

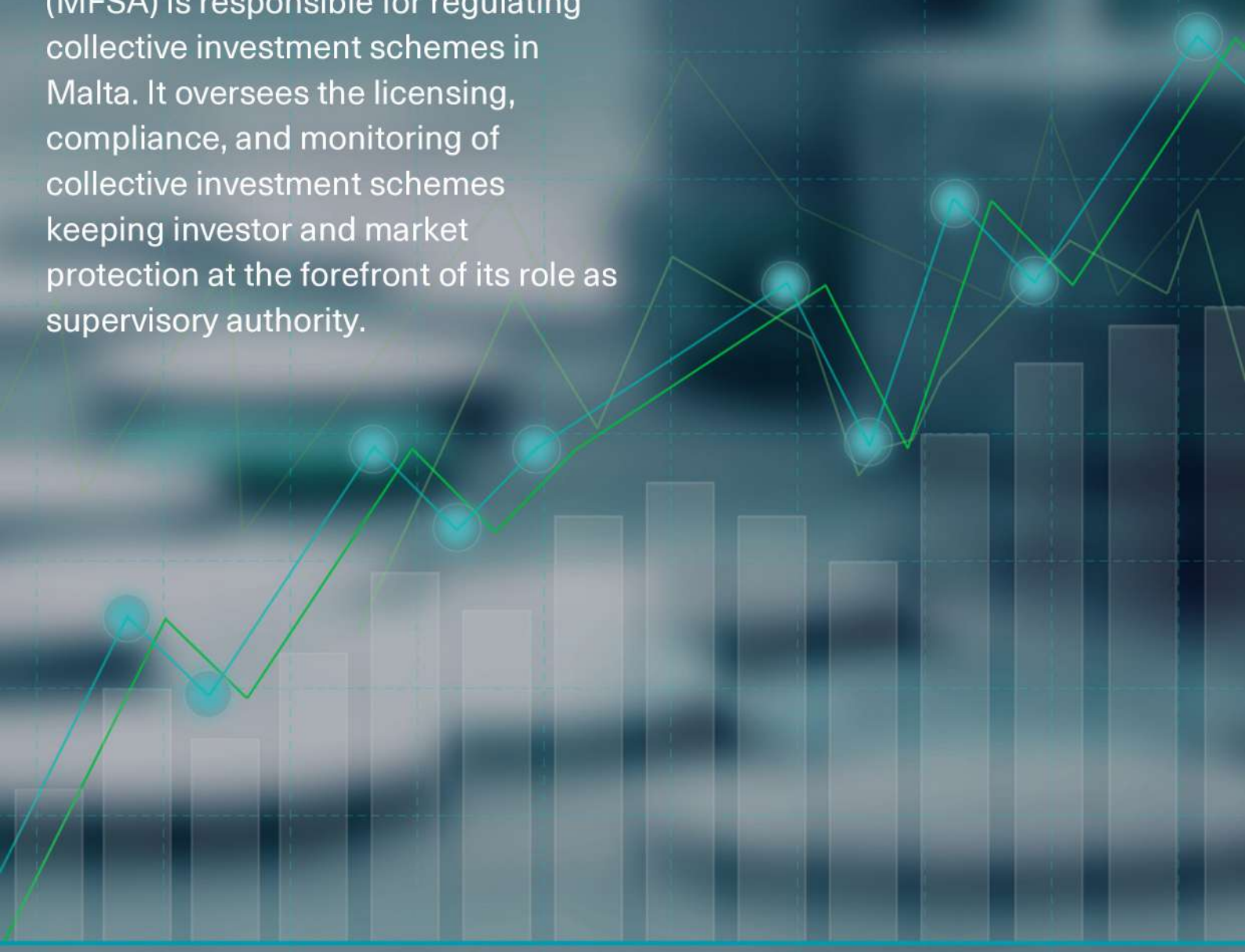
Malta Investment Funds Framework Info Sheet



The investment funds and management industry have been one of Malta's main pillars in the financial services industry. Malta has held a reputation as a jurisdiction of choice for investment funds. Since launching its professional investor funds regime in 2000, Malta has continued to seek additional routes to market for small or emerging markets.

Regulatory Authority

The Malta Financial Services Authority (MFSA) is responsible for regulating collective investment schemes in Malta. It oversees the licensing, compliance, and monitoring of collective investment schemes keeping investor and market protection at the forefront of its role as supervisory authority.



TYPE OF INVESTMENT FUNDS

Investment funds in Malta are categorised as retail and non-retail funds and the local regulator has established specific rules applicable to investment funds (including their sub-funds) depending on the type of legal structure chosen to set up the investment in Malta as follows:

- **UCITS (Undertakings for the Collective Investment in Transferable Securities)** regime is based on the EU's UCITS Directive. UCITS are primarily targeted at retail investors.
- **PIF (Professional Investor Fund)** regime in Malta is aimed towards those investors that qualify as professional in nature and are not intended for the public. This type of fund has a flexible regulatory regime and can be managed by an external fund manager or self-managed.
- **AIF (Alternative Investor Fund)** regime in Malta is based on the EU's Alternative Investment Fund Managers Directive (AIFMD). An AIF established in Malta must be authorised and licensed by the MFSA to operate.
- **NPIF (Notified Professional Investor Fund)** is aimed at alternative investor fund managers with less than €100m leveraged AUM or €500m unleveraged AUM, then qualify for the lighter regulatory regime available to de minimis managers under the EU's AIFMD). NPIFs can only be promoted to qualifying and/or professional investors with a minimum investment of €100k per investor.
- **NAIFs (Notified Alternative Investor Fund)** can only be managed by a full-scope Alternative Investor Fund Manager (AIFM) domiciled in Malta or another EU member state. NAIFs can be promoted to qualifying and/or professional investors with a minimum investment of €100k per investor.
- **Private Funds** are not subject to a licence but simply a recognition by the MFSA. In order to be recognised as 'Private' a collective investment scheme must limit the total number of participants to 15 persons and they must be close friends or relatives of the promoters.

KEY BENEFITS OF NPIFS AND NAIFS

- The NPIF and NAIFs boast an incredibly swift setup with a maximum of just 10 business days required to launch, following completion of the due diligence exercise.
- There is no prior authorisation by the MFSA and no ongoing supervision of the vehicle itself.
- These types of funds are suitable for a wide range of users, hedge, private equity and retail estate funds however it cannot be used as a loan fund.
- Both types of funds may be structured as an umbrella vehicle with ring fenced compartments.
- NPIFs and NAIFs can take various legal forms, including SICAVs, INVCOs, incorporated cell companies, limited partnerships and unit trusts.
- The set up and operations of the fund comes with reduced expenses compared to traditional funds, make them an attractive option for emerging managers.
- They can raise capital across the EU and EEA states, following national provisions in respective jurisdictions and
- Any reputable local or international bank is acceptable for these types of funds.

LICENSING PROCESS

Step	Key Actions	Details
1. Pre-Application	Initial Consultation with MFSA	Engage with the MFSA to clarify, amongst others, type of legal structure, AUM and underlying assets in which the fund will be investing in
2. Application Submission	Submit Application Pack including the Offering Memorandum and Offering Supplements (depending on number of sub-funds)	A completed application form, a draft Memorandum and Articles of Association, a copy of the board resolution, Personal Questionnaires for directors, founder shareholders and the MLRO and Compliance Officer, the appropriate fee must be drawn up
3. Service Providers	Appoint the Administrator, Custodian, Fund Manager (as applicable), Investment advisor (optional)	Service Providers must be identified and relevant information about their role and responsibilities must be submitted with the application pack
4. Fitness & Properness Test	Key Persons Assessed	Directors, shareholders, and key management undergo a fitness and properness assessment, including background checks. MLRO and Compliance Officer must be identified
5. In-Principle Approval	MFSA Grants IPA with Conditions	MFSA issues an In-Principle Approval outlining specific conditions to be fulfilled before final approval.
6. Final Licence Issuance	Fulfil In-Principle Approval Conditions & Begin Operations	Once all In-Principle Approval conditions are met, MFSA grants the final licence, allowing the collective investment scheme to operate in Malta

PASSPORTING RIGHTS

Once licensed in Malta, collective investor funds can offer their units for subscription throughout the EU without needing additional licences in other Member States.

KEY BENEFITS OF SETTING UP A FUND IN MALTA

- **Harmonised Regulatory Environment:** This is particularly advantageous for those targeting European investors as it ensures legal clarity and operational ease across borders.
- **Single Regulator:** the MFSA is proactive and business friendly and goes beyond the traditional role of a regulator and offers a level of flexibility that allows fund managers to tailor their fund structure in alignment with their needs.
- **EU Passporting Rights:** Once licensed in Malta, collective investor funds can offer their units for subscription across all 27 EU Member States.
- **Competitive Tax Incentives:** Collective Investment Schemes in Malta are classified as prescribed or non-prescribed. Non-prescribed which predominantly invest outside of Malta benefit from tax exemptions, particularly on income and capital gains. Prescribed funds, on the other hands, which hold more than 85% of their assets within Malta are subject to reduced tax rates. Fund Managers in Malta benefit from the country's full imputation system which allows for a fund refund of up to 6/7ths of the 35% corporate tax rate, effectively reducing the tax rate to as low as 5%.

Should you wish to get more information or to clarify any queries, please get in touch by sending an email to fintech@whpartners.eu