



Expanding horizons – Malta's administrators go global

Van Oers notes TMF has two fund managers, each Swiss and each start-up, looking to open funds in Malta. More could follow, as van Oers mentions a big advantage of Malta being the ability for funds to redomicile themselves into the Mediterranean, then possibly win Ucits compliance and an EU-wide passport.

"You can look at redomiciling into Malta, thereby getting your EU passport."

SMALL- TO MID-SIZE FOCUS

Van Oers says TMF focuses on the small- to mid-sized hedge funds which may be ignored, or overcharged by many hedge fund administrators. (This is a tenet largely shared by Dermot Butler, chairman of hedge fund administrator, Custom House Group, another advocate of Malta being considered as a domicile for hedge funds).

"The smaller funds are the ones you need to work more closely with as an administrator and we find it to our advantage to be operating in this niche," van Oers says.

"If a fund promoter goes to a larger administrator they charge their full fee and in the beginning the fees are not in relation to the profits of the fund. That makes it very hard for the manager, and they always fall between the larger fund administrators, or they do it in-house."

Taking the latter option, TMF's van Oers adds, can lead to compliance and operational issues with some investors.

"We service those types of funds, it's a perfect market niche we can build up long-standing relationships in."

He notes when funds hit the \$500m asset mark, or more, they may decide it is cheaper to conduct administration in-house than to outsource, or they may stay with TMF, which many have.

Van Oers says TMF will provide services to the full range of hedge funds, from "plain vanilla" equity long-short, through to those employing complex derivatives.

One born-and-bred Maltese administration operation, which coincidentally will share the same building as TMF, is Valetta Fund

Management (VFM).

FROM START TO FINISH

To help managers setting up shop in Malta Kenneth Farrugia, general manager at Valetta Fund Management notes the firm has a turn-key service for the formation of investment funds in Malta.

This service includes the prepa-

exchange, money market, securities and derivative dealings.

"We use the group's reach to accommodate our client base as much as possible," Farrugia says.

He adds, "At HSBC Bank Malta, we offer custodial services to markets and jurisdictions for various types of asset classes.

"Such services cover the control

"Looking at domiciles you look at whether the legislation is sufficient – that's very important – and also the speed, the turnaround time for getting a licence, getting feedback from government officials, staffing and the ability to get office space."

Frank van Oers, TMF

ration of all documentation of the scheme and management of communication with the MFSA.

"We can handle the preparation of all the necessary paperwork, as well as the application process and licensing process."

He notes a typical fee for this service is €15,000 to €20,000 depending on the nature of the scheme. Preparing the documentation would take around four weeks with the licensing process taking an additional four weeks. To provide its fund administration services, VFM has invested in "the latest technology" and today is today administering 42 sub-funds registered under 12 Sicavs.

BROAD COVERAGE

A second administrator on the island is within HSBC Malta. (HSBC Bank came to Malta via the HSBC group buying 70.3% of Malta's Mid Med Bank, in the latter's privatisation in 1999.)

Charles J Farrugia, head of corporate investment banking and markets, highlighted the group's strength in providing financial solutions to corporate and institutional clients. Its services extend to foreign

and supervision of funds, settlement, safekeeping, corporate actions as well as income collection and delivery."

Stephen Spiteri from HSBC's custody services explained that Malta's operations are part of the HSBC Group's Global Custody and Clearing family (CNC).

"As a result we broadened the services we can offer to our clients. The Group's business has historically concentrated on emerging markets in Asia and Europe, as well as the Middle East and Australasia.

"Being part of the CNC, we have a better connection to the global custodian, as we set up regional agreements with CNC clients that want to use Malta."

Charles Azzopardi, head of HSBC Fund Management (Malta) says: "since Malta joined the European Union in 2005, we have seen increased interest from various fund managers seeking to domicile their funds in Malta.

"We are also seeing a number of funds choosing to have their fund administration conducted on the island in lieu of other well established jurisdictions".

He added: "Malta's attractiveness as a domicile for funds stems from the extensive financial services legal framework, our highly skilled and multi-lingual workforce as well as our well developed infrastructure

He added HSBC carried out "product development, fund valuation, transfer agency services and investment management in Malta.

"We also offer a tax administration service on investment income earned by persons resident in Malta. This complements the company's proposition to distribute best-of-breed third party products alongside its proprietary funds".

While Azzopardi noted registration and ongoing regulatory costs in Malta would "likely be lower than those of other onshore centres," he added "HSBC Fund Management (Malta) is in a position to offer very competitive rates for fund administration business.

"The cost of administration will, however, depend on several factors including the complexity of the investment instruments, the size of the fund and number of investors, as well as frequency of dealing," Azzopardi says.

IRISH PRAISE

It is worth noting that it is not just local administrators who are promoting the jurisdiction for establishing hedge funds, and using their services, as well, of course.

Dermot Butler, chairman of Dublin administrators Custom House, notes: "The last time you asked me about Malta I suggested that there may well be a shift in sentiment towards Malta, not only because it's an EC 'onshore' centre, but also because it has a meaningful price advantage.

"Today both of those advantages still apply, but in addition it now has much greater credibility because several hedge funds have been

KEY POINTS

A growing number of fund administrators are coming to Malta with global resources.

The lack of compulsion to have a local administration is seen as adding flexibility to Malta as a domicile.



Dermot Butler
Custom House