enables the MFSA to address market and regulatory developments as they arise
- **Authorisation Unit** - receives and processes all applications for authorisations to conduct regulated financial services in Malta
- **Supervision Units** - responsible for the post-licensing ongoing supervision of the regulated entities in their respective area

The application and licensing process

It is normal practice for licence applications to be discussed with the MFSA before formal submission of the application documents. The supporting documents to be attached to the application include the following:

Comprehensive business profile, including a detailed business plan

Supporting board resolution

Financial Resources Statement

Audited accounts (where applicable)

Projected three-year financial statements

Memorandum and Articles of Association

Auditors' declaration to accept appointment

Auditor's opinion on the Statement of Financial Resources

Individual questionnaires on key personnel of the company

Copy of representation agreements

Insurance policies (where applicable)

When considering whether to grant or refuse an Investment Services Licence, the MFSA must take account of:

- The degree of protection to the investors;
- The protection of the reputation of Malta, taking into consideration Malta's international commitments
- The promotion of competition and choice

When considering whether to grant or refuse an Investment Services Licence, the MFSA must take account of:

- Integrity;
- Competence; and
- Solvency

As part of the licensing process, the Applicant will be asked to identify an individual who will be designated as a Compliance Officer once operations have commenced. Additionally the Applicant must appoint a Money Laundering Reporting Officer as per Regulation 15 of the Prevention of Money Laundering Regulations and Funding or Terrorism Regulations ('PMLFTR'). This person can be the same as the Compliance Officer. The Applicant must formally propose these Officers to MFSA in which the MFSA will then confirm such duties with the proposed.

The Application and Licensing Process

Phase One Preparatory

- Initial meeting with the MFSA Authorisation Unit
- Communication of the applicant's intended activities to the regulator
- Preliminary indication by the regulator to move to the second stage

Phase Two Licence Application

- Submission of documents in draft form to the MFSA Authorisation Unit
- Fit and proper tests carried out by MFSA on the applicant
- MFSA feedback on documents
- Provision of replies to MFSA queries by applicant
- Completion of review of the application and all documents to the satisfaction of the MFSA
- MFSA will issue its 'in principle' approval subject to licence conditions
- Applicant to finalize all outstanding matters and submit full applicant in final format
- Registration of company establishing the institution requesting a licence
- Issue of official licence

Phase Three Post Licensing & Pre Commencement of Business

- Applicant to satisfy all post licensing matters prior to formal commencement of business
- Ongoing supervision by the Securities & Markets Supervision Unit

Alternative Investment Funds



Alternative Investment Funds

Alternative Investment Funds (AIFs)

AIF



An AIF is a non-retail collective investment scheme licensable in terms of the Investment Services Act, 1994, following the transposition of the Alternative Investment Fund Managers Directive ("AIFMD") into Maltese law in July 2013.

AIFMD



AIFMD lays down the rules for the authorisation, ongoing operation and transparency of fund managers that manage and/or market Alternative Investment Funds (AIFs) in the European Union.

Impact



Fund operations are indirectly impacted by AIFMD provisions such as requirements for leverage limits, fund risk profiles and portfolio liquidity.

E.g.



Examples of AIFs include hedge funds, private equity funds, real estate funds and venture capital funds.

Feature



Units or shares of AIFs may be marketed in other Member States or EEA States by means of the passporting procedure provided in the applicable rules as transposed from AIFMD.

NAIF



A third party Fund manager which can be unregulated or supervised. Quick licenses gained from this process, usually with 10 days.

Professional Investor Funds vs Alternative Investment Funds

When the Professional Investor Fund (PIF) has a total of Assets Under Management which exceed EUR 100M (including leverage) the Scheme would need to be registered as an Alternative Investment Fund.

In the case of a PIF which does not employ leverage and whereby investors may not redeem their shares for the first 5 years of operation of the fund, the threshold to apply for an AIF license is set at EUR 500M.

Professional Investor Funds

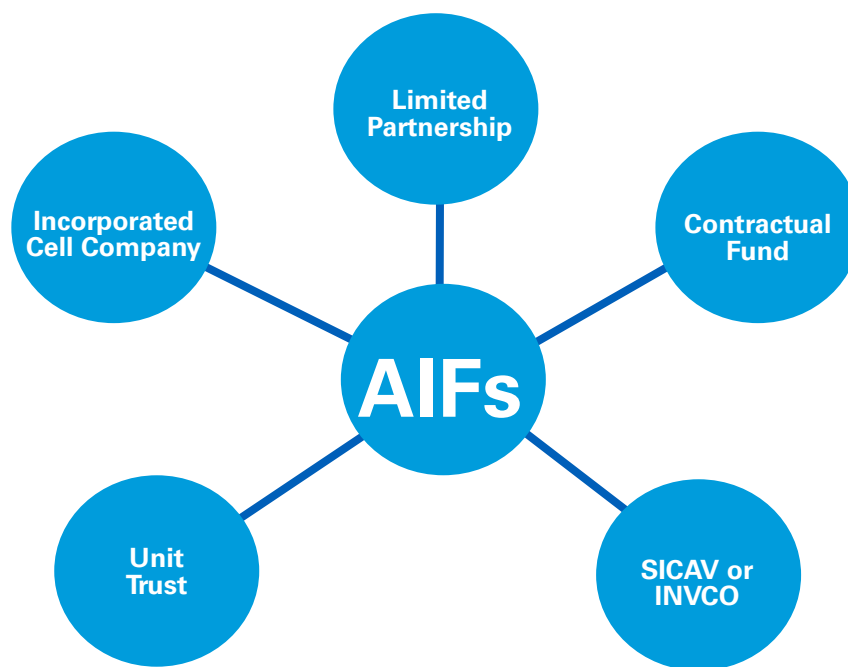
An AIF has very similar characteristics to the PIF except that it has stricter regulatory requirements.

The Maltese regulatory framework includes provisions which allow alternative investment funds to register under the PIF regime and to eventually apply for licensing under the AIF, following growth in their AUM, thus providing additional flexibility to such funds.

Alternative Investment Funds



AIF Structure



AIF's Targeted Investors

1. Professional Investors

MIFID defines a professional investor as a 'client who possesses the experience, knowledge and expertise to make its own investment decisions and properly assess the risks that it incurs' and who meets the following criteria:

- Entities which are required to be authorised or regulated to operate in the financial markets
- Large undertakings
- National and regional governments, Central Banks, international and supranational institutions
- Other institutional investors whose main activity is to invest in financial instruments

The Investment Services Rules applicable to Alternative Investment Funds specify that AIFs targeted to professional investors must abide by investment objectives, policies and restrictions outlined in its Offering Document.

Otherwise, no investment, borrowing or leverage restrictions apply except for cases whereby there is investment through Trading Companies and Special Purpose Vehicles.

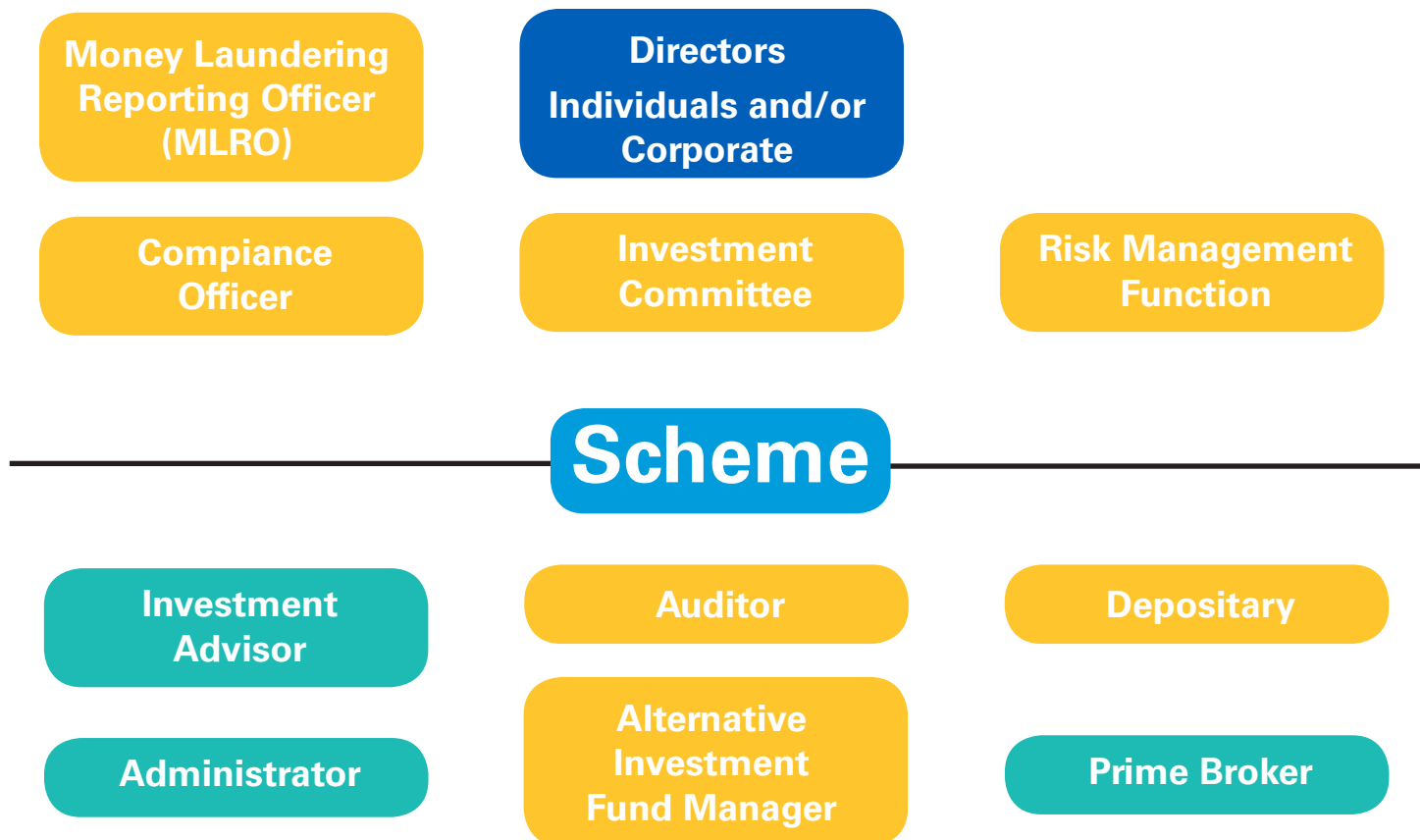
In the case of a conversion of a PIF into an AIF, the AIF may continue to target the same categories of investors as a PIF; namely, Experienced, Qualifying and Extraordinary Investors. In this case, the AIF would be subject to the same ongoing compliance regulations as those imposed on a PIF targeted to such investors, in addition to the requirements in relation to AIFs.

In all cases, the AIF must comply with the investment objectives, policies and restrictions outlined in its Offering Document.

2. Qualifying Investors

- Minimum investment threshold is EUR 75,000 or currency equivalent
- No investment, borrowing or leverage restrictions
- Supplementary conditions in case of investment through trading companies or Special Purpose Vehicles

Internally Managed AIFs



Externally Managed AIFs

- The governing body of the AIF shall be composed of one or more directors independent from the AIFM and the depository
- An AIF is obliged to appoint a Depository, an Auditor, a Compliance Officer and a Money Laundering Reporting Officer.
- The AIF may be self-managed or externally managed. In the case of a self-managed AIF, an Investment Committee must be appointed.
- The appointment of a fund administrator or investment advisor is on a voluntary basis, or may be performed by the AIFM (if applicable).



The Management of AIFs

Management of an AIF

An AIF may be self-managed or managed externally by another entity

The main activities to be undertaken in the management of AIFs are portfolio management and risk management. However, the manager of an AIF may also undertake ancillary activities such as administration, marketing and activities related to the assets of the AIF e.g. activities related to fiduciary duties, facilities management and advice to undertakings on capital structure

The AIF shall be subject to investment objectives, policies and restrictions outlined in its Offering Document. The AIFM shall take all reasonable steps to comply with the investment policies and restrictions of the AIF.

Self-managed AIF

Discretionary management activities vested in the Investment Committee, made up of no less than 3 members, under the responsibility of the Board of Directors.

Majority of Investment Committee meetings, at least quarterly, must be physically held in Malta

Must have at least one independent director and one Malta resident director

Initial capital requirement of EUR 300,000

Required to comply with all requirements for AIFMs under the AIFMD (and Maltese law) and be authorised as such

(Reference in the following pages to AIFM also shall be construed to refer also to self-managed AIFs)

Externally managed AIF

If manager is established in Malta, it must be in possession of a Category 2 Investment Services Licence and must also be licensed as an Alternative Investment Fund Manager (AIFM).

The conditions for authorisation

If established outside Malta the manager must be licensed as an AIFM and situated in another EU Member State.

AIF must have at least one director acting independently from the manager and the depositary

EUR 125,000 as initial capital requirement to set up AIFM in Malta

Conditions for authorisation of a fund management company in Malta

The MFSA must be satisfied that the AIFM will continue to meet its legal obligations

The AIFM has sufficient capital and own funds

The AIFM's business is carried out by persons of experience and good repute

The qualifying shareholders are suitable and can ensure sound and prudent management

The AIFM's head office is located in Malta, and adequately staffed to carry out the duties as required.



Requirements imposed on AIFMs and self-managed AIFs

AIFMs are required to appoint a risk management function that is functionally and hierarchically separate from the portfolio management function and the two functions must also be separate from other operational functions.

AIFMs must satisfy their competent authorities that persons proposed to exercise duties in relation to the portfolio and risk management functions are fit and proper to occupy their role.

The AIFM is responsible for both the portfolio and risk management functions and must always retain effective management of the fund. As a result, it may only delegate one of the two functions, in all cases retaining responsibility for the proper performance of such functions.

These functions may only be delegated to undertakings authorised or registered for the purpose of asset management and subject to adequate supervision and should not be delegated to a depositary or any entities which may be in conflict with the interests of the AIF or AIFM.

AIFMs are also required to establish, implement and apply a conflicts of interest policy, remuneration policy and appropriate procedures for the proper and independent valuation of the assets of each AIF under management. The valuation function must be separate from the portfolio management function.

The valuation procedure of the respective underlying assets of the AIF needs to be spelt out in the Offering Documents. The MFSA expects the AIFM to gain an independent valuation for the purpose of valuing unlisted securities or other assets which are not dealt in regulated market and where prices are not readily available.

In such cases, the valuer will need to satisfy the following criteria:

- Be an independent person from the AIF, its officials, or any service providers to the AIF;
- Be of good standing with recognised and relevant qualifications and an authorised member of a recognised professional body in the jurisdiction of the assets;
- Be appointed by the AIFM

The valuation function may also be performed by the AIFM when it is with respect to securities other than those referred to above, provided that the valuation task is functionally independent from the portfolio management and the remuneration policy and other measures ensure that conflicts of interest are mitigated and that undue influence upon employees is prevented.

The Remuneration policy must cover senior management, portfolio management functions and functions with an impact on the risk profile; and which discourages risk taking that is inconsistent with the AIF's risk profile.

AIFMs must comply with transparency requirements with regards to the financial position of the AIFs under management and information to be provided to investors of the AIFs under management and to the MFSA.



Requirements imposed on AIFMs and self-managed AIFs

Depository requirement



A single independent depository is required to be appointed for each AIF under management to be responsible for safekeeping, cash monitoring and oversight duties

The depository must adhere to a strict liability regime which dictates that a loss by a depository or its delegate of a financial instrument held in custody will give rise to an obligation to replace the instrument or pay compensation to the AIF without undue delay

By virtue of a derogation successfully negotiated by the MFSA at EU level, AIFs established in Malta may appoint credit institutions established in another Member State until 22 July 2017 to act as a depository. After that point, AIFs established in Malta would be required to appoint depositories established in Malta which would be in possession of a Category 4a licence in terms of the Investment Services Act (ISA)

Entities established in Malta in possession of a Category 4b license in terms of the ISA may be appointed as depository to AIFs which have no redemption rights exercisable during the period of 5 years from the date of the initial investments and which, in accordance with their core investment policy, generally do not invest in assets that must be held in custody and to third country AIFs managed by a Maltese or EU AIFM, which are marketed in the EU/EEA

AIFMs and Prime Brokers are prohibited from acting as depositaries. The prohibition is lifted from Prime Brokers if measures have been taken to functionally and hierarchically separate the two functions and where no potential conflicts of interest arise

Requirements imposed on AIFMs and self-managed AIFs

De Minimis AIFMs

De Minimis AIFMs

AIFMs managing portfolios of AIFs, the AUM of which is less than EUR 100 million

or

AIFMs managing portfolios of AIFs, the AUM of which is less than EUR 500 million where the AIFs are unleveraged and have no redemption rights exercisable during a period of 5 years following the date of initial investment in each AIF

If the above conditions are met, an entity wishing to set up in Malta must apply for a de minimis Category 2 Investment Services Licence

PIFs managed by de minimis AIFMs are not subject to the same requirements as for AIFs.

When the conditions above cease to apply, the de minimis AIFM must apply for a full AIFM licence

Requirements

- Requirements much less onerous than those applicable for a full AIFM
- Must have an established place of business in Malta
- Must be independent from the Custodian of the AIF
- Shall implement and maintain adequate risk management policies depending on the nature, scale and complexity of AIFs managed
- When choosing to delegate any functions, there is only the request of notification to MFSA and ensuring that such delegation does not bring about undue operational risk
- Initial capital requirement of EUR 125,000
- Reporting requirements towards MFSA as regards:
- Investment strategies of the AIFs under management
- Main instruments in which the AIFs under management are trading
- Principal exposures and most important concentrations of the AIFs under management



Passporting

The AIFMD confers an EU-wide marketing passport to the AIFM to market AIFs that it manages to professional investors across the EU.

An AIFM licence also confers an EU-wide management passport to the AIFM that permits the management of AIFs based in any EU Member State, either directly or through a branch. The host country competent authorities cannot impose any additional requirements on the AIFM in respect of the areas covered by the Directive.

AIFMs that fall under the de minimis regime cannot benefit from an EU-wide management or marketing passport, however small AIFMs have an opt-in procedure to apply for a full AIFM licence, which would make passporting possible.

The Investment Services Act (Marketing of AIFs) Regulations set out the conditions to be met for the:

- marketing of units or shares of European AIFs by a Maltese AIFM in Malta
- marketing of units or shares of European AIFs by a Maltese AIFM in an EU or EEA Member State other than Malta
- marketing of units or shares of European AIFs by a European AIFM in Malta
- marketing of AIFs by AIFMs to retail investors in Malta

The Investment Services Act (Alternative Investment Fund Manager) (Passport) Regulations set out the conditions to be met for:

- the freedom of establishment of Maltese AIFMs; namely, for the:

- direct management of a European AIF
- establishment of a branch in another Member State (MS) or EEA State
- the freedom of establishment for European AIFMs; namely, for the:
 - direct management of a European AIF
 - establishment of a branch in Malta



Information to be submitted by AIFM to obtain marketing passport	Additional information to be submitted by AIFMs wishing to manage EU AIFs established in other EU Member States
<p>The notification file to be submitted to the EU AIFM home Member State competent authorities (Member State of Reference competent authorities for non-EU Managers) should contain the following information:</p> <p>The identity of each AIF the AIFM intends to market</p> <p>The AIF's rules or instruments of incorporation</p> <p>The identity of the AIF depositary</p> <p>Information relating to any master AIF, if the AIF is established as a feeder AIF</p> <p>AIF pre-sale disclosure documents</p> <p>Information on the arrangements established to prevent units or shares of the AIF from being marketed to retail investors</p> <p>Member States where the AIFM intends to market the AIF</p> <p>Where the European AIF is a feeder AIF, the right to market is subject to the condition that the master AIF is also a European AIF managed by an AIFM authorised by a Member State or an EEA State</p> <p>Within 20 days of receiving the notification file, the MFSA shall inform the Maltese AIFM whether it may start marketing the European AIF in Malta as indicated in the notification file</p>	<p>The Member State in which it intends to manage AIFs directly or establish a branch</p> <p>A programme of operations stating services to be performed</p> <p>List of AIFs it intends to manage</p> <p>The organisational structure of the branch (if relevant); the names and contact details of the branch management; the branch address</p>

Information to be submitted by AIFM to obtain marketing passport	Additional information to be submitted by AIFMs wishing to manage EU AIFs established in other EU Member States
<p>In the case of an application by a Maltese AIFM to market an EU AIF in another EU MS or EEA State, the MFSA shall, within 20 days of receiving the notification file, transmit this to the European Regulatory authority of the respective state, enclosing a statement to the effect that the Maltese AIFM concerned is authorised to manage European AIFMs with a particular investment strategy</p> <p>If the AIF identified is set up in an EU MS or EEA State other than Malta, the competent authority shall proceed to inform the European Regulatory Authority of the home MS or EEA State of the AIF that the Maltese AIFM may start marketing the units or shares of the said AIF in Malta</p> <p>The Maltese AIFM may start marketing the European AIF in the other EU MS or EEA State from the date of notification by the MFSA to the respective authority</p>	<p>In the case of direct management, the MFSA shall, within one month of receiving the complete documentation submitted transmit the complete documentation to the European regulatory authority of the Maltese AIFM host MS or EEA State</p> <p>In the case of the establishment of a branch, the MFSA shall transmit the complete documentation to the European regulatory authority of the Maltese AIFM host MS or EEA State within two months of receiving the complete documentation.</p> <p>In each case, the MFSA shall also enclose a statement to the effect that the Maltese AIFM is licensed in terms of the Act</p> <p>Upon receipt of the transmitted notification the Maltese AIFM may start to provide its services in the host Member State or EEA State</p>

Specific Requirements

Financial Resource Requirement

Investment services providers are subject to Capital Adequacy rules on own funds, large exposures, and risk weightings as set out in the EU Capital Requirements Directive.

The components and amount of the Capital Resources Requirements varies according to the category of Licence Holder, the risks to which it is exposed and in certain cases the fixed overhead requirement.

In all cases, the Capital Resources Requirement may not be less than the Initial Capital Requirement applicable to each category, as outlined in the following table:

Licence Category	Minimum Initial Capital Net Tangible Assets (€)
Category 1A	€50,000
Category 1B - with PII*	€20,000
Category 1B - without PII*	€50,000
Category 2	€125,000
Category 3	€730,000
Category 4	€125,000

* PII – Professional Insurance Indemnity Cover

Supplementary Licence Conditions

Supplementary conditions for AIFs established as Limited Partnerships

The AIF shall obtain the written consent of the MFSA before admitting a General Partner. The request shall be accompanied by a Personal Questionnaire completed by the person proposed or by the Directors and Qualifying Shareholders of the proposed General Partner (in the case of a body corporate). If the corporate General Partner is regulated in a recognised jurisdiction, the request for consent shall include details of the regulatory status of the General Partner.

General Partners shall be persons falling within these categories:

- a company licensed under the Investment Services Act, 1994, for the provision of fund management services
- a company falling within the exemptions applicable to overseas fund managers
- any other entity of sufficient standing and repute as approved by the MFSA
- any other individual who satisfies the fit and proper test

The AIF, or the AIFM or Administrator on behalf of the AIF is required to disclose to potential investors, the identity of the beneficial owners of the General Partner(s) upon request

A special purpose vehicle is:

- set up by the Scheme as part of its investment strategy for the purpose of achieving its investment objectives
- owned or controlled via majority shareholding of the voting shares either directly or indirectly by the Scheme
- having the majority of its directors in common with the Scheme which it set up

SPVs must be established in Malta or in a jurisdiction which is not an FATF Blacklisted country

The AIF shall –through its Directors or General Partner(s) –at all times maintain the majority directorship of any SPV

The AIF shall –through its Directors or General Partner(s) –at all times maintain the majority directorship of any SPV



The AIF shall retain at its Registered Office, a copy of its written agreements with investors who have committed to invest in the AIF.

Such agreements shall be available for inspection by MFSA officials during compliance visits. The AIF's Offering Memorandum is to include specific risk warnings in relation to the drawdown of committed funds.

Any request on committed funds shall be effected pro-rata amongst all relevant investors of the AIF. The AIF shall only make a fresh call for further commitments once all the outstanding commitments from existing investors have been requested.

If the AIF is set up as a SICAV, units in the scheme may be issued at a discount to an existing member who has entered into a written commitment with the SICAV to subscribe for additional shares provided that this is permissible by the scheme's Memorandum & Articles and the nature of the discount is disclosed in the Offering Document.

The value of shares issued at a discount must not be below the net asset value of the initial shares in the SICAV subscribed to by that same member.

Reporting Frequency

AIF Reporting Frequency

Licence Category	Assets Under Management	Frequency of Reporting
De minimis AIFM	Less than €100M	Annual
	Less than €100M unleveraged with five year lock-up period	Annual
Other AIFM	Greater than €100M and less than €1Bn	Half-yearly
	Greater than €1Bn	Quarterly
Specific AIF Reporting	AIF's greater than €500M	Quarterly
	Unleveraged AIF investing in non-listed companies and issuers in order to acquire control	Annual



Cost Schedule

Licence Category	Application/ Notification Fee	Annual Supervisory Fee	
Investing Services Licences			
Category 1A	€2,500	For revenue up to €50,000 Further tranches of €50,000 up to a maximum of €1,000,000	€2,000 €350 per tranche or part thereof
Category 1B	€3,000	For revenue up to €50,000 Further tranches of €50,000 up to a maximum of €1,000,000	€2,750 €350 per tranche or part thereof
Category 2	€5,000	For revenue up to €250,000 Further tranches of €250,000 up to a maximum of €5,000,000	€4,500 €400 per tranche or part thereof
Category 3	€7,000	For revenue up to €250,000 Further tranches of €250,000 up to a maximum of €5,000,000	€6,000 €400 per tranche or part thereof
Category 4A	€17,000		€15,000
Category 4B	€7,500		€5,000
Recognised Fund Administrators			
Category 4B	€125,000	N/A	€1,500

Taxation



Taxation

Corporate taxation - general issues

A Maltese licensed financial services institution carrying out international operations from Malta may benefit from Malta's beneficial tax system

Malta has a full imputation tax system which completely eliminates the economic double taxation of company profits. Shareholders in receipt of dividends are entitled to a tax credit equal to the tax borne on profits out of which dividends are paid. Since the tax rate of 35% applicable to companies is also the highest tax rate in Malta, shareholders will not suffer any additional tax on the receipt of dividends.

In support of Malta's drive to eliminate economic double taxation, ever since 1994 Malta has adopted a system of tax refunds to shareholders, upon a distribution of dividends. Various refunds are available which may reduce the effective tax rate on profits distributed by Maltese resident companies to between nil and 6.25%.

The tax refund system, vetted by the EU Commission, extends to both resident and non-resident shareholders, and applies to all profits derived from local and foreign sources with the exclusion of profits derived directly or indirectly from immovable property situated in Malta.

Corporate taxation - the tax refund system

Upon a distribution of profits by a company registered in Malta (i.e. a company resident in Malta or a non-resident company which has a Maltese branch), its shareholders are entitled to claim the following tax refunds of the Malta tax charge of the distributing company:

The general rule is that the tax refund is 6/7ths of the Malta tax charge of the distributing company. The tax refund is generally 30% (6/7ths of 35%) of taxable profits and where no double taxation relief ('DTR') has been claimed, the effective tax in Malta on distributed profits will generally be 5%. Thus where foreign taxes suffered are 5% or more, the effective Malta tax suffered after tax refunds is nil;

On certain foreign source income, where double taxation relief has been claimed, the Malta tax suffered will generally be as follows:

1. Where foreign taxes are less than 11.67%, the Malta tax suffered will be between 2.49% and 6.25%;
2. Where foreign taxes are 11.67% or more, the Malta tax suffered is nil.

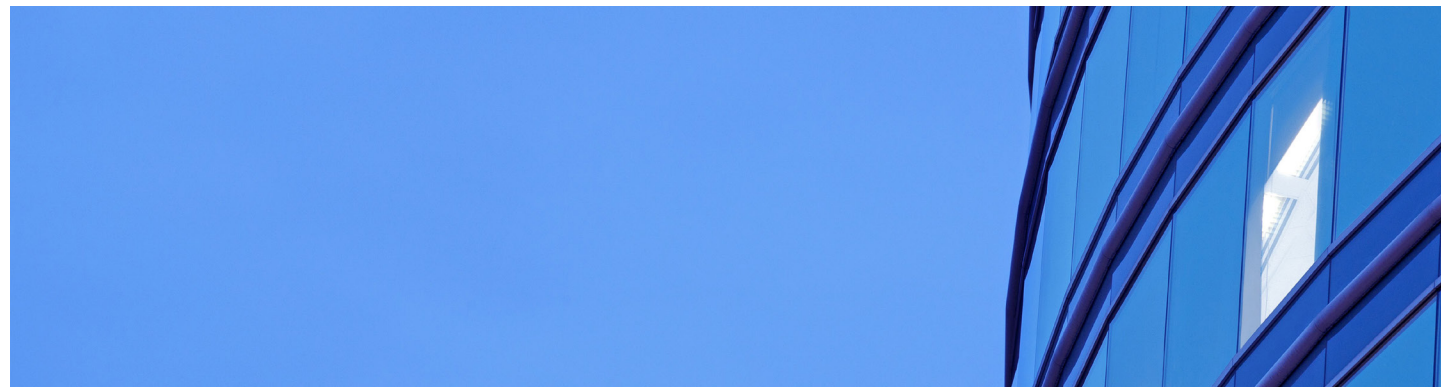


Licence Category	NO DTR	With DTR
Revenue	1000	1000
Operating Expenses	(200)	(200)
Tax Depreciation including intangibles	(200)	(200)
Royalty Expenses	(200)	(200)
Interest Expense	(300)	(300)
Taxable Profit	100	100
Tax at 35%	35	35
Relief for foreign tax		(5)
	35	30
6/7ths tax refund	(30)	(30)
Tax suffered in Malta	5	0
<i>% Tax suffered in Malta</i>	<i>5.0%</i>	<i>0.0%</i>

Other Tax matters

Value Added Tax

- Malta has a value added tax (VAT) system modelled on the EU VAT Directive.
- The standard rate in Malta is 18%.
- Supplies by funds are exempt without credit. This means that any VAT charged to the fund by other service providers (such as auditors and lawyers) will be a sunk cost to the fund.
- Funds may be required to be registered for VAT in Malta if they procure services from outside Malta which are subject to VAT.
- The supply of services consisting of the management of collective investment is exempt without credit, provided that these services are limited to those acts that are specific to and essential to the core activity of the scheme. This is interpreted as including administration of the fund and services related to investment selection whether provided by a fund manager, administrator or a third party service provider.
- No VAT is charged on the supplies made by a fund manager or fund administrator if the services are specific to and essential to the core activity of the fund.



Participation Exemption

Dividends and gains derived from qualifying participations are fully exempt from tax

Transfer Pricing

There are no transfer pricing rules in Malta

Controlled Foreign Company (CFC) rules

There are no CFC rules in Malta

No Capital Gains

The transfer of shares in a resident company by a non-resident is exempt from tax, provided there are no interests in immovable property situated in Malta.

Thin Capitalisation

There are no thin capitalisation rules in Malta.

Withholding Taxes

Malta does not impose any withholding taxes on interest, royalties, dividends and proceeds from liquidation.

Expatriates

Expatriates working in Malta are only taxable on Maltese source income and capital gains. Foreign source income which is not received in or remitted to Malta is not subject to tax in Malta.

Appendices

Appendix 1:

Comparison
between Fund
Jurisdictions



Comparison of Malta with other Fund Jurisdictions

	Malta	Ireland	Luxembourg	UK
Number of international administrators	27	46	132	42
Number of custodians	6	18	66	N/A
Number of law firms	45	11	20	40
Number of audit firms	11	12	12	35
Listed Funds	Primary listing: 46 sub-funds Secondary listing: 178 sub-funds	Share classes listed – More than 7,000 Funds and sub-funds – More than 2,800	Share classes listed – 6,440	N/A

Comparing Malta with other jurisdictions - *Taxation*

	Malta	Ireland	Luxembourg	UK
Applicable Taxes at Fund level	<p>Exempt from Income and capital gains for non-prescribed funds</p> <p>No withholding tax on Distributions made to foreign investors</p>	<p>Income and capital gains – Exempt</p> <p>Distributions made to non-resident or exempt Irish resident investors – No withholding tax</p> <p>No net asset tax</p>	<p>Income and capital gains – Exempt</p> <p>Distributions made to investors – No withholding tax</p> <p>Annual subscription tax of 0.05% of Net Asset Value</p>	<p>20% income tax on income for Authorized Investment Funds (AIFs). They are exempt from chargeable gains tax.</p> <p>Some funds may be treated as tax exempt</p> <p>The majority of UK resident AIF's pay no tax due to offsetting of expenses</p> <p>Distributions made to investors – No withholding tax except for certain bond funds</p>
Double taxation treaties	64 treaties (6 pending)	68 treaties	64 treaties	Yes. Over 100 treaties with 20 pending

	Malta	Ireland	Luxembourg	UK
Applicable Memoranda of Understanding	Several Multilateral and Bilateral MOUs signed, both with EU and non-EU countries	MOU's signed with several EU and non-EU countries	23 MOU's signed with several EU and non-EU countries	N/A
Savings Directive Applicability	Fully implemented	Fully implemented	Investors can choose between WHT and exchanging information.	Fully implemented
Stamp Duty Applicability	No stamp duty payable on the transfer of securities by/to a fund licensed under the Malta Financial Services Act	No stamp duty payable on issue / transfer / redemption / repurchase of fund units or on transfer of non-Irish stocks / marketable securities	No stamp duty or capital duty	Stamp duty payable: •At 0.5% on the transfer of stocks / marketable securities •At 0.5% on certain movements of units/shares •Up to 4% on the transfer of UK real estate interest to a fund

Comparing Malta with other jurisdictions - Regulation

	Malta	Ireland	Luxembourg	UK
Different Fund types available	SICAV, INVCO, Unit Trust, Contractual Fund, Limited Partnership, Incorporated Cell Company, Private Funds	Unit Trust, Investment Limited Partnership, Investment Company, Common Contractual Fund	Investment Company (SICAV), Common Fund (FCP)	Unit Trust, Investment Trust, Limited Liability Partnership, Open-ended Investment Company, Limited Partnership, Tax Transparent Fund
Types of regulated Funds	<ul style="list-style-type: none"> •Professional Investor Funds (PIFs) •UCITS Funds •Non-UCITS Funds 	<ul style="list-style-type: none"> •UCITS Funds •Non-UCITS Funds •Closed-ended Funds •Professional Investor Funds •Qualifying Investor Funds 	<ul style="list-style-type: none"> •UCITS Funds •Specialized Investment Funds •Part II UCIs •SICARs 	<ul style="list-style-type: none"> •UCITS schemes •Qualified Investor schemes •Non-UCITS schemes •Foreign schemes recognized by FSA
Re-domiciliation Possibility	Possible	Possible	Possible	One has to establish a new fund in the UK. The assets in the current fund are to be then transferred to the new UK fund.

Question	Malta	Ireland	Luxembourg	UK
Funds exempt from regulation	<p><u>Private CISs</u> whose number of participants is 15 or less and the scheme is private and does not qualify as a PIF</p> <p><u>Exempt CISs:</u></p> <p>As scheme where the participants carry on a business not related to investment services but enter in the scheme for business purposes</p> <p>A scheme established for a company's (former) employees and their dependants in instruments issued by the same company / approved by the authority</p> <p>A commercial scheme in respect of which profits, income and the contribution of the participants are pooled or a scheme which operates according to the principle of risk spreading</p>	<p>Yes. This may happen in the case of funds relating to certain investors which are exempt.</p>	<p>No</p>	<p>Yes. This may happen in the case of funds which are not for retail investors. Only authorized fund managers are allowed to establish an unregulated collective investment scheme.</p> <p>Usually, it is only regulated investment managers who are allowed to manage / advise alternative investment funds. Such funds are very often unregulated</p>

Comparing Malta with other jurisdictions - *Set up Fees*

	Malta	Ireland	Luxembourg	UK
Notary Fees	N/A	N/A	For a fund organized under a corporate form, the notary fee is about €3,000	N/A
Regulatory fees	<p><u>Collective Investment schemes:</u></p> <p>Application Fee:</p> <p>Scheme - €2,000 + an additional fee (€250 - €450) per sub-fund</p> <p>Supervisory Fee:</p> <p>Scheme - €2,500 p.a. + an additional fee (€150 - €400) per sub-fund p.a.</p> <p><u>Professional Investor Funds (PIFs):</u></p> <p>In principal approval - €600</p> <p>Scheme: €1,500</p> <p>Additional Sub-funds: €1,000</p> <p>Supervisory Fee: €1,500 per scheme €500 per sub-Fund</p>	€2,000 - €4,000	<p>Initial Fee: €2,650 - €5,000</p> <p>Annual Fee: €2,650 - €5,000</p>	Depends on the type of fund

	Malta	Ireland	Luxembourg	UK
Stock Exchange Fees	<p>Admission fee for the listing of the CIS: €1,164.69</p> <p><u>Annual admission fees:</u></p> <p>Application fee: €1,160 Annual fee: €1,160</p> <p><u>First 5 sub-funds:</u></p> <p>Application fee: €1,160 Annual fee: €1,160</p> <p><u>6th – 10th sub-fund:</u></p> <p>Application fee: €930 Annual fee: €930</p>	<p><u>Closed ended funds:</u></p> <p>Initial fee: EU €1,000 Non-EU €1,000</p> <p>Subsequent fee: EU €500, Non-EU €500</p> <p>Annual Fees: Up to 5 sub-funds: EU €1,900, Non-EU €1,980 (per fund / sub-fund)</p> <p>6 - 10 sub-funds: EU €1,150, Non-EU €1,200 (per sub-fund)</p>	<p><u>Non-EU Funds:</u></p> <p>Visa: €2,500 Listing: €2,500</p> <p>Annual Fees: 1st quotation: €2,500 2nd quotation: €1,875 3rd quotation: €1,250 4th quotation: €625 / line</p>	<p>Depends on the issuer's market capitalization .</p>

Appendix 2:

Living in Malta



Living in Malta

The Maltese Climate

The climate on the island of Malta is typically Mediterranean with temperatures averaging 10-15°C during the winter and between 25-35°C in the summer months.

The Maltese Climate:

	Highest Temperature (on average)	Lowest Temperature (on average)
January	16.0	10.3
February	15.9	9.8
March	17.7	11.4
June	28.5	20.3
July	31.5	22.9
August	31.8	23.7



- The Maltese islands benefit from 3,000 hours of sunshine during the year. In comparison, London enjoys an average of 1,460 hours of sunshine per annum.
- Annual rainfall is quite low, with an average of 700mm of rain annually

Education:

- Malta's main resource is its human resources. Thus, investment in education is given top priority within the country.
- Education in Malta is compulsory from the age of 5 up to 16 years old and is offered through three different providers: the state, the church, and the private sector.
- Government offers free primary, secondary and post-secondary education.
- Around 60% of the population undertakes some form of tertiary level education..

Statistics show a positive trend in general:

- The number of early school leavers has gone down by almost 4% from 2008 to 2011
- Youth literacy for the period between 2007–2011 averaged between 97% (for males) and 99% (for females)
- Malta is one of the EU's most generous member states when it comes to university tuition, according to a study published by the European Commission in September 2012.
- The study names Malta, Cyprus and Denmark as the only member states that provide totally free tuition at university level while also giving grants to all their students.
- The government provides university students with a grant of €83 every four weeks. In addition, students are also given €466 per annum and a one-off grant of €466 prior to commencing their first year of studies.

Number of Graduates from the University of Malta - Academic Year 2014/15

Males	1,433
Females	2,084



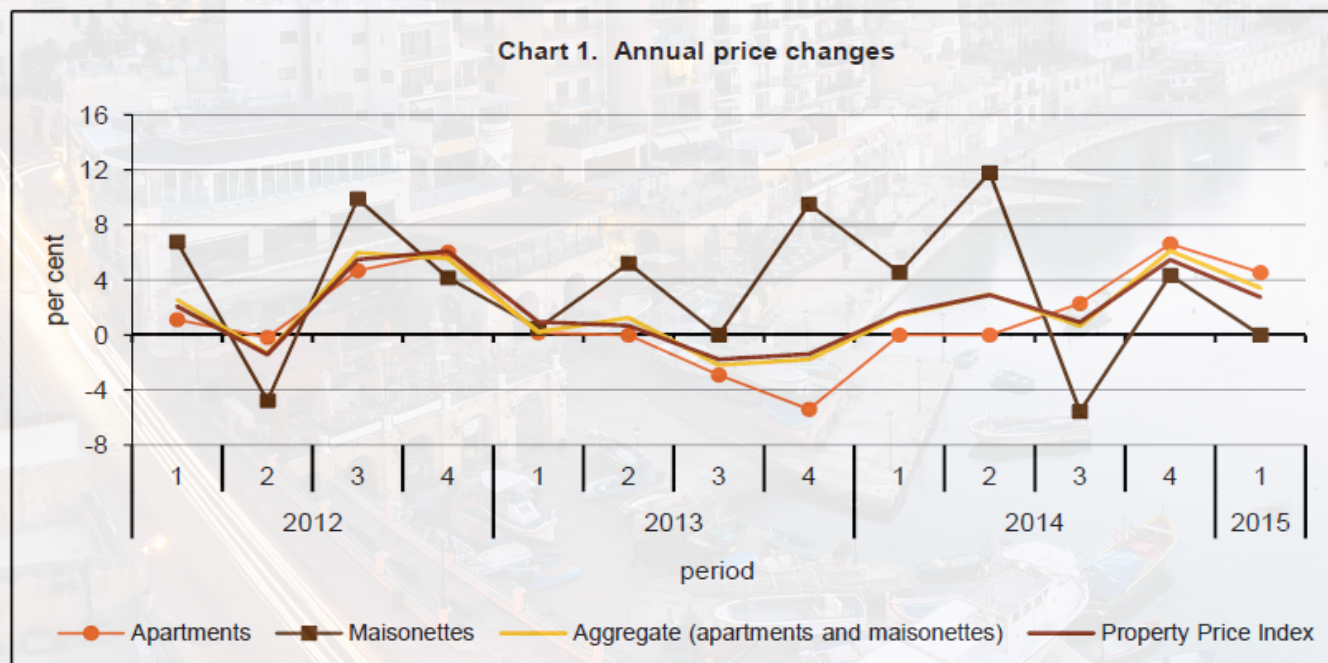
Living in Malta

Renting Property

Property:

In the first quarter of 2015, the All-Property Price Index increased by 2.8% when compared to the same quarter of the previous year.

Malta: PPI cumulative % increase / decrease total and by category (based on advertised prices)



Living in Malta

Renting Property

In Malta one can find a variety of high-quality property for rent, ranging from villas, terraced houses, offices, maisonettes, houses of character, and apartments.

Rent per Month	Average
Apartment (1 bedroom) in city centre	€554.29
Apartment (1 bedroom outside of centre)	€379.84
Apartment (3 bedroom) in city centre	€931.82
Apartment (3 bedroom) outside of centre	€626.18

There are 2 main factors which determine the rental fee for property in Malta:

- ✓ Quality – New developments generally cost more than existing ones.
- ✓ Location – Sea front properties, or those with a country view can come at a premium. This also applies to apartments within modern residential lifestyle developments.





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