

Staying Ahead of the Curve: Malta's Plan to Further Strengthen its Financial Services Offering

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By **Andrea Nurchi**, 17th April 2024

The financial services sector has been one of the pillars of the Maltese economy for over 30 years and has allowed Malta to establish itself as a reputable international financial centre.

The industry has grown at an average rate of 8.3% since 2010 and is currently the sixth largest economic sector in the country, contributing to 9.1% of its Gross Value Added. The Maltese economy is well diversified, and its growth forecast is the highest in the European Union, being the only European country with an expected growth above 4% for both 2024 and 2025.

One of the distinctive elements of Malta has always been innovation, especially legislative innovation. The jurisdiction has consistently managed to be able to target specific market niches, combining agility with a robust regulatory framework.

This approach, carried out through -constant activity, ensures that legislation is always at par with the new products available in a very fast-paced, technology-driven environment. This keeps Malta at the forefront of innovation in the financial services space.

A strategy crafted by the industry and fully backed by the Government

In line with this spirit, on 29 March 2023, the Malta Financial Services Advisory Council presented the Malta Strategy for Financial Services for the 10 years to come. The

document indicates over 170 initiatives to be implemented in order for Malta to maintain and further strengthen its position as an international financial centre. Over 100 professionals contributed to the drafting of the document, which was endorsed by the government, who has a major role in creating the conditions to enable the financial services industry to continue to prosper in the future.

The long-term vision for Malta as a jurisdiction is to be “recognised as a competitive, secure and credible jurisdiction for financial services”. This is to be achieved through a combination of innovation, solid technology foundations and a nimble, yet robust and coherent regulatory framework.

The strategy identifies key drivers to support the vision, as well as six priorities that underpin each activity and are cross-sectorial, because they are to be applied in each of the 175 initiatives identified in the document.

The six priorities are:

1. Streamline regulation
1. Standardise payments
1. Consolidate identity
1. Modernise taxation
1. Reform financial law
1. Build talent

Four enablers to enhance competitiveness

The strategy also identifies four transformational initiatives to significantly change and innovate the way in which the financial services sector operates in the jurisdiction.

These are:

1. Centralised identity management

1. Digital payments hub infrastructure

1. Regulatory process integration and digitisation

1. Law reform and harmonisation

The **centralised identity management / due diligence portal** is fundamental to reduce bureaucracy and speed up due diligence processes through the launch of a digital platform that is centralised, standardised and used by all parties. The aim of the measure is to promote the once-only principle, meaning that individuals and companies would only need to provide certain information or documentation to the relevant authorities once, ultimately improving efficiency, reducing costs, and leading to standardisation. Private entities such as banks, lawyers, and accountants will have authorised access to certified documentation, subject to the individual's consent.

Payments are crucial for every financial system, therefore having a national **digital payments hub infrastructure** would lead to a modern, user-friendly system that allows for secure, multi-currency, instant payments for both individuals and corporates. The infrastructure must be supported by state-of-the-art technology to ensure good user-experience and, at the same time, maintains high levels of AML/CFT standards through in-built capabilities such as, but not limited to, Suspicious Transaction Reporting.

The **integration and digitisation of the regulatory process** will be crucial to address bureaucracy bottlenecks that can hinder the inflow of Foreign Direct Investment, the activities of local operators and also the regulators themselves. Even in this case, the objective is to streamline processes while maintaining the rigorous controls that the jurisdiction needs to reinforce its position in the international scenario.

The above-mentioned activities need to be complemented by a **legal system** that operates in a timely manner and has the adequate resources to ensure efficiency and competence when dealing with financial crimes such as money laundering, fraud and tax evasion. The strategy suggests the creation of a Task Force on Financial Services Law Reform to review and propose legislative amendments that address and improve current weaknesses.

The crucial role of the public sector in the implementation of the strategy is reaffirmed when the document identifies the actors responsible for the execution of the four

transformational activities, which are mostly public entities such as government ministries, the Central Bank of Malta, the Malta Business Registry, the Malta Financial Services Authority, the Financial Intelligence Analysis Unit and the Commissioner for Revenue. All players have already started implementation and this underlines, once more, the commitment of the government to support the industry based on the indications provided by the industry itself and included in the strategy.

Keeping an eye on the international developments

The challenges to be faced are not only related to internal aspects and procedures. There are other factors, resulting from international trends, that affect all countries, and therefore each jurisdiction needs to tackle them from a domestic perspective, but keeping in mind their cross-border nature. The two most important factors are taxation and talent.

Taxation will always be one of the main elements taken into consideration in business decisions. The Government has already assured, on several occasions, that the corporate system will not be drastically changed and therefore the Maltese tax system will go through some revisions to stay in line with international developments but will also retain attractive elements to be as competitive as possible.

With regards to **availability of talent**, many would say that Malta is victim of its own success: years of economic growth, combined with a small population, have stressed the need for Malta to rely on foreign talent to support the economic growth. The country is on the path of simplifying the process of applying for work permits and ease the procedures for applicants to bring their immediate families. Clear and swift procedures would make the country much more attractive for expats. In parallel, long-term policies are currently being studied to upskill in Malta as many individuals as possible through specialised courses and programmes, to be offered not only by the University of Malta but also by professional bodies and related associations.

The execution of the strategy is a vital step to maintain a competitive offering at the international level, but its maximum effectiveness will only be reached through an effective communication outside Malta, since investors need to be informed about the significant efforts that the jurisdiction is doing to enhance its offering.

Conclusion

Staying competitive and in line with the various developments currently happening is crucial to allowing the industry to continue thriving, and Malta has a solid plan to continue offering excellent solutions in the financial services industry for the years to

come.

Dixcart in Malta

The Dixcart office in Malta has a wealth of experience across financial services and offers legal and regulatory compliance insight. Our team of qualified Accountants and Lawyers are available to set up structures and help to manage them efficiently.

Additional Information

For further information about Maltese companies matters please contact Jonathan Vassallo, at the Dixcart office in Malta: advice.malta@dixcart.com. Alternatively, please speak to your usual Dixcart contact.