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UK fund houses look to Malta as Brexit alternative

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By Robert Van Egghen

UK asset managers are considering the Mediterranean island of Malta as a potential location to base their European operations post-Brexit.

Local experts say Malta's lower costs and quicker administration time, compared with other jurisdictions, are drawing interest from UK fund boutiques.

Nicholas Micallef, associate director for investment services at KPMG Malta, says he has received several requests from small UK firms looking to set up operations on the island.

Mr Micallef says he spoke at an event to promote the Maltese fund industry in June at the Reform Club in London's Pall Mall, where around 50 decision makers from UK firms were in attendance.

He says a handful of firms have already "taken the plunge" and set up in Malta, while others are waiting until after the summer, when more may be known about the UK's post-Brexit relationship with the EU.

Mr Micallef says: "A lot of work has been done to prepare for firms setting up in the next six to eight months. I am very confident that interest will become concrete from September."

He adds that the attraction of Malta to smaller firms is that "costs are reduced compared with similar jurisdictions", coupled with the "flexibility" of the Maltese regulator.

"The flexibility of the regulator is [also] one of the main things that attracts asset managers," he says.

Mr Micallef says one fund manager he worked with was sufficiently close to the regulator to be able to communicate with senior figures on a personal basis via WhatsApp.

Jonathan Herbst, global head of financial services regulation at Norton Rose Fulbright, agrees that interest in Malta, which has sought to position itself as an alternative to the traditional fund administration hubs of Dublin and Luxembourg, is growing among UK managers.

Mr Herbst says a number of clients have raised the possibility of setting up in Malta as part of their Brexit planning in recent months.

"Malta is quite attractive, especially from a tax perspective [and] there is a perception that [it] is reasonably flexible as a jurisdiction," he says.

Attilio Veneziano, managing director at law firm Veneziano and Partners, says he has seen a manager set up in Malta and “try to tackle Europe from that angle”.

He says: “The issue of domicile has always been implied with Brexit. Malta is possibly starting to be recognised as an operational domicile rather than a fund domicile.

“[Many] still see it as an opaque jurisdiction, but it makes sense to have a management company in Malta and manage funds from there.”

One London-based regulatory expert, who asked not to be named, says there is concern that processes in the country may not be sufficiently tough.

“Malta does come up in client conversations and we are definitely hearing more about it recently,” says the person.

However, the person says there is concern about the speed with which companies can set up in Malta as this may suggest that operations in the country are not as robust as those in other jurisdictions.

Yet Mr Micallef says the Maltese Financial Services Authority is “very concerned” about ensuring that entities setting up in Malta are “not letterboxes” but instead have key functions such as portfolio management or risk and compliance based on the island.

Peter Astleford, a management consultant based in Malta, adds that there is “a misunderstanding” around the difference between “being speedy and being soft”.

“People who come to Malta because they think it is soft and do not fill in their forms properly will not be approved,” he says.

Additional reporting by Anna Devine.

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