



Valletta, the capital city of Malta

# MALTA

## Futureproofing the islands' economic boom

The Maltese government's focus on macroeconomic stability, diversity and innovation has put the islands at the global forefront of numerous traditional and emerging industries

The small Mediterranean archipelago is one of Europe's best performing economies — the EU estimates that its gross domestic product (GDP) grew by 6.2% in 2018 and a further increase of 5.3% is expected in 2019.

"Malta's success came because we identified the main drags on the economy and confronted them," says Minister for Finance Edward Scicluna. This resulted in numerous structural reforms, such as shifting the energy mix away from oil, introducing free childcare for all and shifting the tax burden from direct to indirect taxation. As a result, not only is the economy booming but Malta has had a budget surplus for three years in a row,

notes Scicluna: "Unemployment rates are also now among the lowest in the EU and the national debt has seen a significant decline."

Macroeconomic stability is one factor attracting increasing international businesses to the islands. Other draws include a first-rate business climate, good infrastructure, competitive labor costs, EU membership, a strategic location that makes it a gateway to Europe and Africa, and the use of English.

In addition, "Malta's small size and reliance on smart manpower due to lack of natural resources pushes it to the limits of economic diversification. No new sector is overlooked," says Scicluna. Traditionally renowned as a leading

player in financial services, advanced manufacturing, the maritime sector, logistics and tourism, this focus on diversification has helped turn the country into a hub for emerging innovative and high-tech industries such as blockchain and online gaming.

A key to Malta's position at the forefront of these sectors is its innovative and rapid approach to introducing legislation. For example, in 2018 it launched the world's first regulatory framework for distributed ledger technologies.

The new framework will help Malta build on an already very strong financial services sector that includes the world's 17th-soundest banking system, according to the World Economic Forum.

**"Malta is very much on the international investor radar. It has an open, diversified and growing economy."**

Michael Collis, CEO and Managing Director, BNF Bank

Michael Collis, CEO and managing director of BNF Bank, gives two reasons for this soundness: "Malta has a robust regulatory environment and banks are conservative. Even during the global financial crisis, they were resilient." BNF Bank is a shining example of this. Originally called Banif Bank, it established operations in Malta 10 years ago and its activities are split 50:50 between retail and corporate banking.

Since 2016, when Qatar's Al Faisal Holding acquired majority shares in the bank, "Our capital base has increased from \$28 million to \$96 million and we are rap-

Edward Scicluna  
Minister for Finance

idly increasing our market share. Our rebranding reflects our renewed vision — we want to build a new future with our clients, backed by a high level of service, and the ability to offer innovative products

and solutions," says Collis.

"Our capital increase will enable us to increase our share of the larger-corporate sector, tap into new markets and further internationalize the bank," he says, noting that it already has excellent relations with bigger U.S. institutions, such as Bank of New York Mellon, and is actively involved in helping businesses move to Malta.

"We are seeing a great deal of investment coming in at the moment and Malta is very much on the international investor radar," he states; "It has an open, diversified and growing economy — Malta has a lot to offer."

# Why Malta is ahead of the game in blockchain and cryptocurrencies

Malta's transformation into "Blockchain Island" is founded on an innovative approach to legislation and regulation that builds on its success in creating a first-class environment for gaming

2018 saw the world's media hail Malta as "Blockchain Island" when it introduced the first legislative framework for distributed ledger technologies (DLTs), blockchain and cryptocurrencies.

"Malta has become a leading innovator in these technologies because we see their huge potential and the likelihood of them changing the landscape for various industries," explains Silvio Schembri, Parliamentary Secretary for Financial Services, Digital Economy and Innovation.

The government is committed to embracing the disruptive technologies and putting Malta at the epicenter of their advance, he says: "We have laid the foundations for this technological revolution to flourish. But our aim is not just to attract these technologies. It is to create a conducive environment where innovation can take place in legal certainty and with peace of mind that any legislative changes will not occur without considering industry concerns."

Indeed, the new framework consisting of three acts was developed after detailed consultation with all stakeholders. "The acts provide legal certainty and will help achieve stability, market integrity and consumer protection," says Schembri; "We like to think we are showing the world the way forward."

Malta's track record in creating innovative and effective legislation that has allowed highly specialized industries, such as gaming, to thrive has already given two of

Silvio Schembri  
Parliamentary Secretary for Financial Services,  
Digital Economy and Innovation

the world's largest cryptocurrency exchanges — Hong Kong's OKEx and Binance — the confidence to start operating in the country. "The response has been tremendous and produced a ripple effect among other crypto and block-

**Regulators need to ensure operators are compliant but they also need to be innovative."**

Heathcliff Farrugia, CEO, Malta Gaming Authority

chain-based companies," he notes.

"Thanks to Malta's diversified economy, it offers an attractive ecosystem where these firms can benefit from synergies with, for example, our financial and gaming sectors," says Schembri.

Heathcliff Farrugia, CEO of the Malta Gaming Authority (MGA), confirms that the islands' gaming companies are increasingly interacting with the disruptive technologies: "They are looking at cryptocurrency as a payment solution, for instance, blockchain for automating payments and



Malta has become a global frontrunner in distributed ledger technologies

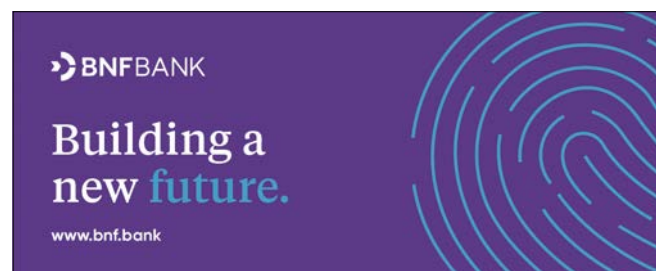
random number generation, and DLT for know-your-customer due diligence."

The MGA is the independent regulator for online and land-based gaming in Malta, and is responsible for implementing the

of the largest players in the industry and it is especially tempting for start-ups. Our biggest advantage is that we were the first to regulate gaming 14 years ago, so everything is here: top lawyers, accounting firms, specialist services and government support," Farrugia states.

Over those years, the sector has evolved from casinos to high-tech online gaming. To take account of its development, Malta updated its gaming legislation in 2018. The new legislation has also improved the MGA's ability to carry out its regulatory activities and simplified bureaucracy for operators.

Farrugia believes it is vital for the MGA to remain at the cutting-edge of regulation: "Regulators need to ensure operators are compliant but they also need to be innovative. When you have proper regulations, you can start controlling, understanding and supervising new sectors. For the MGA, innovation is not an option, it is a must."



## Malta's financial services regulator leads — setting an example for the rest of Europe

The Malta Financial Services Authority is reinventing itself and investing in innovation to take account of new technologies

The Malta Financial Services Authority — MFSA — is the single regulator for all financial service activities in Malta. It is also responsible for housing the country's companies' registry. Joseph Cuschieri, a man who brings to the table extensive experience in economic regulation in both the public and private sector, was appointed as its new CEO in 2018.

Cuschieri plans to transform the organization into an internationally recognized world-class regulator. "Blockchain, fintech and the technological transformation currently defining Malta's financial industry are going to have a massive impact on the financial services sector as we know it today. One of my primary objectives is to create a new



**Joseph Cuschieri**  
CEO, Malta Financial Services Authority (MFSA)

vision for the MFSA, making technology mission-critical for our organization," states Cuschieri.

One of the challenges the MFSA faces is transforming Malta's traditional financial services sector

in line with the new technologies. Blockchain, for example, is revolutionizing the way service platforms interact with end users. Cuschieri explains: "Financial technology and automation will empower consumers. For regulators, this presents new challenges because up till now we have regulated and supervised the sector in the traditional way. Moving forward within such a technologically dynamic environment, it will be all about the stringent standards we have set for ourselves."

The government sponsored the Delta Summit in 2018, the first event of its kind, to showcase Malta's achievements in the blockchain space. The summit surpassed all expectations. Cuschieri, who was on the panel at the event, believes that: "The regulatory framework, which puts legal certainty on the technology surrounding blockchain, is ensuring that Malta becomes a hub not just for established financial institutions but also for start-ups in blockchain, gaming companies and service sectors, like health, tourism and support services."

The MFSA recently announced a three-year plan that aims to ensure

it will evolve into one of the top five financial regulators in Europe. The groundbreaking regulatory technology being implemented under Cuschieri's leadership, coupled with Malta's undisputed seniority in the industry, looks set to put Malta way ahead of the competition.

Reactions to Malta's regulation of distributed ledger technology and cryptoassets in the international community have been varied. Some of the key players in the blockchain industry, for example France and Switzerland, have taken a practical approach that follows Malta's lead. Other countries, like the US, have made their concerns clear, with worries centered around the risks of money laundering.

Cuschieri is convinced the European Union will come up with a regulatory framework soon. His view is that: "As a jurisdiction, it is not up to us to state whether virtual currencies are a good or bad option. What we are doing is implementing a framework — introducing regulations and legislation which will ensure maximum transparency and protection for consumers, while safeguarding the integrity of our financial system here in Malta."

### Leading the world in the regulation of virtual financial assets

In November 2018, Malta became the first country in Europe to introduce a holistic package of legislation covering distributed ledger technologies, such as blockchain, and cryptoassets. The new framework has received "very positive feedback," says Joseph Cuschieri, CEO of the Malta Financial Services Authority (MFSA), who was a member of the task force that developed the laws. "It was an area that was unregulated and we wanted to put a framework in place which protects consumers and the financial integrity of our system," he explains.

Providing legal certainty, investor protection, market integrity and financial stability, all while demonstrating support for innovation and technology, the regulations should help "make Malta the hub for blockchain," states Cuschieri. Implementing the framework is also the first step in the MFSA's vision to become internationally recognized as a regulator of excellence in fintech.

Malta's financial services regulator is highly experienced — at the end of 2017,



it was supervising and ensuring the compliance of over 2,180 operators and funds with an aggregate net asset value of €10.6 billion. But the regulation of fintech brings new challenges, he says: "The way you govern the sector has to change and MFSA needs to be a leader in new technology in order to administer and supervise the sector, to show leadership and to set an example. If you are legislating, professing and pontificating about blockchain, fintech and cryptocurrencies, you can't be using technology from the '90s yourself."

Already known for its high standards, in the new regulations, "MFSA has raised the bar in terms of the standards we impose. Some in the industry think they are too high but there are inherent risks in cryptoassets and we wanted to make sure they were mitigated. We did this by raising the bar in both technical standards and licensing requirements — but we haven't made it impossible," stresses Cuschieri.

Most of the regulatory measures for obtaining licenses to operate in Malta's new cryptoasset space concern consumer protection and platform integrity, while also making sure anti-money-laundering procedures are applied and that Malta's traditional financial system is not contravened.

Cuschieri is convinced that the traditional financial services sector's interaction with users will be transformed by new technologies and that Malta is ideal for companies operating in these disruptive industries: "Malta is outstanding when it comes to technology and innovation. We offer the right environment, the right incentives and the right support for companies. It's the perfect place."

**MFSA** MALTA FINANCIAL SERVICES AUTHORITY

Malta Financial Services Authority  
www.mfsa.com.mt



Gozo's historic Cittadella has been recently restored

## Gozo means business

Malta's second-biggest island is value-added, idyllic and focused on economic and environmental sustainability

Gozo has been one of the best performing eurozone economies for five years. It benefits from Malta's growth in tertiary services and tourism, but its approach to investment attraction is focused on high-value niches fitting its development goals.

Gozo is idyllic. With 7,000 years of history, it is pursuing an ecological development brand for tourism and residential services that builds

on its natural and architectural assets, and agricultural and marine traditions. Its unspoiled, inspiring and tranquil beauty provide the ideal getaway, while kayaking, climbing and diving are enjoyed for most of the year, thanks to its mild climate.

Gozo is innovative and distinctive. It focuses on longer-stay tourists seeking immersive experiences and boutique accommodation. The



Gozo: I live, I work, I play

recent restoration of the historic Cittadella is a shining example of sustainable regeneration. Barts and the London School of Medicine and Dentistry are establishing a medical school in Gozo, and Steward Healthcare is developing a medical hub. Thynk Software and RS2 Software are examples of successful IT companies in Gozo that are connecting efficiently with the world.

Gozo is connected. It is an hour from Malta International Airport and connectivity is being enhanced through investments in maritime, digital and road infrastructures.

Gozo is well resourced. Its population is ambitious, well-educated

and embraces modern industries. Businesses benefit from a vibrant ecosystem and favorable incentives, and a new entity for regional development will provide a further boost.

Gozo looks to the future with optimism, eager to forge partnerships with businesses that can grow in a way that is consistent with its long-term vision of a value-added and idyllic destination focused on economic and environmental sustainability.



### The exquisite island of Gozo is building connections with the world's tourists and businesses

Justyne Caruana, Minister for Gozo, explains how Malta's second-largest island is developing sustainably.

**PR** Half of Gozo's gross domestic product depends on tourism. How are you promoting Gozo internationally?

**JC** We are trying to promote Gozo as a distinct destination from Malta. Traditionally, people came to Malta and then by chance discovered Gozo. We are working to challenge this — and we are succeeding because people now want to come specifically to Gozo.

We are promoting Gozo's distinctive package. If you take the time to look around, you will see the natural beauty of the area. Apart from its environmental attractions, we have a very strong cultural heritage; for example, the Megalithic is the world's oldest prehistoric temple — much older than the



**Justyne Caruana**  
Minister for Gozo

U.K.'s Stonehenge. Today, I am opening an exhibition, which includes a work by Salvatore Busutil that is one of the finest artistic pieces on the island. We were very fortunate to acquire it for Gozo's museum.

There are various other attractions on the island that we are working to promote, such as Roman remains and a Phoenician shipwreck. In addition, Gozo faced a huge challenge — its tourism

was restricted to the summer season. The ministry worked hard to change this by creating a year-round cultural calendar with numerous events and now there is tourism throughout the year.

**PR** A mega project has been announced — building a tunnel to link Malta and Gozo. How will this contribute to growth?

**JC** We are now in a position to establish timeframes for the project, which will be based around a seven-year program. At the moment, the connection is via ferry. When the tunnel is operational, we are expecting huge changes and the influx of visitors will increase greatly.

There will be positive and negative impacts. One of the positives will be the mobility of our people but it will also increase vehicle traffic and our carbon footprint. We have already started work on preventing the negative byproducts of this. Part of our decarbonization strategy is to place a park-and-ride at the tunnel. This will use electric buses

to move people once they have parked their vehicles and is in line with Gozo's status as an ecological island.

**PR** You have said there are not enough contractors in Gozo but there is increasing international interest. What incentives are there for businesses to set up in Gozo?

**JC** Our government is very open and always just a phone call away. If a new business is opening or relocating here, we have business packages on offer. If you need to hire an employee, we will give you €6,000 to support you in this when you provide an employment contract for at least three years. This is just one way we encourage businesses to come to Gozo and employ local people.

We are trying to turn the ministry into a one-stop shop. So, if you come here and you want to get things moving fast, you will not need to go from one place to another. In business, time is money, so we make business in Gozo worth your while.

Ministry for Gozo  
St. Francis Square, Victoria, Gozo, Malta | Tel: +356 2210 0000 | ministryforgozo@gov.mt | www.mgoz.gov.mt



# Making Malta a better place to live, work and invest

Transparent, fair, efficient and innovative planning services provide a balanced and sustainable environment in Malta

Malta is seeing unprecedented growth in construction projects, says Johann Buttigieg, executive chairman of the country's Planning Authority, the entity responsible for regulating land use on the islands. "Due to the huge government initiatives for foreign investors there is enormous investment coming in and every week companies are opening offices," he says.

This influx creates a need for more housing, schools, education and hospitals. For example, "The government is also investing over €100 million a year in infrastructure," notes Buttigieg. As a result, the authority received over 11,300 planning applications in 2017, a rise of 24% on 2016, and in 2018 it approved new projects worth over €500 million.

The Planning Authority's major role is to provide transparent and



**Johann Buttigieg**  
Executive Chairman, Planning Authority

fair planning services that balance the sustainability of Malta's environment with the changing needs of the population and investors. "We are extremely careful about controlling the quality of developments. However, a planning permit is normally granted promptly — there is a time limit of 100 days

— and we are available to meet any investor at very short notice," he states.

In order to carry on fulfilling its responsibilities effectively and efficiently in a period of rapid growth, the entity has recently upgraded and modernized its internal processes and technologies, and introduced a new online platform. It is also updating its policy framework. "We have forged ahead to a much higher level. Now, we must push Malta's boom forward but control its negative effects," says Buttigieg.

## Planning for the future

In line with Malta, the Planning Authority is focused on being a leader in innovation and it is currently coordinating 10 EU-funded research projects worth over €7 million in topics that include green infrastructure, coastal management and smart cities.

Spacial information is another key research priority. The authority has recently launched new

digital mapping services and is implementing an ambitious national information project that will make Malta a global frontrunner in geo-spatial technology. Part of this project will see the creation of 3D maps of the islands that extend up to a nautical mile from the coastline, he says: "We are looking to progress and not only at offering services for land-based industries but also underwater. We expect to invest a further €40 million in this."

The authority is also researching best international practices for managing disused land and expanding its strategy for smart cities. "We are moving towards developing smart cities that are integrated into our infrastructure. Perhaps Malta will set the bar and be the first in Europe to run as a smart country," he suggests. Buttigieg believes that new planning advances such as this will help attract even more investors and stresses that the Planning Authority is "ready to deliver — whenever, wherever."

## Better planning for today and tomorrow



PLANNING AUTHORITY

[www.pa.org.mt](http://www.pa.org.mt)

# On the road to quality transportation

With excellent airport and seaport facilities in place, Dr. Ian Borg, Minister for Transport, Infrastructure and Capital Projects, is focusing his attention on Malta's roads

**PR** How are you ensuring Malta's economic success continues?

**IB** The various decisions we have made as a government have ensured the creation of a healthy financial environment for local and foreign investors, which has also attracted foreign direct investment. It is clear that Malta and its economy are growing steadily. But for every country with a growing economy, it is necessary to have sound and high-quality infrastructure. We have achieved extraordinary results — but not because of our infrastructure.

So this is what we are doing now — we are focusing on upgrading our country's infrastructure, our road network. This government has committed itself to major infrastructural road projects and also to the upgrading of the whole residential road network. We are investing almost \$800 million to enable our country to finally get a residential road network that caters for today's needs, while we are implementing other medium and long-term projects on our road arteries and junctions. This is the priority of our government's program.

**PR** What impact does Malta's size have on the ease of doing business?

**IB** I am convinced that being part of a small community, like Malta, provides the opportunity to be nearer to the people, to listen to people and to their real needs, and to be able to take action to respond promptly and efficiently to them.

The same applies to foreign investors; we are only a phone call away. Being a small country makes it easier to make things happen faster — meeting companies that are willing to invest in our country is a normal part of our course of work and I regularly receive requests for meetings with companies looking to invest. This agility can only be found in small administrations.

This government believes in strong and healthy public and non-governmental organization participation. We are willing to put ideas on the table and discuss, and that is what we are doing. Be it for land administration, transport planning, connecting the islands of Malta and Gozo, or better planning, for example.

**PR** Can you comment on the government's public and private transport initiatives?

**IB** This is a complex issue — there is no single solution for such a densely pop-



The government has committed itself to major road infrastructure projects

ulated island state. Our public transport is carrying more than 3.5 million passengers a year. We have to improve and increase this capacity, while at the same time working to create further transport systems. We are encouraging our authorities to do more, especially in marine transportation, for example, the ferries. We have a thriving ferry system between Cottonera, Valletta and Sliema. 62,000 passengers were carried on our ferries in 2012 — 1.6 million was the final figure for 2018.

It is imperative that we combine our advances with e-motor vehicles. However, we have to be realistic about our culture — most Maltese people like their cars. We need to offer incentives, which we started doing a couple of years ago. We are currently providing free public transport to young people and offering incentives for switching to cleaner transport, such as no registration tax and up to almost \$7,900 when people switch to an electric vehicle.

We are investing in the infrastructure that supports electric vehicles but I still believe that the electrification of the transport system is a market-driven scenario. People are still waiting for electric vehicles to have improved designs, longer-lasting batteries and lower prices. So, it is not only about the government giving out incentives, it is also about the automobile industry doing its part. And products are already improving.

**PR** In 2018 more than \$67 million was spent on road infrastructure, which will rise to about \$113 million in 2019, as part of a seven-year



**Dr. Ian Borg**  
Minister for Transport, Infrastructure and Capital Projects

plan. Can you provide more insight into this strategy?

**IB** We would like to resurface all our roads, especially the residential ones. Local councils had responsibility for their upkeep but were not equipped with the right resources. The government decided to take on the responsibility, share the burden, and set up an infrastructure agency to carry out the works within seven years.

We have achieved considerable economic success, tourism is booming, and people want to work and live in Malta. It is, therefore, imperative that we ensure that no part of the island is neglected. For this reason, the government is actively intervening to improve our infrastructure. We strongly believe that infrastructure is one of the pillars of any country's economy and so we are committed towards an improved infrastructure for our country for the benefit of our communities.

## Malta: Facts and figures



**The islands**  
The Mediterranean archipelago of Malta is made up of three islands: Malta, Gozo and Comino



**Surface area**  
122 square miles



**Population**  
475,700



**Capital city**  
Valletta, the European Capital of Culture, 2018



**GDP growth**  
5.3% is predicted for 2019



**Currency**  
Euro



**Unemployment rate**  
3.8%



**Official languages**  
English and Maltese