MFSA MALTA FINANCIAL SERVICES AUTHORITY

Circular

27 November 2024

Establishment of Single Family Offices in Malta

1. Context

A Single Family Office is a structure that manages the wealth of a single high-net-worth family, the primary objective of which is to help the family preserve, grow and transfer its wealth across generations. Single Family Offices typically offer a wide range of services including investment management, estate planning, philanthropic activities, as well as lifestyle management. Essentially, they provide a one-stop shop for the financial affairs of a high-net-worth family.

Single Family office structures very often comprise of various elements which, when tailored to the specific needs of the family they are servicing, offer streamlined and efficient wealth management solutions. Certain elements of a family office set-up may be subject to MFSA licensing or notification implications, depending on the type of structures used to establish the family office set-up.

Given that Single Family Offices have been identified as a growth opportunity for Malta's financial services sector, the MFSA has collaborated with the Malta Financial Services Advisory Council and other industry representative bodies and is streamlining its regulatory framework to further facilitate the setting up of Single Family Offices in Malta.

To this end, the Authority has amended two key frameworks and is, today, publishing the following revised rulebooks:

- The Investment Services Rules for Notified Professional Investor Fund and Related Due Diligence Service Providers; and
- The Trustees of Family Trusts Rulebook.

In updating the regulatory frameworks, the Authority has been mindful of any ML/TF risks which may arise and has sought to ensure that a subject person in terms of the Prevention of Money Laundering and Funding of Terrorism Regulations forms part of the structure at all times.

2. Amendments to the Investment Services Rules for Notified Professional Investor Funds and Related Due Diligence Service Providers

I. Amendments to Part A

Section 6 has been amended to allow a Notified PIF to be managed by a fund manager, established in Malta, which is exempt from the requirements for an investment services license in terms of Regulation 3(1)(f) or Regulation 3(1)(t) of S.L. 370.02 – the Investment Services Act (Exemption) Regulations, to the extent that the Notified PIF it manages is a family office vehicle which invests the private wealth of investors without raising external capital. To this end, the Notified PIF Notification Form has been updated accordingly.

The amendments also set out the conditions of what constitutes a 'family office vehicle', including detailed definitions of the types of investors they are available to.

II. Amendments to Part B

In view of the amendments to Part A, Rule 3.03 of Part B of the Rules has also been updated accordingly. More specifically, point (b) of the proviso thereto has been extended to incorporate certain reporting requirements for local managers which are exempt from the requirements for an investment services license, albeit these being limited to certain parts of Annex 2 to the Rules.

This clarification has been reflected in the respective MFSA Guidance Note which provides Reporting Guidelines for Notified PIFs.

III. Introduction of New Supplementary Rules

A new Section 5 has been introduced to provide supplementary rules applicable to Notified PIFs managed by exempt managers pursuant to the aforementioned newly introduced rules in Part A. This section *inter alia*:

- provides thresholds for the applicability of the fund manager exemptions described above;
- places the *onus* of verifying and confirming the applicability of the exemptions availed of by the fund manager on the Due Diligence Service Provider and the governing body of the Notified PIF, both on an initial and ongoing basis. Template forms (Annex H and Annex G), to be submitted to the Authority, have been introduced to this effect.

3. Amendments to the Trustees of Family Trusts Rulebook

The changes being introduced to this Rulebook in the context of these Family Office Structures, are over and above other amendments which are being introduced following a consultation procedure which was launched by the MFSA on 8 August 2023.

I. Amendments to Definitions

The most significant changes revolve around the definition of 'family member/family dependent' which has been updated to consider more contemporary circumstances whereby an individual may be deemed as such. Furthermore, in specific circumstances where the family trust administered by a registered trustee is set up *inter alia* for the purpose of investing assets in the aforementioned Notified PIF managed by an exempt manager, the definition of 'family member/family dependent' may be extended even further to include additional parties who are identified and defined as 'family clients'. To this effect, new definitions to cater for such parties have also been introduced.

II. Amendments to Registration Considerations

The amendments to the definitions, as described above, also necessitated amendments to the registration considerations contained in Title 2 of the Rulebook. These include [i] the preclusion of 'family clients' as beneficiaries in the context of establishing the family relationship and [ii] the provision of documentary evidence to the MFSA of the intention to set up a family trust to be administered by a registered trustee, or utilise an existing family trust administered by a registered trustee, for the purposes of investing in a Notified PIF in instances where 'family clients' are intended to be included as beneficiaries.

4. Contact

Should there be any queries, do not hesitate to contact us at ausecurities@mfsa.mt for queries pertaining to Section 2 and at tcspsupervision@mfsa.mt for queries pertaining to Section 3.