

# MFSA

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MALTA FINANCIAL SERVICES AUTHORITY

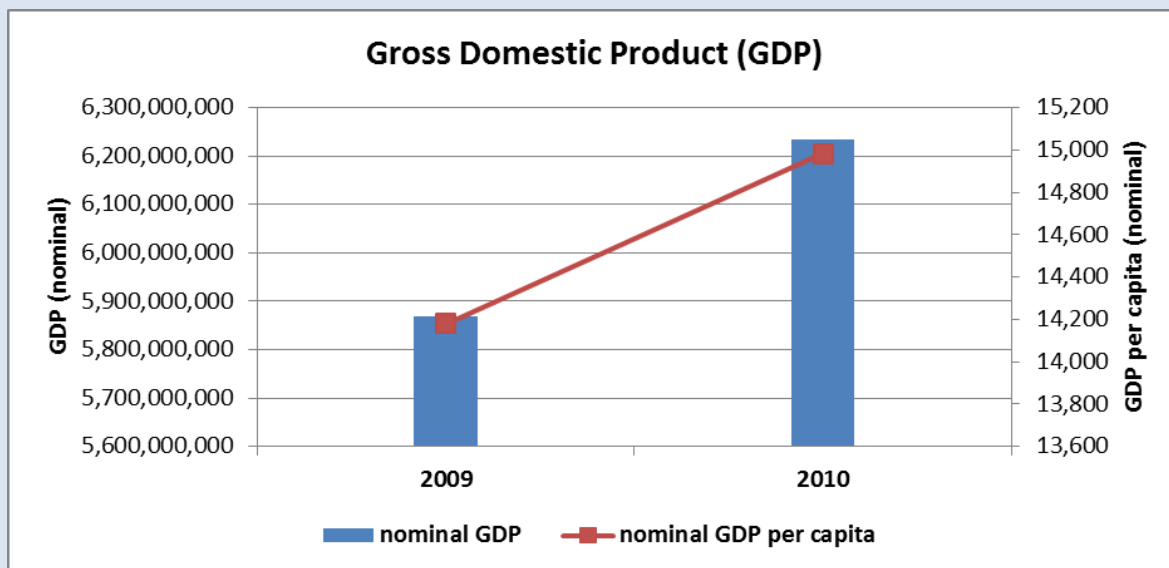
## **Economic & Market Overview**

**July 2011**

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## Section 1: Recent Macro-Economic Development's in Malta



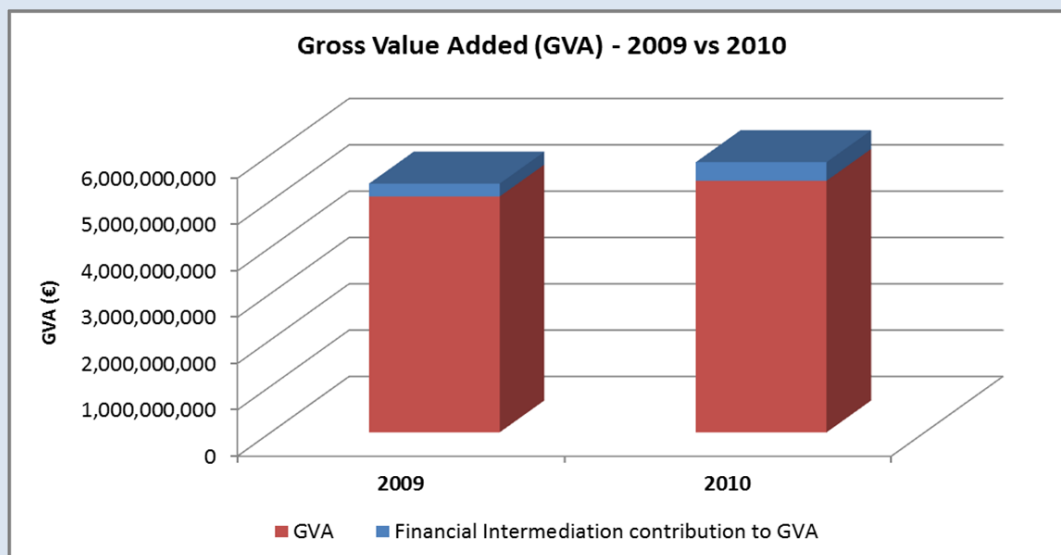
MFSA calculations based on Eurostat figures

Sources: Eurostat – GDP at market prices

Eurostat – GDP per capita annual data

### Gross Domestic Product

Gross Domestic Product (GDP) in real terms between 2009 and 2010 expanded by 3.2%. In nominal terms GDP grew by 6.2%. Within the EU27 GDP in 2010 expanded by 1.8% in real terms, and 4.2% in nominal terms. GDP per capita for Malta in nominal terms for 2010 stood at €14,982 as against €14,181 in 2009. Within the EU27, GDP per capita stood at €24,500 in 2010 as against €23,500 in 2009.

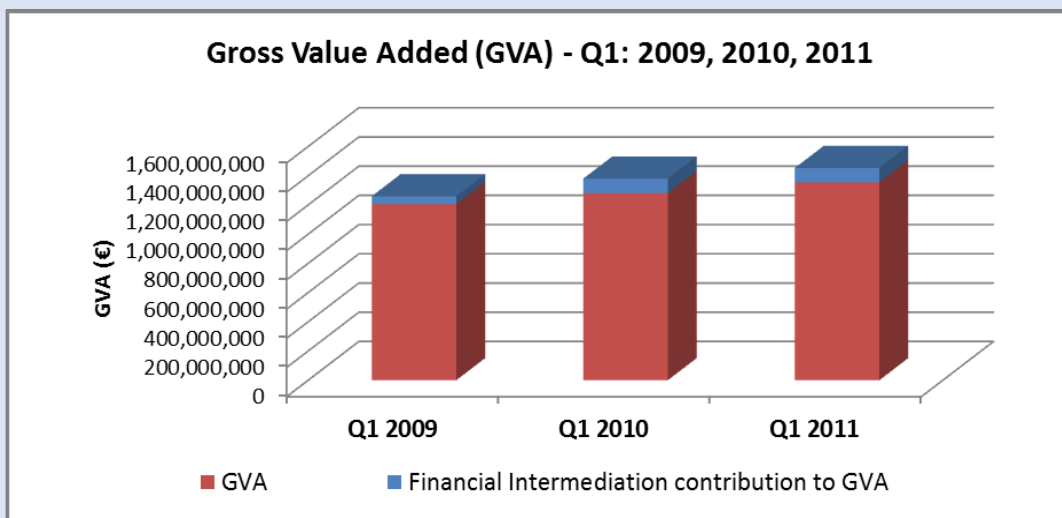


MFSA calculations based on NSO figures

Source: NSO - news release 110/2011 - Gross Domestic Product for Q1/2011 (9<sup>th</sup> June 2011)

### Gross Value Added – 2009 vs 2010

Total Gross Value Added (GVA) increased by 6.7% between 2009 and 2010. The Financial intermediation sector contributed 5.5% to total GVA in 2009 and 7.5% to total GVA in 2010. Between 2009 and 2010, GVA for Financial intermediation grew by 45% reaching €402 million in 2010.



*MFSA calculations based on NSO figures*

*Source: NSO - news release 110/2011 - Gross Domestic Product for Q1/2011 (9<sup>th</sup> June 2011)*

**Gross Value Added – Q1: 2009, 2010, 2011**

When reviewing data for the first quarter of the year, total Gross Value Added (GVA) increased by 6.2% between 2009 and 2010, and 5.7% between 2010 and 2011. Through the same quarter, GVA for Financial Intermediation grew by €45 million between 2009 and 2010, and increased marginally by €2,000 between 2010 and 2011 reaching €98 million in Q1 2011. Financial Intermediation contribution to total GVA during the first quarter of 2009 stood at 4%; 8% in 2010 and 7% in 2011.

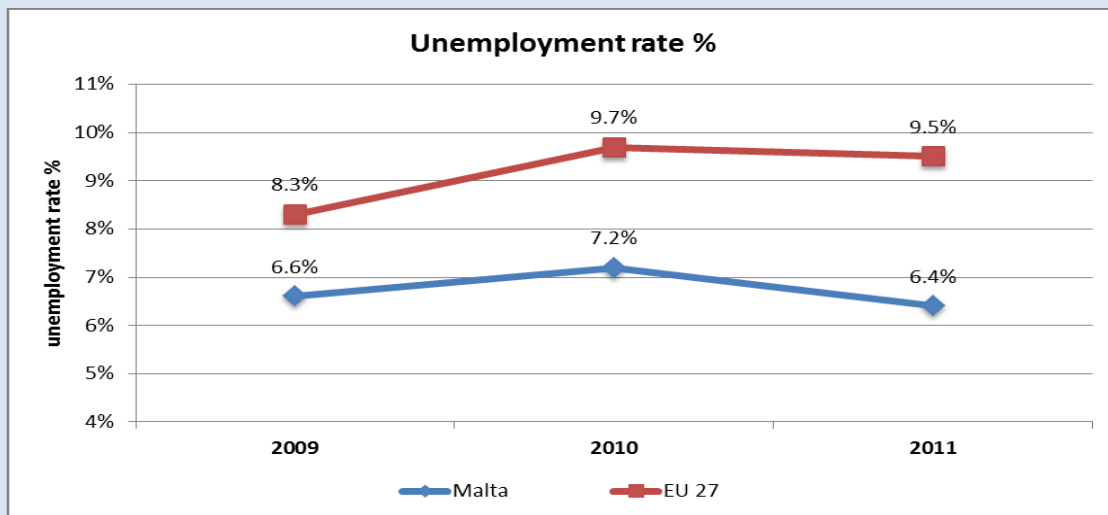
<b>Employment in the financial services sector in Malta</b>			
	<b>Dec 2009</b>	<b>Dec 2010</b>	<b>Jan 2011</b>
Financial intermediation, except Insurance and pension funding	4,727	4,889	4,908
Insurance and pension funding, except compulsory social security	643	668	671
Activities auxiliary to financial intermediation	727	743	744
<b>Total Employment in the financial services sector in Malta</b>	<b>6,097</b>	<b>6,300</b>	<b>6,323</b>

*MFSA calculations based on NSO figures*

*Source: NSO news release - Gainfully Occupied Population: January 2011 (1<sup>st</sup> June 2011)*

**Employment**

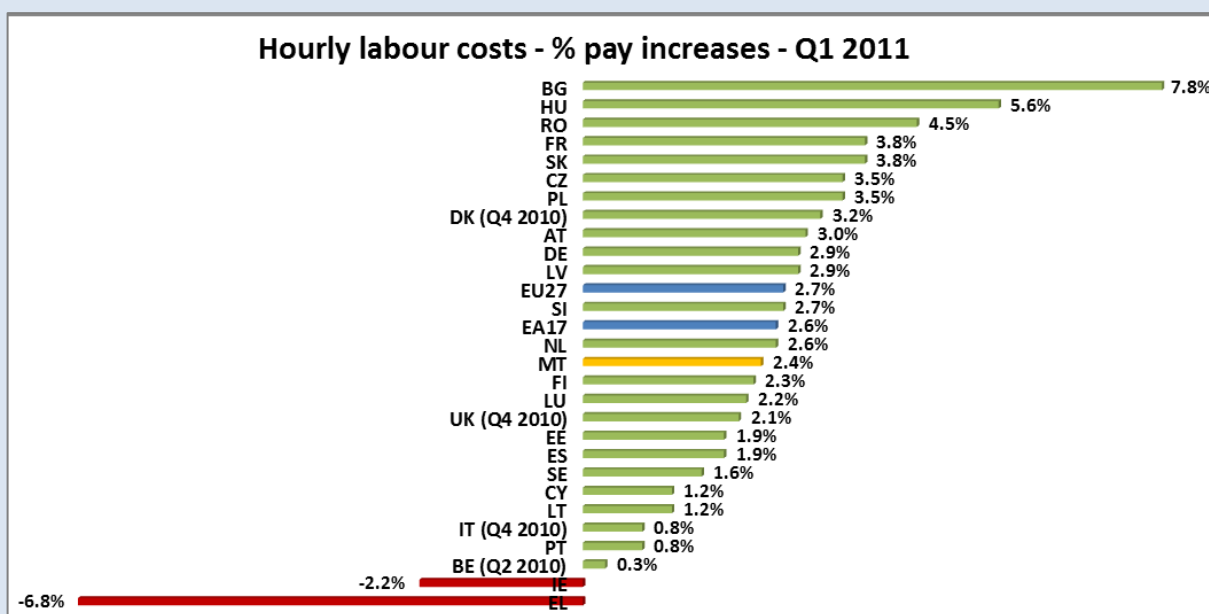
The total Employment rate reached 56% in 2010, an increase of 2% between 2009 and 2010. Within the EU27 total employment rate stood at 64.6% in 2009 and 64.2% in 2010. Full-time employment within Malta’s financial services sector in January 2011 totalled 6,323 representing a 0.4% increase from the previous year. Employment within the financial services sector reflects 4% of total employment in Malta.



MFSA calculations based on Eurostat figures  
 Source: Eurostat – Labour Force Survey

### Unemployment

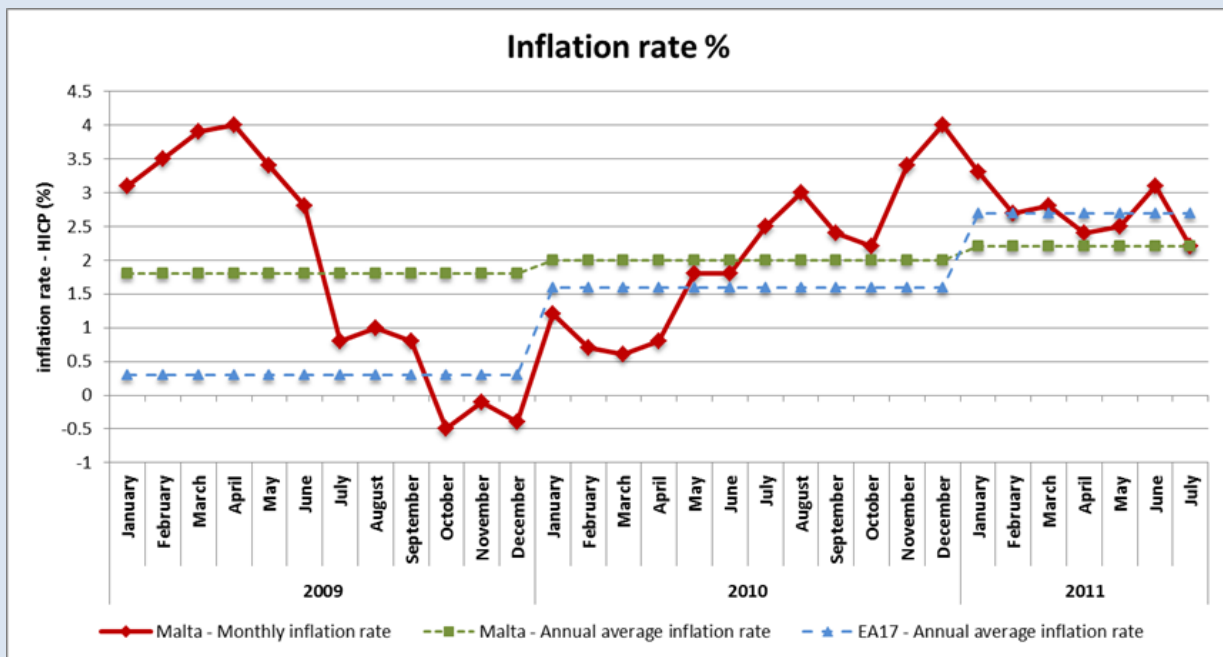
The unemployment rate as per Labour Force Survey (LFS) for first quarter of 2009 stood at 6.6%. Unemployment rate continued to increase reaching 7.2% in first quarter of 2010, and subsequently decreased to 6.4% in the first quarter of 2011. In comparison with EU27, unemployment rate in first quarter of 2009, 2010, and 2011 stood at 8.3%, 9.7%, and 9.5% respectively.



MFSA calculations based on Eurostat figures  
 Source: Eurostat - news release 90/2011 (20<sup>th</sup> June 2011)

### Hourly Labour Costs

Hourly labour costs in Malta (MT) increased 0.3% between fourth quarter of 2009 and 2010, and increased by 2% within the same period in the EU27. Consequently, between first quarter of 2010 and 2011 hourly labour costs in Malta increased by 2.4%, and by 2.7% within the EU27. The highest annual increases in hourly labour costs were registered in Bulgaria (BG) and Hungary (HU) with 7.8% and 5.6% respectively. The only EU countries sustaining a drop in hourly labour costs were Ireland (IE) at -2.2% and Greece (EL) at -6.8%.



MFSA calculations based on NSO & Eurostat figures

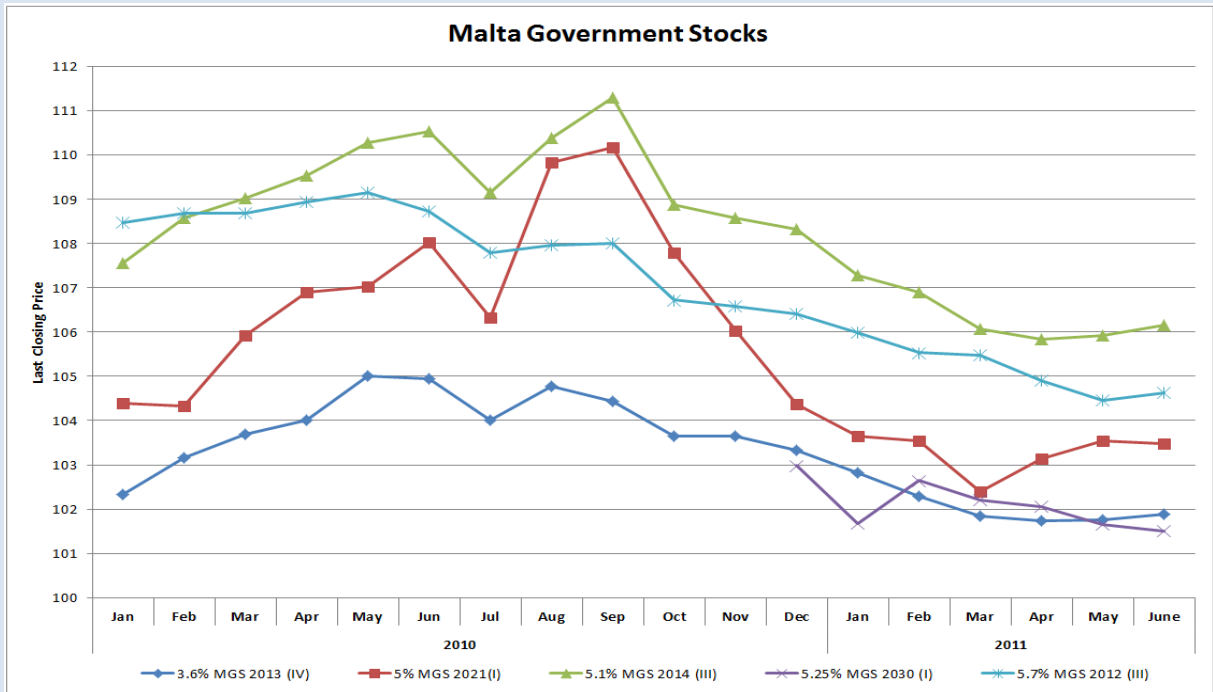
Sources: NSO news release - Harmonised Index of Consumer Prices (HICP): July 2011 (17<sup>th</sup> August 2011)

Eurostat - Harmonized Indices of Consumer Prices (HICPs) - all items - annual average inflation rate

### Inflation

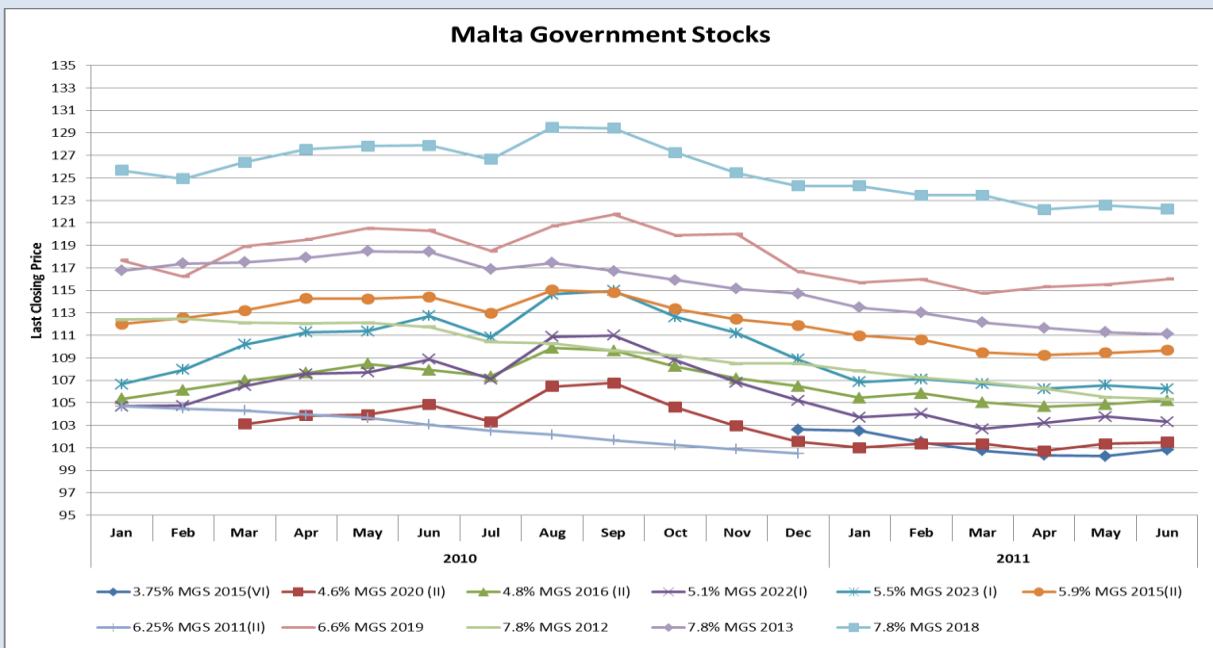
Inflation, based on the Harmonised Index of Consumer Prices (HICP), was quite volatile during the last two years. During 2009 inflation rate fell drastically consequently turning negative for the first time since the introduction of the euro. Inflation rate stood at 3.1% in January and fell to -0.4% in December. The Inflation rate picked up during 2010 mainly due to higher energy prices closing the year at 4%. The annual average inflation rate for 2009 stood at 1.8% and 2% in 2010. In comparison with the Euro area (EA17) the annual average inflation rate stood at 0.3% in 2009 and 1.6% in 2010.

Malta's Inflation rate during the first and second quarter of 2011 has taken a downward trend. In the beginning of the year inflation rate stood at 3.3% which is 2.1 percentage points higher than that in January 2010. During the year inflation rate fell 1.1 percentage points with inflation reaching 2.2% in July. The annual average inflation rate within the Euro area (EA17) currently stands at 2.7%.



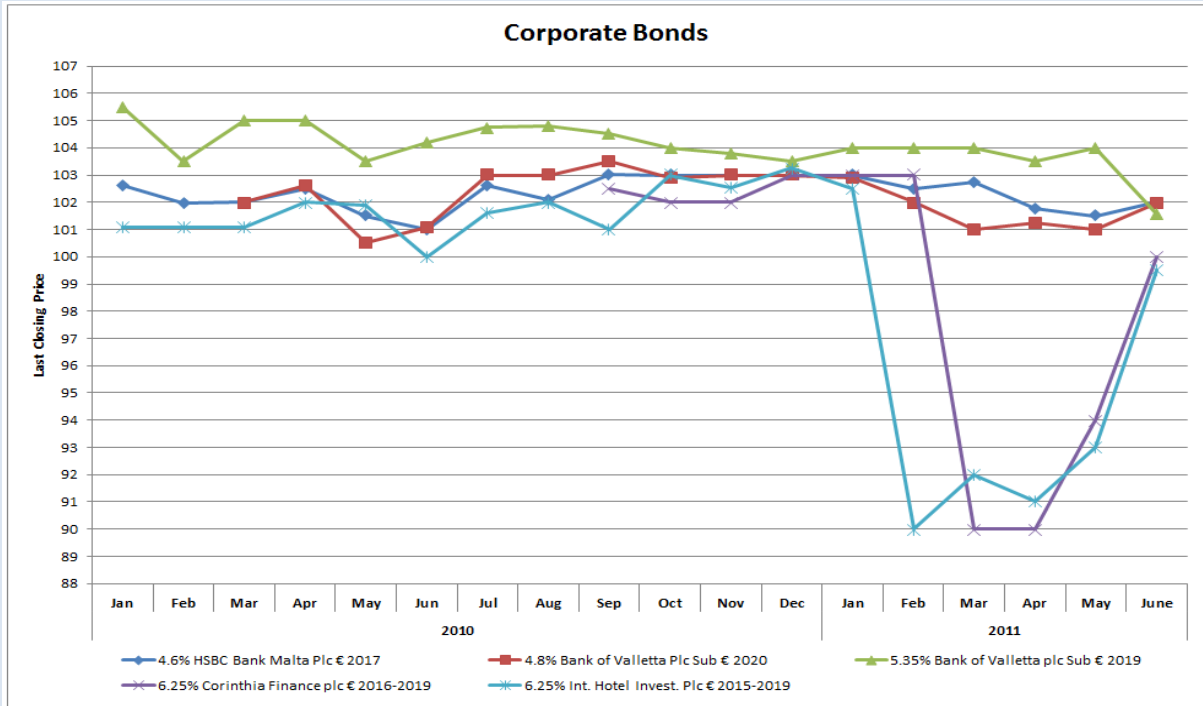
Source: Malta Stock Exchange - Price list - Malta Government Stocks

### Malta Government Stocks – Largest 5 stocks based on amount issued



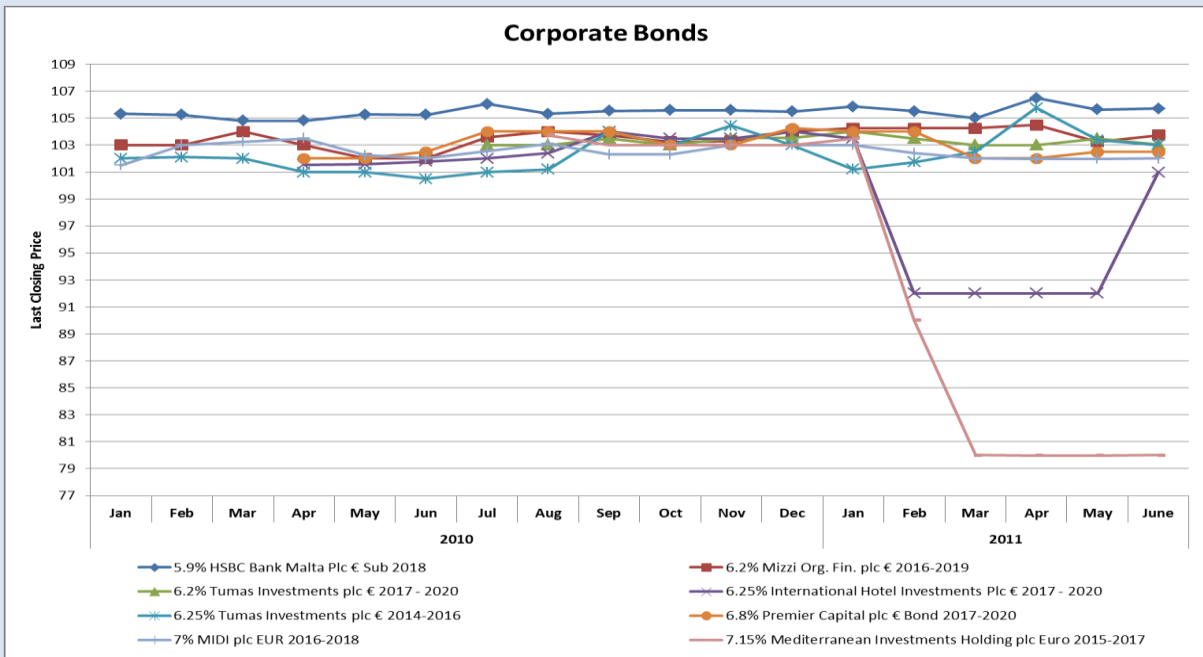
Source: Malta Stock Exchange - Price list - Malta Government Stocks

### Malta Government Stocks – other stocks



Source: Malta Stock Exchange - Price list – Corporate Bonds

### Corporate Bonds – Largest 5 bonds based on amount issued



Source: Malta Stock Exchange - Price list – Corporate Bonds

### Corporate Bonds – other bonds



## Section 2: Economic and Market Statistics for selected countries

### 2.1 - Statistics for Malta, Ireland, Luxembourg and Singapore

Macro Economic statistics	Malta	Ireland	Luxembourg	Singapore
GDP at Current Market Prices (2010)	€ 6,233,250,000	€ 164,614,200,000	€ 39,416,100,000	€ 176,696,072,156
GDP per capita at Current Market Prices (2010)	€ 14,982	€ 34,400	€ 82,100	€ 34,805
Real GDP growth rate (2010)	3.2%	-1.0%	3.5%	14.5%
Inflation (2010)	2%	-1.6%	2.8%	2.8%
Population	417,608	4,480,176	511,840	5,076,700
Labour Force (LFS Q1/2011)	179,540	2,152,700	228,700	3,135,900
Employment (LFS Q1/2011)	168,023	1,859,100	215,500	3,047,200
Employment rate %	56%	60%	65%	66%
Unemployment rate % (June 2011)	6.2%	14.2%	4.5%	2.1%
Employees within the Financial Services Sector	6,323	103,200	42,000	174,900
% of Employees within Financial sector as per total population	2%	2%	8%	3%
% of Employees within Financial sector as per total employment	4%	6%	19%	6%
Graduates from University Sector (approx per annum)	2,737	Undergraduate 21,407 Postgraduate 13,197	n/a	10,548

Sources: National Statistics Office (Malta); Central Statistics office (Ireland); STATEC (Luxembourg); Singapore Department of Statistics (Singapore)

Banking	Malta	Ireland	Luxembourg	Singapore
Credit Institutions (as at 2010)	25	37	144	114
local	3	4	n/a	6
foreign	22	31	n/a	108
Ireland Building Societies Act, 1989	-	2	-	-
Balance Sheet Total	n/a	n/a	€ 766,436,000,000	n/a
Net Profit	n/a	n/a	€ 3,849,000,000	n/a
Total Assets	€ 49,500,000,000	€ 1,038,964,000,000	n/a	n/a
Total Liabilities	n/a	€ 1,038,964,000,000	n/a	n/a
Financial Institutions	12	n/a	n/a	n/a
Investment Firms (MiFID)/Investment Business Firms	-	168	-	-

<b>Funds</b>	<b>Malta</b>	<b>Ireland</b>	<b>Luxembourg</b>	<b>Singapore</b>
Administration Companies	15	42	179	n/a
Trustee / Custodian Banks	5	19	n/a	n/a
<b>Total Net Assets of domiciled funds</b>	<b>€ 7,934,422,136</b>	<b>€ 963,326,000,000 *</b>	<b>€ 2,198,994,000,000 **</b>	<b>n/a</b>
UCITS market	€ 1,751,198,000	€ 758,531,000,000	€ 1,880,612,000,000	n/a
Non-UCITS market	€ 871,461,750	€ 204,795,000,000	€ 318,382,000,000	n/a
PIFs	€ 5,311,762,386	-	-	n/a
<b>Number of Funds (including Sub-funds):</b>				
Domiciled	495	4,743	12,937	n/a
Foreign	22	-	-	n/a
Recognised Private CIS	2	-	-	n/a
<b>Collective Investment Schemes (incl. subfunds)</b>				
UCITS	58	2,899	9,353	n/a
Non UCITS	30	1,844	3,584	n/a
PIFs	407	-	-	-
Foreign	22	-	-	-
Recognised Private CIS	2	-	-	-

\* Total Assets under Administration (domiciled funds)

\*\* Net Assets under management (domiciled funds)

<b>Insurance</b>	<b>Malta</b>	<b>Ireland</b>	<b>Luxembourg</b>	<b>Singapore</b>
	<i>Q2 - 2011 data</i>	<i>2010 data</i>	<i>2009 data</i>	<i>Q2 - 2011 data</i>
<b>Insurance Undertakings</b>				
Life Insurance Companies	8	72	53	11
Non-Life Insurance Companies	35	155	41	45
Both life and non life			3	
Reinsurance Companies	7	115	251	28
Composite Companies	2			6
Captive Insurers	-			61
<i>of which</i>				
Affiliated	10			
Protected Cell Companies	7 (15 cells)			
Insurers of domestic origin	8			
Insurers of foreign origin	2			6

Sources for banking, funds and insurance statistics: Malta Financial Services Authority (Malta); Central Bank of Ireland (Ireland); Commission de surveillance du secteur financier (Luxembourg); Monetary Authority of Singapore (Singapore)

## 2.2 – Economic and regulatory features for selected countries

		Malta	Ireland	Luxembourg	Singapore
<b>Resources</b>	<b>Infrastructure - country</b>	<ul style="list-style-type: none"> <li>• Full EU member since mid-2004, and adopted euro currency in 2008.</li> <li>• All necessary infrastructure including technology infrastructure in place for continued expansion of the financial centre.</li> <li>• Maltese regulations provide a secure and stable framework for prudential supervision, consumer protection, market surveillance and prevention of money laundering.</li> <li>• Sufficient graduates are produced locally to meet demand in training of lawyers, accountants, investment managers, fund managers, fund administrators, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Full EU member since 1973, and adopted euro currency in 2002.</li> <li>• Ireland generated expertise in service providers supporting the Irish funds industry.</li> <li>• A key element of the success of Ireland as a financial centre has been the strong professional and advisory support available to firms.</li> <li>• Availability of high-quality technology companies who can provide the technical services and infrastructure required for international financial services firms.</li> </ul>	<ul style="list-style-type: none"> <li>• Founding member of the EU, and adopted euro currency in 2002.</li> <li>• Luxembourg has a stable political and social environment, supported by firm but sensitively-applied regulation.</li> <li>• Financial sector competitive advantage in international reputation, tax efficiency and business oriented environment.</li> <li>• Luxembourg has built a reserve of expertise augmented by a multilingual and multicultural workforce.</li> </ul>	<ul style="list-style-type: none"> <li>• Offers financial institutions a pro-business environment, excellent infrastructure, cost-competitiveness, a highly skilled and cosmopolitan labour force, and is strategically located.</li> <li>• The only Asian country with an "AAA" rating.</li> <li>• Singapore has a robust and efficient legal and judicial framework and a well-regulated international financial sector.</li> <li>• Singapore has a sophisticated telecommunications network.</li> </ul>

<b>Resources</b>	<b>Infrastructure - regulator</b>	<ul style="list-style-type: none"> <li>• The Malta Financial Services Authority (MFSA) is the single regulator for financial services in Malta.</li> <li>• It was established by law on 23 July 2002 taking over supervisory functions previously carried out by the Central Bank of Malta, the Malta Stock Exchange and the Malta Financial Services Centre.</li> </ul>	<ul style="list-style-type: none"> <li>• The Irish Financial Services Regulatory Authority was the single regulator of all financial institutions in Ireland until 2010.</li> <li>• It was re-unified with the Central Bank of Ireland in 2010 and its board structure was replaced by a new Central Bank of Ireland Commission.</li> </ul>	<ul style="list-style-type: none"> <li>• The <i>Commission de Surveillance du Secteur Financier</i> (CSSF) acts as Luxembourg's financial regulatory authority, and the Commissariat aux Assurances monitors the insurance industry.</li> <li>• The CSSF took over the responsibilities of <i>the Institut Monétaire Luxembourgeois</i> (IML) which became the <i>Banque centrale du Luxembourg</i> (BcL) in 1998, as well as the responsibilities of the former Commissariat aux Bourses.</li> </ul>	<ul style="list-style-type: none"> <li>• Monetary Authority of Singapore (MAS) is Singapore's central bank, and supervises the various statutes pertaining to money, banking, insurance, securities and the financial sector.</li> <li>• MAS was established by law in 1971 giving the authority to regulate all elements of monetary, banking and financial aspects.</li> <li>• In 1977 MAS was given the authority to regulate the insurance industry.</li> </ul>
	<b>Employees in financial sector</b>	<ul style="list-style-type: none"> <li>• 6,323 employees within the financial services industry.</li> <li>• Financial Intermediation contributes 7% to total GVA.</li> </ul>	<ul style="list-style-type: none"> <li>• 103,200 employees in the financial, insurance and real estate activities in Ireland.</li> </ul>	<ul style="list-style-type: none"> <li>• 42,000 employees within the financial sector, excluding employees of service providers such as auditors and lawyers.</li> </ul>	<ul style="list-style-type: none"> <li>• 174,900 employees in the financial services sector.</li> </ul>
	<b>Legal profession</b>	The Maltese legal profession is a long established profession, with most professionals furthering their training overseas particularly in the UK.	Ireland has 9 Irish law firms with specific funds industry expertise.	Luxembourg law is a composite of local practice, legal tradition, and French, Belgian, and German systems, as well as European Union law.	<i>Data not available</i>

<b>Resources</b>	<b>Tax treaties</b>	58 tax treaties with most EU and OECD member states.	Double tax treaty network with over 60 countries.	62 double tax treaties with EU and non-EU countries.	Double Tax treaties with more than 60 countries.
	<b>Tax structure</b>	Corporate tax at 35%; a full imputation system is applicable which means that dividends paid by a company resident in Malta carry a tax credit equivalent to the tax paid by the company on its profits out of which the dividends are distributed.	A uniform corporate tax rate at 12.5% which was introduced in 2003.	Corporate Income tax of 22.05% [ie: 21% plus 5% unemployment surcharge thereon] and 6.75% municipal business tax applicable in the municipality of Luxembourg. Thus the total combined tax rate since 2009 is 28.80%.	Corporate tax rate up to 9% on profits up to S\$ 300,000, and 17% on profits above S\$ 300,000
	<b>MoUs</b>	Malta has 26 bilateral MoUs with Foreign Regulators the latest being with China and Australia.	Ireland has 23 bilateral memoranda of understanding together with other formalised arrangements made by the Central Bank of Ireland.	The CSSF and the Commissariat aux Assurances have both signed a number of bilateral memoranda of understanding with various non-EU jurisdictions including Hong Kong.	<i>Data not available</i>
	<b>Connectivity</b>	Malta is well connected with finance centres in Europe and other non-European places such as Dubai, Cairo and Tripoli.	Ireland has ease of access from all of Europe's major financial centres.	Luxembourg is located at the crossroads of European motorway and rail networks. Luxembourg city airport serves flights to Europe's major business centre and cities.	Singapore's strategic geographical location enables it to access 3.2 billion people in Asia within 7 hours of flight time, and also operates scheduled services through Singapore to more than 57 countries worldwide.

		Malta	Ireland	Luxembourg	Singapore
		Reputation	World Economic Forum	<p><i>World Economic Forum - The Global Competitiveness report 2011-2012:</i> 51<sup>st</sup> out of 142 countries in the Global Competitiveness Index; 15th for financial market development; 12th as soundest banking system in the world.</p>	<p><i>World Economic Forum - The Global Competitiveness report 2011-2012:</i> 29<sup>th</sup> out of 142 countries in the Global Competitiveness Index; 115<sup>th</sup> for financial market development; 142<sup>nd</sup> as soundest banking system in the world.</p>
Global Financial Centres Index	<p><i>Global Financial Centres Index 8 (Sep 2010):</i> 55th place</p>		<p><i>Global Financial Centres Index 8 (Sep 2010):</i> 29th place</p>	<p><i>Global Financial Centres Index 8 (Sep 2010):</i> 20th place</p>	<p><i>Global Financial Centres Index 8 (Sep 2010):</i> 4th place</p>
Global Financial Centres Index	<p><i>Global Financial Centres Index 9 (Mar 2011):</i> 59th place</p>		<p><i>Global Financial Centres Index 9 (Mar 2011):</i> 33rd place</p>	<p><i>Global Financial Centres Index 9 (Mar 2011):</i> 21st place</p>	<p><i>Global Financial Centres Index 9 (Mar 2011):</i> 4th place; one of the top 5 centres in the world likely to become significant in the next few years; top 10 list of centres where new offices are likely to be opened.</p>

<b>Reputation</b>	<b>World Bank</b>	<i>not available</i>	<i>World Bank 'Doing Business' report 2011: 9th place</i>	<i>World Bank 'Doing Business' report 2011: 45th place</i>	<i>World Bank 'Doing Business' report 2011: 1st place</i>
	<b>Other sources</b>	<i>FundDomiciles Stability Index for 2011 (Jun 2011): 2<sup>nd</sup> place as most stable international fund domicile.</i>	<i>IMD World Competitiveness Yearbook 2010 for the key measures influencing foreign direct investment: 1st for corporate taxes; 4th for the availability of skilled labour; 4th for being open to new ideas; 6th for labour productivity; 7th for the availability of financial skills; and 7th for the flexibility and adaptability of people.</i>	<i>Luxembourg's fund administration sector is the second largest in the world.  Private banking is the largest in the eurozone and is ranked 6th in the world.  Newsweek ranked Luxembourg as the 5th best country in the world in its first-ever ranking, on the basis of education, health, quality of life, economic competitiveness and political environment.</i>	<i>Swiss-based international Institution for Management Development's 2010 Competitiveness Yearbook: ranked 1st most competitive country in the world.</i>

		Malta	Ireland	Luxembourg	Singapore
		EU	Malta is a member state of the European Union, benefiting from the harmonisation of EU financial services regulation, including the UCITS passport and being participating member of the European Monetary Union.	Ireland is also a member state of the European Union, benefiting from the harmonisation of EU financial services regulation, including the UCITS passport and being participating member of the European Monetary Union	Luxembourg is also a member state of the European Union, benefiting from the harmonisation of EU financial services regulation, including the UCITS passport and being participating member of the European Monetary Union
Redomiciliation	Malta has redomiciliation legislation that would allow companies to re-domicile to Malta under the Continuation of Companies Regulations from all the EU, EEA and OECD states, the Bahamas, Bermuda, the BVI, the Cayman Islands, Gibraltar, Guernsey, the Isle of Man, Jersey and Mauritius which have appropriate provisions in their laws.	Ireland has redomiciliation legislation that would allow companies to re-domicile to Ireland under the Companies (Miscellaneous Provisions) Act 2009. Article 256F defines 'migrating company' as a body corporate which is established and registered under the laws of a relevant jurisdiction and which is a collective undertaking.	The law regulating re-domiciliation in Luxembourg is the Law of 10th August 1915. Luxembourg offers a simple, straightforward process for the re-domiciliation of investment funds. During the past five years, over 540 fund units totalling 140 billion euros in assets under management have been re-domiciled to Luxembourg from both offshore and European jurisdictions.	-	



Regulatory Infrastructure & Rules	Fund Business	<p>Malta offers a range of fund vehicles (including investment companies, mutual funds, limited partnership, foundations and unit trusts) which can be tailored to suit investor requirements and investment policy.</p> <p><b>Legislation applicable to Funds business:</b> The Investment Services Act, Cap. 370 of the Laws of Malta, (ISA) establish the regulatory framework for investment services and for Collective Investment Schemes (CIS). The ISA provides for two types of licences - an Investment Services Licence and a Collective Investment Scheme Licence.</p>	<p>Availability of a range of fund vehicles (including investment companies, unit trusts and investment limited partnership common contractual fund), which can be tailored to suit investor requirements and investment policy.</p> <p><b>Legislation applicable to Non-UCITS:</b> Unit Trusts Act 1990; Companies Act 1990; Investment Limited Partnerships Act 1994; Investment Funds, Companies and Miscellaneous Provisions Act 2005.</p> <p><b>Legislation applicable to fund Administrators:</b> Investment Intermediaries Act, 1995; Investor Compensation Act, 1998; Markets in Financial Instruments and Miscellaneous Provisions Act, 2007.</p>	<p>The majority of funds domiciled in Luxembourg are created as UCITS; alternative investments are also catered for (SIFs; SICARs) exchange traded funds are cost effective and benefit from a flexible legislative framework. The legal structures available are investment company (SICAV) and Common Fund (FCP).</p> <p>Luxembourg offers a variety of attractive fund structures in terms of Shariah-compliant investment funds, microfinance investment vehicles and SRI vehicles.</p> <p>Real estate and private equity funds have also proved to be popular as SIFs and SICARs aiming mainly at institutional investors.</p>	<p>Onshore and Offshore Retail Hedge funds can be registered in Singapore.</p> <p>Onshore hedge funds include: Close-ended funds (corporations); open-ended unit trust funds and limited liability partnerships (LLPs).</p> <p>Offshore Funds are constituted in offshore jurisdictions and marketed in Singapore.</p> <p>Fund managers with less than 30 qualified investors are exempt from licensing requirements in Singapore. All other fund managers and distributors need to hold one single licence either a Capital Markets Services Licence or a Financial Advisers Licence. With total assets under management of around S\$1.2 trillion, Singapore is also recognized as one of the premier asset management locations in Asia.</p>

<p style="text-align: center;"><b>Regulatory Infrastructure &amp; Rules</b></p>	<p style="text-align: center;"><b>Funds Business (cont...)</b></p>	<p>Malta has gained a reputation for a robust regime (without being unduly prescriptive) with a highly approachable regulatory authority. It has been internationally recognised that the Maltese regulations provide a secure and stable framework for prudential supervision, consumer protection, market surveillance and prevention of money laundering. This has led to a number of UCITS and non-UCITS funds being established by reputable companies within the last 7 years. 117 Collective Investment Scheme licences have been issued between January and June 2011.</p>	<p>Ireland is a mature funds jurisdiction with 20 years of experience in dealing with broad spectrum of fund structures, both UCITS and Non-UCITS and ranging from traditional long-only equity funds to complex and sophisticated fund structures.</p> <p>Ireland has generated an enormous depth of expertise in service providers supporting the Irish funds industry, including administrators, custodians, auditors, lawyers, independent directors, the Irish Stock exchange and others.</p>	<p>In 1988, Luxembourg was the first EU Member State to adapt its legislation to the European Directive governing UCITS. This competitive advantage of being the first to offer investment funds the European Passport for cross-border distribution as well as the constant modernisation of the country's legal and fiscal environment attracted fund promoters from all around the world.</p> <p>Luxembourg is the second largest investment-fund centre after the US, with fund assets under management totalling over EUR 2 trillion as at end June 2010. Luxembourg is also the leading centre for cross-border fund registrations, with UCITS funds registered for distribution in over 50 countries worldwide (75% of the world's cross-border funds, distributed in at least three countries, are based in Luxembourg).</p>	<p>The main pieces of legislation in relation to Securities, Futures and Fund Management are: Securities and Futures Act (SFA); and Exchanges (Demutualisation and Merger) Act.</p> <p>There is also subsidiary legislation in the form of regulations, orders and notifications  <a href="http://www.mas.gov.sg/legislation_guidelines/securities_futures/sub_legislation/SFA_Content_Page.html">[http://www.mas.gov.sg/legislation_guidelines/securities_futures/sub_legislation/SFA_Content_Page.html]</a>.</p> <p>The types of activities regulated under the SFA are as follows: (a) dealing in securities; (b) trading in futures contracts; (c) leveraged foreign exchange trading; (d) advising on corporate finance; (e) fund management; (f) real estate investment trust management; (g) securities financing; and (h) providing custodial services for securities.</p>
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<b>Regulatory Infrastructure &amp; Rules</b>	<b>Funds Business (cont...)</b>	<p>The Malta Stock Exchange was set up 20 years ago and primarily serves the local market.</p>	<p>Ireland has the largest number of stock exchange listed investment funds in the world for the listing of investment funds and offers efficient, low cost listing options that facilitate the marketing and distribution of investment funds.</p>	<p>The Luxembourg Stock Exchange was created in 1927. Since then it developed a specific know-how in the listing of and trading in securities from a wide-range of regions. In 2009, the Luxembourg Stock Exchange migrated its securities to the NYSE Euronext Universal Trading Platform (UTP).</p>	<p>Singapore Exchange (SGX) offers its clients the broadest span of equity index derivatives, uniquely centred on Asia's three largest economies - China, India and Japan. SGX represents the premier access point for managing Asian capital and investment exposure, and is Asia's most internationalised exchange with more than 40% of companies listed on SGX originating outside of Singapore. In addition to offering a fully integrated value chain from trading and clearing, to settlement and depository services, SGX is also Asia's pioneering central clearinghouse.</p>
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<b>Regulatory Infrastructure &amp; Rules</b>	<b>Funds Business (cont...)</b>	<p>It is the policy of the MFSA that all regulators meet directly with operators to discuss their requirements. Malta has a fast track response for Qualifying Investor Funds of 7 days and for the more sophisticated investors - Extraordinary Investor Funds - the response is 3 days.</p> <p>Unlike Ireland and Luxembourg, Malta does not allow any fund to start operating and then review the prospectus afterwards.</p>	<p>The Financial Regulator has published a 'Stakeholder Protocol' with industry agreed timelines for review of documentation which also includes the 'next day' authorisation process in respect of Irish Qualifying Investor Funds (part of the 'Stakeholder Protocol').</p>	<p>The creation of SIF or SICAR are not subject to prior approval of the CSSF. An authorization file must be submitted to the CSSF within the month following the creation of the SIF or SICAR.</p> <p>The authorisation will be granted subject to: Approval of the constitutional documents; approval of the choice of Depositary and Auditor; and notification of the Directors of the fund or managers of the management company.</p>	
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<p style="text-align: center;"><b>Regulatory Infrastructure &amp; Rules</b></p>	<p style="text-align: center;"><b>Insurance Business</b></p>	<p>Insurance Business in Malta is regulated by the Insurance Business Act. The MFSA may grant an authorisation to: (i) a company whose head office is in Malta to carry on the business of insurance in or from Malta, or in or from a country outside Malta; (ii) a company whose head office is in a country outside Malta to carry on the business of insurance in or from Malta. Insurance companies; Affiliated Insurance Companies; Reinsurance Companies and Protected Cell Companies are licensed under the Insurance Business Act. While insurance agents, insurance brokers; insurance managers and tied insurance intermediaries are licensed under the Insurance Intermediaries Act.</p>	<p>Insurance Business in Ireland is regulated by the following: (i) Insurance Act 1909 to 2000 [the most relevant being the Insurance Act 1936 and Insurance Act 2000]; (ii) Central Bank and Financial Services Authority of Ireland Act 2004.</p> <p>The Retail and Wholesale Insurance Supervision Departments of the Central Bank of Ireland are responsible for the regulation and supervision of Head Offices of Life Insurance Undertakings; Non-Life Insurance undertakings and Head offices of Reinsurance undertakings and Special Purpose Reinsurance Vehicles (SPRV), authorised in Ireland.</p> <p>There are three types of reinsurance undertaking: life, non-life and composite. Insurance and/or reinsurance intermediaries, established in Ireland, that intend to provide insurance and/or reinsurance mediation services must be registered in accordance with the European Communities (Insurance Mediation) Regulations 2005 which give effect in Irish law to the European Communities Insurance Mediation Directive.</p>	<p>The Luxembourg supervisory authority for the insurance sector is the Commissariat aux Assurances (CAA). Luxembourg insurance sector is mainly governed by: The law of 6 Dec 1991 on the insurance sector, as amended; The Regulation of 14 Dec 1994 implementing the Insurance Act, as amended; the law of 27 July 1997 on insurance contracts; the law of 18 Dec 2006 on distant marketing of financial services; the law of 8 Dec 1994 relating to annual and consolidated annual accounts of Luxembourg insurance and reinsurance companies and relating to the duties of branches of third country insurance companies in respect of the right of establishment and of the publicity of accounting documents; the law of 12 Nov 2004 relating to the fight against money laundering and against the financing of terrorism, as amended by the law of 13 July 2007; the law of 13 July 2005 amending the Insurance Act and relating to insurance mediation; and several circular letters issued by the CAA.</p>	<p>The main legislation is the insurance Act (Cap. 142), Revised Edition 2002. The MAS also administers subsidiary legislation including: Regulations for all Insurers; Regulations for Specific Insurers; and Regulations for Insurance Intermediaries.</p>

Regulatory Infrastructure & Rules	Insurance Business (cont...)	<p>Malta provides the opportunity for companies to locate their captive insurance business and insurance management activity within an OECD-recognised tax environment that combines tax efficiency with controlled foreign company tax legislation requirements.</p> <p>Malta's insurance legislation is based on research carried out among Maltese and international insurance operators and provides opportunities for captive insurance business and related activities, including cell companies, insurance management companies and regional operations for insurers, reinsurers and brokers. The legislation also provides continuation procedures that allow insurance companies resident in a foreign domicile with equivalent legislation to re-domicile to Malta.</p>	<p>Whilst there are some important distinctions between the regulation and the authorisation and supervision regimes for life, non-life, reinsurance and captive and SPRVs businesses, they are governed by reasonably similar frameworks, with each allowing for passporting cross border within the EU on either a freedom of services or on a branch basis.</p> <p>In order to be considered established in Ireland, an insurance undertaking must (a) have an office in Ireland which is open during business hours for the transaction of insurance business and (b) must employ at such office persons duly qualified to carry on the business transacted and empowered to issue cover for the authorised classes of business and to settle claims. The classes of business are those set out in the relevant EU Life, Non-Life and Reinsurance Directives.</p>	<p>The central administration of the company undertaking insurance activities must be established in Luxembourg - i.e. the Insurance Company must be effectively managed in and from Luxembourg.</p> <p>The Direct and indirect shareholding of the company structure must be transparent.</p> <p>The company must be effectively managed by one or more persons meeting the required conditions for integrity, qualification or professional expertise.</p> <p>No Insurance Company approved in Luxembourg may conduct both life and non-life insurance activities in Luxembourg territory. Insurance activities must be limited to insurance business and transactions arising directly therefrom, to the exclusion of any other commercial activity.</p>	<p><b>Registration of Insurers and Insurance Brokers:</b> Registered Direct Insurers; Registered Reinsurers; Registered Special Purpose Reinsurance Vehicles; Registered Captive Insurers; Registered Insurance Brokers.</p> <p><b>Authorisation and Approval of Insurers and Insurance Brokers:</b> Authorised Reinsurers, Approved MAT Insurers; Approved MAT Insurance Brokers; Approved MAT Reinsurance Brokers. The above insurance companies and insurance intermediaries do not have any physical presence in Singapore. They are established outside Singapore and provide insurance services from outside Singapore to persons in Singapore. Therefore these companies and intermediaries are subject to a limited oversight by the MAS as compared to an insurer or insurance broker which has a physical or commercial presence in Singapore and is registered with the Authority to carry on insurance business pursuant to the Insurance Act (Cap. 142).</p>

<p style="text-align: center;"><b>Regulatory Infrastructure &amp; Rules</b></p>	<p style="text-align: center;"><b>Insurance Business (cont...)</b></p>	<p>Captive insurance business is regulated under a set of tailor made rules that take into consideration the current state of the market and possible future developments. These rules provide for the registration and operation of captive insurance companies which within the Maltese insurance legislation are termed “Affiliated Insurance Companies” (“AICs”).</p>	<p>Dublin is an established European domicile that caters for both reinsurance and direct writing captives.</p>	<p>Reinsurance Captives operate in a regulatory framework defined at EU level by the Reinsurance Directive (2005/68/EC) which was transposed into Luxembourg legislation on 5th December 2007 by law and a grand ducal regulation.</p> <p>During the on-going life of the captive, the company is required to comply with a number of supervisory and control measures.</p> <p>Reinsurance captives are managed in Luxembourg by a manager authorised by the Commissariat aux Assurances. Management will be undertaken either by an authorised manager within the reinsurance captive itself or by employing the services of a Luxembourg company specialised in captive management.</p>	<p>The business of captive insurers should consist principally of the risks of its related companies. Proposals to set up “rent-a-captive” operations in Singapore will also be considered. All captive insurers are required to establish their operations in Singapore as subsidiaries.</p>

## Regulatory Infrastructure & Rules

### Pension Funds

The EU Pensions Directive has been fully transposed into Maltese law through the Special Funds (Regulation) Act (SFA) which is the principal legislation regulating occupational pensions, this law also provides for the establishment of Retirement Funds which can be used as Pension-Pooling Vehicles.

In 2010, the MFSA started issuing the first certificates under the Special Funds Act for the setting up of retirement schemes, retirement scheme administrators, and asset managers for retirement schemes. A retirement fund can be set up as an investment company with fixed or variable share capital under the Companies Act 1995.

Ireland has a three pillar pension system. First, the Irish Government provides a basic old age retirement pension through the State social welfare system. Secondly, Individuals can choose to make supplementary private provision by saving in a formal tax approved pension arrangement. Thirdly, other savings top up to the foregoing.

Many employers establish arrangements known as occupational pension schemes for their workforce. These are mainly written under trust and managed by trustees. The trustees hold the assets separately and invest the assets for the benefit of the scheme members.

The Pensions Board is the regulatory body for occupational pension schemes, PRSAs and certain aspects of trust RACs as part of its statutory role to monitor and supervise the operation of the Pensions Act.

Several regulated pension funds have been designed for use both in the Luxembourg domestic market and the international market for expatriate workers: (i) the SEPCAV is comparable to an investment fund of the SICAV type and is appropriate for defined contribution pension plans; (ii) the ASSEP is suitable for defined contribution and defined benefit plans, and can accommodate both types of plans in a single legal structure by adopting a multiple compartment (umbrella) structure.

These two vehicles are regulated by the law of 13 July 2005 implementing the EU Directive on Institutions for Occupational Retirement Provisions (the IORP Directive).

The third option for a pension fund lies within the framework for Insurance legislation. These funds are defined by the regulation of 31 August 2000, are referred to as CAA Pension Funds.



<p style="text-align: center;"><b>Regulatory Infrastructure &amp; Rules</b></p>	<p style="text-align: center;"><b>Pension Funds (cont ...)</b></p>	<p>A retirement fund can be established as a multi-class company with various sub-funds or pools of assets. This means that a retirement fund may be constituted of several asset classes or pools of assets to match the varying objectives of different occupational retirement schemes pooling their assets in the retirement fund.</p>	<p>The Pensions Act 1990 to 2009, which implement the Pensions Directive (2003/41/EC) regulates the operation of approved pension vehicles in Ireland.</p> <p>The Taxes Consolidation Act 1997 (as amended each year) regulates from a tax perspective the operation of approved pensions arrangements in Ireland.</p>	<p>The CAA pension fund is suitable for defined contribution schemes and defined benefit schemes (or both types in an umbrella structure) and/or supplemental benefits in case of death or disability of members.</p> <p>Four legal structures are available: a mutual insurance association; a cooperative company; a cooperative company organised as a public limited liability and a non-profit making association. Alternative solutions for starting on a smaller scale are the Pension pooling vehicle, the group insurance contract and the pension trust.</p>	

<b>Regulatory Infrastructure &amp; Rules</b>	<b>Banking Business</b>	<p>The Maltese Banking sector has changed significantly over the past 15 years, having been transformed from a tightly controlled publicly owned sector into one of liberalization and foreign ownership. As growth continues in the sector, so does the range of products and services being offered from Malta. These include commercial banking, trust business, investment banking, treasury operations, syndicated loans and trade finance.</p>	<p>Most of the retail banks in Ireland are either (a) subsidiaries of UK banks or (b) parent companies with subsidiaries owning branch networks in the UK. Retail banking in Ireland is dominated by the main clearing banks which are examples of the 'universal banking' model.</p> <p>In Ireland a significant number of smaller banks and building societies also compete with the major banks for retail customers. There is no strong segmentation in the banking sector between retail and wholesale banking.</p>	<p>The banking model prevailing in Luxembourg is that of the universal bank: banks are licensed to provide the full scope of banking services set out in Annex 1 of Directive 2006/48, but must set out in their business plan the activities they primarily intend to pursue.</p>	<p>The banking industry in Singapore is a key player in the country's market segment. Most banks in Singapore cater to different types of clients - individuals, corporations or government agencies. These banks provide commercial banking (catering to businesses and corporations), retail banking (catering to individual members of the public) and private banking (catering to HNWIs) services.</p>

<p style="text-align: center;"><b>Regulatory Infrastructure &amp; Rules</b></p>	<p style="text-align: center;"><b>Banking Business (cont ...)</b></p>	<p>The MFSA is responsible for the authorisation and supervision of credit and financial institutions in Malta. As at end June 2011 there were 25 Credit Institutions and 12 Financial Institutions licensed in Malta.</p>	<p>The Credit Institutions Supervision directorate within the Central Bank of Ireland is responsible for the prudential supervision of 37 credit institutions - of which 4 are Irish and 31 from other EEA countries (including 2 building societies and 6 Irish incorporated banks). It is also responsible for the prudential supervision (limited) of passported branches of EEA banks - 36 in total. The Directorate is also responsible for the supervision of 409 Credit Unions.</p> <p>The prudential Analytics &amp; Resolutions division has a mandate to provide analysis services, primarily to the banking, credit unions and insurance divisions but also to the wider organisation. The division specialises in financial and risk analysis, business model analysis and stress testing.</p>	<p>As at 30 June 2011 143 banks (42 of which come from Germany) were registered on the official list of authorised banks of the Luxembourg regulator, the CSSF. The Luxembourg central bank (BCL) is competent for periodically receiving the reporting of banks for statistical purposes.</p> <p>As at 30 June 2011 there was also 1 electronic money institution authorised in accordance with the Law of 10 November 2009 on payment services.</p>	<p>The Monetary Authority of Singapore (MAS) acts as a defacto central bank. The MAS also supervises the banking systems. Banks can be classified into two main categories: Local Banks (6) and Foreign Banks (108) - Full Banks; Wholesale Banks; Offshore Banks; Merchant Banks.</p>

<p style="text-align: center;"><b>Regulatory Infrastructure &amp; Rules</b></p>	<p style="text-align: center;"><b>Banking Business (cont ...)</b></p>	<p>The setting up of banks or credit institutions in Malta is regulated by the Banking Act (Cap. 371 – Laws of Malta) which came into force on 15th November, 1994 and was further amended in 2004. The Banking Act is founded on European Union legislation and is compliant with the Basle Core Principles.</p> <p>Alongside the Banking Act are also the Banking Rules. Banking Rules are binding on licence holders and others as may be specified therein.</p>	<p>The principal legislative provisions governing the authorisation and ownership of credit institutions in Ireland are contained in the Central Bank Act, 1971 to 2004, in the Regulations implementing the EU Second Banking Co-ordination Directive (Statutory Instrument No. 395 of 1992), the European Communities Licensing of Credit Institutions) Regulations (LSR) and in the regulations implementing directive 2006/481 EC (Statutory Instrument No. 512 of 2009). Specific legislative provisions governing the authorisation and ownership of building societies are contained in the Banking Societies Act, 1989.</p>	<p>The regulation of banks in Luxembourg is based almost exclusively on the European legislative framework. The law of April 1993 on the financial sector (LFS) is the main source of regulation for banks and it is also the law into which the different European Directives are implemented.</p> <p>The LFS was first adopted with the implementation of the second banking directive, and thereafter all subsequent Directives governing the access to banking activity, lastly Directive 2006/48, its supervision (Directive 92/130 on consolidated supervision of credit institutions), the Capital Adequacy Rules (Directive 2006/49) and Markets in Financial Instruments Directive (MiFID) were implemented into this law. The Payment Services Directive (2007/64) was enacted by a specific law.</p>	<p>The relevant acts pertaining to the banking industry include: (i) Banking Act - the Banking Act (Cap 19, 2003 rev Ed) is the legislation that governs commercial banks in Singapore; (ii) Monetary Authority of Singapore Act (Cap 186, 1999 Rev Ed) - Governs all matters related to and connected to MAS and its operations; (iii) Anti Money Laundering Regulations; (iv) Payment &amp; Settlements Systems Guidelines and (v) Securities and Futures Act.</p>
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<p style="text-align: center;"><b>Regulatory Infrastructure &amp; Rules</b></p>	<p style="text-align: center;"><b>Banking Business (cont ...)</b></p>	<p>The Banking Sector in Malta remains one of the economic drivers, with analysts pointing to the sector's continued robustness during the crisis as being a key indicator for the future of the performance of the industry. Malta has a deep-rooted conservative approach to Banking as bank funding depends on retail deposits not wholesale borrowing and has over the years stuck to the conventional banking approach based on old fashioned intermediation between retail depositors and borrowers. It has not relied on wholesale funding to support lending and maintains substantial liquidity, adequate capital and prudent lending policies.</p>	<p>The Central Bank of Ireland has during the past twelve months sought to enhance the soundness and integrity of Irish Banks' balance sheets. The Central Bank is proposing to require banks to align the stock of provisions with the underlying realities of loan portfolios, albeit that additional provision recognition will not affect the post-Prudential Capital Assessment Review (PCAR) capital position of these institutions. In a recent document entitled 'Banking Supervision: Our Approach 2011 update' the Central bank also provides details of the disclosures that banks will be required to make and also describe the work to validate the assumptions underpinning risk weighted asset calculations, both within and across banks. [<a href="http://www.centralbank.ie/publications/Documents/Banking%20Supervision%20-%20Our%20approach,%202011%20update.pdf">http://www.centralbank.ie/publications/Documents/Banking%20Supervision%20-%20Our%20approach,%202011%20update.pdf</a>]</p>	<p>Luxembourg has a limited number of banks offering retail and commercial banking services to the general public and to the Luxembourg business community. These banks have large branch networks in Luxembourg and hence their financing model relies heavily on the collection of deposits from the public. They offer a universal array of bank services including deposit taking, personal and professional lending, payment services as well as wealth and treasury mgt. Most universal banks, in addition, have a more or less developed corporate finance activity, which is in most cases combined with money markets and capital markets activities. Also, at least medium to large-sized banks tend to have trading floors which cater to the trading, hedging and treasury optimisation needs of clients and of the banks themselves.</p>	<p>Factors that have contributed to the success of the banking industry in Singapore include:</p> <p>(i) Liberalisation of the domestic banking market; (ii) local banks strengthened their regional presence through mergers and acquisitions; (iii) expansion of foreign banks, some of which made Singapore a regional or even global platform for important banking services, which in turn led to increased competitiveness; (iv) increased competition spurred the development of innovative products and more competitive pricing models; (v) provision of sophisticated banking services like corporate and investment banking activities, apart from traditional lending and deposit-taking functions;</p>
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<b>Regulatory Infrastructure &amp; Rules</b>	<b>Banking Business (cont ...)</b>		<p>The Central Bank has also conducted an in-depth analysis of the performance of the Irish Banking Sector and established transparent plans to 'right-size' the Irish banking system to a manageable size. A target loan has been established to deposit ratios for the domestic retail banks to reach over time through de-leveraging (run-off and disposal of non-core assets).</p>	<p>Another important activity is private banking, which comprises portfolio management in all its different forms, ranging from discretionary management to custody combined with investment advice.</p>	<p>(vi) Strict banking secrecy laws, tax friendly policies and a suite of wealth management services created a private banking boom. Swiss giants Credit Suisse Group and UBS AG have expanded private-banking operations in Singapore to cater to new demand from Asians and Europeans; (vii) Recognising and catering to the needs of Small and Medium Enterprises who comprise a sizable banking market in Singapore.</p>
				<p>Luxembourg is one of the main jurisdictions for the establishment and distribution of investment funds. As a result, the servicing of investment funds, including custodial services, central administration and also securities trading and the distribution of fund units has developed into a thriving activity for the Luxembourg banking sector.</p>	
				<p>Luxembourg favours the withholding tax model, as opposed to the exchange of information advocated by most EU Member States.</p>	

<b>Regulatory Infrastructure &amp; Rules</b>	<b>Banking Business (cont ...)</b>			<p>The general view of the Luxembourg banking community is that, in particular as regards private banking, the trend is towards catering for high-net worth individuals in wealth management, rather than the traditional clientele of Luxembourgish banks, which is small to middle-sized portfolios of residents from neighbouring countries. It is generally considered that these clients will progressively disappear as customer basis of Luxembourg banks, in particular under the influence of measures taken by European countries to incentivise the repatriation of assets, for instance, through tax amnesties, and also under the influence of repeated attacks against the bank confidentiality rules prevailing in Luxembourg. The current trend is therefore to concentrate on new niches and to consolidate the existing customer basis, while at the same time investigating new prospects in other geographical regions in the world, such as Asia and South America.</p>	
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## Section 3: Recent Developments

### 3.2.1 - General Financial Services Business

#### Luxembourg

Income on savings: new withholding tax rate for non-residents as of 1<sup>st</sup> July 2011 - *May 2011* – <http://www.abbl.lu/dossiers/taxation-savings>

#### Ireland

"The Irish Economy in Perspective" report. Policy responses to the Irish economy. - *June 2011* – <http://www.finance.gov.ie/documents/publications/economicstatsetc/irisheconomyjune2011.pdf>

"Strategy for the International Financial Services Industry in Ireland 2011-2016" report - *July 2011* – <http://www.merrionstreet.ie/wp-content/uploads/2011/07/IFS-Strategy-2011.pdf>

#### UK – London

FSA launches Financial Conduct Authority (FCA) approach document. The report explains how the FCA, which should be established by end of 2012, will approach the delivery of its objectives - *June 2011* – [http://www.fsa.gov.uk/pubs/events/fca\\_approach.pdf](http://www.fsa.gov.uk/pubs/events/fca_approach.pdf)

"The Bank of England and the Financial Services Authority (FSA) sets out through the report how the Prudential Regulation Authority (PRA), currently expected to be created by the end of 2012 as a subsidiary of the Bank of England, will approach the supervision of insurers. - *June 2011* – [http://www.fsa.gov.uk/pubs/other/pru\\_insurance.pdf](http://www.fsa.gov.uk/pubs/other/pru_insurance.pdf)

#### Switzerland

Federal Department of Finance speech "Switzerland's Future as a Competitive Centre", at the Annual General Meeting of the Swiss-American Chamber of Commerce. The federal council is pursuing a financial market policy to tackle three international challenges namely taxes; systemic risks; and international networking. – 20<sup>th</sup> June 2011 - <http://www.efd.admin.ch/dokumentation/medieninformationen/00467/index.html?lang=en&msg-id=39743>

"The Federal Council adopted the dispatch on the new Federal Act on International Administrative Assistance in Tax Matters. It governs the execution of administrative assistance in double taxation agreements and other agreements on the exchange of information, in particular the exchange of information agreed on in accordance with the OECD standard. – 6<sup>th</sup> July 2011 – <http://www.efd.admin.ch/dokumentation/medieninformationen/00467/index.html?lang=en&msg-id=40091>



### **USA – New York**

The Federal Reserve Bank of New York welcomes the letter from major market participants to the OTC Derivatives Supervisors Group (ODSG) outlining a strategic roadmap that supports on going collaborative efforts to bring improvements and risk reduction to global over-the-counter (OTC) derivatives markets. – 5<sup>th</sup> April 2011 –

<http://www.newyorkfed.org/newsevents/news/markets/2011/an110405.html>

The Federal Reserve Bank of New York released analysis from its third-quarter 2010 pilot poll on small businesses in the region providing a glimpse into the dynamics of business finances during and immediately following the recent recession. – 13<sup>th</sup> April 2011 –

[http://www.newyorkfed.org/newsevents/news/regional\\_outreach/2011/an110413.html](http://www.newyorkfed.org/newsevents/news/regional_outreach/2011/an110413.html)

### **Singapore**

The Monetary Authority of Singapore (MAS) announced that Singapore incorporated banks will meet capital adequacy requirements that are higher than the Basel III global capital standards. – 28<sup>th</sup> June 2011 –

[http://www.mas.gov.sg/news\\_room/press\\_releases/2011/MAS\\_Strengthens\\_Capital\\_Requirements\\_for\\_Singapore\\_incorporated\\_Banks.html](http://www.mas.gov.sg/news_room/press_releases/2011/MAS_Strengthens_Capital_Requirements_for_Singapore_incorporated_Banks.html)

The China Banking Regulatory Commission (CBRC) and the Monetary Authority of Singapore (MAS) signed a Supplemental to the existing Memorandum of Understanding (MoU) to include cooperation on crisis management. – 27<sup>th</sup> July 2011 –

[http://www.mas.gov.sg/news\\_room/press\\_releases/2011/CBRC\\_and\\_MAS\\_Sign\\_a\\_Supplemental\\_to\\_MoU.html](http://www.mas.gov.sg/news_room/press_releases/2011/CBRC_and_MAS_Sign_a_Supplemental_to_MoU.html)

### **Hong Kong**

New regulatory regime governing credit rating agencies (CRAs) operating in Hong Kong became effective on 1 June 2011 – 2<sup>nd</sup> June 2011 –

<http://www.sfc.hk/sfcPressRelease/EN/sfcOpenDocServlet?docno=11PR63>

Existing SFC-authorized funds and Investment-linked Assurance Schemes (ILAS) that will continue to be marketed to the public in Hong Kong, as from 25 June 2011, are required to provide investors with a Product Key Facts Statement (KFS) and an offering document that satisfies a number of additional disclosure requirements. – 27<sup>th</sup> June 2011-

<http://www.sfc.hk/sfcPressRelease/EN/sfcOpenDocServlet?docno=11PR76>

### **Guernsey**

The Commission has made a number of changes to the Handbook for Financial Services Businesses on Countering Financial Crime and Terrorist Financing and to the Handbook for Legal Professionals, Accountants and Estate Agents on Countering Financial Crime and Terrorist Financing. The principal changes are to the chapters on Reporting Suspicion and UN, EU and Other Sanctions. – 7<sup>th</sup> July 2011-

<http://www.gfsc.gg/AML-CFT/News/Pages/Changes-to-the-AMLCFT-Handbooks.aspx>

A list of 34 “secrecy jurisdictions” which were described as probable locations for US tax evasion has been withdrawn. Democrat Senator Carl Levin unveiled a modified bill that no longer blacklist’s offshore jurisdictions – 18<sup>th</sup> July 2011 –

<http://www.telegraph.co.uk/finance/personalfinance/offshorefinance/8645603/Crown-dependencies-celebrate-no-longer-being-on-US-tax-haven-blacklist.html>

### **Jersey**

Jersey to become the first of the Crown Dependencies to offer Incorporated Limited Partnerships (ILPs) and to create a dedicated and distinct law for the constitution of Separate Limited Partnerships (SLPs) - 7<sup>th</sup> April 2011 –

<http://www.jerseyfinance.je/News/Jersey-boosts-its-appeal-as-funds-domicile-with-law-changes-which-offer-investors-maximum-flexibility/>

### **Isle of Man**

Revision of the previous edition of the Supervisory Approach document set out by the Financial Supervision Commission reflecting developments in working methods. - April 2011 –

<http://www.fsc.gov.im/lib/docs/fsc/supervisoryapproachpublishedjuly.pdf>

With effect from 23rd June 2011, the Incorporated Cells Regulations 2011 and the Insurance (Incorporated Cell Companies) Regulations 2011 came into effect.

<http://www.gov.im/ipa/insurance/icc.xml>

### **Gibraltar**

In a first of its kind judgement in the Supreme Court of Gibraltar, Financial Services Commission (FSC) obtained £6.3M judgement against former directors of Rock Financial Services Ltd. – 4<sup>th</sup> Jan 2011 –

<http://www.fsc.gi/fsclists/pressrelease.aspx?PressReleaseID=81>

### **General articles**

According to the Alternative Investment Management Association (AIMA), new barriers to international clearing could be erected by proposed new regulations for over-the-counter (OTC) derivatives in the European Union. AIMA is calling on EU lawmakers to reconsider a key provision of the European Market Infrastructure Regulation (EMIR), the proposed future regime for mandatory clearing of OTC derivatives in the EU. This provision could in effect exclude EU-established financial services providers from using central counterparties (CCPs) which are not located in the EU. – 23<sup>rd</sup> May 2011 –

[http://www.aima.org/en/media\\_centre/press-releases.cfm/id/F883E869-ADEF-40B2-B098C4610F6837E8](http://www.aima.org/en/media_centre/press-releases.cfm/id/F883E869-ADEF-40B2-B098C4610F6837E8)

According to the Alternative Investment Management Association (AIMA), no hedge fund firm should be designated a “systemically important financial institution” by regulatory authorities. AIMA Chairman Todd Groomen states that “no single hedge fund firm today is sufficiently large, leveraged, complex or interconnected that its failure or financial stress would cause a market disruption sufficient to destabilise the financial system” – 7<sup>th</sup> July 2011 –

[http://www.aima.org/en/media\\_centre/press-releases.cfm/id/A1E31967-5455-479E-B4B3C84FCF048E80](http://www.aima.org/en/media_centre/press-releases.cfm/id/A1E31967-5455-479E-B4B3C84FCF048E80)

## **3.2.2 - Fund business**

### **Luxembourg**

UCI prospectuses: changes in the CSSF visa procedure following the introduction of the key investor information document (KIID) – 1<sup>st</sup> April 2011 –

[http://www.cssf.lu/fileadmin/files/Publications/Communiqués/Communiqués\\_2011/PR\\_KIID\\_0104.pdf](http://www.cssf.lu/fileadmin/files/Publications/Communiqués/Communiqués_2011/PR_KIID_0104.pdf)

UCITS incorporated under Luxembourg law as from 1 July 2011 - 17<sup>th</sup> May 2011 –  
[http://www.cssf.lu/fileadmin/files/Publications/Communiqués/Communiqués\\_2011/PR\\_update\\_law\\_2010\\_prospectus\\_170511.pdf](http://www.cssf.lu/fileadmin/files/Publications/Communiqués/Communiqués_2011/PR_update_law_2010_prospectus_170511.pdf)

LuxFLAG (Luxembourg Fund Labelling Agency) launches a new label for investment funds investing in environment related sectors - June 2011 –  
[http://www.alfi.lu/sites/alfi.lu/files/files/Press/Press%20releases/LuxFLAG - Press Release - June%202011 - En%20-%20Label EN%20-%20DRAFT.pdf](http://www.alfi.lu/sites/alfi.lu/files/files/Press/Press%20releases/LuxFLAG_-_Press_Release_-_June%202011_-_En%20-%20Label_EN%20-%20DRAFT.pdf)

Law on Specialized Investment funds to be adapted - 19<sup>th</sup> July 2011-  
[http://www.alfi.lu/sites/alfi.lu/files/files/Press/Press%20releases/20110719\\_Luxembourg%20prepares%20for%20AIFMD\\_EN.pdf](http://www.alfi.lu/sites/alfi.lu/files/files/Press/Press%20releases/20110719_Luxembourg%20prepares%20for%20AIFMD_EN.pdf)

## **Ireland**

IFIA hosted a workshop with the Central Bank to discuss the proposals for the practical implementation of the KIID - May 2011 –  
[http://www.irishfunds.ie/news\\_release\\_11.05.2011.htm](http://www.irishfunds.ie/news_release_11.05.2011.htm)

The AGM of the Irish Funds Industry Association announce that 711 jobs are to be created in the Irish funds industry by the end of 2011 - 20<sup>th</sup> May 2011 –  
[http://www.irishfunds.ie/news\\_release\\_20.05.2011.htm](http://www.irishfunds.ie/news_release_20.05.2011.htm)

The Central Bank of Ireland has issued revised Notices and Guidance Notes to reflect UCITS IV and other changes ensuring Ireland is ready for the transition to UCITS IV. – 1<sup>st</sup> July 2011 –  
[http://www.irishfunds.ie/news\\_release\\_01.07.2011.htm](http://www.irishfunds.ie/news_release_01.07.2011.htm)

The Irish Government has secured a High Court order to inject €2.7 billion into Irish Life & Permanent led by Malta-based fund Scotchstone Capital, taking control of a fifth Irish bank. The group confirmed that they would appeal the court order. – 21<sup>st</sup> July 2011–  
<http://www.maltabusinessweekly.com/mt/news.asp?newsitemid=11665>  
<http://www.irishtimes.com/newspaper/finance/2011/0727/1224301447053.html>

## **Cayman Islands**

The Navigator April 2011: Statistics on CIMA Licence/Registration Numbers for Investments and Securities for 2010 and Mar 2011. – Apr 2011 -  
- page 4: <http://www.cimoney.com.ky/TheNavigatorApril2011.aspx>

The Navigator April 2011: CIMA Extends International Cooperation Agreements the latest being with Turks and Caicos Islands and Dubai, bringing the total number of MOUs to 21. – Apr 2011 -  
- page 6: <http://www.cimoney.com.ky/TheNavigatorApril2011.aspx>

## **Switzerland**

Amendment of the Collective Investment Schemes Act in response to the EU's AIFM Directive - Mar 2011 –  
<http://www.news.admin.ch/message/index.html?lang=en&msg-id=38070>

Key Investor Information Document (KIID) introduced in Switzerland – 29<sup>th</sup> June 2011 –  
<https://www.sfa.ch/?action=download&type=mediarelease&id=52>

### **Singapore**

Monetary Authority of Singapore (MAS) consults on proposal to regulate credit rating agencies (CRA) – 23<sup>rd</sup> March 2011 –

[http://www.mas.gov.sg/news\\_room/press\\_releases/2011/MAS\\_Conults\\_on\\_Proposal\\_to\\_Regulate\\_Credit\\_Rating\\_Agencies.html](http://www.mas.gov.sg/news_room/press_releases/2011/MAS_Conults_on_Proposal_to_Regulate_Credit_Rating_Agencies.html)

### **3.2.3 - Insurance business**

#### **Bermuda**

The Bermuda Monetary Authority has been internationally recognised for helping to develop a new computer based insurance reporting system which uses a computer language known as XBRL. The European Insurance and Occupational Pensions Authority (EIOPA) recently announced that XBRL had been chosen to be the uniform format for Solvency II reporting across Europe. – 16<sup>th</sup> June 2011 –

[http://www.bma.bm/uploaded/162-News-110616\\_XBRL\\_Press\\_Release\\_FINAL.pdf](http://www.bma.bm/uploaded/162-News-110616_XBRL_Press_Release_FINAL.pdf)

This bulletin reports on recent activities at the Bermuda Monetary Authority and recent developments affecting the financial sector and the community generally. Attached to it are the regular statistical data updated for the quarter ended 31st March 2011. - July 2011 –

[http://www.bma.bm/uploaded/164-News-BMAREgulatoryJuly11\\_FINAL.pdf](http://www.bma.bm/uploaded/164-News-BMAREgulatoryJuly11_FINAL.pdf)

"The Bermuda Monetary Authority intends to allow Class 3A insurers to use pre-approved internal capital models for solvency reporting purposes. The Authority has released two consultation papers outlining revised reporting requirements for local insurers. -20<sup>th</sup> July 2011 –

[http://www.bma.bm/uploaded/165-News-110720\\_Insurance\\_Rules\\_FINAL.pdf](http://www.bma.bm/uploaded/165-News-110720_Insurance_Rules_FINAL.pdf)

### **3.2.4 - Banking business**

#### **Luxembourg**

The Luxembourg Central Bank (BCL) and the financial supervisor CSSF presented their joint quantitative impact study of the new liquidity rules on Luxembourg banks assessing the impacts of the two new liquidity standards developed by the Basel Committee, the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR). – 16<sup>th</sup> June 2011 –

<http://www.abbl.lu/news-publications/news-archive/abbl-news/impact-assessment-new-liquidity-rules-luxembourg-banks>

#### **Ireland**

"Restructuring of the Irish Banking System" report. Policies, reorganisation and right sizing of the Irish Banking system. - 31<sup>st</sup> March 2011 –

<http://www.finance.gov.ie/documents/pressreleases/2011/mn001presrev.pdf>

"Misjudging Risk: Causes of the Systemic Banking Crisis in Ireland" report. This Report explores what the Commission considers to be the most important policies, practices and linkages that contributed to the financial crisis in Ireland. – 31<sup>st</sup> March 2011-

<http://www.bankinquiry.gov.ie/Documents/Misjudging%20Risk%20-%20Causes%20of%20the%20Systemic%20Banking%20Crisis%20in%20Ireland.pdf>

2011 EU Wide Bank Stress Test Results for Irish Banks – 15<sup>th</sup> July 2011 –

<http://www.centralbank.ie/press-area/press-releases/Pages/2011EU-WideBankStressTestResultsforIrishBanksPublished.aspx>

## UK

"This publication produced jointly by the Bank of England and the Financial Services Authority (FSA) sets out how the Prudential Regulation Authority (PRA), which is currently expected to be created by the end of 2012 as a subsidiary of the Bank of England, will approach the delivery of its statutory objective for the supervision of banking. - May 2011 –

[http://www.fsa.gov.uk/pubs/speeches/boe\\_pra.pdf](http://www.fsa.gov.uk/pubs/speeches/boe_pra.pdf)

## Switzerland

The FINMA Circular "Capital buffer and capital planning in the banking sector" redefines the capital adequacy requirements for banks under Pillar 2 of the Basel Capital Accord. – 30<sup>th</sup> Mar 2011-

<http://www.finma.ch/e/regulierung/Documents/finma-rs-2011-02-e.pdf>

The Federal Council adopted the dispatch on the legislative proposals for dealing with the systemic risks of big banks. – 20<sup>th</sup> Apr 2011 –

<http://www.sif.admin.ch/00488/index.html?lang=en&msg-id=38721>

"Banks in Switzerland, 2010 edition" Main results from the Swiss National Bank's data collection. – 16<sup>th</sup> June 2011 –

[http://www.snb.ch/en/mmr/reference/pre\\_20110616\\_2/source/pre\\_20110616\\_2.en.pdf](http://www.snb.ch/en/mmr/reference/pre_20110616_2/source/pre_20110616_2.en.pdf)

### 3.2.5 - Pension business

#### UK - London

BRITAIN'S pension and savings funds suffered a devastating blow yesterday as almost £50 billion was wiped off the value of London's FTSE 100 Index alone. The collapse in share prices around the world came as investors panicked that the US could slide back into recession and eurozone may need further multi-billion-pound bailouts to help Italy and Spain. – 5<sup>th</sup> Aug 2011 –

<http://www.express.co.uk/posts/view/263095/PENSION-FUNDS-ON-MELTDOWN>

Cardano CIO Keith Guthrie said: "Funding levels could fall by 20% or more if fears of a full blown Eurozone crisis continue to grow. Most UK pension funds remain heavily invested in equities and only hedge a small proportion of liability risks." – 4<sup>th</sup> Aug 2011 –

<http://www.globalpensions.com/global-pensions/news/2099457/pension-plans-fail-protect-eurozone-crisis>

*The Malta Financial Services Authority (MFSA) has made every effort to ensure that information in this report is reliable and accurate at the time of publishing. However, neither the MFSA nor any of its employees make any express or implied representations or warranties regarding the material and facilities contained or referred to in this report, nor do we accept any liability for any loss or damage whatsoever which may arise in any way out of the use of any of the material or facilities; for errors in or omissions from the material or facilities; or for the accuracy of any information obtained through use of this report. The MFSA shall have no liability for any loss or damage arising out of negligence or otherwise howsoever as a result of use of or reliance on the information on this report.*